FINANCIAL STATEMENTS OF

# SWAT EXPRESSWAY PLANNING CONSTRUCTION AND OPERATIONS (PRIVATE) LIMITED

FOR THE YEAR ENDED
JUNE 30, 2024

Tel: +92 51 260 4461-5
Fax: +92 51 260 4468
www.bdo.com.pk

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

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

December 13, 2024
BDO/AUD/1208/24

**AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024**

Dear Board members,

We are pleased to enclose herewith two 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, 2024 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:

- Transactions with related parties as stated in the note 37 to the financial statements;
- Remuneration of chief executive officer, directors and executives as stated in note 35 to the financial statements;
- Change in accounting policy as disclosed in note 4.1 to the financial statements;
- Change in accounting estimate as disclosed in note 4.2 to the financial statements;
- Additions during the year of operating fixed assets amounting to Rs. 0.677 million;
- Claim from PKHA against incremental and consequential costs upon occurrence of force majeure event at chakdara toll plaza amounting to Rs. 116.581 million;
- Write offs of buildings, structures, and equipment and computer accessories under concession assets charged during the period amounting to Rs. 24.740 million, Rs. 8.179 million and Rs. 52.971 million;
- Bonus to employees charged during the year amounting to Rs. 2.092 million;
- Contribution in provident fund amounting to Rs. 2.301 million;
- Provision for Expected Credit Loss (ECL) allowance on trade debts amounting to Rs. 5.234 million;
- Trade debts written off amounting to Rs. 4.030 million; and
- Deferred tax assets at the year end amounting to Rs. 4,258.048 million.

(c) Directors' report for the year ended June 30, 2024,

(d) Statement of compliance (Public sector Code of (Corporate Governance) Rules 2013),

(e) Confirmations as per Annexure-I,

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 the 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 unconsolidated financial statements does not relieve the management of its responsibilities.

These financial statements shall remain and be deemed unaudited unless these have been approved by the board, and signed by the Chief Executive Officer and one Director authorized to do so on its behalf and the audit report on these financial statements has been signed by us.

## 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 "Directors Report", if any to ensure that it is not materially inconsistent with the financial statements.

## 3. ACCOUNTING FOR TAXES UNDER THE INCOME TAX ORDINANCE, 2001 ("THE Ordinance") NOT BASED ON THE PROFITS OF THE COMPANY

During the year, the Institute of Chartered Accountant of Pakistan issued a guidance namely "IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes" through circular No. 7/2024 dated May 15, 2024, and defined following two approaches:

**Approach 1:** Designate the amount calculated as tax on gross amount of revenue or other basis as a levy within the scope of IFRIC 21/IAS 37 and recognize it as an operating expense. Any excess of expected income tax paid or payable for the year under the Ordinance over the amount designated as a levy is then recognised as current income tax expense in the profit and loss account.

**Approach 2:** Designate the amount of tax calculated on taxable income using the notified tax rate as an income tax within the scope of IAS 12 'Income Taxes' and recognize it as current income tax expense. Any excess of expected income tax paid or payable for the year under the Ordinance over the amount designated as current income tax for the year, is then recognised as a levy.

During the year, the Company changed its accounting policy to comply with the above guidelines by adopting the approach 2 and has accordingly not recognised any current tax expense during the year based on taxable profit using the enacted tax rate due to taxable losses, instead minimum tax under section 113 of ITO amounting to Rs. 13.434 million has been recorded as a levy falling under the scope of IFRIC 21/IAS 37.

The change in accounting policy has been accounted for retrospectively in accordance with International Accounting Standard 8: 'Accounting Policies, Changes in Accounting Estimates and Errors'. There is, however, no material impact on the financial statements of the prior years. We would like this to be brought to the attention of the Board.

## 4. CHANGE IN ACCOUNTING ESTIMATE

During the year, the Company revised its accounting estimate regarding the useful life of the class of asset related to road infrastructure (concession assets). This change in useful life has resulted in a reduction of depreciation for the road infrastructure (concession assets) amounting to Rs. 914.843 million. As per the management, the new estimate reflects more reliable and relevant information to users of the financial statements. Please confirm this in your representation.

## 5. LIQUIDITY CONCERN

The Company's liquidity position has been significantly strained due to its challenging financial situation and substantial losses incurred over recent years. During the year, the Company obtained an additional loan of Rs. 637.625 million from FWO, under the sponsor support agreement, to manage its markup repayments to the National Bank of Pakistan (NBP). Furthermore, this issue is compounded by an overdue financial obligation of Rs. 3,635.503 million to FWO and an upcoming financial obligation of Rs. 372.989 million to NBP, due in the coming year.

Additionally, we noted that the Company does not appear to have sufficient financial resources to meet these commitments. However, as per management, they plan to arrange funds through revenue collections and the utilization of a finance cost cap facility from PKHA, which is currently under discussion. Management is also actively pursuing further strategies to address the situation, engaging with the Parent Company and other stakeholders to explore potential solutions.

We recommend that management formulate robust strategies and actionable plans to ensure the Company's financial stability.

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## 6. PROPERTY AND EQUIPMENT

6.1 We noted that the fixed assets register for concession assets has not been maintained as per the requirements of TR 6 issued by the Institute of Chartered Accountants of Pakistan. This is an important record as it enables the management to provide itemised control over the fixed assets of the Company. We recommend that a fixed assets register be maintained in the normal form and all the assets should be coded to provide the information that can facilitate the physical identification of assets in order to ensure completeness and existence of concession assets.

6.2 We noted that the Company does not have a proper capitalisation policy duly approved by the Board of Directors (BOD) of the Company. In the absence of a proper capitalisation policy there is a risk that certain material items of the assets may not be capitalised which may result in the distortion of the operating results of the Company. We recommend that the BOD should formulate a proper capitalisation policy in order to bring consistency in accounting for capital and revenue expenditure.

6.3 We have observed that fixed assets are not coded and tagged. Further the Company does not have any practice of periodic physical verification of fixed assets. In the absence of appropriate coding and tagging, assets are difficult to locate and verify physically at the time of disposal and for test of impairment. Further in the absence of periodic physical verification there is a risk that the fixed assets may not be properly safeguarded. We recommend that all the assets should be properly coded and tagged for effective control.

6.4 We have observed that the Company has written off buildings, structures, equipment, and computer accessories under concession assets, amounting to Rs. 24.740 million, Rs. 8.179 million, and Rs. 52.971 million, respectively, in the profit and loss statement for the year. This write off is attributed to the occurrence of a force majeure event at the Chakdara toll plaza. Furthermore, the Company has already submitted a claim to PKHA in accordance with the concession agreement for reimbursement of incremental and consequential costs related to the damaged or lost assets which have been received subsequent to year end. Please confirm the management representation.

## 7. DEFERRED TAX ASSET

Management has recognised a deferred tax asset amounting to Rs. 4,258.048 million as at the date of the 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 will not be utilised and may lapse. Under these circumstances, the deferred tax asset would need to be adjusted and recognised as a tax charge. Kindly confirm that the projections prepared are consistent with the overall business strategy and future outlook for the Company.

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## 8. EMPLOYEES PROVIDENT FUND

As per the Income Tax Ordinance, 2001, every company is required to establish a separate trust for employee provident funds. Additionally, under Section 218 of the Companies Act, 2017, both employer and employee contributions to the provident fund must be maintained in a special account with a scheduled bank. However, we have noted that the Company has neither established trust nor maintained the provident fund balance in a special account with a scheduled bank. The fundamental purpose of these funds is to utilize the balances effectively to enhance returns for employees, ensuring that, upon termination or retirement, the funds possess sufficient resources to meet their obligations. Due to the absence of trust, this benefit has been foregone for employees.

As per management, the company is in process of registering trust for provident funds. Furthermore, management has indicated that the establishment of separate bank accounts is restricted by the Common Term Agreement (CTA) with the National Bank of Pakistan. Please confirm the management representation. We recommend that the management expedite the process of registering a trust to ensure compliance with legal requirements and to avoid potential penalties.

## 9. MINIMUM WAGE

As per clause (a) of sub-section (1) of Section 6 of the notification dated September 21, 2023, issued by the Minimum Wages Board, Directorate of Labor, Government of Khyber Pakhtunkhwa, the minimum wage rates are set at Rs. 32,000 per month or Rs. 1,230.77 per day for twenty-six working days per month. However, it has been observed that management is paying a minimum of Rs. 26,875 per month. We recommend that the company immediately adjust the wages to meet the prescribed requirements. Furthermore, regular payroll reviews should be conducted to ensure ongoing compliance with local labor laws and to avoid potential penalties.

## 10. SUBORDINATED LOAN WITH FWO

We have observed that there is no formal agreement with Frontier Works Organization (FWO) regarding the subordinated loan, specifically concerning the utilization of the loan, repayment terms, and any surcharges for late repayment. This situation raises the risk of cash misappropriation and liquidity concerns for the Company if the loan is demanded unexpectedly. We recommend that a proper subordinated loan agreement be established.

## 11. FINANCE COST

We observed that the Company incurred a loss before tax of Rs. 3,851.738 million (2023: Rs. 4,437.784 million), which includes finance costs amounting to Rs. 2,562.160 million (2023: Rs. 2,010.803 million). This highlights that the finance costs associated with borrowings are significantly impacting the Company's financial position and indicates a substantial exposure to interest rate risks. Further, given that the majority of borrowings are based on variable interest rates (KIBOR), the Company is highly sensitive to fluctuations in interest rates.

## 12. INTERNAL AUDIT FUNCTION

We noted that there is no internal audit function operating within the Company. This absence poses a risk that controls may not be implemented effectively. We recommend that management review the necessity of establishing an internal audit function, taking into account the current and anticipated future activities of the Company.

## 13. GENERAL

We have not been provided with a few confirmation certificates in respect of year end balances of customers and suppliers. We have performed alternative tests to confirm the status of closing balances. We recommend that at least at year-end balance confirmation should be obtained from the major customers and suppliers to confirm that books of accounts reflect the correct position.

## 14. IFRS SUSTAINABILITY DISCLOSURE STANDARDS IN PAKISTAN

The ESG (Environmental, Social and Governance) considerations have become increasingly important for companies in recent years as awareness among investors and stakeholders have been on the rise owing to the significant impact of E, S and G factors on the climate, society, and corporate governance. It is pertinent to mention that governance disclosures are already focus of regulatory disclosure requirements are predominately covered under the Listed Companies (Code of Corporate Governance) Regulations, 2019 subject to regulatory filings. There is also increasing investor expectations for disclosure on E&S governance, including how the board provides oversight of material E&S factors, how E&S factors are integrated into company strategy, how E&S is taken into account in the board skills matrix and director education, and the linkage of executive compensation to E&S metrics and targets.

Integrating sustainability considerations into business operations can assist businesses in mitigating risks, improving reputation, offering sustainable products/services and creating long-term value for stakeholders.

The Securities and Exchange Commission of Pakistan issued an ESG Regulatory Roadmap in June 2022 outlining actions ranging from creating awareness, discussing disclosures needs, development of ESG focused products leading to an overall impact assessment in a phased manner.

The Institute of Chartered Accounts of Pakistan has also established a working group "Study, Consultation and Recommendations for Implementation in Pakistan" which has proposed adoption of IFRS S1 and S2. All companies, subject to fulfillment of criteria given below, shall publish sustainability reports in accordance with IFRS Sustainability Disclosure Standards:

Phase I - period beginning on or after January 1, 2025

- Turnover greater than Rs. 25 billion in last two consecutive financial years as per their financial statements; or
- employees (permanent and contractual) greater than 1,000 in number; or
- Total assets greater than Rs. 12.5 billion.

Phase II - period beginning on or after January 1, 2026

- Turnover greater than Rs. 12.5 billion in last two consecutive financial years as per their financial statements; or
- employees (permanent and contractual) greater than 500 (in number); or
- Total assets greater than Rs. 6.25 billion

Phase III - period beginning on or after January 1, 2027

Only Listed Companies (other than those falling in Phase I and Phase II above).

As these IFRS Sustainability Disclosure Standards are yet to be adopted/implemented, this necessitates a comprehensive understanding and preparedness of the Company to seamlessly transition into the new era of sustainability reporting. Therefore, we recommend that appropriate steps should be taken in this regard.

## 15. CONTINGENCIES AND COMMITMENTS

We have been informed by the management that there are no contingencies and commitments of the company as on the date of financial statements other than those disclosed in the notes to the financial statements. Please confirm the management representation.

## 16. 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 representation made by the management.

## 17. 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 that would have financial reporting implications. Kindly confirm the representations made by management.

### 18. FRAUD AND ERROR

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

### 19. 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.

### 20. SUBSEQUENT EVENT

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.

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

Yours faithfully,

BDO Ebrahim & Co.

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

BDO

Annexure-I

| S No. | Confirming Party |
|---|---|
| RELATED PARTIES | |
| 1 | Frontier Works Organization |
| 2 | Pakhtunkhwa Highways Authority |

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Fax: +92 51 260 4468
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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, 2024, 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 material 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, 2024 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.

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

**Report on Other Legal and Regulatory Requirements**

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditors report is Atif Riaz.

BDO Ebrahim & Co

**ISLAMABAD**

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

**DATED: JANUARY 15, 2025**
**UDIN: AR202410060Mcwyof4xi**

**SWAT EXPRESSWAY PLANNING CONSTRUCTION AND OPERATIONS (PRIVATE) LIMITED**
**STATEMENT OF FINANCIAL POSITION**
**AS AT JUNE 30, 2024**

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property and equipment | 5 | 21,909,851,906 | 24,011,503,515 |
| Deferred tax asset | 6 | 4,258,048,494 | 3,327,193,239 |
| | | 26,167,900,400 | 27,338,696,754 |
| **CURRENT ASSETS** | | | |
| Taxation- net | 7 | - | 5,092,390 |
| Trade debts | 8 | 88,794,009 | 103,638,432 |
| Prepayments, receivables and advances | 9 | 130,517,253 | 9,581,398 |
| Cash and bank balances | 10 | 155,016,642 | 34,116,050 |
| | | 374,327,904 | 152,428,270 |
| **TOTAL ASSETS** | | 26,542,228,304 | 27,491,125,024 |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Share capital | 11 | 19,815,275,900 | 19,815,275,900 |
| Capital reserve | 12 | 1,667,710,885 | 1,667,710,885 |
| Revenue reserve | | (15,271,879,672) | (12,337,562,681) |
| | | 6,211,107,113 | 9,145,424,104 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term loans | 13 | 12,589,440,951 | 12,263,988,579 |
| Long term musharakah | 14 | 1,927,735,847 | 1,900,000,000 |
| Provision for hand back | 15 | 222,589,133 | 208,241,307 |
| Security deposits | 16 | 9,867,000 | 4,527,000 |
| | | 14,749,632,931 | 14,376,756,886 |
| **CURRENT LIABILITIES** | | | |
| Current maturity of long term loans | 17 | 3,728,502,765 | 2,014,252,279 |
| Current maturity of long term musharakah loan | 14 | 57,000,000 | 159,458,895 |
| Taxation- net | 7 | 7,194,711 | - |
| Retention money payable | 18 | 1,016,076,534 | 1,016,076,534 |
| Trade and other payables | 19 | 772,714,251 | 779,156,326 |
| | | 5,581,488,261 | 3,968,944,034 |
| **TOTAL EQUITY AND LIABILITIES** | | 26,542,228,304 | 27,491,125,024 |
| **CONTINGENCIES AND COMMITMENTS** | 20 | | |

The annexed notes from 1 to 42 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, 2024**

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Revenue | 21 | 1,074,701,083 | 961,220,385 |
| Cost of revenue | 22 | (2,445,062,115) | (3,363,243,864) |
| Gross loss | | (1,370,361,032) | (2,402,023,479) |
| Administrative expenses | 23 | (46,775,233) | (36,578,626) |
| Operating loss | | (1,417,136,265) | (2,438,602,105) |
| Finance costs | 24 | (2,562,160,217) | (2,010,802,537) |
| Other income | 25 | 127,558,000 | 11,620,148 |
| Loss before minimum tax differential and taxation | | (3,851,738,482) | (4,437,784,494) |
| Minimum tax differential | 26 | (13,433,764) | (12,015,255) |
| Loss before taxation | | (3,865,172,246) | (4,449,799,749) |
| Taxation | 27 | 930,855,255 | 1,327,138,343 |
| Loss for the year | | (2,934,316,991) | (3,122,661,406) |
| Loss per share - basic and diluted | 28 | (14.81) | (15.76) |

The annexed notes from 1 to 42 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, 2024**

| | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|
| Loss for the year | (2,934,316,991) | (3,122,661,406) |
| Other comprehensive income for the year | - | - |
| **Total comprehensive loss** | (2,934,316,991) | (3,122,661,406) |

The annexed notes from 1 to 42 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, 2024**

| | Issued, subscribed and paid-up capital | Capital reserve | Revenue reserve | Total equity |
|---|---|---|---|---|
| | Rupees | | | |
| Balance as at July 01, 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 |
| **Total comprehensive loss** | | | | |
| Loss for the year | - | - | (2,934,316,991) | (2,934,316,991) |
| Other comprehensive income for the year | - | - | - | - |
| | - | - | (2,934,316,991) | (2,934,316,991) |
| Balance as at June 30, 2024 | 19,815,275,900 | 1,667,710,885 | (15,271,879,672) | 6,211,107,113 |

The annexed notes from 1 to 42 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, 2024**

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **CASHFLOW FROM OPERATING ACTIVITIES** | | | |
| Loss before taxation | | (3,851,738,482) | (4,437,784,494) |
| **Adjustment for non cash items:** | | | |
| Depreciation of operating fixed assets | 5.1 | 314,090 | 98,131 |
| Depreciation of concession assets | 5.2 | 2,016,124,766 | 3,039,165,643 |
| Concession assets written off | | 85,889,789 | - |
| Trade debts written off | | 4,030,153 | - |
| Expected credit loss on trade debts | | 5,234,277 | - |
| Gain on sale of operating fixed assets | 25 | (18,000) | - |
| Finance cost | 24 | 2,558,680,217 | 2,010,802,537 |
| | | 818,516,810 | 612,281,817 |
| **Working capital changes** | | | |
| Trade debts | | 5,579,994 | (21,117,715) |
| Prepayments, receivables and advances | | (120,935,855) | (30,837,460) |
| Trade and other payables | | (6,442,075) | 11,143,622 |
| Cash generated from operating activities | | 696,718,873 | 571,470,264 |
| Taxes paid during the year | | (1,146,663) | (14,828,074) |
| Increase in security deposits | | 5,340,000 | 2,000,000 |
| Net cash generated from operating activities | | 700,912,210 | 558,642,190 |
| **CASHFLOW FROM INVESTING ACTIVITIES** | | | |
| Acquisition of operating fixed assets | | (677,036) | (275,800) |
| Sale proceeds from disposal of operating fixed assets | | 18,000 | - |
| Net cash used in investing activities | | (659,036) | (275,800) |
| **CASHFLOW FROM FINANCING ACTIVITIES** | | | |
| Loan received from FWO | | 637,624,553 | - |
| Payment of interest on long term loan and musharakah | | (1,216,977,135) | (697,789,303) |
| Net cash used in financing activities | | (579,352,582) | (697,789,303) |
| Net decrease in cash and cash equivalents | | 120,900,592 | (139,422,913) |
| Cash and cash equivalents at the beginning of the year | | 34,116,050 | 173,538,963 |
| Cash and cash equivalents at the end of the year | 10 | 155,016,642 | 34,116,050 |

The annexed notes from 1 to 42 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, 2024**

## 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 repayment of MCB debt, remaining Rs. 4,127 million was funded by FWO as subordinate loan. Both amounts (NBP and FWO) were disbursed into SEPCO account on February 4, 2021. 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. The company operates 7 toll plazas (2023: 7) in KPK as at year end.

## 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, 2024

The following standards, amendments and interpretations are effective for the year ended June 30, 2024. 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)** |
|---|---|
| Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 Making Materiality Judgements-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' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes | January 01, 2023 |

The Company adopted the narrow-scope amendments to the International Accounting Standard (IAS) 1, Presentation of Financial Statements which have been effective for annual reporting periods beginning on or after 1 January 2023. Although the amendments did not result in any changes to accounting policy themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting the Company to provide useful entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and updates to the information disclosed in Note-4 Material accounting policies (2023: Significant accounting policies) in certain instances in line with the amendments and concluded that all its accounting policies are material for disclosure.

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

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

| | Effective date (annual periods beginning on or after) |
|---|---|
| Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements | January 01, 2024 |
| Amendments to IFRS 7 'Financial Instruments: Disclosures' - Amendments regarding the classification and measurement of financial instruments | January 01, 2026 |
| Amendments to IFRS 9 'Financial Instruments' - Amendments regarding the classification and measurement of financial instruments | January 01, 2026 |
| Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions | January 01, 2024 |
| Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current | January 01, 2024 |
| Amendments 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 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability | January 01, 2025 |
| IFRS 17 Insurance Contracts | January 01, 2026 |

IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been issued by IASB effective from July 01, 2009. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP).

IFRS 18 'Presentation and Disclosures in Financial Statements' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by SECP.

IFRS 19 'Subsidiaries without Public Accountability: Disclosures' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by SECP.

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023. However SECP has notified the timeframe for the adoption of IFRS - 17 which will be adopted by January 01, 2026.

## 4 MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 4.1 Change in accounting policy

During the year, the Company changed its accounting policy of recognizing the portion of income tax paid or payable for the year under the Income Tax Ordinance, 2001, not based on the taxable profits of the Company, as a Levy under IFRIC-21/IAS-37 instead of the current income tax for the year under IAS-12.

The management believes that the new policy provides reliable and more relevant information to the users of the financial statements.

The change in accounting policy has been accounted for retrospectively in accordance with International Accounting Standard 8: "Accounting Policies, Changes in Accounting Estimates and Errors". There is, however, no material impact on the financial statements of the prior years.

### 4.2 Change in accounting estimate

During the year, the Company changed its accounting estimate of useful life of class of asset road infrastructure (concession assets) from 8 years to 12 years.

The management believes that the new estimate provides reliable and more relevant information to the users of the financial statements.

**The impact of adjustments is as follows.**

Impact after change of accounting estimate is as follows:

| Description | Balance as at June 30, 2023 | Depreciation charge during the year | Balance as at June 30, 2024 |
|---|---|---|---|
| **Statement of financial position:** | | | |
| Property and equipment | 24,011,503,515 | (2,101,651,609) | 21,909,851,906 |
| **Statement of profit or loss:** | | | |
| Cost of revenue | - | (2,445,062,115) | (2,445,062,115) |

Had there been no change in accounting estimate, the carrying amounts had been as follows:

| Description | Balance as at June 30, 2023 | Depreciation charge during the year | Balance as at June 30, 2024 |
|---|---|---|---|
| **Statement of financial position:** | | | |
| Property and equipment | 24,011,503,515 | (3,016,494,189) | 20,995,009,326 |
| **Statement of profit or loss:** | | | |
| Cost of revenue | - | (3,359,904,695) | (3,359,904,695) |

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

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary differences at the year end date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

#### (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 recognised 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.

#### (iv) Contingencies

The Company reviews the status of all the legal cases on regular basis. Based on expected outcome and lawyers' judgements, appropriate disclosure or provision is made.

(v) **Expected credit loss**

At each reporting date, the Company assesses whether the financial assets carried at amortised 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.

## 4.4 Property and equipment

### 4.4.1 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 or 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 derecognised 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 derecognised.

The cost of replacing part of an item of operating fixed assets is recognised 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 derecognised. The cost of the day to day servicing of operating fixed assets are recognised 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 recognised prospectively as a change in accounting estimate.

### 4.4.2 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 or 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 derecognised.

The cost of replacing part of an item of concession asset is recognised 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 derecognised. The cost of the day to day servicing of operating fixed assets are recognised in the statement of profit or loss as incurred.

**4.4.3 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 Securities and Exchange Commission of Pakistan (SECP), from requirements of IFRIC 12 while preparing these financial statements.

IFRIC 12 applies to public and 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 38 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.

**4.5 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.

**4.6 Cash and cash equivalents**

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

## 4.7 Long-term financing

These are recognised initially at fair value, less the attributable transaction costs. After initial recognition, these are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method.

amortised 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.

## 4.8 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.

## 4.9 Provision for hand back cost

Provision for hand back cost has been recognised 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 recognised 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 recognised 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.

## 4.10 Provisions

General provisions are recognised 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.

## 4.11 Trade debts

These are classified at amortised cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

### 4.12 Receivables and advances

These are classified at amortised cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

### 4.13 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 amortised cost.

### 4.14 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 under 113C of the Income Tax Ordinance 2001, and higher of the three amounts is provided for in the financial statements as a levy or income tax which is applicable.

**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.

### 4.15 Levy

The amount calculated on taxable income using the notified tax rate is recognised as current income tax expense for the year in statement of profit or loss under the scope of IAS 12. Any excess of expected income tax paid or payable for the year under the Income Tax Ordinance, 2001 over the amount designated as current income tax for the year, is then recognised as a levy falling under the scope of IFRIC 21 / IAS 37. Minimum tax under Section (113) of the Income Tax Ordinance, 2001 is chargeable at rate of 1.25% of turnover of the company and adjustable against normal tax in subsequent three tax years.

If any excess paid expected to be realized in subsequent tax years, then such excess shall be recognised as 'deferred tax asset' adjustable against tax liability for subsequent tax years.

## 4.16 Share capital

Share capital is classified as equity and recognised at the face value. Incremental costs directly attributable to the issue of new shares are shown as a deduction in equity.

## 4.17 Financial instruments

### 4.17.1 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 amortised 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 amortised cost.

**Amortised cost**

A financial asset is measured at amortised 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 amortised 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 amortised 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 amortised 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

### 4.17.2 Financial liabilities

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

### 4.17.3 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, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

### 4.17.4 Derecognition

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

### 4.18 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 4.19 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which 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; or the Company has a present legal or constructive 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.

### 4.20 Related party transactions

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

### 4.21 Staff retirement benefits

**Defined contribution plan**

The company also operates a recognised provident fund for its eligible employees. Equal monthly contributions are made by the company and its employees to the fund at the rate of 8% of gross salary per month.

### 4.22 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 recognised amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

### 4.23 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 | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Operating fixed assets | 5.1 | 717,388 | 354,442 |
| Concession assets | 5.2 | 21,909,134,518 | 24,011,149,073 |
| | | 21,909,851,906 | 24,011,503,515 |

## 5.1 OPERATING FIXED ASSETS

| Description | Furniture and fittings | Office equipment | Computer equipment | Total |
|---|---|---|---|---|
| | ----- | ----- | Rupees ----- | ----- |
| **Year ended June 30, 2024** | | | | |
| **Net carrying value basis** | | | | |
| Opening book value | 191,050 | - | 163,392 | 354,442 |
| Additions | - | - | 677,036 | 677,036 |
| Depreciation charge | (41,100) | - | (272,990) | (314,090) |
| Closing net book value | 149,950 | - | 567,438 | 717,388 |
| **Gross carrying value basis** | | | | |
| Cost | 323,086 | 95,317 | 1,550,144 | 1,968,547 |
| Accumulated depreciation | (173,136) | (95,317) | (982,706) | (1,251,159) |
| Net book value | 149,950 | - | 567,438 | 717,388 |
| **Year ended June 30, 2023** | | | | |
| **Net carrying value basis** | | | | |
| 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** | | | | |
| 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 |
| **Useful life (years)** | 5 | 5 | 3 | |

5.1.1 Fully depreciated asset disposed off during the year amounting to Rs. 0.018 million (2023: nil).

## 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, 2024** | | | | | | | |
| **Net carrying value basis** | | | | | | | |
| Opening 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 |
| Depreciation charge | (27,203,311) | (580,533,643) | (233,345,097) | (1,106,652,615) | (42,732,618) | (25,657,482) | (2,016,124,766) |
| Write offs | (24,740,426) | (8,178,579) | - | - | (52,970,784) | - | (85,889,789) |
| Closing net book value | 450,545,624 | 10,088,739,685 | 4,059,035,220 | 7,181,619,974 | 87,315,952 | 41,878,063 | 21,909,134,518 |
| **Gross carrying value basis** | | | | | | | |
| Cost | 555,590,648 | 12,635,975,147 | 5,228,253,428 | 16,171,961,558 | 498,101,637 | 316,496,986 | 35,406,379,404 |
| Accumulated depreciation | (105,045,024) | (2,547,235,462) | (1,169,218,208) | (8,990,341,584) | (410,785,685) | (274,618,923) | (13,497,244,886) |
| Net book value | 450,545,624 | 10,088,739,685 | 4,059,035,220 | 7,181,619,974 | 87,315,952 | 41,878,063 | 21,909,134,518 |
| **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 |
| **Useful life (years)** | 22 - 23 | 22 - 23 | 22 - 23 | 12 | 10 | 5 | |

5.2.1 During the year, write offs due to concession assets lost / damaged upon occurrence of force majeure event at chakdara toll plaza. Assets lost / damaged mainly includes toll booths, canopy fiber structure and IT equipments.

| 6 | DEFERRED TAX ASSET | Note | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|---|---|
| | Balance at beginning of the year | | 3,327,193,239 | 2,000,054,896 |
| | Charge for the year | | 930,855,255 | 1,327,138,343 |
| | Balance at end of the year | | 4,258,048,494 | 3,327,193,239 |

6.1 The deferred tax asset comprises of the following:

| | 2024 Rupees | 2023 Rupees |
|---|---|---|
| **Taxable temporary differences** | | |
| Concession assets | (718,583,082) | (689,625,180) |
| Long term loans | (63,800,978) | (77,196,754) |
| Unwinding of discount on provision for hand back cost | (133,606,151) | - |
| **Deductible temporary differences** | | |
| Accelerated tax depreciation | 24,173 | 53,533 |
| Provisioning for expected credit loss allowance | 1,517,940 | - |
| Unwinding of discount on provision for hand back cost | - | 60,389,979 |
| Effect of tax losses | 5,172,496,592 | 4,033,571,661 |
| | 4,258,048,494 | 3,327,193,239 |
| Tax rate used | 29% | 29% |

6.2 The net deferred income tax asset of Rs. 474.205 million (2023: Rs. 38.014 million) has not been recognised in these financial statements as the temporary differences are not expected to reverse in the foreseeable future because taxable profits may not be available against which the temporary differences can be utilised. Detail of taxable business losses and minimum tax carry forward against which deferred tax asset has not been recognised is as follows:

| Accounting year to which these relate | Business losses available for carry | | Minimum tax available for carry | |
|---|---|---|---|---|
| | Amount | Accounting year in which these will Expiry | Amount | Accounting year in which these will Expiry |
| | Rupees | | Rupees | |
| 2019 | 433,488,132 | 2025 | - | - |
| 2020 | 1,070,617,131 | 2026 | - | - |
| 2021 | - | 2027 | - | - |
| 2022 | - | 2028 | 12,564,960 | 2025 |
| 2023 | - | 2029 | 12,015,255 | 2026 |
| 2024 | - | 2030 | 13,433,764 | 2027 |
| | 1,504,105,263 | | 38,013,979 | |

| | | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| 6.3 | The gross movement on deferred income tax account is as follows: | | | |
| | Balance at beginning of the year | | 3,327,193,239 | 2,000,054,896 |
| | Tax charged recognised in profit and loss | | 930,855,255 | 1,327,138,343 |
| | Balance at end of the year | | 4,258,048,494 | 3,327,193,239 |

## 7 TAXATION- NET

| | | | |
|---|---|---|---|
| Balance at beginning of the year | | 5,092,390 | 2,279,571 |
| Provision for the year | | (13,433,764) | (12,015,255) |
| Tax paid / withheld during the year | | 1,146,663 | 14,828,074 |
| Balance at end of the year | | (7,194,711) | 5,092,390 |

## 8 TRADE DEBTS

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Toll receivable from FWO | 8.2 | 61,101,370 | 75,503,742 |
| Service area rental receivable | 8.3 | 36,957,069 | 28,134,690 |
| | | 98,058,439 | 103,638,432 |
| Less: allowance for expected credit loss | 8.5 | (5,234,277) | - |
| Less: write offs during the year | 8.6 | (4,030,153) | - |
| | | 88,794,009 | 103,638,432 |

8.1 The aging of trade debts balances at the reporting date is as follows:

| | | |
|---|---|---|
| 1 - 180 days | 78,272,285 | 75,503,742 |
| 180 - 365 days | - | 17,444,987 |
| Past due 365 days | 19,786,154 | 10,689,703 |
| | 98,058,439 | 103,638,432 |

8.2 The aging of related party balances at the reporting date is as follows:

| | | |
|---|---|---|
| 1 - 180 days | 61,101,370 | 75,503,742 |
| 180 - 365 days | - | - |
| Past due 365 days | - | - |
| | 61,101,370 | 75,503,742 |

8.3 It mainly includes receivable from Grace (Private) Limited and Asian Cuisine amounting to Rs. 20.932 million and Rs. 16.162 million.

8.4 The maximum aggregate amount balance of trade debts during the year amounting to Rs. 11.126 million.

| | 2024 Rupees | 2023 Rupees |
|---|---|---|
| **8.5** Allowance for expected credit loss comprises: | | |
| Balance at beginning of the year | - | - |
| Provision recognised during the year | 5,234,277 | - |
| Balance at end of the year | 5,234,277 | - |

8.6 It represents receivable balance from Marco polo Resorts and Tours (Private) Limited written off during the year.

## 9 PREPAYMENTS, RECEIVABLES AND ADVANCES

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Due from related parties | 9.1 | 120,388,268 | - |
| Accrued Markup | | 4,406,702 | 3,011,566 |
| Prepayments | | 3,964,283 | 4,873,332 |
| Advance against expenses | | 1,643,000 | 1,643,000 |
| Advance to employees | | 115,000 | 53,500 |
| | | 130,517,253 | 9,581,398 |

9.1 This includes the balance receivable from PKHA for claim against incremental and consequential costs upon occurrence of force majeure event at chakdara toll plaza amounting Rs. 116.581 million (2023: nil) which has been received subsequent to year end and other receivable from FWO amounting Rs. 3.808 million (2023: nil).

| | 2024 Rupees | 2023 Rupees |
|---|---|---|
| **9.1.1** The aging of related party balances at the reporting date is as follows: | | |
| 1 - 180 days | 116,580,526 | - |
| 180 - 365 days | 3,807,742 | - |
| Past due 365 days | - | - |
| | 120,388,268 | - |

9.2.1 The maximum aggregate amount balance of due from related parties during the year amounting to Rs. 120.388 million.

## 10 CASH AND BANK BALANCES

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Cash in hand | 10.1 | 1,278,000 | 1,229,060 |
| Cash at bank - saving account- local currency | 10.2 | 153,738,642 | 32,886,990 |
| | | 155,016,642 | 34,116,050 |

10.1 This represents cash in hand at head office amounting to Rs. 0.078 million (2023: Rs. 0.003 million) and cash in hand at toll plazas for petty / operational expenses amounting Rs. 1.200 million (2023: Rs. 1.200 million).

10.2 These carry a markup rate ranging from 19.0% to 20.6% (2023: 12.8% to 19.5%) per annum.

## 11 SHARE CAPITAL

### 11.1 Authorised capital

| 2024 Number | 2023 Number | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| 91,660,000 | 91,660,000 | 11.1.1 | 9,166,000,000 | 9,166,000,000 |
| 115,000,000 | 115,000,000 | 11.1.2 | 11,500,000,000 | 11,500,000,000 |
| 206,660,000 | 206,660,000 | | 20,666,000,000 | 20,666,000,000 |

11.1.1 It represents '"A" class ordinary shares of Rs. 100/- each.

11.1.2 It represents '"B" class ordinary shares of Rs. 100 /- each.

### 11.2 Issued, subscribed and paid up capital

| 2024 Number | 2023 Number | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| 83,152,759 | 83,152,759 | 11.2.1 | 8,315,275,900 | 8,315,275,900 |
| 115,000,000 | 115,000,000 | 11.2.2 | 11,500,000,000 | 11,500,000,000 |
| 198,152,759 | 198,152,759 | | 19,815,275,900 | 19,815,275,900 |

11.2.1 Issued, subscribed and paid up capital "A" class ordinary shares of Rs. 100/- each. FWO holds 83,152,756 (2023: 83,152,756) "A" class ordinary shares in the Company of Rs. 100/- each and Directors hold 3 (2023: 3) "A" class ordinary shares of Rs. 100/- each as at the reporting date. These shares are fully paid in cash.

11.2.2 Issued, subscribed and paid up capital "B" class ordinary shares of Rs. 100/- each. PKHA holds 115,000,000 (2023: 115,000,000) "B" class ordinary shares in the Company of Rs. 100/- each as at reporting date. These shares are fully paid in cash.

11.3 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 CAPITAL RESERVE

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Capital reserve | 12.1 | 1,667,710,885 | 1,667,710,885 |

12.1 It represents the fair value adjustment recognised in equity for below market rate loan from PKHA which 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".

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **13 LONG TERM LOANS** | | | |
| Long term loan from PKHA - unsecured | 13.1 | 5,207,007,555 | 4,886,384,215 |
| Long term loan from NBP - secured | 13.2 | 3,145,253,223 | 3,100,000,000 |
| Long term loan from FWO - unsecured | 13.3 | 4,237,180,172 | 4,277,604,364 |
| | | 12,589,440,951 | 12,263,988,579 |

### 13.1 Long term loan from PKHA

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Balance at beginning of the year | 13.1.1 | 4,886,384,215 | 4,570,986,169 |
| Amortization for the year | | 320,623,340 | 315,398,046 |
| Balance at end of the year | | 5,207,007,555 | 4,886,384,215 |
| Less: current maturity of long term loan | | - | - |
| | | 5,207,007,555 | 4,886,384,215 |

13.1.1 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.

### 13.2 Long term loan from NBP

| | 2024 Rupees | 2023 Rupees |
|---|---|---|
| Balance at beginning of the year | 3,287,961,186 | 3,222,286,383 |
| Interest expense for the year | 704,817,861 | 523,975,589 |
| Payment of interest during the year | (754,525,824) | (458,300,786) |
| | (49,707,963) | 65,674,803 |
| Balance at end of the year | 3,238,253,223 | 3,287,961,186 |
| Less: current maturity of long term loan | (93,000,000) | (187,961,186) |
| | 3,145,253,223 | 3,100,000,000 |

13.2.2 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 | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **13.3 Long term loan from FWO** | | | |
| Long term loan - subordinated | 13.3.1 | 3,487,095,103 | 3,527,604,364 |
| Long term loan - O & M | 13.3.3 | 750,085,069 | 750,000,000 |
| | | 4,237,180,172 | 4,277,604,364 |

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **13.3.1 Long term loan - subordinated** | | | |
| Balance at beginning of the year | | 5,108,811,689 | 4,404,841,414 |
| Receipts during the year | | 637,624,553 | - |
| Accrued markup for the year | | 963,101,900 | 703,970,275 |
| Balance at end of the year | | 6,709,538,142 | 5,108,811,689 |
| Less: current maturity of long term loan | | (3,222,443,039) | (1,581,207,325) |
| | 13.3.2 | 3,487,095,103 | 3,527,604,364 |

13.3.2 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.

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **13.3.3 Long term loan - O & M** | | | |
| Balance at beginning of the year | | 995,083,768 | 865,674,453 |
| Accrued markup for the year | | 168,061,027 | 129,409,315 |
| Balance at end of the year | | 1,163,144,795 | 995,083,768 |
| Less: current maturity of long term loan | | (413,059,726) | (245,083,768) |
| | 13.3.4 | 750,085,069 | 750,000,000 |

13.3.4 This represents the amount payable to FWO for operation and maintenance 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.

| | | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **14** | **LONG TERM MUSHARAKAH** | | |
| | Balance at beginning of the year | 2,059,458,895 | 1,974,321,083 |
| | Interest expense for the year | 387,728,263 | 321,146,329 |
| | Payment of interest during the year | (462,451,311) | (236,008,517) |
| | | (74,723,048) | 85,137,812 |
| | Balance at end of the year | 1,984,735,847 | 2,059,458,895 |
| | Less: current maturity of long term loan | (57,000,000) | (159,458,895) |
| | | 1,927,735,847 | 1,900,000,000 |

14.1 This represents Musharakah agreement (Ref: Note 13.2.2) 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.

| | | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| **15** | **PROVISION FOR HAND BACK** | | | |
| | Balance at beginning of the year | 15.1 | 208,241,307 | 194,818,324 |
| | Unwinding of discount | 24 | 14,347,826 | 13,422,983 |
| | Balance at end of the year | | 222,589,133 | 208,241,307 |

15.1 This represents the hand back cost required under the concession agreement, to be paid by the Company to PKHA six months before transfer of concession assets to PKHA at the end of concession agreement amounting to Rs. 683.3 million. This is discounted to present value using a monthly discount rate of 0.557%.

| | | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| **16** | **SECURITY DEPOSITS** | | | |
| | Security deposits against MSA leasing | 16.1 | 9,867,000 | 4,527,000 |

16.1 This represents security deposits received from different customers against leasing of Main Service Area (MSA) on swat expressway.

16.2 The company as a lessor entered into operating leases on Motorway Service Areas (MSA) on swat expressway. These leases have terms of between 1 and 15 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 30th June are as follows:

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Within one year | | 79,224,803 | 62,390,274 |
| After one year but not more than five years | | 359,909,972 | 365,952,781 |
| More than five years | | 176,356,000 | 248,337,994 |
| | | 615,490,775 | 676,681,049 |

## 17 CURRENT MATURITY OF LONG TERM LOANS

| | | | |
|---|---|---|---|
| Long term loan from NBP | | 93,000,000 | 187,961,186 |
| Long term loan - FWO subordinated | | 3,222,443,039 | 1,581,207,325 |
| Long term loan - FWO O & M | | 413,059,726 | 245,083,768 |
| | | 3,728,502,765 | 2,014,252,279 |

## 18 RETENTION MONEY PAYABLE

| | | | |
|---|---|---|---|
| Balance at beginning of the year | | 1,016,076,534 | 1,016,076,534 |
| Retention money with held during the year | | - | - |
| Balance at end of the year | 18.1 | 1,016,076,534 | 1,016,076,534 |

18.1 This represents margin payable at the rate of 5% on all Interim Payment Certificate (IPCs) against operational services and will be payable on demand.

## 19 TRADE AND OTHER PAYABLES

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| Due to related parties | 19.1 | 760,872,160 | 760,792,160 |
| Accrued liabilities | | 1,711,556 | 6,718,443 |
| Provident fund payable | | 3,794,300 | 2,733,161 |
| Other payables | 19.2 | 6,336,235 | 8,912,562 |
| | | 772,714,251 | 779,156,326 |

19.1 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.

19.2 These represent amount payable to Attock Petroleum Rs. 0.897 million , Khalid Majid Rehman & Co Rs. 1.361 million and Phoenix armour Rs. 1.922 million.

## 20 CONTINGENCIES AND COMMITMENTS

20.1 For the tax year 2019, the department passed an assessment order dated March 25, 2024, under section 161/205 of ITO, 2001, vide which a tax demand was created amounting to Rs. 1,302 million. An appeal has been filed before the CIR (Appeals) dated April 16, 2024. As a result of recent amendments through the Finance Act, 2024, the appeal of Swat Expressway Planning Construction & Operations Pvt. Limited has been transferred to Appellate Tribunal Inland Revenue (ATIR) and currently appeal is pending before ATIR for disposal.

20.2 The Company has no commitments as at June 30, 2024 (2023: nil).

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **21 REVENUE** | | | |
| Toll collection | | 1,003,591,030 | 894,973,670 |
| Service area revenue | 21.1 | 71,110,053 | 66,246,715 |
| | | 1,074,701,083 | 961,220,385 |

21.1 This includes revenue earned from renting the service areas to, Attock Petroleum Limited Rs. 55.740 million (2023: Rs. 50.668 million), Asian Cuisine Rs. 5.641 million (2023: Rs. 7.772 million), and Grace Services Private Limited Rs. 9.120 million (2023: Rs. 2.861 million).

| | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **22 COST OF REVENUE** | | | |
| Depreciation of concession assets | 6 | 2,016,124,766 | 3,039,165,643 |
| Operations and maintenance expense (O&M) | 22.1 | 343,047,560 | 324,078,221 |
| Concession assets written off | 22.2 | 85,889,789 | - |
| | | 2,445,062,115 | 3,363,243,864 |

### 22.1 Operations and maintenance expense

| | 2024 | 2023 |
|---|---|---|
| **Project management team (PMT)** | | |
| Salaries and benefits | 133,917,083 | 121,360,203 |
| Electricity Expense | 56,507,261 | 53,851,119 |
| Fuel expense | 32,197,542 | 32,956,018 |
| Security expense | 29,751,977 | 30,710,931 |
| Repair and maintenance | 26,711,821 | 27,165,209 |
| Feeding Expense | 20,443,706 | 18,399,255 |
| Vehicle rental expense | 10,875,862 | 13,846,923 |
| Mobile Workshop expense | 5,982,000 | 9,211,320 |
| Trade debts written off | 4,030,153 | - |
| Bonus | 759,350 | - |
| Horticulture expense | - | 217,792 |
| Miscellaneous expense | 5,642,062 | 4,374,639 |
| | 326,818,817 | 312,093,409 |

| | | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|---|
| **Main service area (MSA)** | | | |
| Electricity Expense | | 9,119,623 | 5,125,084 |
| Salaries and benefits | | 5,481,329 | 6,285,536 |
| Bonus | | 274,050 | - |
| Repair and maintenance | | 699,571 | 438,915 |
| Fuel expense | | - | 81,577 |
| Miscellaneous expense | | 654,170 | 53,700 |
| | | 16,228,743 | 11,984,812 |
| | | 343,047,560 | 324,078,221 |

22.2 It represents impairment of assets lost / damaged upon occurrence of force majeure event at chakdara toll plaza.

| | | Note | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|---|---|
| **23** | **ADMINISTRATIVE EXPENSES** | | | |
| | Salaries and benefits | 23.1 | 16,792,829 | 13,906,004 |
| | Insurance expense | | 7,704,965 | 6,831,979 |
| | Operations and maintenance cost | | 5,958,510 | 2,695,250 |
| | Expected credit loss on trade debts | | 5,234,277 | - |
| | Legal and professional expense | | 4,286,005 | 5,329,126 |
| | Vehicle rental and fuel expense | | 1,818,331 | 5,067,345 |
| | Bonus | | 1,058,842 | - |
| | Auditors remuneration | 23.2 | 811,000 | 742,500 |
| | Communication | | 352,935 | 230,869 |
| | Depreciation | 5.1 | 314,090 | 98,131 |
| | Office supplies | | 297,621 | 388,296 |
| | Entertainment | | 246,759 | 95,464 |
| | Repair and maintenance | | 283,070 | 84,315 |
| | Staff training and welfare | | 150,000 | 949,500 |
| | Bank charges | | 2,645 | 3,225 |
| | Miscellaneous expense | | 1,463,354 | 156,622 |
| | | | 46,775,233 | 36,578,626 |

23.1 It includes contribution to employees provident fund amounting to Rs. 2.301 million during the year.

| | | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|---|
| **23.2** | **Auditors remuneration** | | |
| | Statutory audit fee | 726,000 | 660,000 |
| | Review of statement of compliance with Public Sector Code of Corporate Governance | 85,000 | 82,500 |
| | | 811,000 | 742,500 |

| 24 | FINANCE COSTS | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| | Interest on long term loan - conventional facility | | 704,817,861 | 523,975,589 |
| | Interest on long term loan - musharakah facility | | 387,728,263 | 321,146,329 |
| | Financing fee - agency fee and security fee | | 3,480,000 | 3,480,000 |
| | Unwinding of discount on subordinate loan - PKHA | | 320,623,340 | 315,398,046 |
| | Unwinding of discount on provision for hand back cost | | 14,347,826 | 13,422,983 |
| | Interest on long term loan - FWO subordinated loan | | 1,131,162,927 | 833,379,590 |
| | | | 2,562,160,217 | 2,010,802,537 |

| 25 | OTHER INCOME | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| | Refund claim from PKHA | 25.1 | 116,580,526 | - |
| | Mark up income | 25.2 | 8,546,234 | 7,383,382 |
| | Gain on sale of operating fixed assets | | 18,000 | - |
| | Miscellaneous income | 25.3 | 2,413,240 | 4,236,766 |
| | | | 127,558,000 | 11,620,148 |

25.1 This includes claim from PKHA against incremental and consequential costs upon occurrence of force majeure event at chakdara toll plaza.

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

25.3 It mainly includes fine collection at expressway on rules violation.

| 26 | MINIMUM TAX DIFFERENTIAL | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| | Minimum tax differential | 26.1 | 13,433,764 | 12,015,255 |

26.1 The company has paid minimum tax under Section 113 of the Income Tax Ordinance, 2001.

| 27 | TAXATION | Note | 2024 Rupees | 2023 Rupees |
|---|---|---|---|---|
| | Current tax | 27.1 | - | - |
| | Deferred tax | | (930,855,255) | (1,327,138,343) |
| | | | (930,855,255) | (1,327,138,343) |

27.1 Reconciliation between current tax charged under the Income Tax Ordinance, 2001 with current tax recognised in the statement of profit or loss, is as follows:

| | 2024 Rupees | 2023 Rupees |
|---|---|---|
| Current tax liability for the year | 13,433,764 | 12,015,255 |
| Portion of current tax liability as per tax laws, representing income tax under IAS 12 | - | - |
| Minimum tax differential | (13,433,764) | (12,015,255) |
| Difference | - | - |

27.2 No numeric tax rate reconciliation is presented in these financial statements for the year ended June 30, 2024 as the company was liable to pay minimum tax under Section 113 of the Income Tax Ordinance, 2001.

## 28 LOSS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

| | 2024 | 2023 |
|---|---|---|
| Loss after taxation (Rupees) | (2,934,316,991) | (3,122,661,406) |
| Weighted average number of ordinary shares (Number) | 198,152,759 | 198,152,759 |
| Loss per share - basic and diluted (Rupees) | (14.81) | (15.76) |

## 29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

| | 2024 | | | | |
|---|---|---|---|---|---|
| | | 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** | | | | | |
| Trade debts | 88,794,009 | - | - | - | 88,794,009 |
| Receivables and advances | 124,909,970 | - | - | - | 124,909,970 |
| Cash and bank balances | 155,016,642 | 153,738,642 | - | 153,738,642 | 1,278,000 |
| | 368,720,621 | 153,738,642 | - | 153,738,642 | 214,981,979 |
| **Financial liabilities carried at amortised cost** | | | | | |
| Long term loans | 16,317,943,716 | 3,728,502,765 | 12,589,440,951 | 16,317,943,716 | - |
| Long term musharakah | 1,984,735,847 | 57,000,000 | 1,927,735,847 | 1,984,735,847 | - |
| Provision for hand back | 222,589,133 | - | 222,589,133 | 222,589,133 | - |
| Security deposits | 9,867,000 | - | - | - | 9,867,000 |
| Retention money payable | 1,016,076,534 | - | - | - | 1,016,076,534 |
| Trade and other payables | 771,002,695 | - | - | - | 771,002,695 |
| | 20,322,214,925 | 3,785,502,765 | 14,739,765,931 | 18,525,268,696 | 1,796,946,229 |
| **On statement of financial position gap** | (19,953,494,304) | (3,631,764,123) | (14,739,765,931) | (18,371,530,054) | (1,581,964,250) |
| **Off statement of financial position items** | | | | | |
| Financial commitments: | - | - | - | - | - |
| **Total gap** | (19,953,494,304) | (3,631,764,123) | (14,739,765,931) | (18,371,530,054) | (1,581,964,250) |

| | 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** | | | | | |
| Trade debts | 103,638,432 | - | - | - | 103,638,432 |
| Receivables and advances | 3,065,066 | - | - | - | 3,065,066 |
| Cash and bank balances | 34,116,050 | 32,886,990 | - | 32,886,990 | 1,229,060 |
| | 140,819,548 | 32,886,990 | - | 32,886,990 | 107,932,558 |
| **Financial liabilities carried at amortised cost** | | | | | |
| Long term loan | 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 | - |
| Security deposits | 4,527,000 | - | - | - | 4,527,000 |
| Retention money payable | 1,016,076,534 | - | - | - | 1,016,076,534 |
| Trade and other payables | 772,437,883 | - | - | - | 772,437,883 |
| | 18,338,982,477 | 2,173,711,174 | 14,372,229,886 | 16,545,941,060 | 1,793,041,417 |
| **On statement of financial position gap** | (18,198,162,929) | (2,140,824,184) | (14,372,229,886) | (16,513,054,070) | (1,685,108,859) |
| **Off statement of financial position items** | | | | | |
| Financial commitments: | - | - | - | - | - |
| **Total gap** | (18,198,162,929) | (2,140,824,184) | (14,372,229,886) | (16,513,054,070) | (1,685,108,859) |

## 30 FINANCIAL RISK MANAGEMENT

### 30.1 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

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

The Company finances its operations through equity, loan and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

### i) 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 | 2024 Rupees | 2023 Rupees |
|---|---|---|---|
| **Fixed rate instruments** | | | |
| **Financial liabilities** | | | |
| Long term loan from PKHA - unsecured | 13 | 5,207,007,555 | 4,886,384,215 |
| **Variable rate instruments** | | | |
| **Financial liabilities** | | | |
| Long term loan from NBP - secured | 13 | 3,238,253,223 | 3,287,961,186 |
| Long term loan from FWO - unsecured | 13 | 7,872,682,937 | 6,103,895,457 |
| Long term musharakah | 14 | 1,984,735,847 | 2,059,458,895 |
| **Financial assets** | | | |
| Bank balances-deposit accounts | 10.2 | 153,738,642 | 32,886,990 |

**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. 106.690 million (June 30, 2023 would increase / decrease by Rs. 163.394 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.

### ii) Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

### 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:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Carrying amount | Maximum exposure | Carrying amount | Maximum exposure |
| | Rupees | | Rupees | |
| Trade debts | 98,058,439 | 98,058,439 | 103,638,432 | 103,638,432 |
| Receivables and advances | 124,909,970 | 124,909,970 | 3,065,066 | 3,065,066 |
| Bank balance | 155,016,642 | 155,016,642 | 34,116,050 | 34,116,050 |
| | 377,985,051 | 377,985,051 | 140,819,548 | 140,819,548 |

| | Rating agency | Rating Short-term | Rating Long-term |
|---|---|---|---|
| National Bank of Pakistan | VIS | A-2 | A- |

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, 2024** | | | | | |
| Long term loans | 16,317,943,716 | 16,317,943,716 | 3,728,502,765 | 4,694,500,000 | 7,894,940,951 |
| Long term musharakah | 1,984,735,847 | 1,984,735,847 | 57,000,000 | 1,035,500,000 | 892,235,847 |
| Provision for hand back | 222,589,133 | 222,589,133 | - | - | 222,589,133 |
| Security deposits | 9,867,000 | 9,867,000 | - | 9,867,000.00 | - |
| Retention money payable | 1,016,076,534 | 1,016,076,534 | - | - | 1,016,076,534 |
| Trade and other payables | 771,002,695 | 771,002,695 | 771,002,695 | - | - |
| | 20,322,214,925 | 20,322,214,925 | 4,556,505,460 | 5,739,867,000 | 10,025,842,465 |
| **June 30, 2023** | | | | | |
| Long term loans | 14,278,240,858 | 14,278,240,858 | 2,014,252,279 | 2,947,675,705 | 9,316,312,874 |
| Long term musharakah | 2,059,458,895 | 2,059,458,895 | 159,458,895 | 496,622,000 | 1,403,378,000 |
| Provision for hand back | 208,241,307 | 208,241,307 | - | - | 208,241,307 |
| Security deposits | 4,527,000 | 4,527,000 | - | 4,527,000 | - |
| Retention money payable | 1,016,076,534 | 1,016,076,534 | - | - | 1,016,076,534 |
| Trade and other payables | 772,437,883 | 772,437,883 | 772,437,883 | - | - |
| | 18,338,982,477 | 18,338,982,477 | 2,946,149,057 | 3,448,824,705 | 11,944,008,715 |

## 31 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materiality the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

| Assets | June 30, 2024 | | June 30, 2023 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | Rupees | | | |
| **Assets carried at amortised cost** | | | | |
| Trade debts | 88,794,009 | 88,794,009 | 103,638,432 | 103,638,432 |
| Receivables and advances | 124,909,970 | 124,909,970 | 3,065,066 | 3,065,066 |
| Cash and bank balances | 155,016,642 | 155,016,642 | 34,116,050 | 34,116,050 |
| | 368,720,621 | 368,720,621 | 140,819,548 | 140,819,548 |

| Liabilities | June 30, 2024 | | June 30, 2023 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | Rupees | | | |
| **Liabilities carried at amortised cost** | | | | |
| Long term loans | 16,317,943,716 | 16,317,943,716 | 14,278,240,858 | 14,278,240,858 |
| Long term musharakah | 1,984,735,847 | 1,984,735,847 | 2,059,458,895 | 2,059,458,895 |
| Provision for hand back | 222,589,133 | 222,589,133 | 208,241,307 | 208,241,307 |
| Security deposits | 9,867,000 | 9,867,000 | 4,527,000 | 4,527,000 |
| Retention money payable | 1,016,076,534 | 1,016,076,534 | 1,016,076,534 | 1,016,076,534 |
| Trade and other payables | 771,002,695 | 771,002,695 | 772,437,883 | 772,437,883 |
| | 20,322,214,925 | 20,322,214,925 | 18,338,982,477 | 18,338,982,477 |

### 31.1 Fair value hierarchy

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

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

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

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

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

## 32 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 follows:

| | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|
| Total liabilities | 20,331,121,191 | 18,345,700,920 |
| Less: cash and cash equivalents | (155,016,642) | (34,116,050) |
| Adjusted net debt | 20,176,104,549 | 18,311,584,870 |
| Equity | 6,211,107,113 | 9,145,424,104 |
| Adjusted net debt to adjusted equity ratio | 3.25 | 2.00 |

## 33 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

With reference to circular no. 14 dated April 21, 2016, issued by the Securities and Exchange Commission of Pakistan relating to "All Shares Islamic Index", the Company does not have investment, bank balance or other operations having Islamic mode therefore, individual items required by circular no. 14 have not been disclosed. The other bank balance, investments and short term facility which carry interest or markup arrangements have been disclosed in the relevant note.

## 34 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:**

| | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|
| Equity | 6,211,107,113 | 9,145,424,104 |
| Long term financing | 18,302,679,563 | 16,337,699,753 |
| Gearing ratio | 75% | 64% |

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

| | Chief Executive | | Executive | | Directors | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | ------------------------ Rupees ------------------------ | | | | | |
| Directors Honorarium | - | - | - | - | 112,500 | - |
| Managerial remuneration | - | - | 16,262,563 | 3,259,417 | - | - |
| Staff retirement benefits | - | - | 1,301,005 | 260,753 | - | - |
| Bonus | - | - | 997,750 | 150,000 | - | - |
| | **-** | **-** | **18,561,318** | **3,670,170** | **112,500** | **-** |
| Number of persons | **1** | **1** | **8** | **1** | **3** | **3** |

35.1 Chief Executive and Directors were not paid any remuneration during the year (2023: nil). They are on payroll of FWO.

36 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, 2023** | 16,337,699,753 | 19,815,275,900 | 1,667,710,885 | (12,337,562,681) | 25,483,123,857 |
| **Changes from financing cash flows** | | | | | |
| Receipt of long term loan - net of transaction cost | 637,624,553 | - | - | - | 637,624,553 |
| Payment of interest on long term loan and musharakah | (1,216,977,135) | - | - | - | (1,216,977,135) |
| **Total changes from financing cash flows** | (579,352,582) | - | - | - | (579,352,582) |
| **Other changes** | 2,544,332,391 | - | - | - | 2,544,332,391 |
| **Equity related** | | | | | |
| Issue of shares | - | - | - | - | - |
| Total comprehensive | - | - | - | (2,934,316,991) | (2,934,316,991) |
| Total equity related other changes income for the year | - | - | - | (2,934,316,991) | (2,934,316,991) |
| **Balance as at June 30, 2024** | 18,302,679,562 | 19,815,275,900 | 1,667,710,885 | (15,271,879,672) | 24,513,786,675 |

| | 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 |

## 37 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 | Shareholder | 115,000,000 |
| Major General Kamal Azfar | Chairman | 1 |
| Brig . Farooq Ahmed Joiya | CEO | 1 |
| Khawaja Asim Shaheen | Director | 1 |
| Marco polo Resorts and Tours (Private) Limited | Common directorship | - |
| Equipment Management & Support Company (Pvt.) Ltd. | Common directorship | - |

| | 2024 Rupees | 2023 Rupees |
|---|---|---|
| **Transactions and balances with related parties** | | |
| ***-Transactions*** | | |
| Toll amount received from FWO | 213,522,740 | 82,393,750 |
| Car rentals paid to EMASCO | 960,000 | 2,470,865 |
| Balance written off receivable from Marco polo | 4,030,153 | - |
| Additional subordinated loan from FWO | 637,624,553 | - |
| Claim of consequential cost from PKHA | 116,580,526 | - |
| ***-Balances*** | | |
| O&M Fee payable to FWO | 760,872,160 | 760,792,160 |
| Receivable from FWO against toll collection | 61,101,370 | 67,241,710 |
| Other receivable from FWO | 3,807,742 | - |
| Receivable from PKHA | 116,580,526 | - |
| Receivable from Marco polo | - | 4,030,153 |
| Payable to EMASCO against car rentals | - | 240,000 |
| Subordinate loan payable to PKHA | 5,207,007,555 | 4,886,384,215 |
| Provision for hand back | 222,589,133 | 208,241,307 |
| Long term loan - subordinated from FWO | 6,709,538,142 | 5,108,811,689 |
| Long term loan - subordinated from FWO | 1,163,144,795 | 995,083,768 |
| Retention money payable | 1,016,076,534 | 1,016,076,534 |

## 38 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:

| | 2024<br>Rupees | 2023<br>Rupees |
|---|---|---|
| **Statement of financial position** | | |
| Recognition of intangible asset | 28,875,618,731 | 30,518,869,030 |
| Derecognition of concession asset | 21,909,134,518 | 24,011,149,073 |
| **Statement of profit or loss** | | |
| Increase in profit before tax for the year | 372,874,467 | 1,395,915,344 |
| Increase in taxation obligation | 108,133,595 | 404,815,450 |

## 39 NUMBER OF EMPLOYEES

| | 2024<br>Numbers | 2023<br>Numbers |
|---|---|---|
| **Total employees at end of the year** | | |
| Contractual employees | 19 | 35 |
| Casual employees | 308 | 365 |
| **Average employees for the year** | | |
| Contractual employees | 32 | 39 |
| Casual employees | 341 | 368 |

## 40 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever considered necessary, for better presentation and classification. Following major reclassification has been made during the year.

| | Reclassified from | Reclassified to | 2023<br>Rupees |
|---|---|---|---|
| 1 | Taxation | Minimum tax differential | 12,015,255 |
| 2 | Prepayments, receivables and advances | Trade debts | 103,638,432 |

## 41 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 2 4 DEC 2024 by the Board of Directors of the Company.

## 42 GENERAL

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

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