Sialkot Kharian Infrastructure Management (Private) Limited

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

KRESTON
HYDER
BHIMJI & CO

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INDEPENDENT AUDITORS' REPORT

To the members of Sialkot Kharian Infrastructure Management (Private) Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Sialkot Kharian Infrastructure Management (Private) Limited ("the Company")**, which comprise the statement of financial position as at June 30, 2023, the statement of profit or loss , the statement of other 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 purpose of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cashflows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information as 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 company's affairs as at June 30, 2023 and of the profit and total comprehensive income, the changes in equity and its cashflows for the year then ended.

Basis of Opinion

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements:

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

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

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

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

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

Other Matters

The financial statements of Sialkot Kharian Infrastructure Management (Private) Limited for the year ended June 30, 2022 were audited by another firm of Chartered Accountants, who had expressed an unqualified opinion vide their report dated March 09,2023.

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Ali, FCA.

KRESTON HYDER BHIMJI& CO.
CHARTERED ACCOUNTANTS

ISLAMABAD: November 08, 2023
UDIN: AR202310174BSzuWhNpc

SIALKOT KHARIAN INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2023

	Note	2023 Rupees	2022 (Restated) (Note. 4.13) Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	917,357	-
Concession work in progress	6	815,507,242	66,030,000
Advance against capital work in progress	7	5,378,278,479	-
Deferred tax asset	8	5,936,867	-
		6,200,639,945	66,030,000
CURRENT ASSETS			
Advances and prepayments	9	700,000	-
Income tax refundable from the government	10	26,553,819	-
Cash and bank balances	11	1,406,026,792	4,000,100,000
		1,433,280,611	4,000,100,000
TOTAL ASSETS		7,633,920,556	4,066,130,000
EQUITY AND LIABILITIES			
Share capital and reserve			
Issued, subscribed and paid up capital	12	100,000	100,000
Share deposit money	13	7,498,654,035	4,000,000,000
Accumulated profit / (loss)		10,327,738	(20,677,920)
		7,509,081,773	3,979,422,080
CURRENT LIABILITIES			
Trade and other payables	14	124,838,783	86,707,920
CONTINGENCIES AND COMMITMENTS	15		
TOTAL EQUITY AND LIABILITIES		7,633,920,556	4,066,130,000

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

SIALKOT KHARIAN INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 (Restated) Rupees
Revenue		-	-
Direct cost		-	-
Gross profit/(loss)		-	-
Administrative and general expenses	16	(80,787,314)	(20,643,120)
Finance cost	17	(129,927,106)	(34,800)
Other income	18	246,139,332	-
Profit/(loss) before taxation		35,424,912	(20,677,920)
Taxation	19	(4,419,254)	-
Profit / (loss) after taxation		31,005,658	(20,677,920)

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

SIALKOT KHARIAN INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2023

	2023 Rupees	2022 Rupees
Profit / (loss) after taxation	31,005,658	(20,677,920)
Other comprehensive income	-	-
Total comprehensive income / (loss)	**31,005,658**	**(20,677,920)**

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

SIALKOT KHARIAN INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2023

Particulars	Share Capital	Share Deposit Money	Accumulated Profit/(loss)	Total
	----------	---------- Rupees	----------	----------
Balance as at September 02, 2021	-	-	-	-
Share deposit money received during the period	-	4,000,000,000	-	4,000,000,000
Other comprehensive (loss) for the period	-	-	(20,677,920)	(20,677,920)
Correction of error (Note. 4.13)	100,000	-	-	100,000
Balance as at June 30, 2022	100,000	4,000,000,000	(20,677,920)	3,979,422,080
Share deposit money received during the year	-	3,498,654,035	-	3,498,654,035
Other comprehensive Income for the year	-	-	31,005,658	31,005,658
	-	3,498,654,035	31,005,658	3,529,659,693
Balance as at June 30, 2023	100,000	7,498,654,035	10,327,738	7,509,081,773

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

SIALKOT KHARIAN INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		35,424,912	(20,677,920)
Adjustments for non cash and other items:			
Depreciation expense	16	39,943	-
Credit balances written back		(73,066)	
Finance cost	17	129,927,106	34,800
		129,893,983	34,800
Operating porfit / (loss) before working capital changes		165,318,895	(20,643,120)
Working capital changes			
(Increase) / decrease in current assets			
Advances and prepayments	9	(700,000)	-
Increase / (decrease) in current liabilities			
Trade and other payables	14	38,203,929	86,707,920
		37,503,929	86,707,920
Cash generated from operations		202,822,824	66,064,800
Finance cost paid	17	(129,927,106)	(34,800)
Income tax paid	10	(36,909,940)	-
		(166,837,046)	(34,800)
Net cash generated from operating activities		35,985,778	66,030,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Property plant and equipment acquired	5	(957,300)	-
Capital work in progress	6	(749,477,242)	(66,030,000)
Advance against capital work in progress	7	(5,378,278,479)	-
Net cash used in investing activities		(6,128,713,021)	(66,030,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share deposit money	13	3,498,654,035	4,000,000,000
Subscription money received	12	-	100,000
Net cash generated from financing activities		3,498,654,035	4,000,100,000
Net (decrease) / increase in cash and cash equivalents		(2,594,073,208)	4,000,100,000
Cash and cash equivalents at beginning of the year		4,000,100,000	-
Cash and cash equivalents at end of the year	11	1,406,026,792	4,000,100,000

The annexed notes from 1 to 26 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

SIALKOT KHARIAN INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

Sialkot Kharian Infrastructure Management (private) Limited (the Company) was incorporated in Pakistan on September 02, 2021 as a Private Limited Company under the Companies Act, 2017. The Company is a public sector company and is a subsidiary of Frontier Works Organization (FWO), working under Ministry of Defense. The Company is domiciled in Pakistan and its registered office is situated at 509, Kashmir Road, R.A Bazar, Rawalpindi. The Company is principally formed for the purpose of construction, operation, maintenance and collection of toll of approximately 69 KM long, access controlled motorway from the city of Sialkot (Sambrial) till the city of Kharian for the concession period of 25 years on Build-Operate-Transfer (BOT) basis, pursuant to a concession agreement dated September 13, 2021, entered into between the National Highway Authority (NHA) and the Company. After the expiry of concession period, it will transfer the concession asset to NHA.

As per concession agreement dated on September 13, 2021, the construction of the project would have been completed within two years but the project has been delayed due to realignment in the original planned pathway. National Highway Authority (NHA) was responsible for land clearance and ancillary works and to submit the plan with Indus River System Authority (IRSA) - major stakeholder. Consequently, No Objection Certificate (NOC) was not provided by IRSA for the commencement of work. As per IRSA views, the bridge over Chenab river as per existing plan would affect Head Marala and would ultimately affect the related irrigation system and may cause the risk of flood. The Irrigation department proposed alternate route from west of Sialkot Airport leading towards Shehbazpur bridge to Jalalpur Jattan.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS-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 and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention on accrual basis of accounting except for cashflow information reported in the statement of cashflow.

2.3 Presentation and functional currency

These financial statements are prepared and presented in Pakistani Rupees which is Company's functional and presentation currency. All financial information presented in Pak Rupees have been rounded off to the nearest Rupee, unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of forming judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

However, assumptions and judgments made by management in the application of accounting policies that have significant effec on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities Significant areas requiring the use of management estimates in these financial statements are involving a high degree of judgmen or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

	Note
Useful lives, residual values and depreciation method of property, plant and equipment	4.1
Impairment of non-financial assets	4.3
Estimation of provisions	4.4
Taxation	4.8
Impairment of financial assets	4.11
Contingencies	4.12

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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3 Changes in accounting standards, interpretations and pronouncements

3.1 Standards, interpretations and amendments to approved accounting standards which became affective during the year

Certain amendments and interpretations to IFRS are effective for accounting periods beginning on July 01, 2022 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

3.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective

There are certain standards, amendments and interpretations to the accounting and reporting standards which are mandatory for companies having accounting periods beginning on or after July 01, 2023 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

		Effective for the period beginning on or after
IAS-1	The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies	01-Jan-23
IAS-8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendment regarding the definition of accounting estimates)	01-Jan-23
IAS-12	Income Taxes (The amendments to narrow the scope of the initial recognition exemption)	01-Jan-23
IAS-16	Property, Plant and Equipment- Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	01-Jan-22
IAS-37	Provisions, Contingent Liabilities and Contingent Assets-Amendments specifying the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous	01-Jan-22
IAS-41	Amendment resulting from Annual Improvements to IFRS Standards 2018-2020 (the amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique)	01-Jan-22
IFRS-1	First-time adoption of International Financial Reporting Standards- Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (subsidiary as a first-time adopter)	01-Jan-22
IFRS-3	Business Combinations - Amendments updating a reference to the Conceptual Framework	01-Jan-22
IFRS-9	Financial Instruments -Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities)	01-Jan-22
IFRS-16	Amendment resulting from Annual Improvements to IFRS Standards 2018-2020 (to resolve any potential confusion that might arise in lease incentives)	01-Jan-22
IFRS-10 / IAS-28	IFRS 10 - Consolidated Financial Statements and IAS 28 - Investment in Associates and Joint Ventures (Amendment regarding sale or contribution of assets between an investor and its associate or Joint Venture).	Deferred indefinitely

New Standards issued by IASB but have not yet been notified/adopted by SECP

		Effective for the period beginning on or after
IFRS – 1	First Time Adoption of IFRS	01-Jul-09
IFRS – 17	Insurance Contracts	01-Jan-23

4 Summary of Significant Accounting Policies

4.1 Property, plant and equipment

Owned

Measurement

Property, plant and equipment except freehold land, buildings on freehold land and plant and machinery are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Buildings on freehold land and plant and machinery are stated at revalued amount being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses while freehold land is stated at revalued amount being the fair value at the date of revaluation, less any subsequent impairment losses, if any.

Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs.

Subsequent costs are included in the asset's carrying value or recognized as a separate assets; as appropriate; only when it is probable that future economic benefits associated with the item will flow towards the Company and cost of the item can be measured reliably. All other repair and maintenance costs are charged to income and expenditure statement as and when incurred.

Depreciation

Depreciation on additions is charged to statement of profit or loss by applying the reducing balance method at the rates specified in note 5 to write off the depreciable amount of assets over their estimated useful lives. Full month depreciation is charged on additions if the asset is available for use in the first half of that month and no depreciation is charged for the month if deletion is made in the first half of that month.

Depreciation for the year of factory building, colony building and plant and machinery is charged to direct cost, while depreciation of other assets charged to administrative and general expenses.

Disposal

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount of the relevant assets. These are included in profit or loss.

Gain / loss on disposal of operating fixed assets is recognized in the statement of profit or loss during the period in which the asset is disposed of. Any gain or loss arising on derecognition of the asset is charged to "other income / loss" in the statement of profit or loss in the year the asset is derecognized. In case of the sale or retirement of a revalued property, the attributable revaluation surplus remaining in the surplus on revaluation is transferred directly to the accumulated profit /(loss).

Judgment and estimates

Useful lives are determined by the management based on the expected usage of assets, physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Residual values are determined by the management as the amount it expects it would receive currently for an item of property, plant and equipment if it was already of the age and in the condition expected at the end of its useful life based on the prevailing market prices of similar assets already at the end of their useful lives.

The assets' residual values and estimated useful lives are reviewed for possible impairment at least annually to adjust the resultant significant impact on depreciation, if any. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

4.2 Concession work in progress

Concession work in progress is stated at cost less accumulated impairment losses, if any. Cost includes construction cost incurred on Sialkot Kharian Motorway Project.

Application of waiver of requirements of IFRIC 12 "Service Concession Arrangement"

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

IFRIC 12 applies to public-to-private 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 engagement

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 construction and modernization of Sialkot Kharian Motorway, disclosed in the Note. 6 to the financial statements, as expenses in the 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 Sialkot Kharian Motorway. Borrowings attributable to arrangement would also have been capitalized as part of inedible asset.

The company would also have to bifurcate its revenue form the collection between consideration for construction of Sialkot Kharian Motorway and operation services for Sialkot Kharian Motorway

4.3 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories assets are reviewed at each reporting date tc determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independen from other assets and groups. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in statement of profit or loss. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then tc reduce the carrying amounts of the other assets in the unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversec only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have beer determined, net of depreciation and amortization, if no impairment loss had been recognized.

4.4 Provisions

Provisions are recognize when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources shall be required to settle the obligation and the amount has been reliably estimated. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.5 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise bank balances.

4.6 Staff retirement benefits - Provident Fund

The company's employees are entitled to a provident fund scheme which is operated by its parent company. Contributions to the fund are made monthly by the company and the employees at the rate of 8% of the basic salary. The Company's conribution is recognised as an expense in the statement of profit or loss.

4.7 Trade and other payables

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

4.8 Taxation

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

Current

The charge for current taxation is higher of corporate tax (higher of tax based on taxable income and minimum tax) and alternative corporate tax. However, in case of loss for the year, charge for the period has been based on minimum tax @ 1.25% of turnover of the Company.

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amount of assets, liabilities and their tax bases.

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

Deferred tax assets are recognized for all major deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Carrying amount of the deferred tax assets is reviewed at each reporting date and is recognized only to the extent that it is probable that future taxable profits will be available against which assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

Judgments and estimates

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

4.9 Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits, if any. Accumulated profits include all current and prior period profit / (loss).

4.10 Related party transactions

Transaction in relation to revenue, purchases and services with related parties are made at arm's length prices determined in accordance with the Company's policy.

4.11 Financial Instruments

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

ICAP

Financial assets

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

Classification

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

Initial recognition and measurement

All financial assets are initially measured at cost plus transaction costs that are directly attributable to its acquisition except for trade receivables. Trade receivables are initially measured at transaction price.

Subsequent measurement

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

Derecognition

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

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets which are measured at amortized cost. ECLs are based on the difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Company expects to receive, discounted at an approximation of the original effective interest rate. No credit exposure exists in these financial statements.

Financial liabilities

a) Initial recognition and measurement

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

b) Subsequent measurement

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

Off-setting of financial assets and financial liabilities

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

4.12 Contingencies and Commitments

These are not accounted for in the financial statements unless these are actual liabilities and are only disclosed when:

5 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	Note	COST / REVALUED AMOUNT			Rate	ACCUMULATED DEPRECIATION			Written Down Value as at June 30, 2023
		As at July 01, 2022	Additions	As at June 30, 2023		As at July 01, 2022	Charge for the year	As at June 30, 2023	
Owned									
Computer equipment		-	186,000	186,000	30%	-	1,733	1,733	184,267
Office equipment			52,000	52,000	10%		9,300	9,300	42,700
Furniture and fittings		-	574,300	574,300	10%	-	21,660	21,660	552,640
Vehicles		-	145,000	145,000	20%	-	7,250	7,250	137,750
Rupees		-	957,300	957,300		-	39,943	39,943	917,357

PARTICULARS	Note	COST / REVALUED AMOUNT			Rate	ACCUMULATED DEPRECIATION			Written Down Value as at June 30, 2022
		As at July 01, 2021	Additions	As at June 30, 2022		As at July 01, 2021	Charge for the year	As at June 30, 2022	
Rupees		-	-	-		-	-	-	-

5.1 The depreciation charge for the year has been allocated to:

	Note	2023 Rupees	2022 Rupees
Direct cost		-	-
Administrative and general expenses	16	39,943	-
		39,943	-

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	Note	2023 Rupees	Restated 2022 Rupees
6 CONCESSION WORK IN PROGRESS	6.1	815,507,242	66,030,000

6.1 Break up of concession work-in-progress

	Note	2023 Rupees	Restated 2022 Rupees
Balance as on July 01,		66,030,000	-
Additions during the year:			
Earth work and allied activity		192,178,294	-
Major structure		16,044,422	-
Minor structure		132,046,729	-
Design and supervision consulatancy - EPC		393,750,000	-
Detailed design & quality control service - Non EPC (Restated)	4.14	14,609,791	12,500,000
Topographic survey & geotechnical / soil investigation report (Restated)	4.14	848,006	20,000,000
Traffic, hydrology, environmental studies & preliminary design (Restated)	4.14	-	30,000,000
Traffic study for Sialkot Kharain motorway (Restated)	4.14	-	3,500,000
Environmental impact assessment report (Restated)	4.14	-	30,000
		749,477,242	66,030,000
Balance as on June 30,		815,507,242	66,030,000

7 ADVANCE AGAINST CONCESSION WORK IN PROGRESS

	Note	2023 Rupees	Restated 2022 Rupees
To contractors for :			
Secured advance	7.1	294,673,479	-
Mobilization advance	7.2	5,083,605,000	-
		5,378,278,479	-

7.1 Secured advance was made to the contractor, FWO (related party) which is secured against deed of indemnity for procurement of material relating to construction at the project site.

7.2 Mobilization advance was extended to FWO as per terms of Engineering Procurement and Construction (EPC) contract between FWO and the Company for execution of contract work and shall be repaid through proportionate deductions from interim payments mutually agreed between the parties.

8 DEFERRED TAXATION

	2023 Rupees	Restated 2022 Rupees
Deferred income tax liabilities in respect of taxable temporary differences:		
Accelerated tax depreciation and allowance of assets	59,730	-
Deferred income tax assets in respect of deductible temporary differences:		
Unused tax losses	(5,996,597)	-
Net deferred income tax (asset)/liability as at June 30,	(5,936,867)	-
Deferred income tax recognized in statement of profit or loss		
Net deferred income tax (asset)/liability as at June 30,	(5,936,867)	-
Net deferred tax (income)/ expense for the year recognized in statement of profit or loss	(5,936,867)	-

9 ADVANCES AND PREPAYMENTS

	2023 Rupees	Restated 2022 Rupees
Prepaid rent	700,000	-

10 INCOME TAX REFUNDABLE FROM THE GOVERNMENT

	Note	2023 Rupees	Restated 2022 Rupees
Balance as on July 01,		-	-
Income tax witheld on bank profits	(a)	36,909,940	-
Provision for taxation		(10,356,121)	-
Balance as on June 30,		26,553,819	-

11 CASH AND BANK BALANCES

	Note	2023 Rupees	Restated 2022 Rupees
Cash in hand		549,628	100,000
Cash at bank against:			
Saving accounts	11.1	1,405,477,164	4,000,000,000
		1,406,026,792	4,000,100,000

11.1 It carries markup at the rate ranging between 9% to 10% per annum (2022: 9% to 10% per annum)

	Note	2023 Rupees	2022 Rupees

12 SHARE CAPITAL

Authorized capital

	Note	2023 Rupees	2022 Rupees
Balance as at July 01, (1,000 shares of Rs. 100 each)		100,000	-
Increase during the year as under:			
- National Highway Authority (40,000,000 shares of class B of Rs. 100 each)		4,000,000,000	-
- Frontier Works Organisation (93,305,162 shares of class A of Rs. 100 each)		9,330,516,200	100,000
		13,330,516,200	100,000
Balance as at June 30, (133,306,162 shares of Rs. 100 each)		13,330,616,200	100,000

Vide clause 10.1.3 of Shareholder's Agreement, the company has two types of ordinary shares, Class A and Class B. Class A shares are issued or to be issued to shareholders of the company except NHA which is exclusively entitled for Class B for which no dividend will be paid.

Issued, subscribed and paid up share capital

2023	2022		Note	2023 Rupees	2022 Rupees
Number of Shares					
1,000	1,000	Ordinary shares of Rs. 100 each, fully paid in cash	12.1	100,000	100,000

12.1 The shareholders are entitled to cast vote proportionate to paid up value of shares carrying voting rights and have implied rights to appoint any person on the board of directors of the company. All shares rank equally with regard to the Company's residual assets.

13 SHARE DEPOSIT MONEY

	Note	2023 Rupees	2022 Rupees
Balance as at July 01,		4,000,000,000	-
Additions during the year		3,498,654,035	4,000,000,000
Balance as at June 30,	13.1	7,498,654,035	4,000,000,000

13.1 This represents funds received from FWO and NHA for issuance of shares as per Concession Agreement. The company intends to issue class A shares to FWO and class B shares to NHA as per funds received from them as under:

	2023 Rupees	2022 Rupees
-NHA	4,000,000,000	4,000,000,000
-FWO	3,498,654,035	-
	7,498,654,035	4,000,000,000

14 TRADE AND OTHER PAYABLES

	Note	2023 Rupees	2022 Rupees
Payable to FWO		85,025,808	86,507,920
Retention money payable	14.1	36,700,972	-
Withholding tax payable		1,578,186	-
Provident fund payable		854,192	-
Other payables		679,625	200,000
		124,838,783	86,707,920

14.1 As per agreement between SKIM (Pvt) Limited and Frontier Works organisation (FWO). The retention money shall be deducted @ 5% of the contract price from 2nd interim payment and onwards. Retention money wll be paid by Employer SKIM (Pvt) Limited to the Contractor (FWO) with a mark up of KIBOR + 0.75% on the amount of retention money. First half of retention money along with any return on investment and the accrued retention money mark up shall be paid to the EPC contractor, when the taking over certificate has been issued for the works and the works have passed all specified testing.Outstanding balance of retention money along with any return on investment and the accrued retention money mark up shall be paid to the EPC contractor after the expiry of Defect Notification period.

15 CONTINGENCIES AND COMMITMENTS

Contingencies:

There are no material contingencies outstanding at the reporting date. (2022: Nil)

Commitments:

The company has the following commitments at reporting date:

As per Clause 12.15.1 of the Concession Agreement,substantial completion of the project is required within the period of 24 months from commencement date. The total value of the project is Rs. 27.32 billion.

	Note	2023 Rupees	Restated 2022 Rupees
16 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits		13,851,333	4,943,120
Travelling cost		700,000	-
Entertainment expenses		101,827	-
Utilities		2,142	-
Legal and professional - Restated	16.1	61,075,710	15,500,000
Office rent		1,400,000	-
Rates and taxes		2,803,900	-
Office supplies		263,459	
Auditors' remuneration	16.2	549,000	200,000
Consultancy fee (Restated)		-	-
Consultancy fee		-	81,530,000
Correction of error	4.14	-	(81,530,000)
Depreciation	5.1	39,943	-
		80,787,314	20,643,120

16.1 Legal and professional

	Note	2023 Rupees	Restated 2022 Rupees
Legal fee - Restated	4.14	11,403,247	4,500,000
SECP charges for increased in authorised share capital		48,747,980	-
Independent auditor verification charges		924,483	-
Technical and financial bid - Restated	4.14	-	11,000,000
		61,075,710	15,500,000

16.2 Auditors' remuneration

	2023 Rupees	Restated 2022 Rupees
Audit fee inclusive of sales tax	529,000	200,000
Out of pocket expenses	20,000	-
	549,000	200,000

17 FINANCE COST

	Note	2023 Rupees	Restated 2022 Rupees
Bank charges		7,106	34,800
Bank arrangement fee	17.1	112,000,000	-
Federal excise duty on bank arrangement fee		17,920,000	-
		129,927,106	34,800

17.1 Bank arrangement fee has been charged at the rate of 0.8% on the financing arrangement of Rs. 14,000 million in accordance with the fee letter issued by Faysal Bank Limited.

18 OTHER INCOME

	2023 Rupees	Restated 2022 Rupees
Return on bank deposits	246,066,266	-
Credit balances written back	73,066	-
	246,139,332	-

19 TAXATION

	2023 Rupees	Restated 2022 Rupees
Current:		
For the year	10,356,121	-
Deferred:		
For the year	(5,936,867)	-
	4,419,254	-

20 REMUNEARTION OF CHIEF EXECUTIVE AND DIRECTORS

No honorarium or remuneration has been paid to Directors during the year. While Chief Executive Officer is being paid by parent company (FWO).

	Chief Executive		Directors		Executives	
	2023	2022	2023	2022	2023	2022
Managerial remuneration	-	-	-	-	5,415,417	1,342,050
	-	-	-	-	5,415,417	1,342,050
No. of persons	1	1	4	4	2	2

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21 RELATED PARTY DISCLOSURE

Related parties of the company are as follows:

Frontier Works Organization	Parent Company	99.60%
EMASCO (Pvt) Limited	Associated company	0.00%
Aakif Rahim Jaspal	CEO / Director	0.10%
Kamal Azfar	Director	0.10%
Kamran Ali	Director	0.10%
Aftab Aziz	Director	0.10%

Related parties comprise parent company, associated company due to common directorship of shareholders, directors and key management personnel of the Company.

Details of transactions with related parties and balances with them are as follows:

Name of the party	Relationship	Nature of transaction	2023	2022
			.... Rupees..........	
Frontier Works Organization (FWO)	Parent Company	Pre-commencement expenses incurred by FWO on behalf of SKIM.	2,500,000	86,507,920
Frontier Works Organization (FWO)	Parent Company	Received from FWO for payment of salaries of SKIM employees.	2,383,514	-
Frontier Works Organization (FWO)	Parent Company	Equity Injection	3,498,654,035	-
Frontier Works Organization (FWO)	Parent Company	Mobilization advance	5,083,605,000	-
EMASCO (Pvt) limited	Associated Company /Subsisiary of FWO	Vehicle acquired on rent	700,000	-
			8,587,842,549	86,507,920

22 FINANCIAL RISK MANAGEMENT

The Board of Directors have 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 Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management is carried out by the management of the Company. The management provides principles and guidelines for overall risk management, as well as policies covering specific areas.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

22.1 Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial deficit for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks.

	2023	2022
	Rupees	Rupees
Bank balances	1,406,026,792	4,000,100,000

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate:

	Rating long term	Rating agency	2023	2022
			Rupees	Rupees
Faysal Bank Limited	AA	PACRA	1,406,026,792	4,000,000,000

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22.2 Liquidity risk

Liquidity risk represents the risk that the Company shall encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The management monitors the forecasts of the Company's cash and cash equivalent on the basis of expected cash flow. This is generally carried out in accordance with the practice and limits set by the Company. The Company holds Rs. 1,406 million in its bank accounts as on the reporting date. The table below analyses the Company's contractual liabilities into relevant maturity grouping based on the remaining period as at the reporting date to the contractual maturity date.

Trade and other payables

	Carrying Amount	Within 1 year	1 -5 years	Total
	---Rupees---			
Year 2023	122,406,405	122,406,405	-	122,406,405
Year 2022	86,507,920	86,507,920	-	86,507,920

22.3 Market risk

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

(a) Currency risk

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

(b) Interest rate risk

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

	Note	2023 Rupees	2022 Rupees
Financial assets			
Bank balances - saving accounts (local currency)	11	1,405,477,164	4,000,000,000

Cash flow sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profits for the year by Rs. 14 million.

(c) Price risk

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

(d) Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates. As at June 30, 2023 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

The fair value of all financial assets and liabilities are not considered to be significantly different from their carrying values. The Company classifies the financial instruments measured in the statement of financial position at fair value in accordance with the following fair value measurement hierarchy:

Level 1 Quoted market prices
Level 2 Valuation techniques (market observable)
Level 3 Valuation techniques (not market observable)

The Company is not exposed to fair value risk.

22.4 Financial instruments by categories

	At fair value through profit or loss	At amortized cost	At fair value through OCI	Total
	---Rupees---			
Financial assets as at June 30, 2023				
Cash and bank balances	-	1,406,026,792	-	1,406,026,792
Financial liabilities as at June 30, 2023				
Trade and other payables	-	122,406,405	-	122,406,405
Financial assets as at June 30, 2022				
Cash and bank balances	-	4,000,100,000	-	4,000,100,000
Financial liabilities as at June 30, 2022				
Trade and other payables	-	86,507,920	-	86,507,920

22.4.1 There are no other categories of financial assets and financial liabilities as at reporting date.

23 CAPITAL RISK MANAGEMENT

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enables shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth via maintaining optimal capital structure and keeping its finance cost low.

In line with industry norms, the Company monitors capital on the basis of its gearing ratio. This ratio is calculated as total borrowings divided by total capital employed. Total capital is calculated as equity, as shown in the statement of financial position, plus total borrowings.However, as on the reporting date, the Company is not geared.

24 NUMBER OF EMPLOYEES

	Number	Number
Number of contractual employees as at June 30,	14	9
Average number of employees during the year	12	9

25 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been approved and authorized by the Board of Directors of the Company for issuance on ______

26 RECLASSIFICATION

Figures of the corresponding period have been rearranged and regrouped where necessary for comparison and better understanding. Howere, no material reclassification has been made in these financial statements except for the following:

Reclassified from	Reclassified to	Reasons	2022
Statement of profit or loss	Statement of profit or loss		Rupees
Administrative and general expenses	Finance cost		
Bank charges	Bank charges	Better Presentation	34,800

CHIEF EXECUTIVE

DIRECTOR