



**FINANCIAL STATEMENTS  
OF  
TRANSKARACHI  
(A COMPANY SET UP UNDER SECTION 42  
OF THE COMPANIES ACT, 2017)  
FOR THE YEAR ENDED  
JUNE 30, 2020**

The Board of Directors,  
TransKarachi  
Karachi.

October 12, 2022  
AA-1631/22

**AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

Dear Sir,

We have completed the audit of your Company's financial statements for the above referred year and are pleased to enclose herewith two copies of the draft financial statements along with our draft report thereon duly initialed by us for identification purposes. We shall be pleased to sign our report in its present or amended form after the financial statements are approved by you and signed on your behalf by the Chief Executive and any one other Director and on review / receipt of the following:

1. Letter of representation addressed to us on behalf of the Board of Directors and signed by the Chief Executive and Chief Financial Officer as per draft provided by us.
2. Board of Directors resolutions in respect of following:
  - Grant receivable during the year amounted to Rs. 2.48 million as disclosed in note 5 to the financial statements.
3. Reply of our confirmation from legal advisor.

Our comments and observations on this set of financial statements are as follows:

**1. RESPONSIBILITIES OF THE MANAGEMENT AND AUDITORS IN RELATION TO THE FINANCIAL STATEMENTS**

The responsibilities of the independent auditors in a usual examination of financial statements are stipulated in section 249 of the Companies Act, 2017 and International Standards on Auditing. While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for preparation of such statements is primarily that of the Company's management.

The management's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Company and prevention and detection of frauds and irregularities. The audit of financial statements does not relieve the management of its responsibilities.

**2. CONTINGENCIES AND COMMITMENTS**

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

**3. RELATED PARTY TRANSACTIONS**

We have been informed by the management that there were no transactions with the related parties other than those disclosed in the notes to the financial statements.

**4. FRAUD AND ERROR**

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

**5. IMPACT OF COVID-19 ON FINANCIAL STATEMENTS**

The COVID-19 pandemic and associated impacts on economic activity had no major effect on the Company's results of operations during the reporting period and financial position as at June 30, 2020.

We take this opportunity to thank all your staff for the courtesy and cooperation extended to us during the course of our audit.

Yours faithfully,



**BDO EBRAHIM & CO.**

Encl. as above

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRANSKARACHI(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements of **TRANSKARACHI (A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)**, which comprise the statement of financial position as at June 30, 2020, and statement of income and expenditure, statement of comprehensive income, the statement of cash flows, the statement of changes in accumulated funds 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 income and expenditure, statement of comprehensive income, the statement of cash flows and the statement of changes in accumulated funds 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, 2020 and of the surplus and other comprehensive income, its cash flows and the changes in equity 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 (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 Auditor's Report Thereon**

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

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

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

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

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

KARACHI

DATED: 12 OCT 2022



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

**TRANSKARACHI**  
**(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Grant receivable	5	<u>2,481,460</u>	<u>133,056</u>
<b>TOTAL ASSETS</b>		<u><u>2,481,460</u></u>	<u><u>133,056</u></u>
<b>FUNDS AND LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities	6	<u>2,481,460</u>	<u>133,056</u>
<b>TOTAL FUNDS AND LIABILITIES</b>		<u><u>2,481,460</u></u>	<u><u>133,056</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	7		

The annexed notes from 1 to 15 form an integral part of the financial statements.

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

TRANSKARACHI  
(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)  
STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2020

Note	2020			2019		
	Restricted	Un-restricted	Total	Restricted	Un-restricted	Total
	Rupees			Rupees		
<b>INCOME</b>						
Income recognized on deferred loan / restricted funds	2,348,404	-	2,348,404	133,056	-	133,056
	2,348,404	-	2,348,404	133,056	-	133,056
<b>EXPENDITURE</b>						
Staff salaries and other benefits	2,215,348	-	2,215,348	-	-	-
Auditor's remuneration	133,056	-	133,056	133,056	-	133,056
	2,348,404	-	2,348,404	133,056	-	133,056
<b>SURPLUS FOR THE YEAR</b>						
	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>						
	-	-	-	-	-	-

The annexed notes from 1 to 15 form an integral part of the financial statements.

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR



**TRANSKARACHI**  
**(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)**  
**STATEMENT OF CHANGES IN ACCUMULATED FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Unrestricted Fund	Restricted Fund	Total
	General fund	Grant	
-----Rupees-----			
Balance as at July 1, 2019	-	-	-
Transfer to grant receivable	-	2,348,404	2,348,404
Transferred to income and expenditure account	-	(2,348,404)	(2,348,404)
Balance as at June 30, 2020	-	-	-

The annexed notes from 1 to 15 form an integral part of the financial statements.

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

**TRANSKARACHI**  
**(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	2020 Rupees	2019 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Increase in current assets</b>		
Grant receivable	(2,348,404)	(133,056)
	<u>(2,348,404)</u>	<u>(133,056)</u>
<b>Increase in current liabilities</b>		
Accrued and other liabilities	2,348,404	133,056
Net cash generated from operating activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	<u>-</u>	<u>-</u>

The annexed notes from 1 to 15 form an integral part of the financial statements.

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**

**TRANSKARACHI**  
**(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**1 NATURE AND STATUS OF BUSINESS**

TransKarachi "the Company" was incorporated on October 11, 2018 as a company limited by guarantee under section 42 of the Companies Act 2017. The primary objective is to carry out the project implementation, management and maintenance of Karachi Bus Rapid Transit Red Line Project assigned by Sindh Mass Transit Authority (SMTA) for the benefit of public at large.

The company is wholly owned by the Government of Sindh.

The registered office of the Company is situated at C-89, Block 2 , Clifton, Karachi.

**1.1 Project Description**

On October 04, 2016 Islamic Republic of Pakistan entered into loan agreement through Secretary Economic Affairs Division vide loan No.6008 with Asian Development Bank (ADB) to finance project design advance (PDA) in form of a Loan "PDA Loan" of USD 9.7 million for:

- a. Capacity building;
- b. Detailed engineering design; and
- c. Operational design.

Out of "PDA Loan" of USD 9.7 million, USD 8.33 million equivalent to Rs. 1,132 million were utilized against project design advance of Rs. 34.41 million against taxes were financed by Government of Sindh hence total expense against PDA incurred amounted to Rs. 1,166 million as depicted in audited report for the period ended June 2020 prepared by Sindh Mass Transit Authority and audited by Auditor General of Pakistan.

The Sindh Mass Transit Authority (SMTA) established **TransKarachi** on October 11, 2018 "**the Company**" as wholly responsible for the implementation of Karachi Bus Rapid Transit "The BRT project" which will help increase the use of quality public transport in Karachi by delivering the 26.6 kilometer Red Line Bus Rapid Transit (BRT) corridor and associated facilities, directly benefiting millions of people.

As mentioned in Project Administration Manual for the month of June 2019, cost of the project was estimated to be USD 572 million. To help finance the project, the Islamic Republic of Pakistan required financing USD 484 million from financial institutions and remaining USD 88 million to be financed by Government of Sindh.

To finance the project, the Islamic Republic of Pakistan entered into loan agreement through Secretary Economic Affairs Division with following institutions for financing of USD 284 through following institutions, upto the reporting date:

- A loan agreement of USD 235 million from ADB's ordinary capital resources vide Loan No 3799 dated June 19, 2020, inclusive of USD 9.7 million project design advance);
- A loan agreement of USD 37.2 million from Green Climate Fund (GCF) vide Loan No 8367 dated June 19, 2020; and
- A grant agreement of USD 11.8 million from Green Climate Fund (GCF) vide Grant No 0649 dated June 19, 2020.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.
- Accounting Standard for Not for Profit Organizations (Accounting Standards for NPOs) issued by Institute of the Chartered Accountants of Pakistan (ICAP) as notified under the Companies Act, 2017.

Provisions of and directives issued under the Companies Act, 2017.

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

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, unless stated otherwise. These financial statements have been prepared following accrual basis of accounting except for cash flow information.

### 2.3 Functional and presentation currency

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

### 2.4 Key judgments and estimates

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgment in the process of applying the Company's accounting policies.

Judgments and estimates made by management that are significant to the unconsolidated financial statements are as follows:

- Depreciation method, useful lives and residual values of operating fixed assets (note 5.1).
- Estimates of impairment and recoverable amount of assets.

## 3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

### 3.1 Standards / amendments that are effective in current year

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 01, 2020 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements.

### 3.2 Standards / amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

**Effective date  
(annual periods  
beginning on or  
after)**

Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

January 01, 2021

Standard	Effective date (annual periods beginning on or after)
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2023
Reference to the Conceptual Framework - Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment: Proceeds before intended use - Amendments to IAS 16	January 01, 2022
Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37	January 01, 2022
Annual Improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter	January 01, 2022
Annual Improvement process IFRS 9 Financial Instruments - Fees in the '10 percent' test for derecognition of financial liabilities	January 01, 2022
Annual Improvement process IAS 41 Agriculture - Taxation in fair value measurements	January 01, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized
Further, following standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.	
IFRS 1 - First time adoption of IFRSs	July 01, 2009
IFRS 17 - Insurance Contracts	January 01, 2023

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below are consistently applied for all periods presented in these financial statements, unless otherwise stated.

#### **4.1 Property and equipment**

All items of property, plant and equipment are initially recorded at cost.

##### **Subsequent measurement**

Property, plant and equipment are stated at cost less accumulated depreciation or impairment, if any. Major renewals and repairs are capitalized and the assets so replaced are retired. Minor renewals or replacement, maintenance and repairs are charged to income as and when incurred. Gains or losses on disposal of property, plant and equipment are accounted for in profit or loss for the year.

##### **Depreciation**

Depreciation is charged on the basis of written down value method whereby cost of an asset is written off at the rates given in note 5.1. Full month's depreciation is charged on addition, while no depreciation is charged in the month of disposal or deletion of assets.

##### **Judgment and estimates**

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis.

#### **4.2 Impairment**

The Company assesses at each date of statement of financial position whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income and expenditure account, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

#### **4.3 Deposits & prepayments**

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

#### **4.4 Cash and bank balances**

Cash in hand and at banks are carried at nominal amount.

#### **4.5 Provisions**

A provision is recognized in the statement of financial position when the Company has a 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 obligation. Provisions are determined by discounting future cash flows at appropriate discount rate where ever required. Provisions are reviewed at each date of the statement of financial position and adjusted to reflect current best estimate.

#### **4.6 Accrued and other liabilities**

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

#### **4.7 Cash and cash equivalents**

Cash and cash equivalents are carried at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks and short term highly liquid investments that are readily convertible into known amount of cash and having a maturity of less than three months.

#### **4.8 Funds / grants**

##### **General fund**

Surplus / (deficit) from unrestricted funds during the year is recognized in general fund.

##### **Deferred capital grant / restricted funds**

This grant / fund represents the grants / funds subject to the donors' imposed restrictions or imposed future performance conditions. Initially these are recognized in the statement of financial position as deferred income at their receipt. Subsequently these are recognized in income and expenditure account to the extent of actual expenses incurred.

##### **Judgment and estimates**

Useful life of assets are estimated on regular basis for amortization of deferred capital grants over the useful life of the related assets.



#### **4.9 Revenue recognition**

##### **Grants**

Grants are recognized where there is reasonable assurance that the grants will be received and all attached conditions will be complied with.

##### **Deferred grant / restricted fund**

Deferred grants / restricted funds are recognized in the income and expenditure account to the extent of the actual expenditure incurred or when all the future performance conditions are met. Expenditure incurred against grants committed but not received, is recognized directly in income and expenditure account and reflected as a receivable from donors.

#### **4.10 Taxation**

In accordance with section 100C of the Income Tax Ordinance, 2001 (the Ordinance), the Company is allowed a tax credit equal to one hundred per cent of the tax payable, including minimum tax and final tax payable, under any of the provisions of the Ordinance, subject to conditions as outlined in section 100C. Accordingly, no provision for tax, has been recognized in the financial statement of the Company.

The Company intended to claim tax credit equal to one hundred per cent of the tax payable under section 100C of the Income Tax Ordinance, 2001, including minimum tax and final taxes payable.

No provision for taxation has been made for the year in this financial statement based on section 100C of the Income Tax Ordinance, 2001.

#### **4.11 Provident fund**

The Company has a contributory provident fund for its regular / contractual employees, contribution in respect of which is charged to income and expenditure for the year. Contribution is made by employees at the rate of 10% of the basic pay. The same amount is contributed by the Company

#### **4.12 Financial liabilities**

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

## **Recognition and measurement**

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

## **Derecognition**

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

### **4.13 Offsetting of financial assets and financial liabilities**

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

### **4.14 Foreign currency translation**

Transactions in foreign currencies are converted into Pak Rupees at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the statement of financial position date. Exchange gains and losses are included in the profit and loss account.

### **4.15 Contingencies**

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

	Note	2020 Rupees	2019 Rupees
<b>5 GRANT RECEIVABLE</b>			
Grant receivable	5.1	<u>2,481,460</u>	<u>133,056</u>
5.1 This represents grant receivable against operating expenses from Government of Sindh through Sindh Mass Transit Authority which is responsible for reimbursement of expenditures of the company.			
<b>6 ACCRUED AND OTHER LIABILITIES</b>			
Salaries payable		1,805,798	-
Provident fund payable		409,550	-
Auditor's remuneration		266,112	133,056
		<u>2,481,460</u>	<u>133,056</u>

## 7 CONTINGENCIES AND COMMITMENTS

### 7.1 Contingencies

There were no contingencies as at the date of balance sheet.

### 7.2 Commitments

Out of USD 284 million against loan no amount has been received till June 30, 2020 (refer note 1.1).

## 8 SALARIES, ALLOWANCES & OTHER BENEFITS

These include an amount of Rs. 409,550 (2019: Nil) in respect of staff retirement benefits.

## 9 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

The aggregate amounts charged in the financial statements for remunerations, including all benefits to Directors of the Company were as follows:

Particular	Note	2020		2019	
		Chief Executive	Director	Chief Executive	Director
		Rupees		Rupees	
Managerial remuneration		613,558	-	-	-
Company's contribution to the fund		97,200	-	-	-
		<u>710,758</u>	-	-	-
Number of persons		1	7	-	7

## **10 FINANCIAL INSTRUMENTS RELATED DISCLOSURES**

### **10.1 Currency risk**

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As of reporting date position, the TransKarachi is exposed to foreign currency risk arising due to foreign exchange fluctuation on account of estimated borrowings against project amounting to USD 284 million.

### **10.2 Liquidity risk**

Liquidity risk is the risk that the Foundation will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management believes that the Foundation is not exposed to any significant level of liquidity risk.

### **10.3 Credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted. TransKarachi is not exposed to any credit risk as the project is still in construction phase.

### **10.4 Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the interest rates. The TransKarachi is not exposed to interest rate risk as repayment of loan is the responsibility of Government of Sindh.

### **10.5 Fair value of financial instruments**

The carrying value of all the financial assets and financial liabilities are estimated to approximate their fair values.

## **11 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison. However, no significant reclassification has been made during the year.

## **12 IMPACT OF COVID-19 ON FINANCIAL STATEMENTS**

The COVID-19 pandemic and associated impacts on economic activity had no major effect on the Company's results of operations during the reporting period and financial position as at June 30, 2020.

	2020	2019
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13 NUMBER OF EMPLOYEES

Number of employees as at June 30	4	-
Average number of employees during the year	2	-

14 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Transkarachi authorized these financial statements for issue on  
12 OCT 2022.

15 GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.

CHIEF EXECUTIVE OFFICER

DIRECTOR