



FINANCIAL STATEMENTS
OF
TRANSKARACHI
(A COMPANY SET UP UNDER SECTION 42
OF THE COMPANIES ACT, 2017)
FOR THE YEAR ENDED
JUNE 30, 2023

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

The Board of Directors,
TransKarachi
Karachi.

October 10, 2023
AA-1640/23

AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Dear Sir,

We have completed the audit of draft financial statements of TransKarachi 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:

- a) Letter of representation addressed to us on behalf of the Board of Director's and signed by the Chief Executive and Chief Financial Officer as per draft provided by us.
- b) Board of Directors resolutions in respect of following:
 - Addition to property and equipment amounting to Rs. 19.373 million as disclosed in note 5.1 to the financial statements;
 - Addition to capital work in progress amounting to Rs. 2,608 million as disclosed in note 5.2 to the financial statements;
 - Restricted funds utilized (deferred capital grant) during the year amounting to Rs. 234.814 million as at reporting date;
 - Grant received from Asian Development Bank during the year amounting to Rs. 1,339 million as disclosed in note 10.1 to the financial statements;
 - Grant received from Asian Infrastructure Investment Bank during the year amounting to Rs. 298.001 million as disclosed in note 10.1 to the financial statements;
 - Grant received from Agence Française de Développement during the year amounting to Rs. 296.198 million as disclosed in note 10.1 to the financial statements;
 - Grant received from Government of Sindh during the year amounting to Rs. 807.892 million as disclosed in note 10.1 to the financial statements;
 - Transactions with related parties as disclosed in relevant notes to the financial statements and;

- Remuneration of Chief Executive, Directors and executives is disclosed in note 18 to the financial statements.
- c) Statement of compliance with code of corporate governance (Public Sector Companies) Regulations, 2013 as approved by the Board of Directors.
- d) Directors' report as required under section 223(6) of the Companies Act, 2017.

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. SIGNIFICANT MATTERS

2.1 PROJECT ADMINISTRATION MANUAL

During the course of our audit, we reviewed the Project Administration Manual (PAM). 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 which is also agreed by SMTA and Government of Sindh. Hence management asserts that PPRA rules are not applicable to this project as procurements undertaken as per relevant guidance in Project Administration Manual (PAM). We seek concurrence of the Board in this regard.

2.2 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 percent 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.

The Company intend 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. Moreover, in exercise of the power conferred by section 2(36) of the Income Tax Ordinance, 2001, the Company has to apply for approval by Commissioner Inland Revenue (CIR) for the purpose of the Section. However, the company has not applied for approval from CIR. Further the company has not recorded provision for taxation for the year in these financial statements based on Section 100C of the Income Tax Ordinance, 2001. Please confirm that this is in order.

2.3 OPERATING ASSETS

We have observed that the Company does not have a proper capitalization policy duly approved by the Board of Directors (BOD) of the Company. In the absence of a proper capitalization policy there is a risk that certain material items of the assets may not be capitalized which may result in the distortion of the operating results of the Company. We recommend that proper capitalization policy should be formulated by the BOD in order to bring consistency in accounting for capital and revenue expenditure.

3. UNIQUE DOCUMENT IDENTIFICATION NUMBER (UDIN)

To enhance public trust on auditor's report, the Institute of Chartered Accountants of Pakistan (ICAP) has issued a Directive 4.27, whereby it is required that every practicing chartered accountant will place UDIN generated from ICAP portal on the following reports:

- Auditors' Report on General Purpose Financial Statements
- Auditors' Report on Interim Financial Information
- Auditors' Report on Statement of Compliance with Code of Corporate Governance.

In order to obtain the UDIN, auditors are required to upload certain financial information of the reporting entity. Accordingly, we are required to upload the information on ICAP's portal for generation of UDIN. The ICAP, in its frequently asked questions, has assured that Client's confidential data would be entered by the concerned engagement partner himself and such data would not be available for any unauthorized use.

Compliance of the above ICAP Directive is mandatory and non-compliance will result in professional misconduct under Chartered Accountants Ordinance, 1961.

We hereby brought this into the attention of the management and the Board of Directors of the Company.

4. COMPLIANCE WITH STATUTORY LAWS AND REGULATIONS

We have been informed by the management that there were no instances of non-compliance with statutory laws and regulations other than those as disclosed in this board letter that would have financial reporting implications. Kindly confirm the representations made by management.

5. SUBSEQUENT EVENTS

We have been informed by management that there were no subsequent events having an impact on amounts and / or disclosures in these financial statements except as disclosed in the accompanying financial statements.

6. 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.

7. 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.

8. 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 year. Kindly confirm the representations made by the management.



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,

A handwritten signature in blue ink, appearing to read 'BDO Ebrahim & Co.'.

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, 2023, 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, 2023 and of the deficit and other comprehensive loss, 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 Director's 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 income and expenditure, 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 Tariq Feroz Khan

KARACHI

DATED: 21 DEC 2023

UDIN: AR202310166wSQ5lt8r4



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, 2023

	Note	2023 Rupees	2022 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	5	7,396,203,915	4,785,997,077
Intangible assets	6	2,614,513	3,273,280
Security deposit against lease liability		1,050,000	-
		<u>7,399,868,428</u>	<u>4,789,270,357</u>
CURRENT ASSETS			
Deposits and prepayments	7	5,793,901	4,255,039
Stores and Consumables	8	548,302	-
Bank balances	9	12,772,260	82,486,706
		<u>19,114,463</u>	<u>86,741,745</u>
TOTAL ASSETS		<u><u>7,418,982,891</u></u>	<u><u>4,876,012,102</u></u>
FUNDS AND LIABILITIES			
Unrestricted funds		-	861,285
RESTRICTED FUNDS			
Deferred capital grant	10	7,291,989,136	4,785,572,560
NON CURRENT LIABILITIES			
Lease liabilities	11	3,086,076	-
Retention money under construction contracts	12	86,309,584	-
		<u>89,395,660</u>	<u>-</u>
CURRENT LIABILITIES			
Current portion of long term lease liabilities	11	2,017,073	-
Accrued and other liabilities	13	27,397,545	70,816,885
Provident fund payable	14	8,183,477	18,761,372
		<u>37,598,095</u>	<u>89,578,257</u>
TOTAL FUNDS AND LIABILITIES		<u><u>7,418,982,891</u></u>	<u><u>4,876,012,102</u></u>
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes from 1 to 27 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, 2023

	Note	2023		2022	
		Restricted	Un-restricted	Restricted	Un-restricted
		Rupees -----			
		Total	Total		
INCOME					
Income recognized on deferred loan / restricted funds	10.1	234,813,976	-	188,922,714	-
Interest Income		-	-	-	27,377
		234,813,976	-	188,922,714	27,377
					188,922,714
					27,377
					188,950,091
EXPENDITURE					
Staff salaries and other benefits	16	170,630,352	70,977	132,250,318	9,500
Legal and professional charges		2,154,800	-	1,159,184	-
Repairs and maintenance		2,035,754	104,295	7,982,518	-
Communication charges		641,181	-	231,054	-
Printing and stationary		4,145,543	-	679,235	-
Insurance expense		5,212,416	-	2,178,628	-
Office expenses		2,871,497	56,350	1,386,184	228,863
Travelling, conveyance and entertainment		8,471,757	171,830	4,188,585	168,579
IT expenses		627,340	-	436,559	29,327
Utilities		4,896,094	311,129	1,421,336	15,034
Office Rent		-	-	4,383,750	-
Advertisement expense		3,347,012	45,704	2,657,104	-
Postage expenses		62,327	-	446,527	4,789
Consultancy charges		1,223,225	-	1,163,429	-
Fee and Subscription		1,042,351	101,000	-	-
Directors' fee		3,968,750	-	4,810,000	-
Auditor's remuneration	17	450,000	-	300,000	-
Office supplies		447,802	-	1,285,205	-
Meal and Entertainment		1,115,005	-	-	-
Training, Seminar & Workshop		19,760	-	15,642,500	-
Compensation to Displaced Person		-	-	-	-
Interest charge on leases		3,562,349	-	375,645	-
Amortization	6	658,767	-	5,944,953	-
Depreciation	5.1	17,229,894	-	189,378,806	-
		234,813,976	861,285	188,922,714	456,092
			(861,285)		(428,715)
					(428,715)
DEFICIT FOR THE YEAR					

The annexed notes from 1 to 27 form an integral part of the financial statements.


DIRECTOR


CHIEF EXECUTIVE OFFICER

TRANSKARACHI
(A COMPANY SET UP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	2023 Rupees	2022 Rupees
Deficit for the year	(861,285)	(428,715)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	<u>(861,285)</u>	<u>(428,715)</u>

The annexed notes from 1 to 27 form an integral part of the financial statements.

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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, 2023

	Unrestricted Fund	Restricted Fund	Total
	General fund	Deferred Grant	
	Rupees		
Balance as at June 30, 2021	1,290,000	1,349,900,401	1,351,190,401
Surplus/(Deficit) transferred from income and expenditure account	(428,715)	-	(428,715)
Funds transferred from project design advance	-	60,410,839	60,410,839
Funds received during the year	-	3,564,184,034	3,564,184,034
Transferred to income and expenditure account	-	(188,922,714)	(188,922,714)
Balance as at June 30, 2022	<u>861,285</u>	<u>4,785,572,560</u>	<u>4,786,433,845</u>
Balance as at July 1, 2022	861,285	4,785,572,560	4,786,433,845
Deficit transferred from income and expenditure account	(861,285)	-	(861,285)
Funds received during the year	-	2,741,230,552	2,741,230,552
Transferred to income and expenditure account	-	(234,813,976)	(234,813,976)
Balance as at June 30, 2023	<u>-</u>	<u>7,291,989,136</u>	<u>7,291,989,136</u>

The annexed notes from 1 to 27 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, 2023

	2023 Rupees	2022 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficit for the year	(861,285)	(428,715)
Adjustments for items not involving movement of funds:		
Depreciation	17,229,894	5,944,953
Ammortisation	658,767	375,645
Interest charge on leases	3,562,349	-
Surplus before working capital changes	<u>20,589,725</u>	<u>5,891,883</u>
Increase in current assets		
Deposits and prepayments	(2,588,862)	(2,649,110)
Stores and consumables	(548,302)	-
	<u>(3,137,164)</u>	<u>(2,649,110)</u>
Increase / (Decrease) in current liabilities		
Accrued and other liabilities	(43,419,340)	69,493,291
Provident fund	(10,577,895)	11,982,512
	<u>(53,997,235)</u>	<u>81,475,803</u>
Interest charge paid	(3,562,349)	-
Net cash (used in) / generated from operating activities	<u>(40,107,023)</u>	<u>84,718,576</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating fixed assets	(19,373,408)	(61,290,301)
Additions to intangible assets	-	(3,590,213)
Capital work in progress	(2,608,063,324)	(3,564,321,387)
Net cash used in investing activities	<u>(2,627,436,732)</u>	<u>(3,629,201,901)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred capital grant	2,506,416,576	3,435,672,159
Additions to lease liability	6,430,300	-
Lease rentals paid	(1,327,151)	-
Retention money	86,309,584	-
Net cash generated from financing activities	<u>2,597,829,309</u>	<u>3,435,672,159</u>
Net decrease in cash and cash equivalents	<u>(69,714,446)</u>	<u>(108,811,166)</u>
Cash and cash equivalents at the beginning of the year	<u>82,486,706</u>	<u>191,297,872</u>
Cash and cash equivalents at the end of the year	<u><u>12,772,260</u></u>	<u><u>82,486,706</u></u>

The annexed notes from 1 to 27 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, 2023

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 and 94.82 million against taxes were financed by Government of Sindh hence total expense against PDA incurred amounted to Rs. 1,226 million.

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 kilometre Red Line Bus Rapid Transit (BRT) corridor and associated facilities, directly benefiting millions of people.

As mentioned in Project Administration Manual issued in 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 issued in 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 Affairs Division with following institutions for financing of USD 427.6 Million 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 (SMTA), (the Executing Agency), handed over all documents and details of expenses incurred till date against the project and assigned to TransKarachi as Implementing Agency with responsibility of implementation of carrying out the project as per Project Administration Manual issued in November 2021.

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.

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.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Company's functional and Presentation currency.

2.4 Key judgements 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 financial statements are as follows:

- Depreciation method, useful lives and residual values of operating fixed assets (note 4.1 & 5.1).
- Amortisation method, useful lives and residual values of intangibles (note 4.2 & 6).
- contingencies (notes 4.16 and 14); and
- determination and measurement of deferred capital grant (notes 4.9 and 9 to 9.3).
- taxation (note 4.11)

**3 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS
TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS**

3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023

The following standards, amendments and interpretations are effective for the year ended June 30, 2022. These standards, amendments and interpretations are either not relevant to the Company's operations or did not have significant impact on the financial statements other than certain additional disclosures. During the year the Company has adopted all the new standards and amendments to standards, including any consequential amendments to other standards which are applicable for the financial year beginning on July 1, 2021. The adoption of these new and amended standards did not have material impact on the Company's financial information.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 1, 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

Certain annual improvements have also been made to a number of IFRSs.

3.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have material impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024

	Effective date (annual periods beginning on or after)
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Non- current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
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' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards; and
IFRS 17 Insurance Contracts.

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

a) Operating assets

Initial recognition

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

Subsequent measurement

Property 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 & expenditure as and when incurred. Gains or losses on disposal of property and equipment are accounted for in income and expenditure account 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.

Judgement 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.

Disposal

Disposal of assets is recognized when significant risks and reward incidental to the ownership have been transferred to buyers. Gain and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in the income and expenditure accounts.

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.

b) **Capital work in progress**

Capital work-in-progress are stated at cost and consists of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

4.2 **Intangible assets**

These are stated at cost less accumulated amortisation and impairment, if any. Generally, costs associated with maintaining computer software programs are recognised as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefit exceeding one year are recognised as intangible assets. Direct costs include the purchase cost of software and related overhead cost.

Intangible assets are amortised from the point at which the asset is ready for use. Amortisation charge is based on the straight-line method whereby the cost of an intangible asset is written off over its estimated useful life of 5 years.

4.3 **Leases**

a) **Right of use assets**

The right of use asset is measured at cost, as the amount equal to initially measured lease liability adjusted for lease prepayments made at or before the commencement date, initial direct cost incurred less any lease incentives received.

Right of use asset pertaining to head office is depreciated over the lease term of 29 months using straight line method.

b) **Lease liability**

The lease liability is measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

4.4 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.

4.5 Cash and bank balances

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

4.6 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.

4.7 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.

4.8 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, cash in transit and balances with banks.

4.9 Funds / grants

General fund

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

Deferred capital grant / restricted funds

Grants received for purchase of fixed assets with limited life are initially recorded as deferred income upon receipt. When the assets are actually purchased they are then recorded as deferred capital grants. Deferred capital grants are amortized to income and expenditure account over useful life of the related asset.

Deferred grant / restricted fund

This grant / fund represents the grants / funds of non capital nature which is subject to the donors' imposed restrictions or that 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.

Judgement 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.

4.10 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.

4.11 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 intend 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 credit of section 100C of the Income Tax Ordinance, 2001.

4.12 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.

4.13 Financial instruments

4.13.1 Financial assets

The Company classifies its financial assets at amortized cost i.e. assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in income and expenditure account.

Impairment of financial assets

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs under simplified approach and 12 months life time under general approach.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

4.13.2 Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respect of carrying amounts is recognized in the income and expenditure.

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.

4.14 Offsetting of financial assets and financial liabilities

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

4.15 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 income and expenditure account.

4.16 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	2023 Rupees	2022 Rupees
5			
PROPERTY AND EQUIPMENT			
Operating fixed assets - owned	5.1	59,442,529	57,299,015
Capital work in progress	5.2	7,336,761,386	4,728,698,062
		<u>7,396,203,915</u>	<u>4,785,997,077</u>

5.1 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Air conditioners	Office equipments	Computer and equipments	Motor vehicles	Furniture and fixtures	Generator	Right of use assets	Total
Year ended June 30, 2023								
Net carrying value basis								
Opening net book value (NBV)	2,306,651	5,900,370	10,443,761	22,225,083	14,133,850	2,289,300	-	57,299,015
Additions (at cost)	-	143,457	2,047,500	9,752,860	766,342	232,949	6,430,300	19,373,408
Depreciation charge	(691,995)	(1,786,434)	(2,571,032)	(6,169,274)	(2,891,552)	(458,793)	(2,660,814)	(17,229,894)
Closing net book value	1,614,656	4,257,393	9,920,229	25,808,669	12,008,640	2,063,456	3,769,486	59,442,529
Gross carrying value basis								
Cost	2,833,132	6,946,003	13,774,785	33,927,682	16,106,207	2,980,109	6,430,300	82,998,218
Accumulated depreciation	(1,218,476)	(2,688,610)	(3,854,556)	(8,119,013)	(4,097,567)	(916,653)	(2,660,814)	(23,555,689)
Net book value	1,614,656	4,257,393	9,920,229	25,808,669	12,008,640	2,063,456	3,769,486	59,442,529
Year ended June 30, 2022								
Net carrying value basis								
Opening net book value (NBV)	207,914	-	394,520	919,726	431,507	-	-	1,953,667
Additions (at cost)	2,622,623	6,802,546	11,247,285	23,055,822	14,814,865	2,747,160	-	61,290,301
Depreciation charge	(523,886)	(902,176)	(1,198,044)	(1,750,465)	(1,112,522)	(457,860)	-	(5,944,953)
Closing net book value	2,306,651	5,900,370	10,443,761	22,225,083	14,133,850	2,289,300	-	57,299,015
Gross carrying value basis								
Cost	2,833,132	6,802,546	11,727,285	24,174,822	15,339,865	2,747,160	-	63,624,810
Accumulated depreciation	(526,481)	(902,176)	(1,283,524)	(1,949,739)	(1,206,015)	(457,860)	-	(6,325,795)
Net book value	2,306,651	5,900,370	10,443,761	22,225,083	14,133,850	2,289,300	-	57,299,015

Depreciation rate (% per annum)

30% 20% 30% 20% 20% 20% 50%

	Note	2023 Rupees	2022 Rupees
5.2 Capital work in progress			
KBRT Redline Project Design	5.2.1	1,224,787,514	1,224,787,514
Civil Works - Main corridor - - (24.2 Km) and 2 Depots	5.2.2	4,480,451,872	2,754,260,221
Relocation of utilities	5.2.3	1,007,510,825	590,000,000
Consultant - Project Management and - -Construction Supervision	5.2.4	556,073,835	114,519,936
Consultant - Project management -- -Co-ordination and Capacity building	5.2.5	35,470,391	35,470,391
Consultant - Operational Design -- -Business model	5.2.6	28,244,478	-
Environment and Social Safeguards Assessment	5.2.7	3,958,207	-
Advance against vehicles		-	9,660,000
Advance against HRM Software		264,264	-
		<u>7,336,761,386</u>	<u>4,728,698,062</u>

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.

**5.2.2 Civil Works - Main corridor -
- (24.2 Km) and 2 Depots**

Zahir Khan & Brothers - Lot 1	5.2.2.1	1,940,910,430	1,281,846,532
CR3-AM Associates JV - Lot 2	5.2.2.2	2,539,541,442	1,472,413,689
		<u>4,480,451,872</u>	<u>2,754,260,221</u>

5.2.2.1 The contract, BRT Corridor and Buildings Construction Lot-1: Malir Halt Depot to Mausmiyat, was signed with M/s Zahir Khan & Brothers on December 8, 2021. Accepted contract value amounts to Rs. 13,795,327,085 comprising of Phase 1 and Phase 2 of Rs. 12,818,465,318 and Rs. 976,861,766 respectively. Mobilization advance is 10% of Phase-1 value as per terms of the contract. As of June 30, 2023 disbursement upto IPC 03 along with price adjustment has been processed.

5.2.2.2 The contract, BRT Corridor and Buildings Construction Lot-2: Mausmiyat to Numaish, was signed with CR3 - AM Associates JV on January 4, 2022. Accepted contract value amounts to Rs. 15,935,701,526 comprising of Phase 1 and Phase 2 of Rs. 14,724,136,887 and Rs. 1,211,564,640 respectively. Mobilization advance is 10% of Phase-1 value as per terms of the contract. As off June 30, 2023 disbursement upto IPC 03 along with price adjustment has been processed.

- 5.2.3 This is in relation to payment for relocation of utilities so that respective utility providers can start their own procurement process. Disbursement against relocation of utilities has been paid in full as per PC-1 except for KWSB.
- 5.2.4 This represents payments of Rs. 556.074 million (June 2022: Rs. 114.250 million) Equivalent to USD 2,017,628 (June 2022: USD 614,000) against Project Management & Construction Supervision (PMCS) contract.
- 5.2.5 This represents payments of Rs. 35.47 million (June 2022: Rs. 35.47 million) Equivalent to USD 201,206 (2022: 201,206) against Project Management, Co-ordination and Capacity Building (PMCCB) contract.
- 5.2.6 This represents payments of Rs. 28.244 (2022: Nil) million against Variation No. 2 to Operational Design and Business Modeleling (ODBM) Contract.
- 5.2.7 This represents payments of Rs. 3.958 (2022: Nil) million against Enviornmental and Social Safeguards (ESS) consultants.

	Note	2023 Rupees	2022 Rupees
5.3	Movement of carrying amount		
	Opening balance	4,728,698,062	1,164,376,675
	Additions (at cost)	2,617,723,324	3,564,321,387
	Transfer to PPE	5.3.1 (9,660,000)	-
	Closing balance	<u>7,336,761,386</u>	<u>4,728,698,062</u>

- 5.3.1 This represents the amount paid in advance for the purchase of vehicle, which was subsequently transferred to Property and Equipment.

6 INTANGIBLE ASSESTS

Net carrying value basis

Opening net book value	3,273,280	58,712
Additions (at cost)	-	3,590,212
Ammortisation charged	(658,767)	(375,644)
Closing net book value	<u>2,614,513</u>	<u>3,273,280</u>

Gross carrying value basis

Cost	3,648,972	3,648,972
Accumulated depreciation	(1,034,459)	(375,692)
Net book value	<u>2,614,513</u>	<u>3,273,280</u>

Amortisation rate per annum 20% 20%

	Note	2023 Rupees	2022 Rupees
7 DEPOSITS AND PREPAYMENTS			
Security deposits		1,483,250	1,050,000
Prepayments		2,393,055	2,900,414
Advance tax		1,748,382	48,943
Advances		169,214	255,682
		<u>5,793,901</u>	<u>4,255,039</u>
8 STORES AND CONSUMABLES			
Stationary and office supplies		548,302	-
9 CASH AND BANK BALANCES			
Cash in hand		129,632	-
Cash in bank - current account	9.1	12,642,628	82,486,706
		<u>12,772,260</u>	<u>82,486,706</u>
9.1 Current accounts			
Asian Development Bank - RFA account	9.1.1	11,242,630	81,625,421
TransKarachi - Operations Account	9.1.2	1,399,998	861,285
		<u>12,642,628</u>	<u>82,486,706</u>
9.1.1	This is Revolving Fund Account (RFA) maintained with National Bank of Pakistan (NBP) and represents remaining balance against advance of Rs. 300.088 million equivalent to USD 1,362,493.06 (2022: Rs. 384.640 equivalent to USD 2.282 million) from Asian Development Bank (ADB) recieved during the year through Government of Pakistan under the loan agreement Karachi Bus Rapid Transit Red Line Loan No. 3799-PAK.		
9.1.2	This represents BOD members subscripton under Company's act deposited in separate bank account of NBP.		
10 DEFERRED CAPITAL GRANT			
Deferred grant	10.1	6,065,077,622	3,558,661,046
Deferred capital grant project design advance	10.2	1,226,911,514	1,226,911,514
		<u>7,291,989,136</u>	<u>4,785,572,560</u>
10.1 DEFERRED GRANT			
Asian Development Bank	10.1.1	3,254,727,100	1,915,587,998
Asian Infrastructure Investment Bank	10.1.2	819,016,072	521,015,049
Agence Française de Développement	10.1.3	873,161,129	576,962,797

	Note	2023 Rupees	2022 Rupees
Government of Sindh	10.1.4	1,619,118,935	811,226,840
Opening fund utilized	10.1.5	(266,131,638)	(77,208,924)
Funds utilized during the period	10.1.5	(234,813,976)	(188,922,714)
		<u>6,065,077,622</u>	<u>3,558,661,046</u>

10.1.1 This includes the grant of Rupees 3,254.727 million (Equivalent to USD 16.05 million) (2022: 1,915.587 million equivalent to USD 10.819 million) from Asian Development Bank (ADB) through government of Pakistan under the loan agreement Karachi Bus Rapid Transit Red Line loan no. 3799 - PAK dated June 19, 2020. The main objective of the loan is to meet the capital and operational expenditures of the project.

10.1.2 This represents grant of Rupees 819.016 million (Equivalent to USD 3.94 million) (2022: 521.01 million equivalent to USD 2.85 million) from Asian Infrastructure Investment Bank (AIIB) through government of Pakistan under the loan agreement Karachi Bus Rapid Transit Red Line vide loan No 8368 dated February 24, 2021.

10.1.3 This represents grant of Rupees 873.161 million (Equivalent to USD 4.41 million) (2022: 576.96 million equivalent to USD 3.25 million) from Agence Française de Développement (AFD) through Government of Pakistan under the loan agreement Karachi Bus Rapid Transit Red Line vide loan No 8366 dated March 15, 2021.

10.1.4 This represents the grant of Rupees 1,619.118 million received from the Government of Sindh for

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

10.2 Deferred grant Project Design Advance (PDA)

Asian Development Bank	10.2.1	1,132,087,037	1,132,087,037
Government of Sindh	10.2.2	94,824,477	94,824,477
		<u>1,226,911,514</u>	<u>1,226,911,514</u>

10.2.1 This represents the loan received from Asian Development Bank (ADB) equivalent to USD 8,331,147 (2022: 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 loan 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.

10.2.2 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.

	Note	2023 Rupees	2022 Rupees
10.3 GRANT RECONCILIATION			
Asian Development Bank			
Deferred capital grant	10.1.1	3,254,727,100	1,915,587,998
Project design grant	10.2.1	1,132,087,037	1,132,087,037
		4,386,814,137	3,047,675,035
Asian Infrastructure Investment Bank			
Agence Française de Développement		819,016,072	521,015,049
		873,161,129	576,962,797
Government of Sindh			
Deferred capital grant	10.1.4	1,619,118,935	811,226,840
Project design grant	10.2.2	94,824,477	94,824,477
		1,713,943,412	906,051,317
Total grants		7,792,934,750	5,051,704,198
Utilization of grant			
Funds utilized upto the period		(500,945,614)	(266,131,638)
Operating Fixed Assets	5.1	(59,442,529)	(57,299,015)
Capital Work in Progress	5.2	(7,336,761,386)	(4,728,698,062)
Intangible assets	6	(2,614,513)	(3,273,280)
Security deposit against lease liability		(1,050,000)	
Deposits and Prepayments	7	(5,793,901)	(4,255,039)
Stores and consumables	8	(548,302)	-
Lease Liabilities	11	5,103,149	-
Retention Money	12	86,309,584	
Accrued and other liabilities	13	27,397,545	70,816,885
Provident fund payable	14	8,183,477	18,761,372
		(7,780,162,490)	(4,970,078,777)
Unrestricted fund - Tender Income		-	861,285
Un-utilized grant represented by bank		12,772,260	82,486,706

11 LEASE LIABILITIES

Lease liabilities	11.3	5,103,149	-
Current portion		(2,017,073)	-
	11.1	3,086,076	

11.1	Movement of lease liability	Note	2023 Rupees	2022 Rupees
	Balance at the beginning of the year		-	-
	Additions during the period		6,430,300	-
	Interest accrued during the period		3,562,349	-
	Lease rentals paid during the year		(4,889,500)	-
	Balance at the end of the year		5,103,149	-
	Current portion of lease liability		(3,086,076)	-
			<u>2,017,073</u>	<u>-</u>

11.2 The maturity analysis of lease liability is as follows:

	2023		2022	
	Future lease payments	Principal repayments	Future lease payments	Principal repayments
	-----Rupees-----			
Within one year	5,420,800	3,086,076	-	-
After one year but not more than five year	2,329,250	2,017,073	-	-
	7,750,050	5,103,149	-	-
Finance cost	(2,646,901)	-	-	-
Present value of minimum lease payments	5,103,149	5,103,149	-	-
Current portion	-	(3,086,076)	-	-
	<u>5,103,149</u>	<u>2,017,073</u>	<u>-</u>	<u>-</u>

11.3 This represents lease contract of the building used as headoffice as mentioned in note no. 1.

12 RETENTION MONEY UNDER CONSTRUCTION CONTRACTS

This represents the amount retained by the company as a security to ensure the contract is completed on time and to the company's satisfaction, which will be released after the completion of the contract, which is likely to be completed in the financial year 2025.

13 ACCRUED AND OTHER LIABILITIES

Withholding tax payable		3,773,503	117,501
Payable against contract	13.1	15,778,589	62,887,413
Salaries payable		-	459,852
EOBI Payable		67,327	370,018
Compensation Payable to Displaced Persons		4,622,500	4,622,500
Accrued liabilities		2,705,626	2,059,601
Auditor's remuneration		450,000	300,000
		<u>27,397,545</u>	<u>70,816,885</u>

13.1 This represents balance amounting to Rs. 15.778 million (2022: 62.887 million) payable to contractors against capital work in progress.

Note	2023 Rupees	2022 Rupees
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14 PROVIDENT FUND PAYABLE

Provident fund payable

14.1	8,183,477	18,761,372
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14.1 The Company has contributory provident fund scheme for benefit of all its permanent employees under the title of "TRANSKARACHI- Employees Provident Fund". The Fund is maintained by Trustee and all decisions regarding investments and distribution of income etc. are made by the Trustee independent of the Company.

According to the Trustees, investments out of provident fund have been made in accordance with the provision of section 218 of the Companies Act, 2017 and the rules made thereunder.

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

There were no contingencies as at the reporting date (2022: Rs.Nil).

15.2 Commitments

Capital commitment for ongoing construction contract USD 394.87 million (2022: USD 402.35 million).

16 SALARIES, ALLOWANCES & OTHER BENEFITS

Salaries, allowances and other benefits include an amount of Rs. 9.25 million (2022: Rs. 8.64 million) in respect of staff retirement benefits.

17 AUDITORS' REMUNERATION

Audit fees

Code of Corporate Governance

Out of pocket expense

360,000	270,000
55,000	40,000
35,000	30,000
<u>450,000</u>	<u>340,000</u>

18 **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:

	2023			2022		
	Chief Executive	Director	Total	Chief Executive	Director	Total
Managerial remuneration / meeting fee	10,606,670	3,968,750	14,575,420	15,163,200	4,810,000	19,973,200
Company's contribution to the fund	815,865	-	815,865	1,166,400	-	1,166,400
	<u>11,422,535</u>	<u>3,968,750</u>	<u>15,391,285</u>	<u>16,329,600</u>	<u>4,810,000</u>	<u>21,139,600</u>
Number of persons	1	5	6	1	7	7

19 **TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise of Government of Sindh, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties other than as disclosed elsewhere in financial statements are as follows:

Nature of transaction	Nature of Relationship	Basis of Relationship	Percentage of holding	2023 Rupees	2022 Rupees
Remuneration / fee to attend Directors	Personnel	Key Management Personnel	0%	15,391,285	21,139,600
Release of Counterpart Funds (Government of Sindh)	Ownership	Parent	100%	1,619,118,935	811,226,840

19.1 **Year end balances**

Payable to Director	<u>100,000</u>	<u>100,000</u>
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20 **FINANCIAL INSTRUMENTS BY CATEGORY**

Financial assets as per statement of financial position

Amortized cost

Security deposits - short term	1,483,250	1,050,000
Bank balances	<u>12,642,628</u>	<u>82,486,706</u>
	<u>14,125,878</u>	<u>83,536,706</u>

Financial liabilities as per statement of financial position

Financial liabilities carried at amortized cost

Accrued and other liabilities	<u>27,397,545</u>	<u>70,816,885</u>
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21 FINANCIAL INSTRUMENTS MANAGEMENT AND RELATED DISCLOSURES

21.1 The Company's objective in managing risks is the creation and protection of stake holders' value. Risk is inherent in the Company's activities, but it is managed through a process of on going identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing objectives. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

The Company finance its operations through grants.

21.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with internal guidelines and regulatory requirements.

Credit risk of the Company arises principally from deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2023 Rupees	2022 Rupees
Security deposits	1,483,250	1,050,000
Bank balances	12,772,260	82,486,706
	<u>14,255,510</u>	<u>83,536,706</u>

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis. Rating of banks ranges from A-1+ to AAA.

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

Impaired

During the year no assets have been impaired.

21.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

	Carrying amount	Contractual Cash Flows	Six months or less	Six to Twelve months Rupees	One to two years	Two to five years	Over five years
2023							
Lease liability	5,103,149	5,103,149	5,103,149				
Accrued and other liabilities	27,397,545	27,397,545	27,397,545				
Provident fund payable	8,183,477	8,183,477	8,183,477				
	<u>40,684,171</u>	<u>40,684,171</u>	<u>40,684,171</u>				
	Carrying amount	Contractual Cash Flows	Six months or less	Six to Twelve months Rupees	One to two years	Two to five years	Over five years
2022							
Accrued and other liabilities	70,816,885	70,816,885	70,816,885				
Provident fund payable	18,761,372	18,761,372	18,761,372				
	<u>89,578,257</u>	<u>89,578,257</u>	<u>89,578,257</u>				

21.4 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

(i) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As of reporting date, the TransKarachi is exposed to foreign currency risk arising due to foreign exchange fluctuation on account of estimated borrowings for project amounting to USD 427.6 million (2022: USD 427.6 million).

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans.

At the year end the Company is not exposed to interest rate risk as the Company does not hold any interest bearing instrument as at the date of statement of financial position, therefore, no sensitivity analysis has been presented.

(iii) Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the year end the Company is not exposed to price risk since there are no financial instruments whose fair value or future cash flows will fluctuate because of changes in market prices.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At the reporting date, none of the financial instruments of the Company are classified and measured at fair value. The carrying amount of all financial assets and liabilities reflected in the financial statements approximate their fair values.

Transfers during the period

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

22 FUND RISK MANAGEMENT

The Company's objectives when managing fund are to safeguard the entity's ability to continue as a going concern, in order to provide services for general public. The Company manages its fund structure and makes adjustments to it in the light of changes in economic conditions. There were no change in Company's approach to funds management during the year.

Objectives

The main objectives of Company's fund management is serve the general public by providing modern transport services.

Policies and process to managing fund

Funds balances are assessed and adjustments made, if any based on the changes in economic conditions

There were no changes to Company's approach to fund management during the year.

The Company is not subject to any externally imposed capital requirements.

23 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

Description	Liabilities			Total
	Long Term Financing	Retention Money	Lease Liabilities	
Rupees				
Balance as at July 1, 2022	4,785,572,560	-	-	4,785,572,560
Proceed of Deferred grant	2,506,416,576	-	-	2,506,416,576
Recognition of Lease liabilities	-	-	6,430,300	6,430,300
Repayment of Lease	-	-	(1,327,151)	(1,327,151)
Proceed of Retention money	-	86,309,584	-	86,309,584
Balance as at June 30, 2023	7,291,989,136	86,309,584	5,103,149	7,383,401,869

24 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison.

25 NUMBER OF EMPLOYEES

Number of employees as at June 30	55	54
Average number of employees during the year	55	37

26 DATE OF AUTHORIZATION FOR ISSUE

The Board of Directors of the Transkarachi authorized these financial statements for issue on 21 DEC 2023.

27 GENERAL

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


CHIEF EXECUTIVE OFFICER


DIRECTOR