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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF
MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE)
LIMITED**

Opinion

We have audited the financial statements of “**Motorway Operations and Rehabilitation Engineering (Private) Limited**”, which comprise the statement of financial position as at June 30, 2023 and the statement of profit or loss, 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, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2023 and of the profit and 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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's reports thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the entity'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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity 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:

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

The engagement partner on the audit resulting in this independent auditor's report is C.A Habib.

Place: Islamabad
Date: 21 NOV 2023
UDIN: AR2023103491Szs7CqLf



CROWE HUSSAIN CHAUDHURY & CO
(CHARTERED ACCOUNTANTS)

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

| | Note | 2023 -----Pak Rupees----- | 2022 |
|---|------|------------------------------|-----------------------|
| NON - CURRENT ASSETS | | | |
| Property and Equipment | | | |
| Operating fixed assets | 5 | 227,874,303 | 249,631,663 |
| Capital work in process - concession assets | | 1,275,505 | 319,372,517 |
| Concession assets | 6 | 8,400,045,724 | 11,537,093,403 |
| | | 8,629,195,532 | 12,106,097,583 |
| Intangibles | 7 | 8,252,634,059 | 9,007,007,242 |
| Capital work in process | 8 | 495,000 | 495,000 |
| Long-term advances and other receivables | 9 | - | - |
| | | 8,253,129,059 | 9,007,502,242 |
| CURRENT ASSETS | | | |
| Current portion of long - term advances and other receivables | | 338,988,327 | 359,135,164 |
| Advances | 11 | 318,000 | 98,000 |
| Other receivables | 12 | 5,208,280,051 | 2,414,471,742 |
| Tax refunds due from the Government | 13 | 1,173,005,673 | 1,099,611,638 |
| Short-term investments | 14 | 346,956,661 | 300,395,377 |
| Cash and bank balances | 15 | 7,029,037 | 372,389,037 |
| | | 7,074,577,749 | 4,546,100,958 |
| TOTAL ASSETS | | 23,956,902,340 | 25,659,700,783 |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized capital | | | |
| (Authorised capital consist of 110,475,300 ordinary shares of Rs 100 each.) | | 11,047,530,000 | 11,047,530,000 |
| Issued, subscribed and paid up capital | 16 | 11,041,714,200 | 11,041,714,200 |
| Accumulated profit | | 1,591,926,473 | 2,861,726,233 |
| | | 12,633,640,673 | 13,903,440,433 |
| NON - CURRENT LIABILITIES | | | |
| Long - term loan | 17 | 2,468,543,010 | 3,702,814,514 |
| Other long - term financial liabilities | 18 | 213,557,500 | 214,242,922 |
| Long - term security deposits | 19 | 179,723,899 | 177,338,663 |
| Deferred tax liability - net | 10 | 378,141,096 | 513,169,695 |
| Liabilities against assets subject to finance lease | 32 | 289,105,823 | 292,145,220 |
| Other deferred liability | 20 | 741,820,717 | 741,820,717 |
| | | 4,270,892,045 | 5,641,531,731 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 21 | 1,364,937,177 | 599,850,149 |
| Current portion of long - term loan | 17 | 1,234,271,504 | 1,234,271,504 |
| Current portion of other long - term financial liabilities | 18 | 3,093,179,842 | 3,093,179,842 |
| Current portion of liabilities against assets subject to finance lease | 32 | 3,039,397 | 641,478 |
| Provision for taxation | 30 | 1,144,890,138 | 1,010,258,924 |
| Interest on long - term loan | | 212,051,564 | 176,526,722 |
| | | 7,052,369,622 | 6,114,728,619 |
| CONTINGENCIES AND COMMITMENTS | 22 | - | - |
| TOTAL EQUITY AND LIABILITIES | | 23,956,902,340 | 25,659,700,783 |

The annexed notes form an integral part of these financial statements.


DIRECTOR


CHIEF EXECUTIVE OFFICER

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 ----- Pak Rupees----- | 2022 |
|-------------------------------|------|-------------------------------|-----------------------------|
| INCOME | | | |
| Revenue from toll | 23 | 8,360,000,004 | 8,360,000,004 |
| Service area Income - Rentals | 24 | 661,500,000 | 630,200,000 |
| | | <u>9,021,500,004</u> | <u>8,990,200,004</u> |
| Direct costs | 25 | (4,816,937,195) | (4,029,604,384) |
| Gross profit | | <u>4,204,562,809</u> | <u>4,960,595,620</u> |
| Administrative expenses | 26 | (658,916,481) | (324,869,768) |
| Finance costs | 27 | (862,989,126) | (898,590,054) |
| Other income | 28 | 108,490,373 | 131,415,745 |
| | | <u>(1,413,415,234)</u> | <u>(1,092,044,077)</u> |
| Profit before tax | | <u>2,791,147,575</u> | <u>3,868,551,543</u> |
| Less: Provision for Tax | 29 | (1,199,221,102) | (1,185,648,761) |
| Profit after tax | | <u><u>1,591,926,473</u></u> | <u><u>2,682,902,782</u></u> |

The annexed notes form an integral part of these financial statements.


 DIRECTOR


 CHIEF EXECUTIVE OFFICER

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

| | 2023 | 2022 |
|--|-----------------------------|-----------------------------|
| | -----Pak Rupees----- | |
| Profit for the year | 1,591,926,473 | 2,682,902,782 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income for the year | <u><u>1,591,926,473</u></u> | <u><u>2,682,902,782</u></u> |

The annexed notes form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

| | Share capital | Accumulated Profit | Total |
|---|-----------------------|-----------------------|-----------------------|
| | -----Pak Rupees----- | | |
| Balance at July 01, 2021 | 11,041,714,200 | 2,531,733,251 | 13,573,447,451 |
| Profit for the year | - | 2,682,902,782 | 2,682,902,782 |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | - | 2,682,902,782 | 2,682,902,782 |
| Dividend | - | (2,352,909,800) | (2,352,909,800) |
| Balance at June 30, 2022 | <u>11,041,714,200</u> | <u>2,861,726,233</u> | <u>13,903,440,433</u> |
| Balance at July 01, 2022 | 11,041,714,200 | 2,861,726,233 | 13,903,440,433 |
| Profit for the year | - | 1,591,926,473 | 1,591,926,473 |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | - | 1,591,926,473 | 1,591,926,473 |
| Dividend | - | (2,861,726,233) | (2,861,726,233) |
| Balance at June 30, 2023 | <u>11,041,714,200</u> | <u>1,591,926,473</u> | <u>12,633,640,673</u> |

The annexed notes form an integral part of these financial statements.


 DIRECTOR


 CHIEF EXECUTIVE OFFICER

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 | 2022 |
|---|------|-----------------------------|-----------------------------|
| -----Pak Rupees----- | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 2,791,147,575 | 3,868,551,543 |
| Adjustment for non-cash and non-operating items: | | | |
| Depreciation expense on operating fixed asset | 5 | 21,757,360 | 22,030,632 |
| Depreciation expense on concession assets | 6 | 3,151,579,113 | 3,166,840,777 |
| Amortization expense on intangibles | 7 | 754,373,183 | 754,373,183 |
| Reversal of overcharged depreciation on Concession assets | | - | (42,902,051) |
| Provision for hand back cost | | - | 81,971,189 |
| Finance costs | 27 | 862,989,126 | 898,590,054 |
| | | <u>4,790,698,782</u> | <u>4,880,903,784</u> |
| Working capital adjustment: | | | |
| Current assets | | | |
| Advances | | (220,000) | 650,900 |
| Other receivables | | (2,793,808,309) | (1,899,046,842) |
| | | <u>(2,794,028,309)</u> | <u>(2,195,911,718)</u> |
| Current liabilities | | | |
| Trade and other payables | | 765,087,029 | 383,441,396 |
| | | <u>765,087,029</u> | <u>383,441,396</u> |
| Net cash generated from operations | | <u>5,552,905,077</u> | <u>6,936,985,005</u> |
| Taxes paid | | (1,273,012,522) | (1,071,238,944) |
| Interest paid | | (827,464,284) | (857,149,642) |
| | | <u>(2,100,476,806)</u> | <u>(1,928,388,586)</u> |
| Net cash generated from operating activities | | <u><u>3,452,428,271</u></u> | <u><u>5,008,596,419</u></u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of operating fixed assets | 5 | - | (376,000) |
| Advances and other receivables | | 20,146,837 | - |
| Reversal / (Payment) for concession work in process | | 318,097,012 | (319,372,517) |
| Further security deposits acquired | | 2,385,236 | 7,230,213 |
| Advance to vendor realised | | - | 206,884,725 |
| Short-term investments | | (46,561,284) | (297,515,776) |
| Lease payment | | (641,478) | 1,384,936 |
| Advance realised in respect to capital work in process | | - | (495,000) |
| Acquisition of concession assets | 6 | (14,531,434) | (57,300,000) |
| Net cash generated from/(used in) investing activities | | <u>278,894,889</u> | <u>(162,043,643)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of long-term loan | 17.2 | (1,234,271,504) | (1,234,271,504) |
| Repayment of other long term liabilities | | (685,422) | (549,707,856) |
| Dividend paid | | (2,861,726,233) | (2,889,535,036) |
| Net cash used in financing activities | | <u>(4,096,683,159)</u> | <u>(4,673,514,396)</u> |
| Net (decrease)/increase in cash and cash equivalents during the year | | <u>(365,359,999)</u> | <u>173,038,379</u> |
| Cash and cash equivalents at beginning of the year | | <u>372,389,037</u> | <u>199,350,658</u> |
| Cash and cash equivalents at end of the year | 15 | <u><u>7,029,037</u></u> | <u><u>372,389,037</u></u> |

The annexed notes form an integral part of these financial statements.


DIRECTOR


CHIEF EXECUTIVE OFFICER

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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. STFF has been repaid completely by the company in previous years.

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 4.3.2.

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 JUNE 30, 2023

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 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 10)

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 20)

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 12)

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.

(v) Contingencies (Note 22)

The company discloses contingencies as per guidance of IAS-37 i.e: Provisions, Contingent liabilities and Contingent assets. Contingencies are recognised when either there is possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

(vi) Staff retirement benefits (Note 21)

The company operates employee provident fund which is not registered with relevant authorities. Bank account is designated for such purpose exclusively. Contribution from company and employees are made as per policy and Distributions from fund are also made as per approved policy.

(vii) Impairment of Intangibles (Note 7)

To determine whether an intangible asset is impaired, the company applies IAS-36 i.e: Impairment of assets. An asset is impaired when its carrying amount exceeds its recoverable amount. If an indicator of impairment exists, the company tests intangibles for impairment.

(viii) Concession work in process (Note 4.3.3)

As per concession asset agreement between National Highway Authority (NHA) and the company, company has right to build, operate and transfer such assets upon completion to NHA on April 23, 2034. The company is required to pay periodic installments as per agreed schedule. The company is entitled to collect the revenue from toll and service area rentals, which is subsequently outsourced to Frontier Works Organisation (FWO).

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.

4.2 New and amended standards and interpretations

4.2.1 Standards, Amendments and interpretations to existing standards that are not yet effective and have not been early adopted by company are as follows:

| Descriptions | Effective date |
|---|-----------------------|
| IAS-1 Presentation of Financial statements (Amendments) | Jan -01-2023 |
| Accounting policies, changes in accounting estimates and errors | |
| IAS-8 (Amendments) | Jan -01-2023 |
| IAS-12 Income taxes (Amendments) | Jan -01-2023 |
| IFRS-4 Insurance contracts (Amendments) | Jan -01-2023 |
| IAS-16 Property, plant and Equipment's (Amendments) | Jan -01-2022 |
| IAS-37 Provisions, contingent liabilities and assets (Amendments) | Jan -01-2022 |
| IAS-41 Agriculture (Amendments) | Jan -01-2022 |
| IFRS-3 Business combinations (Amendment) | Jan -01-2022 |
| IFRS-9 Financial instruments (Amendments) | Jan -01-2022 |
| IFRS-16 Leases (Amendments) | Jan -01-2022 |

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

The management anticipates that adoption of above standards, amendments and interpretations in future periods, will have no material impact on financial statements other than the impact on Presentation or Disclosures.

Further, the following standards and interpretations have been issued by the international accounting standard board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

- IFRS-1 First time adoption of International financial reporting standard
- IFRS-17 Insurance contracts

The following interpretations issued by the IASB has been waived off by SECP:

- IFRIC-12 Service concession arrangements
- SRO 24(I)/2012 issued by SECP dated January 16, 2012 grants waiver with immediate effect grants waiver from IFRIC-12 requirements to all companies.

4.3 Property and equipment

4.3.1 Operating fixed assets

These are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management. These assets are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses, if any.

The cost includes the cost of replacing parts of the plant and equipment when that cost is incurred, if the recognition criteria are met. Depreciation is charged using the straight line method at the rates specified in note 5 when assets are available for use. No depreciation is charged on the assets in the month of sale / disposal, while full depreciation is charged in the month of acquisition. Maintenance and normal repairs are charged to income for the year as and when incurred, while major renewals and improvements are capitalized.

The carrying amounts of the Company's assets are reviewed at each date of the statement of financial position to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to income for the year. An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in profit and loss in the year the asset is derecognized. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

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.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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 as per CAM agreement on April 2034, such assets will be fully written off at that date.

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. As per concession asset agreement between National Highway Authority (NHA) and the company, company has right to build, operate and transfer such assets upon completion to NHA on April 23, 2034. The company is required to pay periodic installments as per agreed schedule. The company is entitled to collect the revenue from toll and service area rentals, which is subsequently outsourced to Frontier Works Organisation (FWO).

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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 Concession rights 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.

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 Long term advances and other receivable

These are recognized at cost, which is the fair value of the consideration given. For measurement of loss allowance for advances, deposits and other receivables, the Company applies the IFRS 9 simplified approach to measure the expected credit losses.

4.6 Short-term investments

These are recognized under ammortised cost model, which require assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other operating income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating gains/ (losses). Impairment losses are presented as separate line item in the profit or loss.

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.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4.8 Long-term loan

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 (Note 17). 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 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.

4.11 Long - term security deposits

These are recognised at cost upon signing of contracts, most of them are refunded back to customers upon handing back of premises to the company. Few of tem are non-refundable.

4.12 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 during the year.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4.13 Lease liability

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase.

4.14 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.

4.15 Taxation

Income tax expense comprises current and deferred tax.

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation on income. The charge for current tax is calculated using prevailing tax rates. Current tax is charged to profit or loss except to the extent it relates to items recognized in statement of other comprehensive income.

Deferred

Deferred tax is accounted for using the statement of financial position 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 is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss except to the extent it relates to items recognized in the statement of other comprehensive income.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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

Deferred 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.

4.16 Dividend income

Dividend income is recognised in statement of profit or loss as other income when:

- the company's right to receive payment has been established.
- is probable that economic benefit associated with dividend will flow to the company.
- the amount of dividend can be measured reliably.

4.17 Income recognition

(a) Revenue from toll

This represent amount agreed with FWO that is recognised on monthly basis. Revenue from toll is recognised as per requirements of IFRS-15 i.e: Revenue from contract with customer. The Company has outsourced the process of collecting tolls from motor vehicles travelling on M-2 to FWO.FWO is obliged to pay fix amount as per NGR(Net Guarenteed Revenue) agreement between FWO and MORE (Private) Limited. Such income is recognised in Financial statements on monthly basis.

(b) Service area income

This represent fix amount received from FWO as per CAM (Commercial Activities Management) agreement between FWO and MORE (Private) Limited. Such amount is agreed to be paid quarterly in arrears. FWO collect rentals from service areas and MORE (Private) Limited is entitled to fix amount. Service area income is recognised as per requirements of IFRS-15 i.e: Revenue from contract with customer. Such income is recognised in Financial statements on monthly basis.

(c) Profit on bank deposits and investments

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

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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4.18 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.

Financial assets

Initial recognition and measurement

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 debts, 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 debts 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 needs 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. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into following categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- 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.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights 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
 - (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.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
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Impairment of 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 trade debts and 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.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Classification, initial recognition and subsequent measurement

The Company classifies its financial liabilities in the following categories:

- (i) at fair value through profit or loss; and
- (ii) 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) 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.
- (ii) After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in profit or loss.

Off-setting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, when there is legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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4.19 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 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.

4.20 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 rules formulated for this purpose.

4.21 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, either

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

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.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4.22 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.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

5 OPERATING FIXED ASSETS

2023

| | 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 |
| | -----Pak Rupees----- | | | | % | -----Pak Rupees----- | | | | Pak Rupees |
| Freehold | | | | | | | | | | |
| Furniture and fittings | 4,741,879 | - | - | 4,741,879 | 20 | 2,783,976 | 880,061 | - | 3,664,037 | 1,077,842 |
| Office equipment | 990,852 | - | - | 990,852 | 20 | 628,755 | 171,447 | - | 800,202 | 190,650 |
| Computer equipment | 2,824,931 | - | 126,000 | 2,698,931 | 33 | 2,642,153 | 111,778 | 126,000 | 2,627,931 | 71,000 |
| Leasehold | | | | | | | | | | |
| Building | 288,317,032 | - | - | 288,317,032 | 7 | 41,188,147 | 20,594,074 | - | 61,782,221 | 226,534,811 |
| | <u>296,874,694</u> | <u>-</u> | <u>126,000</u> | <u>296,748,694</u> | | <u>47,243,031</u> | <u>21,757,360</u> | <u>126,000</u> | <u>68,874,391</u> | <u>227,874,303</u> |

2022

| | 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 |
| | -----Pak Rupees----- | | | | % | -----Pak Rupees----- | | | | Pak Rupees |
| Freehold | | | | | | | | | | |
| Furniture and fittings | 4,533,879 | 208,000 | - | 4,741,879 | 20 | 1,888,609 | 895,367 | - | 2,783,976 | 1,957,903 |
| Office equipment | 990,852 | - | - | 990,852 | 20 | 451,812 | 176,943 | - | 628,755 | 362,097 |
| Computer equipment | 2,656,931 | 168,000 | - | 2,824,931 | 33 | 2,277,905 | 364,248 | - | 2,642,153 | 182,778 |
| Leasehold | | | | | | | | | | |
| Building | 288,317,032 | - | - | 288,317,032 | 7 | 20,594,074 | 20,594,074 | - | 41,188,147 | 247,128,885 |
| | <u>296,498,694</u> | <u>376,000</u> | <u>-</u> | <u>296,874,694</u> | | <u>25,212,400</u> | <u>22,030,632</u> | <u>-</u> | <u>47,243,031</u> | <u>249,631,663</u> |

5.1 Depreciation for the year is charged to administrative expenses (refer to note 26).

5.2 Depreciation on leasehold building the year is charged to administrative expenses (refer to note 26).

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

6 CONCESSION ASSETS

2023

| | 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----- | | | Rupees |
| Buildings | 547,583,394 | - | - | 547,583,394 | 14-18 | 182,235,624 | 31,096,398 | 213,332,022 | 334,257,372 |
| Structures | 1,793,933,507 | - | - | 1,793,933,507 | 14-18 | 581,982,542 | 103,153,899 | 685,136,441 | 1,108,797,066 |
| Other Assets | 1,189,765,427 | 14,531,434 | - | 1,204,296,861 | 14-18 | 409,720,274 | 68,556,068 | 478,276,342 | 726,020,519 |
| Road Infrastructure | 23,555,483,948 | - | - | 23,555,483,948 | 9-12 | 15,591,781,104 | 2,654,735,298 | 18,246,516,402 | 5,308,967,510 |
| Equipment and Computer Accessories | 2,942,363,970 | - | - | 2,942,363,970 | 10-12 | 1,726,563,213 | 293,791,536 | 2,020,354,749 | 922,009,233 |
| Vehicles | 981,057,268 | - | - | 981,057,268 | 5-7 | 980,811,354 | 245,914 | 981,057,268 | 24,000,000 |
| | <u>31,010,187,515</u> | <u>14,531,434</u> | <u>-</u> | <u>31,024,718,949</u> | | <u>19,473,094,112</u> | <u>3,151,579,113</u> | <u>22,624,673,225</u> | <u>8,400,043,747</u> |

2022

| | 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----- | | | Rupees |
| Buildings | 547,693,448 | - | (110,054) | 547,583,394 | 18 | 151,132,977 | 31,102,647 | 182,235,624 | 365,347,741 |
| Structures | 1,736,981,277 | 57,300,000 | (347,770) | 1,793,933,507 | 18 | 481,147,420 | 100,835,122 | 581,982,542 | 1,211,959,965 |
| Other Assets | 1,227,782,450 | - | (38,017,023) | 1,189,765,427 | 18 | 340,098,288 | 69,621,986 | 409,720,274 | 780,040,564 |
| Road Infrastructure | 23,556,139,717 | - | (655,770) | 23,555,483,948 | 9 | 12,936,971,902 | 2,654,809,202 | 15,591,781,104 | 7,963,780,806 |
| Equipment and Computer Accessories | 2,942,548,406 | - | (184,435) | 2,942,363,970 | 10 | 1,432,753,262 | 293,809,951 | 1,726,563,213 | 1,215,803,352 |
| Vehicles | 980,811,354 | - | 245,914 | 981,057,268 | 5 | 964,149,486 | 16,661,868 | 980,811,354 | 24,000,000 |
| | <u>30,991,956,653</u> | <u>57,300,000</u> | <u>(39,069,138)</u> | <u>31,010,187,515</u> | | <u>16,306,253,335</u> | <u>3,166,840,777</u> | <u>19,473,094,112</u> | <u>11,537,097,963</u> |

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
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7 INTANGIBLES

| <u>2023</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----- | | | Years | -----Pak Rupees----- | | | Rupees | |
| Guaranteed money | 7.1 | 14,621,200,029 | - | 14,621,200,029 | 19.5 | 5,632,885,337 | 749,805,130 | 6,382,690,467 | 8,238,509,562 |
| Software | | 45,680,536 | - | 45,680,536 | 10 | 26,987,986 | 4,568,054 | 31,556,039 | 14,124,497 |
| | | <u>14,666,880,565</u> | <u>-</u> | <u>14,666,880,565</u> | | <u>5,659,873,323</u> | <u>754,373,183</u> | <u>6,414,246,506</u> | <u>8,252,634,059</u> |

| <u>2022</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----- | | | Years | -----Pak Rupees----- | | | Rupees | |
| Guaranteed money | 7.1 | 14,621,200,029 | - | 14,621,200,029 | 19.5 | 4,883,080,208 | 749,805,129 | 5,632,885,337 | 8,988,314,692 |
| Software | | 45,680,536 | - | 45,680,536 | 10 | 22,419,932 | 4,568,054 | 26,987,986 | 18,692,550 |
| | | <u>14,666,880,565</u> | <u>-</u> | <u>14,666,880,565</u> | | <u>4,905,500,140</u> | <u>754,373,183</u> | <u>5,659,873,323</u> | <u>9,007,007,242</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 18).

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.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
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| | Note | 2023 -----Pak Rupees----- | 2022 |
|----------------------------------|------|------------------------------|----------------|
| 8 CAPITAL WORK IN PROCESS | | | |
| Opening balance | | 495,000 | - |
| Add: Further capital expenditure | | - | 495,000 |
| | | <u>495,000</u> | <u>495,000</u> |

9 LONG-TERM ADVANCES AND OTHER RECEIVABLES

| | | | |
|---|-----|---------------|---------------|
| Mobilization advance to FWO - a related party | 9.1 | 318,132,933 | 318,132,933 |
| Current portion shown under current assets | | (318,132,933) | (318,132,933) |
| | | - | - |
| Advance to FWO | 9.2 | 20,855,393 | 41,002,230 |
| Current portion shown under current assets | | (20,855,393) | (41,002,230) |
| | | - | - |

9.1 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 (2022: PKR 318 million).

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

| | Note | 2023 -----Pak Rupees----- | 2022 |
|--|------|------------------------------|--------------------|
| 10 DEFERRED TAX LIABILITY | | | |
| Breakup of deferred tax (liability) / asset - net is as follows: | | | |
| (Taxable)/Deductible temporary differences resulting from: | | | |
| Advances and other receivables | | - | (17,876,430) |
| Operating fixed assets | | (514,752) | 71,314,316 |
| Lease liability | | - | (84,908,142) |
| Other deferred liability | | (215,128,008) | (215,128,008) |
| Trade and other payable | | (123,543) | (2,064,306) |
| Intangibles | | 1,574,832,641 | 1,243,925,599 |
| Concession assets | | (980,925,241) | (481,894,558) |
| Other long-term financial liabilities | | - | (198,774) |
| | | <u>378,141,096</u> | <u>513,169,695</u> |
| Movement in deferred tax for the year: | | | |
| Net (liability) / asset at the beginning of the year | | 513,169,695 | 337,779,858 |
| Tax expense for the year | | | |
| - Recognized in Statement of profit or loss | 29 | (135,028,599) | 175,389,837 |
| Net deferred tax liability | | <u>378,141,096</u> | <u>513,169,695</u> |

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 | 2022 |
|---|------|----------------------|----------------------|
| | | -----Pak Rupees----- | |
| 11 ADVANCES | | | |
| Due from other than related parties: | | | |
| Advances to employees | | 170,000 | - |
| Other advances | | 148,000 | 98,000 |
| | | <u>318,000</u> | <u>98,000</u> |
| 12 OTHER RECEIVABLES | | | |
| Due from related parties: | | | |
| Due from FWO | 12.1 | 4,969,521,585 | 2,163,135,781 |
| Due from EMASCO | | 214,800 | - |
| | | <u>4,969,736,385</u> | <u>2,163,135,781</u> |
| Due from NHA on account of: | 12.2 | | |
| - Consultancy expense | | 217,345,037 | 215,941,142 |
| - Joint audit fee | | 8,805,790 | 7,551,790 |
| - QAI Consultancy Variation Order-2 | | 37,396,022 | 37,396,022 |
| Allowance for expected credit losses | | (65,222,239) | (65,222,239) |
| | | <u>198,324,611</u> | <u>195,666,715</u> |
| Due from other than related parties: | | | |
| Service area rentals | 12.3 | 124,634,162 | 124,634,162 |
| Less: | | | |
| -Unearned income | | (46,170,605) | (36,995,578) |
| -Allowance for expected credit loss | | (78,463,557) | (78,463,557) |
| | | - | 9,175,027 |
| Accrued interest | | 40,433,855 | 16,820,694 |
| Others | | - | 29,673,525 |
| | | <u>5,208,280,051</u> | <u>2,414,471,742</u> |

- 12.1** 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 4,969 million (2022: PKR 2,163 million).
- 12.2** 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 263.5 million (2022: PKR 260.9 million).
- 12.3** This represents rent receivable from various parties from service areas of M-2, allocated to them under their respective agreements with the Company.
- 12.4** The aging is as follows:

| | Days past due | | | | |
|---------------------------|----------------------|----------------------|--------------------|----------------------|----------------------|
| | 0 - 30 | 31 - 60 | 61 - 90 | Over 90 | Total |
| As at 30 June 2023 | -----Pak Rupees----- | | | | |
| Due from FWO | 1,826,642,389 | 1,721,186,843 | 696,599,195 | 725,307,959 | 4,969,736,385 |
| Due from NHA | 105,565 | 211,129 | 950,082 | 262,280,073 | 263,546,849 |
| Service area rentals | - | - | - | 124,634,162 | 124,634,162 |
| | <u>1,826,747,953</u> | <u>1,721,397,972</u> | <u>697,549,276</u> | <u>1,112,222,195</u> | <u>5,357,917,396</u> |

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
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| As at 30 June 2022 | Days past due | | | | Total |
|----------------------|----------------------|--------------------|--------------------|--------------------|----------------------|
| | 0 - 30 | 31 - 60 | 61 - 90 | Over 90 | |
| | -----Pak Rupees----- | | | | |
| Due from FWO | 795,067,425 | 749,166,667 | 303,202,932 | 315,698,757 | 2,163,135,781 |
| Due from NHA | 104,500 | 209,000 | 940,500 | 259,634,954 | 260,888,954 |
| Service area rentals | - | - | - | 124,634,162 | 124,634,162 |
| | <u>795,171,925</u> | <u>749,375,667</u> | <u>304,143,432</u> | <u>699,967,873</u> | <u>2,548,658,897</u> |

| 13 TAX REFUNDS DUE FROM THE GOVERNMENT | Note | 2023 | 2022 |
|--|------|----------------------|----------------------|
| | | -----Pak Rupees----- | |
| Advance tax | 13 | <u>1,173,005,673</u> | <u>1,099,611,638</u> |

14 SHORT-TERM INVESTMENTS

Term Deposit Receipt (Certificate of Islamic investment) - at amortized cost

| Cost | 14.1 | 2023 | 2022 |
|-----------------------------------|------|--|---------------------|
| | | Accrued mark-up at effective interest rate | |
| Shown as part of accrued interest | | <u>(40,433,855)</u> | <u>(16,793,336)</u> |
| | | <u>346,956,661</u> | <u>300,395,377</u> |

14.1 This investment represents TDR, having a maturity period of 12 months and will mature on October 18, 2023 which was placed with Askari Bank Limited on October 19, 2022, at an expected rate of return 15 % P.A.

| 15 CASH AND BANK BALANCES | Note | 2023 | 2022 |
|---------------------------|------|----------------------|--------------------|
| | | -----Pak Rupees----- | |
| Cash in hand | | 228,326 | 63,847 |
| Cash at banks in: | | | |
| Saving accounts | 15.1 | <u>6,800,711</u> | <u>372,325,190</u> |
| | 15.2 | <u>7,029,037</u> | <u>372,389,037</u> |

15.1 These carry mark up at the rates ranging from 12.25% to 19.5% (2022: 8.25% to 11.35%) per annum.

15.2 This includes the amount of security deposits, amounting to PKR Nil (2022: PKR 170,178,180) placed by the different parties with the Company (refer to note 19). This amount is restricted from being exchanged or used to settle a liability and is being maintained in the separate bank account.

16 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| 2023 | 2022 | Note | 2023 | 2022 |
|----------------------------|--------------------|------|--|-----------------------|
| -----Number of shares----- | | | -----Pak Rupees----- | |
| <u>110,417,142</u> | <u>110,417,142</u> | 16.1 | <u>11,041,714,200</u> | <u>11,041,714,200</u> |
| | | | Ordinary shares of PKR 100 each fully paid in cash | |

16.1 Authorised capital consist of 110,417,142 ordinary shares of Rs 100 each. All shares carry equal voting rights, right to bonus shares and dividend. FWO and its nominated directors hold 100% of shares in the Company at the end of the year.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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| | Note | 2023 | 2022 |
|--|------|------------------------|------------------------|
| -----Pak Rupees----- | | | |
| 17 LONG-TERM LOANS | | | |
| From related parties | 17.1 | 2,468,543,010 | 3,702,814,514 |
| | | <u>2,468,543,010</u> | <u>3,702,814,514</u> |
| 17.1 From related parties: | | | |
| Opening balance | 17.2 | 4,937,086,018 | 6,171,357,522 |
| Less: Amount paid | | (1,234,271,504) | (1,234,271,504) |
| Current maturity shown under current liabilities | | <u>(1,234,271,504)</u> | <u>(1,234,271,504)</u> |
| | | <u>2,468,543,010</u> | <u>3,702,814,514</u> |

17.2 The Company has obtained loan from FWO 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 | 2023 | 2022 |
|---|------|------------------------|------------------------|
| -----Pak Rupees----- | | | |
| 18 OTHER LONG - TERM FINANCIAL LIABILITIES | | | |
| Payable to FWO - a related party: | | | |
| Retention money payable | 18.1 | 214,242,922 | 214,242,922 |
| Payment during the year | | (685,422) | - |
| | | <u>213,557,500</u> | <u>214,242,922</u> |
| Payable to National Highway Authority - a related party: | | | |
| Balance at the beginning of the year | 18.2 | 3,093,179,842 | 3,643,573,121 |
| Unwinding of discount | | - | 156,426,884 |
| Repayment made during the year | | - | (706,820,163) |
| | 7.1 | 3,093,179,842 | 3,093,179,842 |
| Current portion shown under current liabilities | | <u>(3,093,179,842)</u> | <u>(3,093,179,842)</u> |
| | | <u>213,557,500</u> | <u>214,242,922</u> |

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

18.2 This represents the amount payable to National Highway Authority (NHA) on account of Staggered Guaranteed Payment (SGP) for grant of Motorway M-2 Concession rights.

| | Note | 2023 | 2022 |
|---|------|--------------------|--------------------|
| -----Pak Rupees----- | | | |
| 19 LONG - TERM SECURITY DEPOSITS | | | |
| Non-Utilizable | | | |
| Long-term security deposits | 19.1 | 176,535,416 | 170,178,180 |
| Utilizable | | | |
| Deposit received from Hascol Petroleum Limited | 19.2 | 7,160,483 | 11,132,483 |
| Current portion shown under current liabilities | 21 | (3,972,000) | (3,972,000) |
| | | <u>3,188,483</u> | <u>7,160,483</u> |
| | | <u>179,723,899</u> | <u>177,338,663</u> |

19.1 This represents security deposits received from different parties against provision of space / land at MSAs. 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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19.2 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 | 2023 | 2022 |
|--------------------------------------|------|--------------------|--------------------|
| -----Pak Rupees----- | | | |
| 20 OTHER DEFERRED LIABILITY | | | |
| Provision for hand back cost | 20.1 | | |
| Balance at the beginning of the year | | 741,820,717 | 741,820,717 |
| Unwinding of discount | | - | 81,971,189 |
| Effect of revision in cost estimates | | - | (81,971,189) |
| | | <u>741,820,717</u> | <u>741,820,717</u> |

20.1 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. On reaching provision of Rs 741 million in FY 2020, the Company stopped further provisioning. As per Concession Agreement, MORE is required to do two overlays. The first one will be in 2025-26 and the second one will be in 2032-33. In view of these overlays, the Management is of the view that quality of assets at the end of concession period will be well maintained requiring minimal OM&M. Therefore no further provisioning for hand back is required.

| | Note | 2023 | 2022 |
|--|------|----------------------|--------------------|
| -----Pak Rupees----- | | | |
| 21 TRADE AND OTHER PAYABLES | | | |
| Trade creditors | | | |
| Due to related party | 21.1 | 1,223,184,727 | 429,493,104 |
| Due to other parties | | 378,249 | 59,376 |
| | | <u>1,223,562,976</u> | <u>429,552,480</u> |
| Other payables | | | |
| Withholding taxes payable | | 23,283 | (180,381) |
| Bonus payable | | 7,957,249 | - |
| Current portion of unamortized deposit | 19 | 3,972,000 | 3,972,000 |
| Gratuity payable | | - | 426,012 |
| Provident fund payable to employees | | 8,160,877 | 6,692,284 |
| Corporate tax payable | | - | 85,287,958 |
| Others | | 121,260,792 | 74,099,796 |
| | | <u>141,374,201</u> | <u>170,297,669</u> |
| | | <u>1,364,937,177</u> | <u>599,850,149</u> |

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.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
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22 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

- 22.1** At 30 June 2023, 20 cases (2022: 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 NH&A 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 Motorway.
- 22.2** A recovery suit has been filed by S.K Niazi against the Company for the recovery of Rs. 29.75 million against business damages to its CNG station at Motorway M-2 service area (Kallar Kahar). Company has also filed eviction petition and recovery suit amounting Rs.15.7 million against outstanding rent receivables by the company subsequent to issuing termination notice as per agreement to S.K Niazi. However, the management and the Company's legal advisors are of the view that the outcome of these cases are 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
- 22.3** 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.
- 22.4** 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.
- 22.5** Commissioner Inland Revenue (CIR), conducted income tax audit of MORE for TY 2016 to 2021. Based on audit conducted, CIR disallowed certain exp and issued 6x orders u/s 122(5A) read with section 122 (9) of ITO 2001. Tax demand of Rs. 10,630,287,704 was created. In Jun 2022 detailed responses were submitted by MORE against notices issued by FBR for TY 2016 to 2021. On 29 Jun 2022, appeal filed before CIR(A). On 17 Aug 2022, notice for recovery issued by FBR u/s 138(1). On 29 Aug 2022, stay filed before CIR(A) against recovery. On 30 Aug 2022, after hearing, stay refused by CIR(A). On 7 Sep 2022 stay application filed before Appellate Tribunal Inland Revenue (ATIR). On 08 Sep 2022 stay was granted by ATIR. After multiple hearings CIR(A) upheld the stance of CIR and issued notice for recovery u/s 138(1). Company filed main appeal and stay before ATIR against CIR(A) order. Multiple hearings have been conducted by ATIR. Company has stay extension granted by ATIR therefore, FBR can not press for recovery of impugned dues through coercive measures." Multiple hearings have been conducted by ATIR Islamabad. Further hearings are expected to be conducted by ATIR. Pending the outcome of the matter MORE management, in consultation with its tax advisors, is confident that the matter will be decided in favor of the Company.
- 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.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
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22.6 The company was served with notice from Punjab Revenue Authority (PRA) under Punjab sales tax on services rules 2015 dated September 27, 2021. Assessing officer confronted amount Pkr: 333,173,333 on account of Operations and Maintenance services received from Frontier Works Organisation (FWO) during year ended June 30, 2020. Reponse was filed by the company however, PRA issued a further notice dated October 27, 2021. The company rebutted PRA stance and stressed that FWO is exempt from tax vide Federal Board of Revenue's circular reference C.No.4(89)TP/2012 dated January 09, 2015 and Ministry of Law, Justice Human Rights U.O No. 610/2014-Law-1 dated January 09, 2015. The relevent exemption given to FWO is in light of Article 165 of the Constitution of the Islamic Republic of Pakistan. Furthermore, the company quoted Article 165 of the Constitution stating that "Federal Government shall not, in respect of its property of income, be liable to taxation under any Act of Provincial Assembly" through its reply. Multiple hearings during the year were conducted by Additional Commissioner, (PRA) Rawalpindi. However PRA rebutted company's stance and issued order for the periof from 1 July 2018 to June 2020 for Rs. 658,949,667/- inclusive of penalty. The company has filed an appeal before Commissioner Appeals PRA Lahore hearing of which is awaited to the date of this report. Pending the outcome of the matter, no provision has been made in these financial statements for the tax liability computed under the impugned order issued by the ADC (PRA) Rawalpindi., as the management, in consultation with its tax advisors, is confident that the matter will be decided in favor of the Company.

COMMITMENTS

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

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 -----Pak Rupees----- | 2022 |
|---|------|------------------------------|----------------------|
| 23 REVENUE FROM TOLL | | | |
| Toll collection | | <u>8,360,000,004</u> | <u>8,360,000,004</u> |
| 24 SERVICE AREA INCOME - RENTALS | | <u>661,500,000</u> | <u>630,200,000</u> |
| 25 DIRECT COSTS | | | |
| Depreciation | 6 | <u>3,151,579,113</u> | 3,166,840,777 |
| Amortization | 7 | <u>754,373,183</u> | 754,373,183 |
| Consultancy fee | | 180,040 | - |
| Operations and Maintenance cost | | 858,471,036 | - |
| Horticultural expense | | 45,680,000 | 106,350,000 |
| MSA repair and maintenance expense | | <u>6,653,823</u> | <u>2,040,424</u> |
| | | <u>4,816,937,195</u> | <u>4,029,604,384</u> |

Horticultural expenses included in Direct costs are paid to FWO i.e: a related party

| | Note | 2023 -----Pak Rupees----- | 2022 |
|--|------|------------------------------|--------------------|
| 26 ADMINISTRATIVE EXPENSES | | | |
| Salaries | 26.1 | <u>67,578,380</u> | 51,272,087 |
| Rent and utilities | | <u>9,691,269</u> | 8,603,903 |
| Legal and professional | | <u>13,293,008</u> | 10,847,947 |
| Vehicle running expense | 26.2 | <u>7,560,732</u> | 4,270,079 |
| Advertising expense | | - | 17,020 |
| Auditor's remuneration | 26.3 | <u>750,000</u> | 750,000 |
| Depreciation | 5 | <u>1,163,286</u> | 1,436,558 |
| Depreciation on leasehold asset | 5 | <u>20,594,074</u> | 20,594,074 |
| Bank charges | | <u>504,643</u> | 526,389 |
| Repair and maintenance | | <u>268,881</u> | 567,786 |
| Sales tax expense | | <u>5,676,675</u> | 2,014,135 |
| Allowance for expected credit losses against receivable from FWO | | - | 65,222,239 |
| Allowance for expected credit losses against other receivables | | - | 7,264,386 |
| Long outstanding receivables-written off | | - | 149,584,725 |
| Excess toll to NHA | 26.4 | <u>529,060,000</u> | - |
| Miscellaneous expenses | | <u>2,775,532</u> | 1,898,440 |
| | | <u>658,916,481</u> | <u>324,869,768</u> |
| 26.1 Remuneration of Directors and Executives | | | |
| Salary | | <u>4,920,480</u> | 3,608,472 |
| Bonus | | <u>1,215,538</u> | 728,985 |
| | | <u>6,136,018</u> | <u>4,337,457</u> |

It comprises of remuneration of 3 Directors and 1 Executive.

| | -----Number----- | |
|----------------------|------------------|---|
| Number of Directors | 3 | 3 |
| Number of Executives | 1 | 1 |

26.2 Vehicle running expenses included in Administrative expenses are paid to EMASCO i.e: a related party.

26.3 Auditor's remuneration

| | | |
|-----------------------|----------------|----------------|
| Statutory audit | <u>640,000</u> | 640,000 |
| Out of pocket expense | <u>110,000</u> | 110,000 |
| | <u>750,000</u> | <u>750,000</u> |

26.4 This represents extra revenue from toll collected by MORE in previous years during the construction phase. Extra toll collection is the exclusive right of NHA, therefore NHA unilaterally deducted the amount of Rs. 529.06 million from FWO and subsequently FWO deducted the same amount from MORE during the year.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 -----Pak Rupees----- | 2022 |
|---|------|------------------------------|----------------------|
| 27 FINANCE COSTS | | | |
| Interest on long-term loan-FWO | | 841,850,604 | 639,007,044 |
| Assets subject to finance lease | | 21,138,522 | 21,184,937 |
| Loan facility administration fee | | | - |
| Unwinding of discount on: | | | - |
| Payable to NHA | 18 | - | 156,426,884 |
| Provision for hand back cost | 20 | - | 81,971,189 |
| | | - | 238,398,073 |
| | 29 | <u>862,989,126</u> | <u>898,590,054</u> |
| 28 OTHER INCOME | | | |
| Income from financial assets | | | |
| Profit on bank deposits | | 60,023,041 | 44,801,067 |
| Profit on investment | | 43,918,423 | 16,793,336 |
| Income from other than financial assets | | | |
| Amortization of deposit money | 19.2 | 3,972,000 | 3,972,000 |
| Reversal of overcharged depreciation on Concession assets | | - | 42,902,051 |
| Long outstanding payable | | 144,438 | - |
| Others | | 432,471 | 22,947,292 |
| | | <u>108,490,373</u> | <u>131,415,745</u> |
| 29 TAXATION | | | |
| Current tax expense: | | | |
| - Current year | | 1,334,249,701 | 1,010,258,924 |
| - Prior year | | - | - |
| | | 1,334,249,701 | 1,010,258,924 |
| Deferred tax expense | 10 | (135,028,599) | 175,389,837 |
| | | <u>1,199,221,102</u> | <u>1,185,648,761</u> |
| 30 PROVISION FOR TAXATION | | | |
| Opening balance | | 1,010,258,924 | 571,379,663 |
| Adjusted against corporate tax payable | | 85,287,958 | - |
| Charge for the year | | 1,334,249,701 | 1,010,258,924 |
| Adjustment | | (1,284,906,445) | (571,379,663) |
| | | <u>1,144,890,138</u> | <u>1,010,258,924</u> |

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
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.

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 | 2023 | 2022 |
|----------------------------------|------|----------------------|----------------------|
| | | -----Pak Rupees----- | |
| Fixed rate instruments | | | |
| Financial assets | | | |
| Bank balances - saving accounts | 15 | <u>6,800,711</u> | <u>372,325,190</u> |
| Investments | 14 | <u>346,956,661</u> | <u>300,395,377</u> |
| Variable rate instruments | | | |
| Financial liabilities | | | |
| Long-term loan | 17 | <u>2,468,543,010</u> | <u>3,702,814,514</u> |

Sensitivity Analysis

Long term loan are subject to interest at rate of KIBOR+0.9% . Effect on Interest expense, in case rate is increased or decreased by 1% is shown below:

| | Note | 2023 | 2022 |
|----------------------|------|----------------------|-------------|
| | | -----Pak Rupees----- | |
| Rate increased by 1% | | 920,213,965 | 698,488,785 |
| Rate decreased by 1% | | 763,487,241 | 579,525,301 |

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.

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
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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 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:

| | 2023 | | 2022 | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Carrying amount | Maximum exposure | Carrying amount | Maximum exposure |
| -----Pak Rupees----- | | | | |
| Long - term advances and other receivables | - | - | - | - |
| Other receivables | 5,208,280,051 | 5,208,280,051 | 2,414,471,742 | 2,414,471,742 |
| Investments | 346,956,661 | 346,956,661 | 300,395,377 | 300,395,377 |
| Bank balances | 6,800,711 | 6,800,711 | 372,325,190 | 372,325,190 |
| | <u>5,562,037,423</u> | <u>5,562,037,423</u> | <u>3,087,192,309</u> | <u>3,087,192,309</u> |

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 | | 2023 | 2022 |
|----------------------------|---------------|------------|-----------|------------------|--------------------|
| | | Short-term | Long-term | | |
| -----Pak Rupees----- | | | | | |
| Private Sector Bank | | | | | |
| Meezan Bank Limited | VIS | AAA | A1+ | <u>110</u> | <u>6,692,404</u> |
| Askari Bank Limited | PACRA | AA+ | A1+ | <u>6,800,601</u> | <u>365,632,786</u> |

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 anticipate 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% |
| Total gross carrying amount at default | - | - | - | 124,634,162 |
| Expected credit loss | - | - | - | - |

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
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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.

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----- | | | | | |
| 2023 | | | | | |
| Long term loan and related accrued interest | 3,702,814,514 | 3,702,814,514 | 1,234,271,504 | 2,468,543,010 | - |
| Other long - term financial liabilities | 3,306,737,342 | 3,306,737,342 | 3,093,179,842 | 213,557,500 | - |
| Long - term security deposits | 179,723,899 | 176,535,416 | - | 169,374,933 | 7,160,483 |
| Trade and other payables | 1,364,937,177 | 599,850,149 | 121,260,792 | 1,239,704,385 | 3,972,000 |
| Liabilities against assets subject to finance lease | 292,145,220 | 292,145,220 | 3,039,397 | 45,460,256 | 243,645,567 |
| | <u>8,846,358,152</u> | <u>8,078,082,641</u> | <u>4,451,751,535</u> | <u>4,136,640,084</u> | <u>254,778,050</u> |
| | Carrying Amount | Contractual cash flows | Less than 1 year | Between 1 and 5 years | Over 5 years |
| -----Pak Rupees----- | | | | | |
| 2022 | | | | | |
| Long term loan and related accrued interest | 4,937,086,018 | 4,937,086,018 | 1,234,271,504 | - | - |
| Other long - term financial liabilities | 3,307,422,764 | 3,307,422,764 | 3,093,179,842 | 214,242,922 | - |
| Long - term security deposits | 177,338,663 | 170,108,450 | - | 158,975,967 | 11,132,483 |
| Trade and other payables | 599,850,149 | 599,850,149 | 74,099,796 | 521,778,353 | 3,972,000 |
| Liabilities against assets subject to finance lease | 292,786,697 | 292,786,697 | 641,478 | 31,052,016 | 261,093,204 |
| | <u>9,314,484,291</u> | <u>9,307,254,078</u> | <u>4,402,192,620</u> | <u>926,049,258</u> | <u>276,197,687</u> |

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
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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 | |
|--|---|----------------------|-----------------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 |
| -----Pak Rupees----- | | | | |
| Financial assets as per statement of financial position | | | | |
| Long - term advances and other receivables | - | - | - | - |
| Other receivables | 5,208,280,051 | 2,414,471,742 | - | - |
| Investments | 346,956,661 | 300,395,377 | - | - |
| Cash and bank balances | - | - | 7,029,037 | 372,389,037 |
| | <u>5,555,236,712</u> | <u>2,714,867,119</u> | <u>7,029,037</u> | <u>372,389,037</u> |
| -----Pak Rupees----- | | | | |
| | Liabilities at fair value through profit and loss | | Other financial liabilities | |
| | 2023 | 2022 | 2023 | 2022 |
| -----Pak Rupees----- | | | | |
| Long - term loan | - | - | 3,702,814,514 | 4,937,086,018 |
| Long - term security deposits | - | - | 179,723,899 | 177,338,663 |
| Other long-term financial liabilities | - | - | 3,306,737,342 | 3,307,422,764 |
| Trade and other payables | - | - | 1,364,937,177 | 599,850,149 |
| Interest on long-term loan | - | - | 212,051,564 | 176,526,722 |
| | <u>-</u> | <u>-</u> | <u>8,766,264,497</u> | <u>9,198,224,316</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 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 2023 and 30 June 2022 were as follows:

| | Note | 2023 | 2022 |
|----------------------------|------|-----------------------|-----------------------|
| | | -----Pak Rupees----- | |
| Long - term loan | 17 | 3,702,814,514 | 4,937,086,018 |
| Interest on long term loan | | 212,051,564 | 176,526,722 |
| Total debt | | 3,914,866,078 | 5,113,612,740 |
| Cash and bank balances | 15 | 7,029,037 | 372,389,037 |
| Net debt | | 3,907,837,041 | 4,741,223,703 |
| Equity | | 12,633,640,673 | 13,903,440,433 |
| Total Capital | | <u>16,541,477,715</u> | <u>18,644,664,137</u> |

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| | | | |
|--------------------------|---|-----------|-----------|
| Net debt to total equity | % | <u>24</u> | <u>25</u> |
|--------------------------|---|-----------|-----------|

31.4 Disclosure of change in liability arising from financing activities.

Change in liabilities arising from financing activities is as follows:

| | Dividend payable | Long term loan | Other long term liabilities | Retention money payable | Total |
|------------------------------------|------------------|----------------------|-----------------------------|-------------------------|----------------------|
| 2023 | | | | | |
| Opening balance | - | 4,937,086,018 | 3,307,422,764 | 214,242,922 | 8,458,751,704 |
| Cash related activities | - | (1,234,271,504) | | | (1,235,642,350) |
| Other then cash related activities | - | - | (685,423) | (685,423) | (1,370,846) |
| Closing balance | <u>-</u> | <u>3,702,814,514</u> | <u>3,306,737,341</u> | <u>213,557,499</u> | <u>7,221,738,508</u> |
| 2022 | | | | | |
| Opening balance | 536,625,236 | 6,171,357,522 | 3,857,130,620 | 213,557,499 | 10,778,670,877 |
| Cash related activities | (536,625,236) | (1,234,271,504) | (549,707,856) | 685,423 | (2,319,919,173) |
| Other then cash related activities | - | - | - | - | - |
| Closing balance | <u>-</u> | <u>4,937,086,018</u> | <u>3,307,422,764</u> | <u>214,242,922</u> | <u>8,458,751,704</u> |

32 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | Future minimum lease payment | Financial charges for future period | Present value of minimum lease payments |
|---|------------------------------|-------------------------------------|---|
| | -----Pak Rupees----- | | |
| June 30, 2023 | | | |
| Not later than 1 year | 23,958,000 | 20,918,603 | 3,039,397 |
| Later than 1 year, but not later then 5 years | 122,307,986 | 76,847,730 | 45,460,256 |
| Later then 5 years | 297,703,715 | 54,058,147 | 243,645,567 |
| | <u>31,888,098</u> | <u>13,931,788</u> | <u>292,145,220</u> |
| June 30, 2022 | | | |
| Not later than 1 year | 21,780,000 | 21,138,522 | 641,478 |
| Later than 1 year, but not later then 5 years | 111,189,078 | 80,137,062 | 31,052,016 |
| Later then 5 years | 332,780,622 | 71,687,418 | 261,093,204 |
| | <u>465,749,700</u> | <u>172,963,002</u> | <u>292,786,698</u> |

This lease agreement was entered into between FWO (Frontier Works Organisation) and MORE (Motorway Operation and Rehabilitation Engineering) Private Limited on July 01, 2020. Lease contract will end on April 30, 2034. For the avoidance of doubt, the lease payment shall be made on advance basis yearly. This contract requires lessee i.e. MORE (Private) Limited to make monthly lease payments in an amount of Pkr 1.5 million which shall be subject to an annual increase of 10% at each financial year end.

33 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:

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
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| | Nature of relationship | 2023 | 2022 |
|---|---------------------------------|----------------------|---------------|
| | | -----Pak Rupees----- | |
| Payments to FWO on account of: | Parent Entity | | |
| Hoorticultural expense | | 45,680,000 | 106,350,000 |
| Payments on behalf of FWO in respect of: | Parent Entity | | |
| MSA Electricity Bills | | 248,939,058 | 176,327,067 |
| Fuel for Genset | | 50,318,679 | 32,550,553 |
| Facility Management Ser | | 219,059,216 | 213,710,499 |
| Insurance | | 518,316,953 | 422,588,119 |
| Receipts from FWO on account of: | Parent Entity | | |
| Service area rentals | | 661,500,000 | 525,000,000 |
| NGR | | 7,830,940,004 | 6,966,666,670 |
| Toll collection | | 8,492,440,004 | 7,491,666,670 |
| Payment to NHA in respect of guarantee money | Concession Agreement | - | 706,820,163 |
| Payment to EMASCO | | | |
| In respect of vehicle lease | Sister Concern | 8,665,000 | 6,400,000 |
| In respect of vehicle running expense | Sister Concern | 7,559,812 | 4,270,079 |

Balances of the related parties have been disclosed in the relevant notes to financial statements

34 NUMBER OF EMPLOYEES

The number of total employees at the year end were 52 (2022: 50), whereas the average number of employees during the year were 51 (2022: 46).

35 REMUNERATION OF THE CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Details of the remuneration of the chief executive officer and directors are mentioned in note 26.1. The Company has no employee whose basic salary exceeds twelve hundred thousand rupees in a financial year, except for as disclosed below:

| | 2023 | 2022 |
|---|----------------------|-----------|
| | -----Pak Rupees----- | |
| Managerial remuneration | 1,800,000 | 1,536,000 |
| Allowances (such as medical, cost of living, car maintenance, house rent and technical) | 3,120,480 | 2,072,472 |
| | 4,920,480 | 3,608,472 |
| | 2023 | 2022 |
| | ----- Numbers ----- | |
| Executives | 1 | 1 |

MOTORWAY OPERATIONS AND REHABILITATION ENGINEERING (PRIVATE) LIMITED
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36 CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged for better presentation of transactions and events for the purpose of comparison. However no significant reclassification has been made during the year.

37 GENERAL

Figures in these financial statements have been rounded off to the nearest Pak Rupee, unless otherwise stated.

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 21 NOV 2023 by the Board of Directors of the Company.


DIRECTOR


CHIEF EXECUTIVE OFFICER