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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING PRIVATE LIMITED**

Opinion

We have audited the annexed financial statements of **"MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING PRIVATE LIMITED"**, which comprise the statement of financial position as at June 30, 2021, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, 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, 2021 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 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 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.

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.



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 statement.

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.
- 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, statement of profit or loss, statement of comprehensive income, 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 books of account and returns;



- c) Investment 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 Usher Ordinance, 1980 (XVIII of 1980).



Other Matter

The Financial Statements of Motorway Operations and Rehabilitation Engineering Private Limited for the year ended June 30, 2020 have been audited by another auditor who expresses unmodified opinion on those statements on January 14, 2021.

The engagement partner on the audit of **MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING PRIVATE LIMITED** for the year ended June 30, 2021 resulting in this independent auditors' report is C.A. Habib.

Place: Islamabad

Dated: 11 FEB 2022


CROWE HUSSAIN CHAUDHURY & CO.
(CHARTERED ACCOUNTANTS)


MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021 -----Pak Rupees-----	2020
NON - CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	3,563,336	4,954,308
Concession assets	6	14,767,337,982	18,073,802,964
CWIP concession assets		-	1,248,138
		14,770,901,318	18,080,005,410
Intangibles	7	9,761,380,425	10,515,034,617
Long-term advances and other receivables	8	206,884,725	195,891,628
		9,968,265,150	10,710,926,245
		24,739,166,468	28,790,931,655
CURRENT ASSETS			
Current portion of long-term advances and other receivables	8	359,135,163	338,988,326
Advances	10	748,900	814,573
Other receivables	11	515,424,899	4,567,764,851
Tax refunds due from the Government	12	28,372,694	34,161,436
Short-term investments	13	2,879,601	2,802,746
Cash and bank balances	14	199,350,658	4,992,284,050
		1,105,911,915	9,936,815,982
TOTAL ASSETS		25,845,078,383	38,727,747,637
SHARE CAPITAL AND RESERVES			
Authorized capital			
110,475,300 Ordinary shares (2020:110,475,300) of Rs.100 each		11,047,530,000	11,047,530,000
Issued, subscribed and paid up capital			
110,417,142 ordinary shares (2020: 110,417,142) of Rs.100 each	15	11,041,714,200	11,041,714,200
Revenue reserve			
Accumulated profit		2,352,909,797	1,211,625,236
		13,394,623,997	12,253,339,436
NON - CURRENT LIABILITIES			
Long - term loan	16	4,937,086,018	14,006,938,388
Other long - term financial liabilities	17	1,957,130,620	1,627,209,968
Long - term security deposits	18	170,108,450	131,983,950
Deferred tax liability - net	9	621,916,778	219,200,823
Other deferred liability	19	741,820,716	741,820,716
Toll payable	20	-	452,809,375
		8,428,062,582	17,179,963,220
CURRENT LIABILITIES			
Trade and other payables	21	216,408,754	242,608,682
Current portion of long - term loan	16	1,234,271,504	3,864,600,000
Current portion of other long - term financial liabilities	17	1,900,000,000	3,800,000,000
Dividend payable	22	536,625,236	500,189,653
Interest on long - term loan		135,086,309	887,046,646
		4,022,391,803	9,294,444,981
TOTAL EQUITY AND LIABILITIES		25,845,078,383	38,727,747,637
CONTINGENCIES AND COMMITMENTS			
	23		

The annexed notes, from 1 to 36, form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
 STATEMENT OF PROFIT OR LOSS
 FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 ----- Pak Rupees-----	2020
INCOME			
Revenue from toll	24	7,599,999,996	9,831,395,800
Service area income	25	915,963,316	1,093,476,721
		8,515,963,312	10,924,872,521
Direct costs	26	(4,241,435,958)	(6,493,988,344)
Gross profit		4,274,527,354	4,430,884,177
Administrative expenses	27	(79,881,507)	(136,459,824)
Finance costs	28	(1,562,409,592)	(3,389,134,398)
Other income	29	694,769,161	545,703,981
		(947,521,939)	(2,979,890,241)
Profit for the year - before taxation		3,327,005,415	1,450,993,936
Taxation	30	(974,095,618)	(486,915,711)
Net profit for the year - after taxation		2,352,909,797	964,078,225

The annexed notes, from 1 to 36, form an integral part of these financial statements.


 CHIEF EXECUTIVE


 CHIEF FINANCIAL OFFICER


 DIRECTOR

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	-----Pak Rupees-----	
Profit for the year	2,352,909,797	964,078,225
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>2,352,909,797</u>	<u>964,078,225</u>

The annexed notes, from 1 to 36, form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER

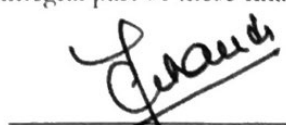

DIRECTOR

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 -----Rupees-----	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		3,327,005,415	1,450,993,936
Adjustment for non-cash and other items:			
Depreciation	5 & 6	3,309,166,592	3,308,615,764
Amortization	7	753,654,192	753,654,167
Profit on bank deposits and short-term investments	29	(135,703,680)	(539,487,404)
Amortization of deposit money	29	(3,972,000)	(2,645,581)
Finance costs	28	1,562,409,592	3,389,134,398
Gratuity expense		-	449,594
		<u>8,812,560,111</u>	<u>8,360,714,874</u>
Working capital changes:			
Decrease / (increase) in current assets			
Advances		65,673	1,980,614,150
Other receivables		4,052,339,248	(2,406,107,330)
Increase / (decrease) in current liabilities			
Trade and other payables		(26,199,928)	61,076,484
		<u>4,026,204,993</u>	<u>(364,416,696)</u>
Net operating cash flows after working capital changes		12,838,765,105	7,996,298,178
Taxes paid		(1,018,400,296)	(243,314,046)
Decrease in long-term prepayment		-	-
Decrease in long-term advances and other receivables		(31,139,934)	54,532,157
Long-term security deposits received		42,096,500	30,100,464
Interest received		135,704,383	588,690,523
Repayment of guarantee money	17	(1,900,000,000)	(1,900,000,000)
Finance costs paid		(1,950,007,665)	(2,726,486,582)
Net cash generated from operating activities		8,117,018,094	3,799,820,694
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of operating fixed assets	5	(62,500)	(4,976,770)
Investments made during the year		(76,855)	(2,802,746)
Investments encashed during the year		-	87,151,417
Purchase of concession assets	6	-	(16,401,355)
Net cash (used in) / generated from investing activities		(139,355)	62,970,546
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term loan	16.2	(17,905,980,000)	(3,156,090,006)
Dividend paid		(1,175,189,653)	-
Obtained long-term loan from FWO	16.4	6,171,357,522	-
Cash used in financing activities		(12,909,812,131)	(3,156,090,006)
Net (decrease)/increase in cash and cash equivalents during the year		(4,792,933,392)	706,701,234
Cash and cash equivalents at beginning of the year		4,992,284,050	4,285,582,816
Cash and cash equivalents at end of the year	14	199,350,658	4,992,284,050

The annexed notes, from 1 to 36, form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Share capital	Accumulated profit	Total
	-----Pak Rupees-----		
Balance at July 01, 2019	11,041,714,200	747,736,664	11,789,450,864
Profit for the year	-	964,078,225	964,078,225
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	964,078,225	964,078,225
Cash dividend for the year 2019	-	(500,189,653)	(500,189,653)
Balance at 30 June 2020	<u>11,041,714,200</u>	<u>1,211,625,236</u>	<u>12,253,339,436</u>
Balance at July 01, 2020	11,041,714,200	1,211,625,236	12,253,339,436
Profit for the year	-	2,352,909,797	2,352,909,797
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	2,352,909,797	2,352,909,797
Cash dividend for the year 2020	-	(1,211,625,236)	(1,211,625,236)
Balance at 30 June 2021	<u>11,041,714,200</u>	<u>2,352,909,797</u>	<u>13,394,623,997</u>

The annexed notes, from 1 to 36, form an integral part of these financial statements.



 CHIEF EXECUTIVE



 CHIEF FINANCIAL OFFICER



 DIRECTOR

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1 THE COMPANY AND ITS OPERATIONS

1.1 Motorway Operations and Rehabilitation Engineering (Private) Limited (the Company) was incorporated as private limited company on 11 April 2014 under the Companies Ordinance, 1984 (replaced by the Companies Act, 2017 with effect from 30 May 2017). The Company is principally formed for the purpose of overlay and modernization of Lahore-Islamabad Motorway, herein referred as M-2, on a built, operate and transfer basis, pursuant to Concession Agreement dated 23 April 2014, entered into between National Highway Authority (NHA) and the Company (The Project) for a period of 20 years.

The Company further entered into Engineering, Procurement, and Construction (EPC) contract with Frontier Works Organization (FWO — the Parent Company) dated 11 December 2014 for completion of the Project. As per the provisions of EPC contract, the Project is being executed by FWO on behalf of the Company.

1.2 On 22 May 2014, the Company signed a Term Sheet with a Consortium of four banks to finance the development, designing, engineering and construction of the Project through a Syndicate Term Financing Facility (STFF) of Rs. 25,778 million, representing 70% of the total estimated project cost of Rs. 36,825 million, while remaining 30% to be injected in the form of equity by FWO.

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

2 STATEMENT OF COMPLIANCE

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

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

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

The Company has availed the relaxation granted by the Securities and Exchange Commission of Pakistan (SECP), from requirements of IFRIC 12 while preparing these financial statements. For the accounting policies, adopted by the Company in respect of its Service Concession Agreement with NHA, refer to notes 4.3, 4.4 and

3 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except for payable to National Highway Authority (NHA), provision for hand back cost and toll payable, which are measured at their respective present values.

3.1 Significant accounting judgments and estimates

The preparation of 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 the 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.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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

(i) Property, plant and equipment and intangibles (Note 5, 6 and 7)

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

(ii) Deferred tax (Note 9)

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning and strategies.

(iii) Provision for hand back cost (Note 19)

Provision is recognized for the future submission of Transfer Bond, which the Company is required to make under the Concession Agreement. Estimate of the amount of provision recognized are based on the Company's assumptions for condition of the M-2 at Concession End Date and price levels. Provision is based on the best estimates, however, the actual outflow may differ from estimated cash outflows due to changes in technology, future condition of M-2 and the fact that actual expenditure will take place many years in future. The carrying amount of provision is reviewed annually and adjusted to account for such changes.

(iv) Impairment of other receivables (Note 11)

The Company reviews its other receivables at each reporting date to assess whether an allowance for expected credit loss should be recorded in the statement of profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance for expected credit loss required. Such estimates are based on assumptions about a number of factors, including macro-economic indicators based on reasonable and supportable information available without any significant cost and effort, and actual results may differ, resulting in future changes to the allowance for expected credit loss.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years for which financial information is presented in these financial statements, unless otherwise stated.

4.1 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements of the Company are presented in Pak Rupees, which is the Company's functional currency. Figures in these financial statements have been rounded off to the nearest Pak Rupee, unless otherwise stated.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

4.2 New and amended standards and interpretations

4.2.1 The following International Financial Reporting Standards (IFRS Standards), interpretations and the amendments as notified under Companies Act, 2017 are effective for accounting periods beginning from the dates specified below:

- Amendment to IFRS 3 'Business Combinations' (effective for annual periods beginning on or after 1 January 2022). Minor amendments were made to update references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and IFRIC 21 'Levies'. The amendment also confirms that contingent assets should not be recognised at the acquisition date. The amendments are not likely to have impact on Company's financial statements.
- Amendment to IFRS 4 'Insurance Contracts'. The fix expiry date for the exemption in IFRS 4 from applying IFRS 9 for an entity choosing to apply the deferral approach is now 01 January 2023. The amendments are not likely to have impact on Company's financial statements.
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current (effective for the annual periods beginning on or after 1 January 2023). These amendments in the standard have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The Company is currently assessing the impact on its financial statements.
- Amendments to IAS 16 'Property, Plant and Equipment' Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022). These amendments clarify that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The amendments are not likely to have impact on Company's financial statements.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022). It amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to have impact on Company's financial statements.
- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' Interest Rate

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Benchmark Reform – Phase 2 (applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted). The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an ‘economically equivalent’ basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms and shall be applied retrospectively. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The amendments are not likely to have impact on Company’s financial statements.

- Amendments to IFRS 16 ‘Leases’ COVID-19-Related Rent Concessions – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments were effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard’s previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees were applying the standard for the first time in their financial statements, the Board provided an optional practical expedient for lessees. Under the practical expedient, lessees were not required to assess whether eligible rent concessions are lease modifications, and instead were permitted to account for them as if they were not lease modifications. The amendment had no impact on Company’s financial statements.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- there is no substantive change to the other terms and conditions of the lease.

The amendments are not likely to have impact on Company’s financial statements.

- Amendments to IAS 1 ‘Presentation of Financial Statements’ and IFRS Practice Statement 2-Disclosure of Accounting Policies (effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted)–the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The Company is currently assessing the impact on its financial statements.

- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'-Definition of Accounting Estimates – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The Company is currently assessing the impact on its financial statements.
- Amendments to IAS 12 'Income Taxes'-Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The Company is currently assessing the impact on its financial statements.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above mentioned amendments are not likely to have an impact on Company's financial statements.

4.2.2 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been notified locally by the Securities and Exchange Commission of Pakistan (SECP) as at 30 June 2021:

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

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4.2.3 The following interpretations / IFRS issued by IASB have been waived off by SECP:

- IFRIC 12 – Service Concession Arrangements
- IFRS 2 – Share based payment in respect of Benazir Employees’ Stock Option Scheme.

4.3 Property, plant and equipment

4.3.1 Operating fixed assets

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

Depreciation is charged to income applying the straight-line method at the rates mentioned in note 5 to these financial statements, whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month of acquisition with no charge of depreciation in the month of disposal.

An item of operating fixed assets is derecognized upon disposal or when no future economic benefits are expected from its 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 profit or loss, in the year the asset is derecognised.

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

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

4.3.2 Concession assets

Concession assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes construction costs incurred on overlay and modernization of M-2 motorways, present value of the initial estimate of the hand back cost and borrowing costs relating to funds specifically borrowed for overlay and modernization of M-2.

Depreciation is charged to income applying the straight-line method at the rates mentioned in note 6 to these financial statements, whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month of acquisition with no charge of depreciation in the month of disposal.

An item of concession assets is derecognized upon disposal or when no future economic benefits are expected from its 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 profit or loss, in the year the asset is derecognized.

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Application of waiver from requirement of IFRIC 12 "Service Concession Arrangement"

In accordance with S.R.O 24(1)/2012, dated 16 January 2012, the Company has availed exemption, granted by Securities and Exchange Commission of Pakistan (SECP), from requirements of IFRIC 12 while preparing these financial statements.

IFRIC 12 applies to public-to-private service concession arrangements if the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and 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 Agreement, IFRIC 12 would have required the Company not to recognize any infrastructure as part of its property, plant and equipment. The Company would have to account for its cost on overlay and modernization of M-2, disclosed in note 6 to the financial statements, as expenses in statement of 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, representing a right to charge toll from users of M-2 motorway. Borrowing attributable to arrangement would also have been capitalized as part of intangible asset.

The Company, however, has applied the waiver granted by SECP and is carrying its incurred cost of overlay and modernization of M-2 (including the related borrowing cost) as concession assets. Further, the Company has not bifurcated its revenue between consideration for overlay and modernization of M-2 and operation services for M-2.

4.3.3 Concession work-in-progress

Concession work-in-progress is stated at cost less accumulated impairment losses, if any. It consists of expenditure incurred in respect of tangible assets in the course of their construction and installation. Transfers are made to the relevant fixed assets category as and when assets are available for intended use.

4.4 Intangible

An intangible is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such an asset can also be measured reliably.

Intangible are measured on initial recognition at cost, being the fair value of the consideration given. Following initial recognition, intangibles are carried at cost less accumulated amortization and accumulated impairment, if any.

The useful lives of intangibles are assessed as either finite or indefinite. The Company does not have an intangible asset with indefinite useful life. Intangibles with the finite useful life are amortized over their period of economic useful life. The Company's Intangible with finite useful life consist of Guaranteed Money (i.e. amount paid/payable to NHA for grant of Concession and right to use the M-2) and software. Cost of Guaranteed Money consist of cash paid by the Company and present value of amounts payable in future period, which is being amortized over the concession period of 20 years.

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Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset, are accounted for by changing the recognized period or amortization method, as appropriate, and treated as change in accounting estimates. The recognized expense on intangibles with finite lives is recognized in the statement of profit or loss in the expense category, consistent with the function of the intangible asset.

4.5 Advances and prepayments

These are recognized at cost, which is the fair value of the consideration given.

4.6 Deposits and other receivables

These are recognized at cost, which is the fair value of the consideration given. However, an assessment is made at each reporting date to determine whether there is an indication that a financial asset or a group of financial assets may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and impairment loss is recognized for the difference between the recoverable amount and the carrying value.

4.7 Cash and cash equivalents

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

4.8 Long-term financing

These are recognized initially at fair value, less the attributable transactions costs. After initial recognition, these are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized.

Amortized cost is calculated by taking into account any discount or premium on acquisition, and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of profit or loss.

4.9 Trade and other payables

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

4.10 Borrowing costs

Mark-up, interest and other direct charges on borrowings 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 the statement of profit or loss.

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4.11 Provision for hand back cost

Provision for hand back cost has been recognized as the Company has a legal obligation to submit the Transfer Bond to. NHA, six months prior to the Concession End Date or immediately upon but not later than thirty days from the date of issuance of the Termination Notice. Provision for hand back cost is recognized at present value of higher of 10% of the expected operations and maintenance cost for a period of 5 years preceding the transfer date and Rs. 500 million. The cash flows have been discounted at a rate that reflects the risk specific to the hand back cost.

Subsequent to initial recognition, an unwinding expense relating to the provision is recognized as a finance cost, and the capitalized cost will be expensed as depreciation, over the useful life of overlay and modernization cost of M-2.

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 due to changes in the gross O&M cost or discount rates, 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 recognized in the statement of profit or loss.

4.12 General provisions

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

4.13 Taxation

Income tax expense comprises current and deferred tax.

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences, arising from differences between the carrying amount of assets and liabilities in the financial statements, and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized 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.

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Deferred income 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 tax 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.

4.14 Income recognition

(a) Revenue from toll

Revenue from toll is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company has outsourced the process of collecting tolls from motor vehicles travelling on M-2 to FWO. The toll collected by FWO on toll plazas of M-2 is recognized as a revenue at the point in time when control of the services is transferred to the customer, generally on completion of the voyage by the customer.

Performance obligations

The performance obligation is to provide a pathway for travelling at M-2 and is satisfied at point in time. The toll collected on a particular day, except for vehicles affixed with M-tag by FWO, is deposited by FWO in the Company's bank account on next day.

In case of toll collection through M-tag, the commuters deposit the advance toll (to be consumed for multiple motorways, including M-2) with the FWO and the Company recognizes the revenue based on the monthly toll utilization reports. The performance obligation is satisfied at point in time. Payment from FWO is generally due within 30 days upon completion of a particular month.

(b) Service area income

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight line basis over the lease terms and is included in income in the statement of profit or loss due to its operating nature.

(c) Profit on bank deposits and investments

Return on bank balances is recognized using the effective interest rate method.

4.15 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.

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(a) Financial assets

Classification and initial recognition

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent measurement

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- (i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes other receivables, investments and accrued interest.

The Company has not designated any financial assets at fair value through OCI (equity instruments) or financial assets at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The Company has transferred its right to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full, without material delay to a third party under a 'pass-through' arrangement; and either

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- (a) the Company has transferred substantially all the risks and rewards of the asset, or
- (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(b) Financial liabilities

Classification, initial recognition and subsequent measurement

The Company classifies its financial liabilities in the following categories: at fair value through profit or loss and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of other financial liabilities, also include directly attributable transaction costs.

The subsequent measurement of financial liabilities depends on their classification, as follows:

(i) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability, upon recognition, as being at fair value through profit or loss.

(ii) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another MOM the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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(c) Off-setting of financial assets and liabilities

Financial assets and financial liabilities are off-set and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.16 Impairment

(i) Financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised 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 other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises 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.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Non - financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the statement of profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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An impairment loss recognized in the prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.17 Employees' Gratuity

All regular employees, after completion of five years of regular service, were entitled to gratuity at the time of his/her departure. The gratuity payment is equivalent to the last drawn salary of an employee for each completed year of service, on a proportionate monthly basis. The scheme was approved by the management of the Company on 20 June 2019 and was discontinued with effect from 25 December 2019. The balance of employees' gratuity scheme was transferred to Employees' Provident Fund with effect from 25 December 2019.

4.18 Employees' Provident Fund

The Company operates a provident fund scheme for its eligible employees with effect from 25 December 2019. Equal monthly contributions are made both by the Company and the employees at 8% of the basic salaries of the employees.

All investments in collective investment schemes, listed equity and listed debt securities out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

4.19 Fair Value Measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability,

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

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For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management of the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The management of the Company determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The Company does not measure any of its assets or liabilities at fair value.

4.20 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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5 OPERATING FIXED ASSETS

2021

	COST				Rate	ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	At 01 July	Additions	Disposals	At 30 June		At 01 July	Charge for the year	Disposals	At 30 June	At 30 June
	-----Rupees-----					%	-----Rupees-----			
Furniture and fittings	4,533,879	-	-	4,533,879	20	996,716	891,893	-	1,888,609	2,645,270
Office equipment	973,352	17,500	-	990,852	20	264,326	187,486	-	451,812	539,040
Computer equipment	2,611,931	45,000	-	2,656,931	33	1,903,812	374,093	-	2,277,905	379,026
	8,119,162	62,500	-	8,181,662		3,164,854	1,453,472	-	4,618,326	3,563,336

2020

	COST				Rate	ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	At 01 July	Additions	Disposals	At 30 June		At 01 July	Charge for the year	Disposals	At 30 June	At 30 June
	-----Rupees-----					%	-----Rupees-----			
Furniture and fittings	677,944	3,855,935	-	4,533,879	20	248,165	748,551	-	996,716	3,537,163
Office equipment	215,925	757,427	-	973,352	20	92,831	171,495	-	264,326	709,026
Computer equipment	2,248,523	363,408	-	2,611,931	33	1,400,335	503,477	-	1,903,812	708,119
	3,142,392	4,976,770	-	8,119,162		1,741,331	1,423,523	-	3,164,854	4,954,308

5.1 Depreciation for the year is charged to administrative expenses (refer to note 27).

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6 CONCESSION ASSETS

2021

	COST				Useful Life	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE
	At 01 July	Additions	Effect of revision in hand back cost	At 30 June		At 01 July	Charge for the year	At 30 June	At 30 June
	-----Pak Rupees-----					Years	-----Pak Rupees-----		
Building	546,458,192	1,248,138	-	547,706,330	18	119,835,410	30,780,701	150,616,111	397,090,219
Structures	1,736,963,270	-	-	1,736,963,270	18	381,735,060	97,680,792	479,415,852	1,257,547,418
Other Assets	1,227,769,722	-	-	1,227,769,722	18	269,828,825	69,045,516	338,874,341	888,895,381
Road Infrastructure	23,556,143,025	-	-	23,556,143,025	9	10,258,350,847	2,624,590,068	12,882,940,915	10,673,202,110
Equipment and Computer Accessories	2,942,573,121	-	-	2,942,573,121	10	1,125,537,737	290,728,471	1,416,266,208	1,526,306,913
Vehicles	980,801,186	-	-	980,801,186	5	761,617,673	194,887,572	956,505,245	24,295,941
	<u>30,990,708,516</u>	<u>1,248,138</u>	<u>-</u>	<u>30,991,956,654</u>		<u>12,916,905,552</u>	<u>3,307,713,120</u>	<u>16,224,618,672</u>	<u>14,767,337,982</u>

2020

	COST				Useful Life	ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE
	At 01 July	Additions	Effect of revision in hand back cost (note 19)	At 30 June		At 01 July	Charge for the year	At 30 June	At 30 June
	-----Pak Rupees-----					Years	-----Pak Rupees-----		
Building	539,369,805	1,652,027	5,436,360	546,458,192	18	89,124,487	30,710,923	119,835,410	426,622,782
Structures	1,719,801,830	-	17,161,440	1,736,963,270	18	284,054,268	97,680,792	381,735,060	1,355,228,210
Other Assets	1,215,639,185	-	12,130,537	1,227,769,722	18	200,783,309	69,045,516	269,828,825	957,940,897
Road Infrastructure	23,322,689,066	-	233,453,959	23,556,143,025	9	7,633,760,779	2,624,590,068	10,258,350,847	13,297,792,178
Equipment and Computer Accessories	2,899,972,964	13,501,190	29,098,967	2,942,573,121	10	835,260,367	290,277,370	1,125,537,737	1,817,035,384
Vehicles	971,110,733	-	9,690,453	980,801,186	5	566,730,101	194,887,572	761,617,673	219,183,513
	<u>30,668,583,583</u>	<u>15,153,217</u>	<u>306,971,716</u>	<u>30,990,708,516</u>		<u>9,609,713,311</u>	<u>3,307,192,241</u>	<u>12,916,905,552</u>	<u>18,073,802,964</u>

6.1 Depreciation for the year is charged to direct costs (refer to note 26).

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
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7 INTANGIBLES

		COST			Useful Life Years	ACCUMULATED AMORTIZATION			WRITTEN DOWN VALUE	
Note	At 01 July	Additions	At 30 June	At 01 July		Charge for the year	At 30 June	At 30 June		
Description		-----Pak Rupees-----				-----Pak Rupees-----			Rupees	
	Guaranteed money	7.1	14,621,200,029	-	14,621,200,029	19.5	4,133,994,068	749,086,140	4,883,080,208	9,738,119,821
	Software		45,680,536	-	45,680,536	10	17,851,880	4,568,052	22,419,932	23,260,604
			<u>14,666,880,565</u>	-	<u>14,666,880,565</u>		<u>4,151,845,948</u>	<u>753,654,192</u>	<u>4,905,500,140</u>	<u>9,761,380,425</u>
		COST			Useful Life Years	ACCUMULATED AMORTIZATION			WRITTEN DOWN VALUE	
Note	At 01 July	Additions	At 30 June	At 01 July		Charge for the year	At 30 June	At 30 June		
Description		-----Pak Rupees-----				-----Pak Rupees-----			Rupees	
	Guaranteed money	7.1	14,621,200,029	-	14,621,200,029	19.5	3,384,907,952	749,086,116	4,133,994,068	10,487,205,961
	Software		45,680,536	-	45,680,536	10	13,283,829	4,568,051	17,851,880	27,828,656
			<u>14,666,880,565</u>	-	<u>14,666,880,565</u>		<u>3,398,191,781</u>	<u>753,654,167</u>	<u>4,151,845,948</u>	<u>10,515,034,617</u>

7.1 This represents amounts paid/payable to NHA under the Concession Agreement, for the grant of concession of M-2 (and titled as "Upfront Guaranteed Money and Staggered Guaranteed Money"). According to the terms of the agreement, an amount of PKR 9,500 million was payable in the first year of the Project, on the achievement of financial close, which has been duly paid, thereafter PKR 1,900 million is payable at the end of each year from year 4 to year 8 of the Concession period. The amount payable from year 4 to year 8 has been discounted to its present value by using the discount rate of 11.05% p.a., with a corresponding credit recorded as payable to NHA (refer to note 17).

7.2 The Company is amortizing the guaranteed money with effect from the take over date of the M-2 operations over the remaining useful life as of that date.

7.3 Amortization for the year is charged to direct costs (refer to note 26).

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 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 -----Pak Rupees-----	2020
8 LONG-TERM ADVANCES AND OTHER RECEIVABLES			
Mobilization advance to FWO - a related party	8.1	318,132,933	318,132,933
Current portion shown under current assets		(318,132,933)	(318,132,933)
		-	-
Advance to FWO	8.2	41,002,230	20,855,393
Current portion shown under current assets		(41,002,230)	(20,855,393)
		-	-
Advance to vendor	8.3	57,300,000	47,750,000
Other receivables		149,584,725	148,141,628
		<u>206,884,725</u>	<u>195,891,628</u>

8.1 This represents mobilization advance disbursed to FWO under the EPC contract, being 20% of the contract price. The advance is adjustable by 20% of the cost of each Interim Payment Certificate (IPC), raised by FWO. During the year, the maximum amount of advance outstanding at the end of any month was PKR 318 million (2020: PKR 318 million).

8.2 This represents the remaining balance of an advance to FWO adjusted against OM&M payments.

8.3 This represents advance paid to Heavy Mechanical Complex for construction of three pedestrian bridges on M-2 motorway.

	Note	2021 -----Pak Rupees-----	2020
9 DEFERRED TAX (LIABILITY) / ASSET - NET		<u>(621,916,778)</u>	<u>(219,200,823)</u>
Breakup of deferred tax (liability) / asset - net is as follows:			
Deductible temporary differences resulting from:			
Carried forward tax losses	9.1	330,818,137	906,779,046
Tax credit on minimum tax		-	-
Unwinding of hand back cost		-	50,075,602
Advances and other receivables		20,647,760	-
Operating fixed assets		158,646	-
Allowance for expected credit loss		-	13,729,339
Provision for gratuity		-	123,543
		<u>351,624,543</u>	<u>970,707,530</u>
Taxable temporary differences resulting from:			
Upfront guaranteed money		-	(721,622,655)
Intangibles		(910,369,087)	-
Concession assets		(17,808,438)	-
Other long-term financial liabilities		(45,363,796)	-
Accelerated tax depreciation on property, plant and equipment		-	(468,285,698)
		<u>(973,541,321)</u>	<u>(1,189,908,353)</u>
		<u>(621,916,778)</u>	<u>(219,200,823)</u>
Movement in deferred tax for the year:			
Net (liability) / asset at the beginning of the year		(219,200,823)	54,604,036
Tax expense for the year			
- Recognized in Statement of Profit or Loss	30	(402,715,955)	(273,804,859)
Net deferred tax asset		<u>(621,916,778)</u>	<u>(219,200,823)</u>

9.1 This represents the unabsorbed tax depreciation and amortization.

9.2 Business projections based on budgets and tax planning indicate that sufficient future taxable profits will be available to recover tax losses in future years.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 -----Pak Rupees-----	2020
10 ADVANCES			
Unsecured, considered good			
Due from other than related parties:			
Advances to employees for operational purposes		-	93,448
Advances to vendors		748,900	721,125
		<u>748,900</u>	<u>814,573</u>
11 OTHER RECEIVABLES			
Unsecured, considered good			
Due from related parties:			
Due from FWO	11.1	218,925,621	4,171,258,556
Due from NHA on account of:	11.2		
- Consultancy expense		215,941,142	209,271,142
- Joint audit fee		6,297,790	5,200,806
- Variation Order-2		37,396,022	31,398,822
Due from other than related parties:			
Service area rentals	11.3	108,050,878	221,821,375
Less: Allowance for expected credit loss		(71,199,171)	(71,199,171)
		36,851,707	150,622,204
Accrued interest		12,617	13,321
		<u>515,424,899</u>	<u>4,567,764,851</u>

11.1 This represents balance due from FWO, on account of collection of toll fee from commuters of M-2 on behalf of the Company, balance due from FWO on account of CAM agreement and other receivables from FWO. During the year, the maximum amount due from FWO at the end of any month was PKR 7,940 million (2020: PKR 4,206 million).

11.2 This represents amount due from NHA on account of its 50% share of expenditure incurred by the Company, on account of services of the QAI, Joint Auditor of the Project and Variation Order-2 Project. During the year, the maximum amount due from NHA at the end of any month was PKR 258.5 million (2020: PKR 245.9 million).

11.3 This represents rent receivable from various parties for service areas of M-2, allocated to them under their respective agreements with the Company.

11.4 The aging is as follows:

	Days past due				
	0 - 30	31 - 60	61 - 90	Over 90	Total
As at 30 June 2021	-----Pak Rupees-----				
Due from FWO	30,053,527	28,712,585	43,966,271	116,193,238	218,925,621
Due from NHA	766,984	-	-	258,867,970	259,634,954
Service area rentals	-	-	-	108,050,878	108,050,878
	<u>30,820,511</u>	<u>28,712,585</u>	<u>43,966,271</u>	<u>483,112,086</u>	<u>586,611,453</u>

	Days past due				
	0 - 30	31 - 60	61 - 90	Over 90	Total
As at 30 June 2020	-----Pak Rupees-----				
Due from FWO	752,543,641	55,531,730	118,207,410	3,244,975,775	4,171,258,556
Due from NHA	15,659,200	6,051,900	75,000	224,084,670	245,870,770
Service area rentals	66,051,257	23,345,638	8,496,368	123,928,112	221,821,375
	<u>834,254,098</u>	<u>84,929,268</u>	<u>126,778,778</u>	<u>3,592,988,557</u>	<u>4,638,950,701</u>

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 -----Pak Rupees-----	2020
12 TAX REFUNDS DUE FROM THE GOVERNMENT			
Advance tax paid		<u>28,372,694</u>	<u>34,161,436</u>
13 SHORT-TERM INVESTMENTS			
Term Deposit Receipt (Certificate of Islamic investment) - at amortized cost			
Cost	13.1	2,879,601	2,802,746
Accrued mark-up at effective interest rate		<u>5,281</u>	<u>8,416</u>
		<u>2,884,882</u>	<u>2,811,162</u>
Shown as part of accrued interest		<u>(5,281)</u>	<u>(8,416)</u>
		<u>2,879,601</u>	<u>2,802,746</u>

13.1 This investment is made out of employee' provident fund balance. The above TDR, having a maturity period of 3 months, was placed with Meezan Bank Limited on 10 March 2020, at a rate of return ranging between 4.73% to 4.62% p.a., which was rolled over for next 3 months.

	Note	2021 -----Pak Rupees-----	2020
14 CASH AND BANK BALANCES			
Cash in hand		200,000	179,710
Cash at banks in:			
Saving accounts	14.1	199,150,658	4,964,767,474
Current accounts	14.2	-	27,336,866
		<u>199,350,658</u>	<u>4,992,284,050</u>

14.1 These carry mark up at the rates ranging from 3.25% to 2.84% (2020: 6.50% to 11.25%) per annum.

14.2 This includes the amount of security deposits, amounting to PKR 158,975,967, placed by the different parties with the Company (refer to note 18). This amount is restricted from being exchanged or used to settle a liability and is being maintained in the separate bank account.

15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2021	2020		Note	2021 -----Pak Rupees-----	2020
----Number of shares----					
<u>110,417,142</u>	<u>110,417,142</u>	Ordinary shares of PKR 100 each fully paid in cash	15.1	<u>11,041,714,200</u>	<u>11,041,714,200</u>

15.1 FWO and its nominated directors hold 100% of shares in the Company at the end of the year.

	Note	2021 -----Pak Rupees-----	2020
16 LONG-TERM LOANS - SECURED			
From financial institution	16.1	-	14,006,938,388
From related parties	16.4	<u>4,937,086,018</u>	-
		<u>4,937,086,018</u>	<u>14,006,938,388</u>
16.1 From financial institution:			
Syndicated term financing facility	16.2	-	17,871,538,388
Current maturity shown under current liabilities		-	<u>(3,864,600,000)</u>
		-	<u>14,006,938,388</u>

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
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	Note	2021	2020
		-----Pak Rupees-----	
16.2 Syndicated term financing facility			
Opening balance		17,871,538,388	20,990,513,729
Repayment of loan		(17,905,980,000)	(3,156,090,006)
Amortization of transaction cost	28	34,441,612	37,114,665
	16.3	<u>-</u>	<u>17,871,538,388</u>

16.3 In order to finance the overlay and modernization of M-2 and payment of Guaranteed Money, the Company has entered into a Syndicate Term Finance Agreement with a syndicate of banks, with MCB Bank acting as the Agent Bank. Till date total withdrawals made by the Company are PKR 22,000 million from Conventional Loan Facility, and PKR 3,764 million from Shariah Compliant Islamic Loan Facility. The loan carried mark-up at the rate of 6 months KIBOR plus 1.4%, per annum and is re-payable in 8 years, in semi-annual instalments, commencing from 25 August 2016. Pursuant to the Addendum No. 1 to Conventional Facility Agreement, the mark-up rate has been revised to 6 months KIBOR plus 0.9% per annum with effect from 03 September 2016. The loan has been fully paid during the year.

	Note	2021	2020
		-----Pak Rupees-----	
16.4 From related parties:			
Loan from FWO	16.5	6,171,357,522	-
Current maturity shown under current liabilities		(1,234,271,504)	-
		<u>4,937,086,018</u>	<u>-</u>

16.5 The Company has obtained from FWO, a loan amounting to PKR 6,171,357,522 in order to prepay the Lenders. The principal amount of the Loan shall be repaid in five installments of PKR 1,234,271,504. Markup at the rate of KIBOR + 0.9% per annum shall be payable on the outstanding balance of the loan.

	Note	2021	2020
		-----Pak Rupees-----	
17 OTHER LONG - TERM FINANCIAL LIABILITIES			
Payable to FWO - a related party:			
Retention money payable	17.1	213,557,499	213,557,499
Payable to National Highway Authority - a related party:			
Balance at the beginning of the year		5,213,652,469	6,626,097,082
Unwinding of discount	28	329,920,652	487,555,387
Repayment made during the year		(1,900,000,000)	(1,900,000,000)
	7.1	3,643,573,121	5,213,652,469
Current portion shown under current liabilities		(1,900,000,000)	(3,800,000,000)
		<u>1,957,130,620</u>	<u>1,627,209,968</u>

17.1 This represents retention money deducted from FWO, against IPCs submitted till year end.

	Note	2021	2020
		-----Pak Rupees-----	
18 LONG - TERM SECURITY DEPOSITS			
Long-term security deposits	18.1	158,975,967	116,879,467
Deposit received from Hascol Petroleum Limited	18.2	15,104,483	19,076,483
Current portion shown under current liabilities	21	(3,972,000)	(3,972,000)
		<u>11,132,483</u>	<u>15,104,483</u>
		<u>170,108,450</u>	<u>131,983,950</u>

18.1 This represents security deposits received from different parties against provision of space / land at MSAs. This amount has been kept in a separate bank account (refer to note 14). The security deposits have not been discounted to their present value as the impact is considered to be immaterial to the financial statements.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
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18.2 This represents unamortized portion of amount received from Hascol Petroleum Limited under a filling service station agreement. An amount of PKR 39.72 million is refundable to Hascol Petroleum Limited if the Company breaches the terms of filling service station agreement, within first 10 years from the effective date of the agreement. Management expect that it will be able to comply with the requirements of the agreement and accordingly, the deposit received is being amortized over the remaining life of first 10 years of the agreement.

	Note	2021	2020
-----Pak Rupees-----			
19 OTHER DEFERRED LIABILITY			
Provision for hand back cost	19.1		
Balance at the beginning of the year		741,820,716	381,446,492
Unwinding of discount	28	-	53,402,509
Effect of revision in cost estimates		-	306,971,715
		<u>741,820,716</u>	<u>741,820,716</u>

19.1 As per the terms of the Concession Agreement, six months prior to the Concession End Date or immediately upon but not later than thirty days from the date of issuance of the Termination Notice, the Company shall submit to NHA the Transfer Bond with a face value equivalent to 10% of the operations and maintenance expenses (O&M cost) for a period of five years preceding the Transfer Date or PKR 500 million, whichever is higher. The Transfer Bond is meant to secure all the Company's obligation, liabilities, warranties and responsibilities under the Concession Agreement in relation to ensure that the Project Assets comply with the handback requirements on the date of transfer of assets to NHA. NHA is entitled to encash the Transfer Bond if the Company fails to ensure that the Project Assets comply with the handback requirements in accordance with the term of the Concession Agreement; provided that any excess amounts after defraying the costs to ensure that the Project Assets comply with the handback requirements would be refunded to the Company, by NHA.

	Note	2021	2020
-----Pak Rupees-----			
20 TOLL PAYABLE			
Balance at the beginning of the year		452,809,375	407,752,701
Unwinding of discount	28	-	45,056,674
Income realized	20.2	<u>(452,809,375)</u>	-
	20.1	<u>-</u>	<u>452,809,375</u>

20.1 The closing balance represents the present value of PKR 700 million payable to NHA in respect of escalated toll and share of M-1 and M-3 toll, discounted at the rate of 11.05% p.a., after the completion of the debt service period (i.e. 24 August 2024).

20.2 Since the relevant amendment agreements giving effect to payment of PKR 700 million along with other matters are not signed with NHA; Hence, the Company understands that this amount of PKR 700 million is not payable to NHA. Accordingly the provision is being reversed

	Note	2021	2020
-----Pak Rupees-----			
21 TRADE AND OTHER PAYABLES			
Trade creditors			
Due to related party	21.1	81,647,992	121,597,996
Due to other parties		59,376	3,119,055
Other payables			
Withholding taxes payable		23,488	23,488
Current portion of unamortized deposit	18	3,972,000	3,972,000
Unearned income		-	59,097,718
Provision for gratuity		426,012	426,012
Provision for provident fund		4,509,703	3,568,561
Corporate tax payable		85,287,958	-
Others		40,482,225	50,803,852
		<u>134,701,386</u>	<u>117,891,631</u>
		<u>216,408,754</u>	<u>242,608,682</u>

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21.1 This represents payable to FWO and the major amounts are payable in respect of operations, management and maintenance (OM&M), management fees, service area rentals, commercial activities management and services performed by Quality Assurance Inspector, amounting to Nil (2020: PKR 67.07 million), Nil (2020: PKR 28.3 million), PKR 17.1 million (2020: PKR 17.1 million), PKR 150.8 million (2020: Nil) and PKR 4.5 million (2020: PKR 4.5 million), respectively.

	Note	2021 -----Pak Rupees-----	2020
22 DIVIDEND PAYABLE	22.1	<u>536,625,236</u>	<u>500,189,653</u>

22.1 The Company had declared dividend of PKR 1,211,625,236 for the year ended June 30, 2020 in the 55th meeting of the Board of Directors out of which PKR 675,000,000 has been paid and PKR 536,625,236 is still payable.

23 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

23.1 At 30 June 2021, 12 cases (2020: 12 cases) against the Company were pending in different Courts of Law primarily by the Company's vendors. In these cases, the Petitioners have challenged : (i) the termination of lease agreements by NHA and the Company; (ii) the assignment of work to FWO and transfer to rights to the Company to operate the Motorway service areas of Lahore-Islamabad

23.2 A civil suit has been filed by M/S Daewoo Pakistan Motorway Services Limited against the Company, NHA, FWO and Hascol Petroleum, for the recovery of bill boards installed at service areas of Motorway M-2 and for recovery of possession of service areas at M-2. The claim lodged by M/S Daewoo amounts to PKR 784 million (2020: PKR 784 million). However, the management and the Company's legal advisors are of the view that the outcome of these cases is expected to be favorable and a liability, if any, arising on the settlement of these cases is not likely to be material. Accordingly, no provision has been made in these financial statements in this regard.

23.3 The Assistant Commissioner Inland Revenue (ACIR) issued an order u/s 162 of the Income Tax Ordinance, 2001 (ITO), whereby ACIR held the Company liable to pay advance income tax amounting to PKR 950 million in terms of section 236A of ITO, for the tax year 2015. The Company filed an appeal against the order of ACIR with the Commissioner Inland Revenue (Appeals) [CIR(A)]. The CIR(A) through an order no. 92/2017 dated 25 July, 2017, cancelled the impugned order issued by ACIR. However, the Tax Department has filed an appeal, against the order of CIR(A), before the Appellate Tribunal Inland Revenue (ATIR), hearing of which is pending till the date of these financial statements.

Pending the outcome of the matter, no provision has been made in these financial statements for the impugned order raised by the ACIR, as the management, in consultation with its tax advisors, is confident that the matter will be decided in favor of the Company.

23.4 The Additional Commissioner Inland Revenue (ADCIR) issued a show cause notice u/s 122(5A) of the Income Tax Ordinance, 2001 (ITO), whereby ACIR held the Company liable to compute the taxable profit on the basis of the percentage completion method as envisaged under section 36 of ITO and computed the tax liability of the Company for the tax year 2015 amounting to PKR 3,179 million. The Company filed a writ petition before the Honorable Islamabad High Court (the Honorable Court) against the impugned show cause notice issued by ADCIR. The Honorable Court suspended the said impugned show cause notice through an order dated 11 October, 2017, and instructed that no final order shall be passed in pursuance of the proceedings under the impugned show cause notice. During Financial Year, Islamabad High Court, after hearing remanded the case back to ADCIR who has dropped the proceedings u/s 36 of ITO and created demand of Rs. 800 Mn by disallowing certain expense claimed in Annual Tax Return of FY 2015. Company has challenged the order of ADCIR before CIR(A) who has heard the case and decision is awaited.

Pending the outcome of the matter, no provision has been made in these financial statements for the tax liability computed under the impugned show cause notice issued by the ADCIR, as the management, in consultation with its tax advisors, is confident that the matter will be decided in favor of the Company.

COMMITMENTS

23.5 There is no outstanding commitment as at the end of current and prior year, unless elsewhere disclosed.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
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	Note	2021 -----Pak Rupees-----	2020
24 REVENUE FROM TOLL			
Toll collection		<u>7,599,999,996</u>	<u>9,831,395,800</u>
25 SERVICE AREA INCOME		<u>915,963,316</u>	<u>1,093,476,721</u>
26 DIRECT COSTS			
Operations and maintenance cost		-	2,082,333,333
Depreciation	6	3,307,713,120	3,307,192,241
Amortization	7	753,654,192	753,654,160
Cost of service area	26.1	172,337,948	342,933,244
Horticultural expense		-	59,188
Consultancy fee - QAI		6,670,000	6,960,000
Consultancy fee - PACRA		1,060,698	856,178
		<u>4,241,435,958</u>	<u>6,493,988,344</u>

26.1 This includes cost of facility management and electricity amounting to PKR 88.7 million (2020: PKR 162.6 million) and PKR 72.4 million (2020: PKR 145.4 million), respectively.

	Note	2021 -----Pak Rupees-----	2020
27 ADMINISTRATIVE EXPENSES			
Salaries	27.1	36,855,952	37,333,106
Reimbursement of expenditure		-	28,292,000
Rent and utilities		26,794,366	6,277,164
Legal and professional		8,795,742	5,086,302
Vehicle running expense		2,563,303	3,182,105
Advertising expense		362,125	566,437
Auditor's remuneration	27.2	750,000	2,323,892
Depreciation	5	1,453,472	1,423,523
Bank charges		68,651	23,523
Allowance for expected credit loss		-	49,463,531
Repair and maintenance		954,175	633,648
Miscellaneous expenses		1,283,721	1,854,593
		<u>79,881,507</u>	<u>136,459,824</u>

27.1 This includes bonus amounting to PKR 516,050 (2020: 55,000) paid to Chief Executive Officer and three (03) Directors. Apart from this, no other amount has been charged in these financial statements as remuneration to the Chief Executive and Directors of the Company.

This also includes a sum of Nil (2020: PKR 449,594), and PKR 1,100,299 (2020: PKR 3,568,561) in respect of employee's gratuity, and provident fund.

	Note	2021 -----Pak Rupees-----	2020
27.2 Auditor's remuneration			
Statutory audit		640,000	640,000
Out of pocket expense		110,000	110,000
Certification		-	110,000
Taxation services		-	1,463,892
		<u>750,000</u>	<u>2,323,892</u>

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	Note	2021 -----Pak Rupees-----	2020
28 FINANCE COSTS			
Interest on long-term loan		1,195,787,328	2,763,599,007
Amortization of transaction cost on long-term loan		34,441,612	37,114,665
Loan facility administration fee		2,260,000	2,406,156
Unwinding of discount on:			
Payable to NHA	17	329,920,652	487,555,387
Provision for toll payable	20	-	45,056,674
Provision for hand back cost	19	-	53,402,509
		<u>329,920,652</u>	<u>586,014,570</u>
		<u>1,562,409,592</u>	<u>3,389,134,398</u>
29 OTHER INCOME			
Income from financial assets			
Profit on bank deposits and investments		135,703,680	539,487,404
Income from other than financial assets			
Amortization of deposit money	18.2	3,972,000	2,645,581
Sale of tyres		35,640	51,050
Others		555,057,841	3,519,946
		<u>694,769,161</u>	<u>545,703,981</u>
30 TAXATION			
Current tax expense			
- Current year		571,200,773	207,926,287
- Prior year		178,890	5,184,565
		<u>571,379,663</u>	<u>213,110,852</u>
Deferred tax expense	9	402,715,955	273,804,859
		<u>974,095,618</u>	<u>486,915,711</u>

31 FINANCIAL RISK MANAGEMENT

31.1 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 minimize potential adverse effects on its financial performance.

Risk management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies. 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.

a) Market risk

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

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i) Currency risk

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

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is:

	Note	2021 -----Pak Rupees-----	2020
Fixed rate instruments			
Financial assets			
Bank balances - deposit accounts	14	<u>199,150,658</u>	<u>4,964,767,474</u>
Investments	13	<u>2,879,601</u>	<u>2,802,746</u>
Variable rate instruments			
Financial liabilities			
Long-term loan	16	<u>4,937,086,018</u>	<u>17,871,538,388</u>

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

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.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from; due from FWO (parent company), due from NHA (a related party), other receivables, service area rentals receivables, investments, accrued interest and cash and bank balances. FWO has a strong financial strength and is being operated by armed forces of Pakistan (a government owned institution). NHA is a government owned institution and has a strong financial strength. Credit risk on liquid funds is limited because they are placed with banks with high credit ratings. Service area rentals receivables and other receivables from non-related parties are not significant to the financial statements. Service area rentals receivables are partially secured by way of security deposited by the tenants. The carrying amount of financial assets represents the maximum credit exposure.

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:

	2021		2020	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
-----Pak Rupees-----				
Long-term advances and other receivables	508,719,888	508,719,888	487,129,954	487,129,954
Other receivables	515,424,899	515,424,899	4,567,764,851	4,567,764,851
Investments	2,879,601	2,879,601	2,802,746	2,802,746
Bank balances	199,150,658	199,150,658	4,992,104,340	4,992,104,340
	<u>1,226,175,046</u>	<u>1,226,175,046</u>	<u>10,049,801,891</u>	<u>10,049,801,891</u>

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The credit quality of Company's financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited (VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

Rating Agency	Rating		2021	2020
	Short-term	Long-term	-----Pak Rupees-----	
Private Sector Bank				
MCB Bank Limited	PACRA	A1+	AAA	
Meezan Bank Limited	VIS	A1+	AAA	
Allied Bank Limited	PACRA	AAA	A1+	
			344,317	4,991,116,228
			3,050,348	4,477,778
			195,755,993	

Impairment losses

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The maximum exposure to credit risk for receivables at the reporting date is with service area rental receivables within the country. The Company does not anticipates any default on part of its related parties in respect of due from FWO and NHA, based on no default history, strong financial strength of these entities and the fact that the Company can deduct the amount of receivables while making future payments to FWO and NHA, for OM&M and staggered guaranteed payments, respectively.

Set out below is the information about the credit risk exposure on the Company's service area rentals receivables using a provision matrix:

	Service area rentals receivables			
	Days past due			
	0 - 30	31 - 60	61 - 90	Over 90
Expected credit loss rate	-	-	-	0.00%
Total gross carrying amount at default	-	-	-	108,050,878
Expected credit loss	-	-	-	-

Customer credit risk is managed subject to the Company's established policy, procedures and control relating to customer credit risk management.

Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy. The deposits are kept with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's management on an annual basis, and may be updated throughout the year. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

In respect of bank balances and investments, being low risk instruments, the Company had assessed an allowance based on 12 month ECLs. Based upon above mentioned high external credit rating (as disclosed above), ECLs relating to cash at bank and investment rounds to zero.

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b) 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.

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
-----Pak Rupees-----					
2021					
Long term loan and related accrued interest	6,306,443,831	7,746,350,994	135,090,171	7,611,260,823	-
Other long-term financial liabilities	3,857,130,620	4,013,557,499	2,113,557,499	1,900,000,000	-
Long-term security deposits	170,108,450	170,108,450	-	158,975,967	11,132,483
Trade and other payables	693,451,173	693,451,173	596,946,724	-	96,504,449
Dividend payable	536,625,236	536,625,236	536,625,236	-	-
Provision for toll payable	452,809,375	700,000,000	-	700,000,000	-
	<u>12,016,568,685</u>	<u>13,860,093,352</u>	<u>3,382,219,630</u>	<u>10,370,236,790</u>	<u>107,636,932</u>
	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
-----Pak Rupees-----					
2020					
Long term loan and related accrued interest	18,758,585,034	24,393,486,803	6,107,215,625	18,286,271,178	-
Other long-term financial liabilities	5,427,209,968	5,913,557,499	3,800,000,000	2,113,557,499	-
Long-term security deposits	131,983,950	131,983,950	7,556,640	16,791,000	107,636,310
Trade and other payables	183,084,952	183,084,952	183,084,952	-	-
Dividend payable	500,189,653	500,189,653	500,189,653	-	-
Provision for toll payable	452,809,375	700,000,000	-	700,000,000	-
	<u>25,453,862,932</u>	<u>31,822,302,857</u>	<u>10,598,046,870</u>	<u>21,116,619,677</u>	<u>107,636,310</u>

31.2 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The carrying amounts of all the financial instruments reflected in these financial statements approximate their fair value.

	Amortised cost / Loans and receivables		Cash and cash equivalents	
	2021	2020	2021	2020
-----Pak Rupees-----				
Financial assets as per statement of financial position				
Long-term advances and other receivables	508,719,888	487,129,954	-	-
Other receivables	515,424,899	4,567,764,851	-	-
Investments	2,879,601	2,802,746	-	-
Cash and bank balances	-	-	199,350,658	4,992,284,050
	<u>518,304,501</u>	<u>5,057,697,551</u>	<u>199,350,658</u>	<u>4,992,284,050</u>

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	Liabilities at fair value through profit and loss		Other financial liabilities	
	2021	2020	2021	2020
	-----Pak Rupees-----			
Long-term loan	-	-	6,171,357,522	17,871,538,388
Long - term security deposits	-	-	170,108,450	131,983,950
Other long-term financial liability	-	-	3,857,130,620	5,427,209,968
Trade and other payables	-	-	216,408,754	183,084,952
Toll payable	-	-	-	452,809,375
Dividend payable	-	-	536,625,236	500,189,653
Interest on long-term loan	-	-	135,086,309	887,046,646
	-	-	<u>11,086,716,891</u>	<u>25,453,862,932</u>

31.3 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 its 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 and, capital and revenue reserves. During the year, the Company's strategy was to maintain leveraged gearing. The net debt to equity ratio as at 30 June 2021 and 30 June 2020 were as follows:

	Note	2021	2020
		-----Pak Rupees-----	
Long-term loan	16	6,171,357,522	17,871,538,388
Interest on long term loan		135,086,309	887,046,646
Total debt		<u>6,306,443,831</u>	<u>18,758,585,034</u>
Cash and bank balances	14	199,350,658	4,992,284,050
Net debt		<u>6,107,093,174</u>	<u>13,766,300,984</u>
Equity		13,394,623,997	12,253,339,436
Total Capital		<u>19,501,717,171</u>	<u>26,019,640,420</u>
Net debt to total equity	%	<u>31.32</u>	<u>52.91</u>

32 RELATED PARTY TRANSACTIONS

Frontier Work Organization (FWO) holds 100% of shares of the Company. Therefore, all the subsidiaries and associates of FWO are the related parties of the Company. Other related parties includes directors, key management personnel, entities over which directors are able to exercise significant influence and entities which are owned/controlled by the Government. Balances payable/receivable from related parties at the end of the year have been disclosed in their respective notes. Transactions during the year with FWO and NHA (a Government owned/controlled agency) are as follows:

	2021	2020
	-----Pak Rupees-----	
Payments to FWO on account of:		
Electricity bills	-	31,699,419

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	2021	2020
	-----Pak Rupees-----	
Payments on behalf of FWO in respect of:		
MSA Electricity Bills	64,053,158	-
Fuel for Genset	1,825,056	-
Facility Management Ser	76,670,580	-
Insurance	-	31,177,866
	<u>142,548,794</u>	<u>31,177,866</u>
Adjustment of advance against IPC's of OM&M Contract	<u>-</u>	<u>2,075,000,000</u>
Receipts from FWO on account of:		
Service area rentals	300,000,000	-
NGR	7,599,999,996	-
Toll collection	3,220,582,658	7,546,293,313
	<u>11,120,582,654</u>	<u>7,546,293,313</u>
Payment to NHA in respect of guarantee money	<u>1,900,000,000</u>	<u>1,900,000,000</u>
Payment to EMASCO in respect of vehicle lease	<u>8,960,000</u>	<u>1,323,790</u>

33 NUMBER OF EMPLOYEES

The number of total employees at the year end were 42 (2020: 43), whereas the average number of employees during the year were 43 (2020: 41).

34 REMUNERATION OF THE CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Details of the remuneration of the chief executive officer and directors are mentioned in note 27.1. The Company has no employee whose basic salary exceeds twelve hundred thousand rupees in a financial year, except for as disclosed below:

	2021	2020
	-----Pak Rupees-----	
Managerial remuneration	3,837,500	1,296,000
Allowances (such as medical, cost of living, car maintenance, house rent and technical)	7,552,060	2,044,739
	<u>11,389,560</u>	<u>3,340,739</u>
	<u>2021</u>	<u>2020</u>
	----- Numbers -----	
Executives	<u>1</u>	<u>1</u>

35 IMPACT OF COVID-19 PANDEMIC ON THE FINANCIAL STATEMENTS

NATURE OF EVENT

On 31 January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

EFFECT ON THE COMPANY

The Company is uniquely positioned to continue its business operations with colleagues adopting the precautionary measures and fully following standard operating procedures. The outbreak of COVID-19 has not materially impacted the business operations.

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FINANCIAL EFFECT

The outbreak of COVID-19 is not expected to impact the continuance of the Company's operations. The Company has assessed the that effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the current year were not significant. Management also does not expect any significant disruptions in the future and its going concern assumption. Further, COVID-19 outbreak has not triggered any impairment indicator which may require impairment in carrying amounts of the assets. Management of the Company will, however, continue to evaluate future developments.

36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on _____ by the Board of Directors of the Company.



CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR