FINANCIAL STATEMENTS
OF
TRANSKARACHI
(A COMPANY SET UP UNDER SECTION 42
OF THE COMPANIES ACT, 2017)
FOR THE YEAR ENDED
JUNE 30, 2021

BDO

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The Board of Directors,
TransKarachi
Karachi.

October 12, 2022
AA-1632/22

AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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:

    - Addition to property and equipment amounted to Rs. 2.39 million as disclosed in note 5.1 to the financial statements.
    - Addition to capital work in progress amounted to Rs. 1,164.38 million as disclosed in note 5.2 to the financial statements.
    - Restricted funds (deferred capital grant) as at reporting date amounted to Rs. 1,349.90 million as at reporting date.
    - Grant received from Asian Development Bank during the year amounted to Rs. 234.45 million as disclosed in note 8.1 to the financial statements.
    - Grant received from Government of Sindh during the year amounted to Rs. 26.26 million as disclosed in note 8.1 to the financial statements.
    - Grant relevant to PDA transferred to TransKarachi during the year is as follows:

        - Asian Development Bank — Rs. 1,132 million
        - Government of Sindh — Rs. 34.41 million

3. Reply of confirmation from legal advisor.

4. Reply of confirmation from tax advisor

5. Reply of our confirmation from the followings:

- Asian Development Bank
- Government of Sindh
- Sindh Mass Transit Authority

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. PROJECT ADMINISTRATION MANUAL

During the course of our audit, we reviewed the tripartite project administration manual (PAM) between SMTA, ADB and Government of Sindh (on behalf of Government of Pakistan). As per clause B(40) of PAM, all procurement of the project would be undertaken in accordance with ADB's Procurement Policy and Procurement Regulations for ADB Borrowers. Hence management asserts that PPRA rules are not applicable to this project. We seek concurrence of the Board in this regard.

3. 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.

4. **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.

5. **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.

6. **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, 2021.

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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRANSKARACHI(A COMAPANY 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, 2021, 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, 2021 and of the surplus and other comprehensive income, its cash flows and the changes in accumulated funds for the period 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, 2021

	Notes	2021 Rupees	2020 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	5	1,166,389,054	-
CURRENT ASSETS			
Deposits and prepayments	6	1,605,929	-
Grant receivable		-	2,481,460
Bank balances	7	191,297,872	-
		192,903,801	2,481,460
TOTAL ASSETS		1,359,292,855	2,481,460
FUNDS AND LIABILITIES			
Unrestricted funds		1,290,000	-
RESTRICTED FUNDS			
Deferred capital grant	8	1,349,900,401	-
CURRENT LIABILITIES			
Accrued and other liabilities	9	8,102,454	2,481,460
TOTAL FUNDS AND LIABILITIES		1,359,292,855	2,481,460
CONTINGENCIES AND COMMITMENTS	10		

The annexed notes from 1 to 18 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
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Restricted	2021 Un-restricted	2021 Total	2020 Restricted	2020 Un-restricted	2020 Total
		---- Rupees ----			---- Rupees ----		
INCOME							
Income recognized on deferred loan / restricted funds		74,727,463	-	74,727,463	2,348,404	-	2,348,404
Tender fee income		-	1,290,000	1,290,000	-	-	-
		74,727,463	1,290,000	76,017,463	2,348,404	-	2,348,404
EXPENDITURE							
Staff salaries and other benefits	11	57,988,170	-	57,988,170	2,215,348	-	2,215,348
Legal and professional charges		423,625	-	423,625	-	-	-
Repairs and maintenance		2,326,506	-	2,326,506	-	-	-
Communication charges		39,808	-	39,808	-	-	-
Printing and stationary		389,933	-	389,933	-	-	-
Office expenses		163,610	-	163,610	-	-	-
Travelling, conveyance and entertainment		1,796,957	-	1,796,957	-	-	-
IT expenses		51,831	-	51,831	-	-	-
Utilities		57,342	-	57,342	-	-	-
Office rent		3,644,208	-	3,644,208	-	-	-
Advertisement expense		2,117,124	-	2,117,124	-	-	-
Postage expenses		5,185	-	5,185	-	-	-
Consultancy charges		2,955,380	-	2,955,380	-	-	-
Directors' fee		2,125,000	-	2,125,000	-	-	-
Auditor's remuneration		133,056	-	133,056	133,056	-	133,056
Office supplies		128,838	-	128,838	-	-	-
Depreciation	5.1	380,890	-	380,890	-	-	-
		74,727,463	-	74,727,463	2,348,404	-	2,348,404
SURPLUS FOR THE YEAR		-	1,290,000	1,290,000	-	-	-

The annexed notes from 1 to 18 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 COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	2021 Rupees	2020 Rupees
Surplus for the year	1,290,000	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	1,290,000	-

The annexed notes from 1 to 18 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, 2021

	Unrestricted Fund	Restricted Fund	Total
	General fund	Grant	
	-------Rupees-------		
Balance as at July 1, 2019	-	-	-
Transfer to grant receivable	-	2,348,404	-
Transferred to income and expenditure account	-	(2,348,404)	-
Balance as at June 30, 2020	-	-	-
Surplus transferred from income and expenditure account	1,290,000	-	1,290,000
Funds transferred from project design advance	-	1,166,500,675	1,166,500,675
Funds received during the year	-	260,608,649	260,608,649
Transfer from grant receivable	-	(2,481,460)	(2,481,460)
Transferred to income and expenditure account	-	(74,727,463)	(74,727,463)
Balance as at June 30, 2021	1,290,000	1,349,900,401	1,351,190,401

The annexed notes from 1 to 18 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, 2021

	2021 Rupees	2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	1,290,000	-
Adjustments for items not involving movement of funds:		
Depreciation	380,890	-
Surplus before working capital changes	1,670,890	-
Increase in current assets		
Deposits and prepayments	(1,605,929)	-
Grant receivables	2,481,460	(2,481,460)
	875,531	(2,481,460)
Increase in current liabilities		
Accrued and other liabilities	5,620,994	2,481,460
Net cash generated from operating activities	8,167,415	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating fixed assets	(2,393,269)	-
Capital work in progress	(1,164,376,675)	-
Net cash used in investing activities	(1,166,769,944)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred capital grant	1,349,900,401	-
Net cash generated from financing activities	1,349,900,401	-
Net increase in cash and cash equivalents	191,297,872	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	191,297,872	-

The annexed notes from 1 to 18 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, 2021

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 Affair 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 and 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.

In updated Project Administration Manual for the month of November 2021, cost of the estimated cost was revised to be USD 503 million. To help finance the project, the Islamic Republic of Pakistan required financing of USD 427.6 million from financial institutions and remaining USD 75.6 million to be financed by Government of Sindh.

The Islamic Republic of Pakistan entered into loan agreement through Secretary Economic Affair Division with following institutions for financing of USD 427.6 through following institutions:

- 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 71.8 million from Asian Infrastructure Investment Bank (AIIB) vide Loan No 8368 dated February 24, 2021;

- A loan agreement of USD 71.8 million from Agence Francaise de Development (AFD) vide loan No 8366 March 15, 2021;

- 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.

On August 10, 2020 Sindh Mass Transit Authority, (the Executing Agency), handed over all documents and details of expenses incurred till date against the project and assigned TransKarachi as Implementing Agency with responsibility of implementation of carrying out the project as per Project Administration Manual.

On March 26, 2021 a tripartite agreement between SMTA, Government of Sindh & TransKarachi was entered whereby TransKarachi was agreed to be responsible for carrying out project implementation, management and operation of Mass Transit System.

As per tripartite agreement Sindh Mass Transit Authority (SMTA) shall retain title to and legal ownership of all immovable assets for and in connection with the project, whereas TransKarachi shall be entitled to sub lease and sub license the immovable assets.

TransKarachi shall retain title to and legal ownership of all movable assets procured in connection with the project.

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 form 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, 2021 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 unconsolidated 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)
Amendments to IFRS 3 'Business Combinations' -Reference to the conceptual framework	January 01, 2022
Amendments to IFRS 16 'Leases' - Covid -Extended practical relief regarding Covid-19 related rent concessions	April 01, 2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022
Reference to the Conceptual Framework - Amendments to IFRS 3	January 01, 2022

	Effective date (annual periods beginning on or after)
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
Amendments to IAS 1'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2023
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 such amendments and interpretations of the standards which 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.

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.

4.12 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.

4.13 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.

4.14 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.

	Notes	2021 Rupees	2020 Rupees
5 PROPERTY AND EQUIPMENT			
Operating fixed assets - owned	5.1	2,012,379	-
Capital work in progress	5.2	1,164,376,675	-
		1,166,389,054	-

5.1 Operating fixed assets - owned

	Cost				Rate %	Accumulated depreciation				Written down value as at June 30, 2021
	As at July 01, 2020	Additions	Disposal	As at June 30, 2021		As at July 01, 2020	For the year	Adjustment	As at June 30, 2021	
	Rupees					Rupees				
Owned assets										
Air Conditioners	-	210,509	-	210,509	30%	-	2,595	-	2,595	207,914
Office Equipments	-	58,760	-	58,760	30%	-	48	-	48	58,712
Computers & Equipments	-	480,000	-	480,000	20%	-	85,480	-	85,480	394,520
Vehicles	-	1,119,000	-	1,119,000	20%	-	199,274	-	199,274	919,726
Motor Bike	-	-	-	-	20%	-	-	-	-	-
Generator	-	-	-	-	20%	-	-	-	-	-
Furniture & Fixtures	-	525,000	-	525,000	20%	-	93,493	-	93,493	431,507
	-	2,393,269	-	2,393,269		-	380,890	-	380,890	2,012,379

	Notes	2021 Rupees	2020 Rupees
5.2 Capital work in progress			
KBRT Redline Project Feasibility Analysis	5.2.1	1,164,376,675	-

5.2.1 This represents cost incurred on BRT Project Feasibility financed by Asian Development Bank as Project Design Advance (PDA) Loan whereas taxes and ancillary expenses were financed by Government of Sindh. The PDA loan related documentation was handed over to TransKarachi on August 08, 2020.

		Note	2021 Rupees	2020 Rupees
6	**DEPOSITS AND PREPAYMENTS**			
	Security deposits		1,050,000	-
	Prepayments		555,929	-
			1,605,929	-
7	**BANK BALANCES**			
	Current accounts	7.1	191,297,872	-
7.1	**Current accounts**			
	Asian Development Bank - RFA account	7.1.1	190,007,872	-
	TransKarachi - Operations Account	7.1.2	1,290,000	-
			191,297,872	-

7.1.1 This is Revolving Fund Account (RFA) maintained with National Bank of Pakistan (NBP) and represents remaining balance against grant of Rs. 234.36 million (equivalent to USD 1,462,741) from Asian Development Bank (ADB) through Government of Pakistan under the loan agreement Karachi Bus Rapid Transit Red Line Loan No. 3799-PAK.

7.1.2 This represents tender fees received against different tenders of the project and deposited in separate bank account of NBP.

		Note	2021 Rupees	2020 Rupees
8	**DEFERRED CAPITAL GRANT**			
	Deferred grant	8.1	183,399,726	-
	Deferred capital grant project design advance	8.2	1,166,500,675	-
			1,349,900,401	-
8.1	**DEFERRED GRANT**			
	Asian Development Bank	8.1.1	234,365,483	-
	Government of Sindh	8.1.2	26,243,166	-
	Transfer to grant receivable		-	2,481,460
	Opening fund utilized		(2,481,460)	(133,056)
	Funds utilized during the period	8.1.3	(74,727,463)	(2,348,404)
			183,399,726	-

8.1.1 This represents grant obtained from Asian Development Bank (ADB) equivalent to USD 1,462,741 through Government of Pakistan under loan agreement Karachi Bus Rapid Transit Red Line Loan No. 3799-PAK. The main objective of the grant is to meet the capital and operational expenditures of the project.

8.1.2 This represents the grant received from the Government of Sindh.

8.1.3 This represents the amount spent on operational and administrative expenses of the Company.

	Note	2021 Rupees	2020 Rupees
8.2 Deferred grant project design advance (PDA)			
Asian Development Bank	8.2.1	1,132,087,037	-
Government of Sindh	8.2.2	34,413,638	-
		1,166,500,675	-

8.2.1 This represents the grant received from Asian Development Bank (ADB) equivalent to USD 8,331,147 through Government of Pakistan under loan agreement for Karachi Bus Rapid Transit Red Line Project No. 47279-003 vide Loan No: 6008 which became part of Loan No. 3799-PAK on June 19, 2020. The main objective of the grant was to meet the cost of Project Design Advance incurred by Project Implementation Unit (PIU) i.e Sindh Mass Transit Authority which was later on handed over to TransKarachi on August 08, 2020.

8.2.2 This represents the expenses incurred and taxes paid by Government of Sindh on Project Design. The expenses were incurred by Project Implementation Unit (PIU) i.e Sindh Mass Transit Authority, which was subsequently handed over to TransKarachi on August 08, 2020.

8.3 GRANT RECONCILIATION

Asian Development Bank			
Deferred capital grant	8.1.1	234,365,483	-
Project design grant	8.2.1	1,132,087,037	-
		1,366,452,520	-
Government of Sindh			
Deferred capital grant	8.1.2	26,243,166	-
Project design grant	8.2.2	34,413,638	-
		60,656,804	-
Total grants		1,427,109,324	-

	Note	2021 Rupees	2020 Rupees
Utilization of grant			
Funds utilized upto the period		(77,208,923)	(2,481,460)
Operating Fixed Assets	5.1	(2,012,379)	-
Capital Work in Progress	5.2	(1,164,376,675)	-
Grant Receivables		-	2,481,460
Deposits and Prepayments	7	(1,605,929)	-
Accrued and other liabilities	9	8,102,454	-
		(1,237,101,452)	-
Unrestricted fund - Tender Income		1,290,000	-
Un-utilized grant represented by bank		191,297,872	-

9 ACCRUED AND OTHER LIABILITIES

	Note	2021 Rupees	2020 Rupees
Provident fund payable		7,188,410	409,550
Salaries payable		-	1,805,798
Accrued liabilities		514,876	-
Auditor's remuneration	9.1	399,168	266,112
		8,102,454	2,481,460

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

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

10.2 Commitments

Commitments in respect of payable to payment to M/S Afzal Associates for the civil and mechanical works of Transkarachi office (C-89, Block 2, Clifton, Karachi amounts to Rs. 23.64 million (2020: Nil).

Out of USD 427.6 million against loan only USD 9.79 million have been received till June 30, 2021 (refer note 1.1).

11 SALARIES, ALLOWANCES & OTHER BENEFITS

Salaries, allowances and other benefits include an amount of Rs. 6.778 million (2020: Rs. 0.409 million) in respect of staff retirement benefits.

12 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:

	Note	2021		2020	
		Chief Executive	Director	Chief Executive	Director
		--Rupees--		--Rupees--	
Particular					
Managerial remuneration		10,052,440	2,125,000	613,558	-
Company's contribution to the fund		583,200	-	97,200	-
		10,635,640	2,125,000	710,758	-
Number of persons		1	7	1	7

13 FINANCIAL INSTRUMENTS RELATED DISCLOSURES

13.1 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 427.6 million.

13.2 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.

13.3 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.

13.4 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the interest rates.

At the reporting date, the interest rate profile of TransKarachi's significant financial instruments is as follows:

	2021 Rupees	2020 Rupees
Variable rate instruments		
Bank balances maintained with banks	191,297,872	-

13.5 Fair value of financial instruments

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

14 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.

15 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, 2021.

16 NUMBER OF EMPLOYEES

	2021	2020
Number of employees as at June 30	20	4
Average number of employees during the year	12	2

17 DATE OF AUTHORIZATION FOR ISSUE

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

18 GENERAL

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

CHIEF EXECUTIVE OFFICER

DIRECTOR