

**HABIBABAD OPERATION
AND MANAGEMENT
ENGINEERING COMPANY
(PRIVATE) LIMITED**

FOR THE YEAR ENDED JUNE 30, 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY 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 material accounting policy information 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 profit, the other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (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.

Emphasis of Matter

We draw attention to note 2.2 of the financial statements of the Company which explains that the Company is not a going concern and has prepared its financial statements on liquidation basis of accounting. Our opinion is not qualified in respect of this matter.

Information Other than the Financial Statements and Auditor's 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 auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express

any form of assurance conclusion thereon. In connection with 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 the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern. However, going concern assumption is not used in the preparation of the annexed financial statements of the Company (refer to emphasis of matters paragraph of this report).

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Nasir Muneer.

Lahore
Dated: October 4, 2024
UDIN: AR2024101690zgXYQ4kI



CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants

**HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE)
LIMITED**

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
ASSETS			
Non Current Assets			
Property and equipment	4	-	74,088,571
Intangible assets	5	-	11,429,020
		-	85,517,591
Current Assets			
Advances and prepayments	6	76,416,297	49,112,737
Cash and bank balances	7	1,293,594,479	1,131,441,712
		1,370,010,776	1,180,554,449
		<u>1,370,010,776</u>	<u>1,266,072,040</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital: 2,500,000 (2023: 2,500,000) ordinary shares of Rs. 100 each		<u>250,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid up capital: 1,751,000 (2023: 1,751,000) ordinary shares of Rs. 100 each fully paid in cash	8	175,100,000	175,100,000
Unappropriated profit / (accumulated loss)		21,562,305	(194,966,283)
		196,662,305	(19,866,283)
Non Current Liabilities			
Deferred tax liability	9	-	-
Current Liabilities			
Trade and other payables	10	1,122,074,967	1,277,453,805
Provision for taxation	11	51,273,504	8,484,518
		1,173,348,471	1,285,938,323
Contingencies and Commitments			
	12	-	-
		<u>1,370,010,776</u>	<u>1,266,072,040</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
Revenue	13	258,165,583	115,353,828
Direct cost	14	<u>(191,534,125)</u>	<u>(208,581,485)</u>
Gross Profit / (Loss)		66,631,458	(93,227,657)
Administrative expenses	15	<u>(15,520,551)</u>	<u>(18,284,689)</u>
Finance cost - bank charges		<u>(5,019)</u>	<u>(7,006)</u>
		<u>(15,525,570)</u>	<u>(18,291,695)</u>
Operating Profit / (Loss)		51,105,888	(111,519,352)
Other income	16	<u>216,986,896</u>	<u>133,565,315</u>
Profit before Taxation		268,092,784	22,045,963
Taxation	17	<u>(51,564,196)</u>	<u>(8,484,518)</u>
Net Profit for the Year		<u><u>216,528,588</u></u>	<u><u>13,561,445</u></u>

The annexed notes from 1 to 24 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2024

	2024	2023
	Rupees	Rupees
Net Profit for the Year	216,528,588	13,561,445
Other Comprehensive Income		
<i>Items that will not be reclassified to profit or loss</i>	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-
Total Comprehensive Income for the Year	<u>216,528,588</u>	<u>13,561,445</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR

**HABIBABAD OPERATION AND MANAGEMENT ENGINEERING
COMPANY (PRIVATE) LIMITED**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2024

Particulars	Issued, Subscribed and Paid up Share Capital	(Accumulated Loss) / Unappropriated Profit	Total
	Rupees	Rupees	Rupees
Balance as at June 30, 2022	175,100,000	(208,527,728)	(33,427,728)
Net profit for the year	-	13,561,445	13,561,445
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	13,561,445	13,561,445
Balance as at June 30, 2023	175,100,000	(194,966,283)	(19,866,283)
Net profit for the year	-	216,528,588	216,528,588
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	216,528,588	216,528,588
Balance as at June 30, 2024	<u>175,100,000</u>	<u>21,562,305</u>	<u>196,662,305</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		268,092,784	22,045,963
Adjustment for:			
- Depreciation	4	74,088,571	91,482,570
- Amortization	5	11,429,020	11,107,300
- Finance cost		5,019	7,006
		85,522,610	102,596,876
Operating Profit before Working Capital Changes		353,615,394	124,642,839
(Increase) / decrease in current assets			
- Advance and prepayments		(4,373,818)	134,516
Increase / (decrease) in current liabilities:			
- Trade and other payables		(155,378,838)	(112,846,133)
		(159,752,656)	(112,711,617)
Cash Generated from Operations		193,862,738	11,931,222
Finance cost paid		(5,019)	(7,006)
Income tax paid		(31,704,952)	(20,352,674)
		(31,709,971)	(20,359,680)
Net Cash Generated from / (Used in) Operating Activities		162,152,767	(8,428,458)
CASH FLOWS FROM INVESTING ACTIVITIES			
Property and equipment purchased		-	(404,885)
Net Cash Used in Investing Activities		-	(404,885)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Increase / (Decrease) in Cash and Cash Equivalents		162,152,767	(8,833,343)
Cash and cash equivalents at the beginning of the year		1,131,441,712	1,140,275,055
Cash and Cash Equivalents at the End of the Year	7	1,293,594,479	1,131,441,712

The annexed notes from 1 to 24 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Note 1

The Company and its Operations

Habibabad Operation and Management Engineering Company (Private) Limited (the Company) was incorporated on September 9, 2013 as a Private Limited Company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is a public sector company and a subsidiary of Frontier Works Organization (working under Ministry of Defence). The Company is domiciled in Pakistan and its registered office of the Company is situated at Gate No. 12, National Hockey Stadium, Gulberg-III, Lahore.

The principal activity of the Company is to develop, design, engineer, finance, construct, commission, manage, operate, maintain, insure and, on the transfer date, transfer a new four (4) lane flyover bridge at Habibabad (Wan Radha Ram) on National Highway N-5, and during the concession period, collect, receive and earn the toll revenue and other revenues generated from the said project, all on a build, operate and transfer basis (BOT basis) pursuant to the concession agreement executed between National Highway Authority and the Company on April 23, 2014. This concession agreement was for period of 10 years.

As per the concession agreement, this project including all concession assets has been handed over to NHA on April 23, 2024. Further, the Company is planning to commence the liquidation proceedings therefore, it is not considered as going concern and the Company has prepared its financial statements under liquidation basis of accounting as disclosed in note 2.1.

Note 2

Basis of Preparation

2.1 Statement of compliance

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

- International Financial Reporting Standard (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.
- Guideline on the basis of preparation of financial statements for companies that are not considered going concern (the Guidelines) issued by The Institute of Chartered Accountants of Pakistan (ICAP).

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

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

2.2 Basis of measurement

The Company was formed to undertake the principle activity as mentioned in the Note 1, pursuant to a concession agreement entered into between the Company and the NHA (National Highway Authority) dated April 23, 2014. The concession period as per the agreement was 10 years ended on April 23, 2024. The Company is planning to commence the liquidation proceedings. Resultantly, these financial statements have been prepared on liquidation basis of accounting. Under this basis all assets and liabilities are stated at their net realizable value (NRV) so as to reflect the amount of cash or other consideration that the Company expects to receive from realizing its assets or pay to settle its liabilities.

Subsequently, at each reporting date the Company re-measures its assets and liabilities to reflect change in their value since the previous reporting date except upside changes in assets. Changes in their value are recognized in statement of profit or loss on the basis of judgment which is recognised only when the recoverable value has been actualised or sale transaction has been executed.

2.3 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees (Rs.) which is the Company's functional and presentation currency. All the figures are rounded off to the nearest rupee, unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting and reporting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

Note 2, Basis of Preparation - Continue...

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

- Useful lives, residual values and depreciation method of property and equipment – Note 3.1 and 4
- Useful lives, residual values and amortization method of intangible assets – Note 3.3 and 5
- Estimation of provisions- Note 3.5
- Estimation of contingent liabilities - Note 3.10 and 12
- Impairment loss of non-financial assets - Note 3.4
- Current income tax expense and provision for current tax - Note 3.7, 11 and 17

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

2.5 Changes in accounting standards, interpretations and pronouncements

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

The following standards, amendments, and interpretations are effective for the year ended June 30, 2024. These standards, amendments and interpretations are either irrelevant to the Company's operations or are not expected to significantly impact the Company's financial statements other than certain additional disclosures.

Standard or Interpretation	Effective Date - Annual Periods Beginning on or After
IAS 01 Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting Policies	January 01, 2023
IAS 08 Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
IAS 12 Amendments to IAS 12 ' Income taxes' - International Tax Reform — Pillar Two Model Rules	January 01, 2023
IAS 12 Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction	January 01, 2023
IFRS 17 Initial Application of 'IFRS 17 Insurance Contracts and IFRS 9 - Comparative Information'	January 01, 2023

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

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

Standard or Interpretation	Effective Date - Annual Periods Beginning on or After
IAS 1 Presentation of Financial Statements (Amendments)	January 01, 2024
IAS 7 Amendments to IAS 7 "Statement of Cash Flows"	January 01, 2024
IAS 21 The Effects of Changes in Foreign Exchange Rates (Amendments)	January 01, 2024
IFRS 7 Amendments to IFRS 7 "Financial Instruments Disclosures"- Supplier Finance Arrangements	January 01, 2024
IFRS 7 & 9 Amendments to Classification and Measurement of Financial Instruments - Amendments to IFRS 7 and IFRS 9	January 01, 2024
IFRS 16 Amendments to IFRS 16 "Leases" - Clarification on how seller-lessee subsequently measures sale and lease back transaction	January 01, 2024

Other than the aforementioned standards, interpretations, and amendments, IASB has also issued the following standards, which have not been notified locally, in relation to the Company, by the Securities and Exchange Commission of Pakistan (SECP) as at January 31, 2024:

- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 IFRS 19 'Subsidiaries Without Public Accountability: Disclosures'
- IFRS 1 First Time Adoption of IFRS
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 Climate-Related Disclosures

Note 2, Basis of Preparation - Continue...

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

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

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

Note 3

Material Accounting Policy Information

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

3.1 Property and Equipment

Owned

Property and equipment are stated at cost less accumulated depreciation and identified impairment loss, if any. The cost of an item of property and equipment comprises of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost in relation to certain assets may also include cost of borrowing during construction period in respect of loans taken for specific projects.

Depreciation is charged to statement of profit or loss on straight line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 4. Depreciation on additions is charged from the date the asset is available for use till the date asset is disposed of.

Depreciation method, residual value and useful lives of assets are reviewed at least at each reporting date and adjusted if impact on depreciation is significant.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statement of profit or loss.

The effect of any changes in estimate is accounted for on a prospective basis. Further, determining adjustments for any differences in value, location and condition of the property and equipment involves significant judgement.

3.2 Capital work in progress

Capital work-in-progress is stated at cost less identified impairment loss, if any, and represents expenditure incurred on property and equipment during construction and installation. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. Cost may also include applicable borrowing costs. Transfers are made to relevant property and equipment category as and when the assets are available for use.

3.3 Intangible asset

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

Costs that are directly associated with identifiable intangible and have probable economic benefits beyond one year, are recognized as an intangible asset. However, costs associated with the maintenance of intangible are recognized as an expense. All intangibles are measured initially at cost and subsequently stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to statement of profit or loss using the straight line method at the rates given in Note 5, so as to write off the cost of an intangible over its estimated useful life.

Note 3, Material Accounting Policy Information - Continue...

3.4 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on such assets are charged to the statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date. Where impairment loss is recognized, the depreciation / amortization charge is adjusted in future periods to allocate the asset's revised carrying amount over its remaining useful life.

3.5 Cash and Cash Equivalents

Cash and cash equivalents are carried at cost, which are free from any encumbrances. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash at banks.

3.6 Provisions

Provisions are recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic resources shall be required to settle the obligation and the amount has been reliably estimated. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are not recognized for future operating losses.

3.7 Trade and other payables

These amounts represents liabilities for services provided to the company prior to the end of financial year which are unpaid. These amount are unsecured and are usually paid within short period. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at the Fair value and subsequently updated at fair value.

3.7.1 Leave Encashment

Accruals are made annually to cover the obligation for accumulated unavailed leaves on the basis of last drawn salary and are charged to the statement of profit or loss.

3.8 Taxation

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

3.8.1 Current

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting date.

The charge for current tax is higher of corporate tax (higher of tax based on taxable income and minimum tax) and alternative corporate tax.

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

Alternative corporate tax is calculated at 17% of accounting profit, after taking into account the required adjustments. Current tax for current and prior periods, to the extent unpaid is recognized as a liability. If the amount already paid irrespective of current and prior period exceeds the amount due to those periods the excess recognized as an asset.

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

The management periodically evaluates positions taken in the tax returns with respect to situation in which applicable tax regulations are subject to interpretation and establishes provision where appropriate.

When minimum tax is higher than tax calculated on taxable profits, excess amount is recognized as levy under IFRIC 21. Further, the Company shall also charged tax expense under levy when tax is calculated under final tax regime.

Note 3, Material Accounting Policy Information - Continue...

3.8.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary timing differences arising from the difference between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss.

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

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

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

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

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit (tax loss) of the periods in which temporary differences are expected to reverse.

3.9 Revenue recognition

Revenue is recognised at a point in time, when (or as) the Company satisfies performance obligations by providing services (toll collection services). Any services that are distinct are separately recognized, and any discounts or rebates on the contract price are generally allocated to the separate elements.

Revenue is recognised in accordance with the aforementioned principle in the following manner:

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

Profit on bank deposits is recorded on accrual basis.

3.10 Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are charged to statement of profit or loss in the period in which they are incurred.

3.11 Contingent liabilities

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

3.12 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party or between two or more segments of the Company are at arm's length basis determined using the comparable uncontrolled price method except in circumstances where it is not in the interest of the Company to do so.

3.13 Financial instruments

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

3.13.1 Financial assets

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

Note 3, Material Accounting Policy Information - Continue...

a) Classification

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

b) Initial recognition and measurement

Except for trade receivables, financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of profit or loss. Trade receivables are initially measured at the transaction price if these do not contain a significant financing component in accordance with IFRS 15.

c) Subsequent measurement

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

d) Derecognition

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

e) Impairment of financial assets

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

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

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

3.13.2 Financial liabilities

a) Initial recognition and measurement

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

The Company does not reclassify any of its financial liabilities.

b) Subsequent measurement

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

3.13.3 Off-setting of financial assets and financial liabilities

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

Note 4
Property and Equipment

Year Ended June 30, 2024

Particulars	Cost				Rate	Depreciation				Net Book Value as at June 30, 2024
	As at July 01, 2023	Additions	Disposal / Transfer	As at June 30, 2024		As at July 01, 2023	For the Year	Disposal / Transfer	As at June 30, 2024	
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Flyover (Habibabad)	822,097,141	-	(822,097,141)	-	11	749,021,842	73,075,299	(822,097,141)	-	-
Office equipment	5,522,413	-	(5,522,413)	-	20	4,607,531	914,882	(5,522,413)	-	-
Vehicles	6,121,632	-	(6,121,632)	-	20	6,049,766	71,866	(6,121,632)	-	-
Electric and gas appliances	2,697,577	-	(2,697,577)	-	20	2,671,053	26,524	(2,697,577)	-	-
Total Rupees - 2024	836,438,763	-	(836,438,763)	-		762,350,192	74,088,571	(836,438,763)	-	-

Year Ended June 30, 2023

Particulars	Cost				Rate	Depreciation				Net Book Value as at June 30, 2023
	As at July 01, 2022	Additions	Disposal / Transfer	As at June 30, 2023		As at July 01, 2022	For the Year	Disposal / Transfer	As at June 30, 2023	
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Flyover (Habibabad)	822,097,141	-	-	822,097,141	11	658,591,156	90,430,686	-	749,021,842	73,075,299
Office equipment	5,153,528	368,885	-	5,522,413	20	3,592,323	1,015,208	-	4,607,531	914,882
Vehicles	6,121,632	-	-	6,121,632	20	6,022,566	27,200	-	6,049,766	71,866
Electric and gas appliances	2,661,577	36,000	-	2,697,577	20	2,661,577	9,476	-	2,671,053	26,524
Total Rupees - 2023	836,033,878	404,885	-	836,438,763		670,867,622	91,482,570	-	762,350,192	74,088,571

4.1 As per the concession agreement entered into between the Company and NHA, the concession period has ended on April 23, 2024 and resultantly, all the assets have been transferred to NHA (National Highway Authority).

4.2 Apportionment of depreciation charge for the year

	2024	2023
	Rupees	Rupees
Direct cost	14	73,075,299
Administrative expenses	15	1,013,272
		90,430,686
		1,051,884
		91,482,570

Note 5
Intangible Assets

Year Ended June 30, 2024

Particulars	Cost				Rate	Amortization				Net Book Value as at June 30, 2024
	As at July 01, 2023	Additions	Disposals / Transfer	As at June 30, 2024		As at July 01, 2023	For the Year	Disposal / Transfer	As at June 30, 2024	
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Software	46,430,000	-	(46,430,000)	-	11	40,539,442	5,890,558	(46,430,000)	-	-
Right to use toll plaza	60,000,000	-	(60,000,000)	-	10	54,461,538	5,538,462	(60,000,000)	-	-
Total Rupees - 2024	106,430,000	-	(106,430,000)	-		95,000,980	11,429,020	(106,430,000)	-	-

Year Ended June 30, 2023

Particulars	Cost				Rate	Amortization				Net Book Value as at June 30, 2023
	As at July 01, 2022	Additions	Disposals	As at June 30, 2023		As at July 01, 2022	For the Year	Disposal / Transfer	As at June 30, 2023	
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Software	46,430,000	-	-	46,430,000	11	35,432,142	5,107,300	-	40,539,442	5,890,558
Right to use toll plaza	60,000,000	-	-	60,000,000	10	48,461,538	6,000,000	-	54,461,538	5,538,462
Total Rupees - 2023	106,430,000	-	-	106,430,000		83,893,680	11,107,300	-	95,000,980	11,429,020

5.1 As per the concession agreement between the Company and NHA, the concession period has ended on April 23, 2024 and resultanty, all the assets have been transferred to NHA (National Highway Authority).

5.2 Amortization of intangible assets is charged to Direct Cost (Note 14).

Note 6

Advances and Prepayments

		2024	2023
		Rupees	Rupees
Advance income tax		70,388,039	47,458,297
Prepayments		-	1,654,440
Accrued profit on savings account		6,028,258	-
		<u>76,416,297</u>	<u>49,112,737</u>

Note 7

Cash and Bank Balances

		2024	2023
	Note	Rupees	Rupees
Cash in hand		18,500	71,242
Cash at banks - in savings accounts	7.1	<u>1,293,575,979</u>	<u>1,131,370,470</u>
		<u>1,293,594,479</u>	<u>1,131,441,712</u>

7.1 These carry mark-up at rates ranging from 16.88% to 24.13% (2023: 13% to 19.5%) per annum, approximately.

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

Note 8

Issued, Subscribed and Paid up Capital

2024	2023		2024	2023
Number of Shares	Number of Shares		Rupees	Rupees
<u>1,751,000</u>	<u>1,751,000</u>	Ordinary shares of Rs. 100 each fully paid in cash	<u>175,100,000</u>	<u>175,100,000</u>

8.1 No shares were issued or cancelled during the year (2023: Nil).

8.2 As at the reporting date, Frontier Works Organization held 1,750,997 (2023: 1,750,997) shares of the Company.

8.4 All ordinary shares rank equally with regard to residual assets of the Company. Ordinary shareholders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares as and when declared by the Company. Voting and other rights are in proportion to the shareholding.

Note 9

Deferred Tax Liability

		2024	2023
	Note	Rupees	Rupees
Being prudent, the management has not recognised the deferred tax asset since it believes that the utilization of related deductible temporary differences against future taxable profits is not certain. Breakup is as follows:			
- Accelerated tax depreciation		(80,375,067)	(59,636,019)
- Minimum tax		-	(16,104,978)
- Unused tax losses		(127,769,328)	(139,774,982)
		(208,144,395)	(215,515,979)
Less: Deferred tax asset not recognized	9.1	<u>208,144,395</u>	<u>215,515,979</u>
		<u>-</u>	<u>-</u>

9.1 Business losses available against which defer tax asset has not been recognized, are as follows:

Accounting year to which unused tax relates	Amount of unused
Unabsorbed Tax Depreciation	
Brought forward	(440,583,889)
Current year	-
	<u>(440,583,889)</u>

Note 10

Trade and Other Payables

		2024	2023
	Note	Rupees	Rupees
Accrued liabilities		563,500	490,188
Employee provident fund payable	10.1	1,114,289	1,657,190
Due to related parties	10.2	<u>1,120,397,178</u>	<u>1,275,306,427</u>
		<u>1,122,074,967</u>	<u>1,277,453,805</u>

Note 10, Trade and Other Payables - Continue...

10.1 The Company maintains unrecognised provident fund for its permanent employees. Same contributions are payable by the Company and employees @ 8% of the basic salary. No investments out of provident fund have been made as required under the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

10.2 This represents the amount payable to National Highway Authority (NHA). This amount has been calculated on accrual basis using the percentages defined in the Concession Agreement, as given below:

Year	Revenue / Fixed Amount	Rate	Calculated as per Concession	Amount Paid	Adjustments	Payable to NHA
	Rupees	%	Rupees	Rupees	Rupees	Rupees
2015	198,158,333	-	198,153,333	148,458,333	-	49,695,000
2015	303,986,280	0-5	4,867,225	-	-	54,562,225
2016	531,729,430	5-19.99	42,260,770	26,239,386	(510,439)	70,073,170
2017	579,276,860	19.99-39	137,903,342	60,000,000	-	147,976,512
2018	645,922,095	39-50	265,118,346	329,561,586	-	83,533,272
2019	630,228,850	50-88	360,434,667	4,727,966	-	439,239,973
2020	607,300,030	88	534,424,026	309,685,123	-	663,978,876
2021	691,302,420	88	608,346,130	579,431,243	-	692,893,763
2022	787,155,762	88	692,697,071	-	-	1,385,590,834
2023	730,961,312	88	615,092,047	725,891,891	515,437	1,275,306,427
2024	585,891,772	88	515,584,759	482,635,438	(187,858,570)	1,120,397,178
			<u>3,974,881,716</u>	<u>2,183,995,528</u>		

Note 11

Provision for Taxation

	2024	2023
	Rupees	Rupees
Opening balance	8,484,518	2,292,014
Provision for the year	51,273,504	8,484,518
	59,758,022	10,776,532
Payments / adjustments made during the year	(8,484,518)	(2,292,014)
	<u>51,273,504</u>	<u>8,484,518</u>

11.1 The provision for current year represents tax on taxable income at the rate of 29% (2023: 29%) as normal income tax.

Note 12

Contingencies and Commitments

There are no material contingencies and commitments outstanding as at the reporting date (2023:Nil).

Note 13
Revenue

	Note	2024 Rupees	2023 Rupees
Gross revenue		585,891,772	730,961,312
Less: Share of National Highway Authority (NHA)	13.1	(327,726,189)	(615,607,484)
		258,165,583	115,353,828
Less: Sales tax		-	-
Less: Trade discount		-	-
		<u>258,165,583</u>	<u>115,353,828</u>

13.1 National Highway Authority (NHA) is entitled to a certain percentage of revenue generated from the flyover as defined in the Concession Agreement as detailed in note 10.1.

13.2 All the revenue is recognised at a point in time.

Note 14
Direct Cost

	Note	2024 Rupees	2023 Rupees
Operation, management and maintenance cost	14.1	106,130,000	105,970,000
Insurance expense		899,806	1,073,499
Depreciation	4.2	73,075,299	90,430,686
Amortization	5.1	11,429,020	11,107,300
		<u>191,534,125</u>	<u>208,581,485</u>

14.1 This represents operation, management and maintenance (OM&M) cost as per OM&M contract between the Company and Frontier Works Organization (FWO), dated August 8, 2014 for provision of operations, management, maintenance, administration and other services as described under the agreement. FWO shall be entitled to a monthly compensation, which shall be the fixed amount as per the contract or percentage of toll revenue whichever is higher.

Note 15
Administrative Expenses

	Note	2024 Rupees	2023 Rupees
Salaries, wages and benefits	15.1	9,600,718	11,318,504
Travelling and conveyance		309,778	322,664
Repairs and maintenance		717,234	811,141
Insurance		754,634	693,547
Utilities		154,780	279,411
Communication		18,399	33,717
Printing and stationery		79,755	141,641
Rent, rates and taxes		706,794	1,024,596
Entertainment		199,736	544,616
Legal and professional charges		1,125,415	1,165,680
Auditors' remuneration	15.2	326,500	164,000
Consultancy services		294,000	357,000
Miscellaneous expenses		219,536	376,288
Depreciation	4.2	1,013,272	1,051,884
		<u>15,520,551</u>	<u>18,284,689</u>

15.1 This includes Rs. 717,209 (2023: Rs. 540,987) in respect of post employment benefits.

15.2 Auditors' remuneration:

- Audit fee	150,000	150,000
- Other attestation services	154,500	-
- Out of pocket expenses	22,000	14,000
	<u>326,500</u>	<u>164,000</u>

Note 16
Other Income

	Note	2024 Rupees	2023 Rupees
Profit on bank accounts	16.1	215,456,666	131,721,315
Miscellaneous income		1,530,230	1,844,000
		<u>216,986,896</u>	<u>133,565,315</u>

16.1 This represents profit on balances kept by the Company in deposit accounts with banks.

Note 17
Taxation

	Note	2024 Rupees	2023 Rupees
- Current year	17.1	51,273,504	8,484,518
- Adjustment for prior years		290,692	-
Deferred tax		51,564,196	8,484,518
		<u>51,564,196</u>	<u>8,484,518</u>

17.1 Charge for the year represents tax on taxable income at the rate of 29% (2023: 29%) as as normal income tax.

17.2 Reconciliation of tax charge for the year

	2024 Rupees	2023 Rupees
Profit before taxation	268,092,784	22,045,963
Tax @ 29% (2023: 29%) on profit before taxation	77,746,907	6,393,329
Adjustment on account of normal tax	(26,473,403)	2,091,189
Prior year tax	290,692	-
Deferred taxation	-	-
	<u>51,564,196</u>	<u>8,484,518</u>

Note 18

Transaction with Related Parties

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

Transactions during the year

Related Party	Relationship	Aggregate % of Shareholding	Nature of transaction	2024	2023
				Rupees	Rupees
National Highway Authority	Principal	N/A	Share of revenue	327,726,189	615,607,484
			Payments made	482,635,438	725,891,891
			Transfer of property and equipment	836,438,763	-
			Transfer of intangibles	106,430,000	-
Frontier Works Organization	Company	99.99%	Direct cost	106,130,000	105,970,000

Outstanding balance as at the year end

National Highway Authority	Principal	Share of revenue payable	1,120,397,178	1,275,306,427
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Note 19

Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

19.1 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

Note 19, Financial Risk Management - Continued...

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings, if any. As at June 30, 2024, the maximum exposure to credit risk is equal to the carrying amount of the financial assets as detailed below:

	Note	2024 Rupees	2023 Rupees
Bank balances	7	1,293,575,979	1,131,370,470

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. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk as at the reporting date was as follows:

	Rating Long term	Rating Agency	2024 Rupees	2023 Rupees
MCB Bank Limited	AAA/A1+	PACRA	936,801,566	814,577,829
Habib Bank Limited	AA+	JCR-VIS	356,774,413	316,792,641
			<u>1,293,575,979</u>	<u>1,131,370,470</u>

19.2 Liquidity Risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these and monitoring liquidity ratios. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period as at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

Contractual maturities of financial liabilities as at June 30, 2024:

Description	Carrying Amount Rupees	Contractual Cashflows Rupees	Within 1 year Rupees	1-2 Years Rupees	2-5 Years Rupees	Above 5 years Rupees
Trade and other payables	<u>1,120,872,178</u>	<u>1,120,960,678</u>	<u>1,120,960,678</u>	-	-	-

Contractual maturities of financial liabilities as at June 30, 2023

Description	Carrying Amount Rupees	Contractual Cashflows Rupees	Within 1 year Rupees	1-2 Years Rupees	2-5 Years Rupees	Above 5 years Rupees
Trade and other payables	<u>1,275,796,615</u>	<u>1,275,796,615</u>	<u>1,275,796,615</u>	-	-	-

19.3 Market risk

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

(a) Currency risk

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

(b) Interest rate risk

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

Note 19, Financial Risk Management - Continued...

	2024 Rupees	2023 Rupees
Floating rate instruments		
Financial assets		
Bank balances - savings accounts - local currency	<u>1,293,575,979</u>	<u>1,131,370,470</u>

Cash flow sensitivity analysis for fixed rate instruments

As at June 30, 2024, if interest rates had been 1% higher / lower with all other variables held constant, profit before tax for the year would have been higher / lower by Rs.12.936 million (2023: Rs. 11.314 million), mainly as a result of interest exposure on variable rate instruments.

(c) Price Risk

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

d) Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the reporting date. Fair value is determined on the basis of objective evidence at each reporting date. The management believes that the fair values of financial assets and financial liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

19.4 Financial instruments by categories

	At fair value through profit or loss Rupees	At amortized Cost Rupees	At fair value through other comprehensive income Rupees	Total Rupees
Financial assets as at June 30, 2024				
Cash and bank balances	-	1,293,594,479	-	<u>1,293,594,479</u>
Financial assets as at June 30, 2023				
Cash and bank balances	-	1,131,441,712	-	<u>1,131,441,712</u>
Financial liabilities as at June 30,				
At amortized cost				
Trade and other payables			<u>1,120,960,678</u>	<u>1,275,796,615</u>

Note 20

Remuneration of Chief Executive Officers, Directors and Executives

	2024 Rupees	2023 Rupees
Remuneration	2,600,000	5,097,540
Provident fund	235,897	392,673
Bonus	312,000	573,778
Other allowances	256,000	499,402
	<u>3,403,897</u>	<u>6,563,393</u>
Number of persons	<u>1</u>	<u>2</u>

20.1 An Executive is defined as an employee, other than chief executive and directors, whose basic salary exceeds 1.2 million in a financial year.

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

Note 21
Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhances shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchasing shares, if possible, selling surplus property, plant and equipment without affecting the optimal operating level and regulating its dividend payout thus maintaining smooth capital management.

In line with the industry norms, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital employed is calculated as equity, as shown in the statement of financial position, plus net debt.

However, as on the reporting date, the Company is not geared (2023: Not geared).

Note 22
Number of Employees

	2024	2023
	Numbers	Numbers
Number of contractual employees as at June 30,	<u>4</u>	<u>6</u>
Average number of employees during the year	<u>5</u>	<u>6</u>

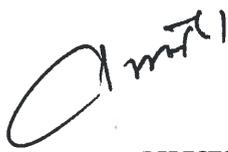
Note 23
Authorization of Financial Statements

These financial statements were approved and authorized by the Board of Directors of the Company for issuance on 10 OCT 2024.

Note 24
General

Corresponding figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. No material re-arrangements / reclassifications have been made in these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR