Auditors' Report
of

URBAN SECTOR PLANNING AND MANAGEMENT SERVICES
UNIT (PRIVATE) LIMITED

for the period ended
June 30, 2013

H.Naveed

Crowe Horwath™

Horwath Hussain Chaudhury & Co.
Member Crowe Horwath International

25-E, Main Market, Gulberg 2,
Lahore-54660 Pakistan
+92-42-111-111-442 Tel
+92-42-35759226 Fax
www.crowehorwath.pk

URBAN SECTOR PLANNING AND MANAGEMENT SERVICE UNIT (PRIVATE) LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **URBAN SECTOR PLANNING AND MANAGEMENT SERVICE UNIT (PRIVATE) LIMITED** as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the period from June 18, 2012 to June 30, 2013 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion;

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the period was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company;

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(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2013 and of the profit, total comprehensive income, its cash flows and changes in equity for the period from June 18, 2012 to June 30, 2013; and

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

Horwath Hussain Chaudhury

LAHORE
Dated: 18 NOV 2013

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

URBAN SECTOR PLANNING AND MANAGEMENT SERVICES UNIT (PRIVATE) LIMITED

BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013 Rupees
EQUITY AND LIABILITIES		
Share Capital and Reserves		
Authorized share capital		
1,000 shares of Rs. 10,000 each		10,000,000
Issued, subscribed and paid up share capital		
1,000 shares of 10,000 each		10,000,000
Capital reserves		6,037,484
Revenue reserve		36,459,929
		52,497,413
Non Current Liabilities		
Deferred credit	4	23,794,704
Current Liabilities		
Project payables	5	257,059,276
Accrued and other liabilities	6	2,565,049
Provision for taxation		3,393,825
		263,018,150
Contingencies and Commitments	7	-
		339,310,267

	Note	2013 Rupees
ASSETS		
Non Current Assets		
Property, plant and equipment	8	59,256,465
Intangible assets	9	-
		59,256,465
Current Assets		
Project receivables	10	230,132,546
Advances, deposits, prepayments and other receivables	11	19,412,311
Bank balances	12	30,508,945
		280,053,802
		339,310,267

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

URBAN SECTOR PLANNING AND MANAGEMENT SERVICES UNIT (PRIVATE) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM JUNE 18, 2012 TO JUNE 30, 2013

	Note	From June 18, 2012 To June 30, 2013 Rupees
Project revenue	13	569,862,971
Project expenses	14	(524,633,267)
Gross Profit		45,229,704
Operating Expenses:		
- Administrative expenses	15	(111,018,874)
Operating Loss		(65,789,170)
Finance cost - bank charges		(9,271)
Other operating expense	16	(6,546,997)
Other income	17	11,074,151
Amortization of deferred credit	4	101,125,041
Profit before Taxation		39,853,754
Taxation		(3,393,825)
Net Profit for the Period		36,459,929

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

URBAN SECTOR PLANNING AND MANAGEMENT SERVICES UNIT (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM JUNE 18, 2012 TO JUNE 30, 2013

	From June 18, 2012 To June 30, 2013
	Rupees
Net Profit for the Period	36,459,929
Other comprehensive income	-
Total Comprehensive Income for the Period	36,459,929

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

URBAN SECTOR PLANNING AND MANAGEMENT SERVICES UNIT (PRIVATE) LIMITED

CASH FLOW STATEMENT
FOR THE PERIOD FROM JUNE 18, 2012 TO JUNE 30, 2013

	From June 18, 2012 To June 30, 2013
	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES	
Net profit for the period before taxation	39,853,754
Adjustments for :	
- Depreciation on property, plant and equipment	13,467,701
- Amortization on intangible assets	232,553
- Property, plant and equipment written-off	6,546,997
- Amortization of deferred credit	(101,125,041)
- Gain on disposal of property, plant and equipment	(486,950)
- Finance cost - Bank charges	9,271
	(81,355,469)
Cash used in operating activities before working capital changes	(41,501,715)
(Increase) / decrease in current assets	
- Project receivables	(230,132,546)
- Advances, deposits, prepayments and other receivables	(19,412,311)
Increase / (decrease) in current liabilities	
- Project payables	257,059,276
- Accrued and other liabilities	(24,237,588)
	(16,723,169)
Cash used in Operations	(58,224,884)
Finance cost - Bank charges paid	(9,271)
Net Cash used in Operating Activities	(58,234,155)
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditure on property, plant and equipment	(47,042,245)
Proceeds from disposal of property, plant and equipment	865,600
Net Cash used in Investing Activities	(46,176,645)
CASH FLOWS FROM FINANCING ACTIVITIES	
Funds received during the period	108,198,000
Lapse of funds as on June 30, 2012	(5,440,533)
Issue of share capital	10,000,000
Funds transferred from Urban Sector Planning and Management Unit	22,162,278
Net Cash generated from Financing Activities	134,919,745
Cash and Cash Equivalents at the End of the Period	30,508,945

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

URBAN SECTOR PLANNING AND MANAGEMENT SERVICES UNIT (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM JUNE 18, 2012 TO JUNE 30, 2013

	Share Capital	Capital Reserves	Accumulated Profits	Total Equity
	Rupees	Rupees	Rupees	Rupees
Reserves transferred from Urban Sector Planning and Management Unit *(refer to Note 1)*	-	6,037,484	-	6,037,484
Share capital issued during the period	10,000,000	-	-	10,000,000
Total comprehensive profit for the period	-	-	36,459,929	36,459,929
Balance as at June 30, 2013	10,000,000	6,037,484	36,459,929	52,497,413

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

URBAN SECTOR PLANNING AND MANAGEMENT SERVICES UNIT (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 18, 2012 TO JUNE 30, 2013

Note 1

The Company and its Operations

Urban Sector Planning and Management Services Unit (Private) Limited was incorporated on June 18, 2012 as a Private Limited Company under the Companies Ordinance, 1984. The registered office of the Company is situated at 503-Shaheen Complex, Egerton Road, Lahore. The principal activity of the Company is to implement projects in the field of Urban Planning, Urban Transport, Solid Waste Management, Urban Water and Sanitation, Geographic Information Systems, Urban Property Tax and Land Records and Municipal Finance.

The Urban Sector Planning and Management Unit of the Government of Punjab transferred following assets, liabilities and reserves to the Company as on the date of incorporation of the Company:

	Amount
	Rupees
Reserves and liabilities transferred from Urban Sector Planning and Management Unit	
- Capital reserve	6,037,484
- Deferred credit against grants	22,162,278
- Accrued and other liabilities	26,802,637
	55,002,399
Assets transferred from Urban Sector and Planning Management Unit	
- Property, plant and equipment - *Net book value*	32,607,568
- Intangible assets - *Net book value*	232,553
- Cash at banks	22,162,278
	55,002,399

Note 2

Basis of Preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 and provisions and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention.

2.3 Functional and presentation currency

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

Note 2, Basis of Preparation - Continued...

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

2.4.1 Useful lives, patterns of economic benefits and impairments:

Estimates with respect to residual values, useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment.

2.4.2 Doubtful project receivables

The Company records its project receivables after deducting appropriate provisioning using its prudence and experience. This estimate is subjective in nature. Recoveries of amounts already provided and / or the need of further provisioning cannot be determined with precision.

2.4.3 Taxation

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

2.5 Standards, interpretations and amendments to published approved accounting standards that are effective in current period but not relevant

There are new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after July 01, 2011 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation		**Effective date (annual periods Beginning on or after)**
IFRS 7	Financial Instruments : Disclosures – (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 1, 2013
IAS 19	Employee Benefits –(Revised)	January 1, 2013
IAS 32	Offsetting Financial Assets and Financial liabilities- (Amendment)	January 1, 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

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Note 2, Basis of Preparation - Continued...

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not have any material affect on the Company's financial statements in the period of initial application. In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2013. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		**Effective date (annual periods Beginning on or after)**
IFRS 9	Financial Instruments: Classification and Measurement	January 1, 2015
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after July 01, 2011 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

Note 3
Significant Accounting Policies

The principal accounting policies applied in preparation of these financial statements are set out below. These policies have been applied consistently, unless otherwise stated.

3.1 Deferred credit

Deferred credit represents funds received from government departments and local and foreign donor agencies for a period of twelve months or more allocated in to project expenses, administrative expenses and purchase of fixed assets based on actual basis as mentioned in Note 4.1.

These funds are recognized at their fair value where there is a reasonable assurance that the funds will be received and the Company will comply with all attached conditions. Fair value signifies the amount received or receivable in cash.

Funds relating to expenses are deferred and recognized in the income and expenditure account over the period necessary to match them with the expenses that they are intended to compensate.

Funds relating to fixed assets are included in non-current liabilities as deferred credit and credited to the income and expenditure account over the expected lives of the related assets.

The unamortized portion of deferred credit is recognized as a long-term liability in the Balance Sheet and comprises of balance funds available with the Company, prepayments not recognized as expenses following the time proportion basis, unutilized short term advances and written-down values of fixed assets purchased from these funds.

Note 3, Significant Accounting Policies - Continued...

3.2 Accrued and other liabilities

Liabilities for accrued and other amounts payable are initially recognized at fair value which is normally the transaction cost.

3.3 Taxation

The tax expense consists of current and deferred income tax, and is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in the equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Grants from government and donor agencies are treated under Clause-59 of the Second Schedule to the Income Tax Ordinance, 2001.

3.4 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.5 Property, plant and equipment

Property, plant and equipment except capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Capital work-in-progress is stated at cost less any identified impairment loss.

Subsequent costs are included in the property, plant and equipment carrying amount or recognized as a separate asset, based on the Company's Capitalization Policy, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to income using the straight line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 6. Depreciation charge commences from the month in which the asset is available for use and continues until the month of disposal.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of the property, plant and equipment (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income and expenditure account in the year the property, plant and equipment is disposed.

3.6 Intangible assets

Amortization is charged on intangible assets using the straight line method so as to write off the cost of the asset over its estimated useful life of five years. Amortization charge commences from the month in which asset is available for use and continues until the month of disposal.

3.7 Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated and impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in the income and expenditure account.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income and expenditure account.

Note 3, Significant Accounting Policies - Continued...

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at banks on current and deposit accounts.

3.9 Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction or activity will flow to the Company and the amount of receipt and associated cost can be measured reliably. In addition, revenue for the following activities is recognized when the specified criteria as mentioned below have been met:

Profit on bank deposits is recognized on time proportion basis taking into account principal outstanding and rates of profit applicable thereon.

Amortization income on funds relating to expenses and purchase of fixed assets is recognized in the period in which the relevant expense is incurred and depreciation on the fixed asset is charged.

3.10 Foreign currency transaction

The financial statements are presented in Pak Rupee, which is the Company's functional currency. There were no transactions in foreign currency during the period; however these will be initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies will be retranslated at functional currency using rate of exchange prevailing at the balance sheet date. All differences will be taken to the income and expenditure account.

3.11 Financial instruments

Financial instruments comprise of security deposits, project advances, advances to employees, project receivables, other receivables, accrued interest, cash and bank balances, accrued liabilities, project payables and other payables. Financial assets and liabilities are initially recognized at fair value at the time the Company becomes a party to the contractual provisions of the instruments. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and de-recognition is charged to the income and expenditure account currently.

3.12 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognized amount and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

3.13 Related party transactions

Transactions in relation to project services and procurements with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses which are charged on actual basis.

Note 4
Deferred Credit

	Utilization of Grants				Total
	Project expenses	Administrative expenses	Purchase of fixed assets	Unallocated grant	
	-Rupees-				
Grants transferred from Urban Sector Planning and Management Unit *(refer to Note 1)*	7,602,826	7,220,279	1,898,640	5,440,533	22,162,278
Funds received during the period	18,759,068	58,701,307	22,848,467	7,889,158	108,198,000
Lapse of funds as at June 30, 2012	-	-	-	(5,440,533)	(5,440,533)
Amortization for the period	(25,708,344)	(65,921,586)	(9,495,111)	-	(101,125,041)
Balance as on June 30, 2013	653,550	-	15,251,996	7,889,158	23,794,704

4.1 Funds received during the period comprise of Rupees 90 million received from the Government of Punjab for the Budget Year 2012-13 and Rupees 18.198 million from the United Nations Development Programme (UNDP) for implementing its Land Record Scanning Project (LRSP) completed in February 2013.

4.2 Basis of allocation

Amortization of deferred credit with respect to administrative and project expenses is made on actual basis after adjusting prepayments which are amortized when the expense is recognized. Funds utilized for purchase of fixed assets are amortized over the useful life of the asset when the related depreciation expense is recognized or on de-recognition due to disposal / write-off.

Note 5
Project Payable

	2013
	Rupees
Bus Rapid Transit System (BRTS)	240,116,934
Urban Immoveable Property Tax (UIPT)	11,413,197
Punjab Cities Governance Improvement Project (PCGIP)	4,659,722
Other project payables	869,423
	257,059,276

Note 6
Accrued and Other Liabilities

	2013
	Rupees
Accrued liabilities	1,312,903
Audit fee	95,000
Income tax deducted at source	3,600
Other payables	1,153,546
	2,565,049

Note 7
Contingencies and Commitments

There were no outstanding contingencies and commitments as at the balance sheet date.

Note 8

Property, Plant and Equipment

8.1 Reconciliation of carrying amounts of property and equipment at the beginning and at end of the period is as follows:

	Leasehold Improvements	Office Furniture	Vehicles	Office Equipment	Computers and Accessories	Total
	-Rupees-					
As at June 30, 2013						
Assets transferred from Urban Sector Planning and Management Unit *(refer to Note 1)*	7,276,333	3,080,115	8,415	5,848,620	16,394,085	32,607,568
Additions	22,154,863	1,437,960	3,052,593	6,819,606	13,577,223	47,042,245
Depreciation for the period	(1,355,698)	(553,639)	(292,466)	(2,347,265)	(8,918,633)	(13,467,701)
Disposals	-	-	-	(378,650)	-	(378,650)
Written-off during the period	(6,546,997)	-	-	-	-	(6,546,997)
Closing net book value	21,528,501	3,964,436	2,768,542	9,942,311	21,052,675	59,256,465
As at June 30, 2013						
Cost	22,154,863	6,599,464	5,373,073	17,194,923	51,386,128	102,708,451
Accumulated depreciation	(626,362)	(2,635,028)	(2,604,531)	(7,252,612)	(30,333,453)	(43,451,986)
Net book value	21,528,501	3,964,436	2,768,542	9,942,311	21,052,675	59,256,465
Depreciation rate	10%	10%	20%	20%	33.33%	

8.1.1 Net book value of property, plant and equipment not in possession of the Company is as follows:

	2013
	Rupees
Computers and accessories	193,862
Office equipment	38,231
Office furniture	33,458
	265,551

8.2 Net book value of property, plant and equipment as at June 30, 2013 comprised of the following:

	2013
	Rupees
Non-current assets transferred from Urban Sector Planning and Management Unit	15,473,513
Non-current assets purchased during the period for projects	23,337,673
Other non-current assets purchased during the period	20,445,279
	59,256,465

8.2.1 The total depreciation charge for the year has been allocated to project expenses and administrative expenses.

8.2.2 The cost of assets as on June 30, 2013 include fully depreciated assets amounting to Rupees 27,067,594.

8.2.3 Leasehold improvements with net book value of Rupees 6,546,997 were written off during the period as a result of shifting of Company premises from Lytton Road to Shaheen Complex, Egerton Road in February 2013.

Note 9
Intangible Assets

	2013 Rupees
Assets transferred from Urban Sector Planning and Mangement Unit *(refer to Note 1)*	7,362,793
Accumulated amortization as at June 18, 2012	7,130,240
Amortization for the period	232,553
Accumulated amortization as at June 30, 2013	7,362,793
Net book value as at June 30, 2013	-

Note 10
Receivable from the Government of Punjab

	Note	2013 Rupees
Receivable from the Government of Punjab against Bus Rapid Transit System	10.1	223,765,925
Other projects receivables	10.2	6,366,621
		230,132,546

10.1 The Company received Rupees 472,920,000 and Rupees 78,906,000 in December 2012 and May 2013 respectively from the Finance Department, Government of Punjab for implementing the Intelligent Transport System (ITS) Component of the Bus Rapid Transit System (BRTS) Project. As at June 30, 2013, the unutilized funds amounting to Rupees 223,765,925 lapsed from the Assignment Account of the Company maintained with the National Bank of Pakistan, Main Branch, the Mall Road and were booked as recoverable from the Government of Punjab.

10.2 This amount includes receivables from third parties for various consultancies, smaller projects and training activities conducted by the Company during the year.

Note 11
Advances, Deposits, Prepayments and Other Receivables

	Note	2013 Rupees
Project advances	11.1	895,000
Security deposits		5,213,650
Prepayments:		
- Rent		12,685,220
- Legal and professional fee		90,000
Income tax deducted at source		528,441
		19,412,311

11.1 This amount includes Rupees 750,000 imprest advance given to District Managers of Multan, Faisalabad, Gujranwala, Rawalpindi and Lahore for the Urban Immoveable Property Tax (UIPT) Project.

Note 12
Bank Balances

	Note	2013 Rupees
Cash at banks:		
- Deposit accounts	12.1	30,499,681
- Current accounts		9,264
		30,508,945

12.1 The deposit account carries an annual interest rate of 6 %.

Note 13
Project Revenue

	From June 18, 2012 To June 30, 2013
	Rupees
Bus Rapid Transit System	551,826,000
Other Projects	18,036,971
	569,862,971

Note 14
Project Expenses

	Note	From June 18, 2012 To June 30, 2013
	Note	Rupees
Bus Rapid Transit System		446,627,738
Urban Immoveable Property Tax (UIPT)		30,442,633
Punjab Cities Governance Improvement Project (PCGIP)		31,695,608
Other projects	14.1	15,867,288
		524,633,267

14.1 These include a number of projects, training activities and consultancy services during the period which were funded by the beneficiary organization, government department or agency.

Note 15
Administrative Expenses

	Note	From June 18, 2012 To June 30, 2013
	Note	Rupees
Salaries and other benefits		63,891,288
Rent		10,066,650
Travelling and conveyance		5,569,076
Consultancy fee		5,430,900
Communication		2,801,578
Electricity		3,228,635
Repairs and maintenance		6,634,773
Printing, stationery and office supplies		2,236,565
Advertisement		814,524
Legal and professional charges		216,274
Auditors' remuneration	15.1	95,000
Depreciation	8	5,947,539
Training and development expense		144,150
Miscellaneous		3,941,922
		111,018,874

15.1 Auditors' remuneration

Audit fee	95,000
Reimbursable expenses	-
	95,000

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Note 16
Other Operating Expense

	From June 18, 2012 To June 30, 2013
	Rupees
Property, plant and equipment written off *(refer to Note 8.2.3)*	6,546,997

Note 17
Other Income

	Note	From June 18, 2012 To June 30, 2013
		Rupees
Profit on bank deposit		474,993
Other income	17.1	10,599,158
		11,074,151

17.1 This amount includes Rupees 10,089,708 deducted from payments to contractors working on the Bus Rapid Transit System (BRTS) project in lieu of liquidity damages.

Note 18
Chief Executive Officer's and Directors' Remuneration

The aggregate amounts charged in the financial statements for the year as remuneration and benefits to the Chief Executive Officer of the Company are as follows:

	From June 18, 2012 To June 30, 2013
	Rupees
Managerial remuneration	2,693,000
Project and other allowances	1,330,877
	4,023,877
Number of persons	1

Note 19
Transactions with Related Parties

There are no transactions entered into with related parties during the year.

Note 20
Financial Risk Management

20.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

20.1.1 Market risk

(i) Currency risk

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

The Company is not exposed to currency risk arising from any currency exposure as there are no payables and receivables in foreign currencies as at the balance sheet date. However, this exposure is expected in the upcoming financial year due to foreign donor projects.

(ii) Other price risk

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

(ii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no interest bearing borrowings. The Company's interest rate risk arises from balance with Bank of Punjab on deposit accounts. These deposits are at variable rates and expose the Company to cash flow interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial

	2013
Financial assets	Rupees
Bank balances - deposit accounts	30,499,681

Hvz

Note 20, Financial Risk Management - Continued...

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

	2013	
	Changes in interest rates	**Effects on Profit Before Tax**
	%	Rupees
Bank balances - deposit accounts	1.00	304,997

20.1.2 Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2013
	Rupees
Project receivables	230,132,546
Advances, deposits and other receivables	12,475,271
Bank balances	30,508,945

The credit quality of financial assets that are neither past due nor impaired can be assessed with reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			**2013**
	Short Term	**Long term**	**Agency**	
				Rupees
Bank of Punjab	A1+	AA-	PACRA	30,499,681

After giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

20.1.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company intends to manage liquidity risk by maintaining sufficient cash and the availability of funding through grants received from the Government of Punjab and various donor agencies. The management believes that its liquidity risk is low subject to proper cash flow management and contingent planning for delays in release of grants. Following are the contractual maturities of financial liabilities. The amount disclosed in the table are undiscounted cash flows.

Note 20, Financial Risk Management - Continued...

Contractual maturities of financial liabilities as at June 30, 2013:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 years
	Rupees					
Non-derivative financial liabilities:						
Project payables	257,059,276	257,059,276	257,059,276	-	-	-
Accrued and other liabilities	2,565,049	2,565,049	2,565,049	-	-	-
	259,624,325	259,624,325	259,624,325	-	-	-

20.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

20.3 Financial instruments by categories

Financial assets as at June 30, 2013

	Cash and Cash Equivalents	Loans and advances	Fair value through profit or loss	Total
	Rupees			
- Project receivables	-	230,132,546	-	230,132,546
- Advances, deposits and other receivables	-	12,475,271	-	12,475,271
- Bank balances	30,508,945	-	-	30,508,945
	30,508,945	242,607,817	-	273,116,762

Financial liabilities at amortized cost as at June 30, 2013

	2012
	Rupees
- Project payables	257,059,276
- Accrued liabilities	2,565,049
	259,624,325

Note 21
Number of Employees

	2013
	Number
Number of employees as at June 30, 2013	273

Note 22
Authorization of Financial Statements

These financial statements were authorized for issue on 18 NOV 2013 by the Board of Directors of the Company.

Note 23
General

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE OFFICER **DIRECTOR**