

**Auditors' Report
of**

**URBAN SECTOR PLANNING
AND MANAGEMENT SERVICE
UNIT (PRIVATE) LIMITED**

**for the year ended
June 30, 2014**

URBAN SECTOR PLANNING AND MANAGEMENT SERVICE UNIT (PRIVATE) LIMITED

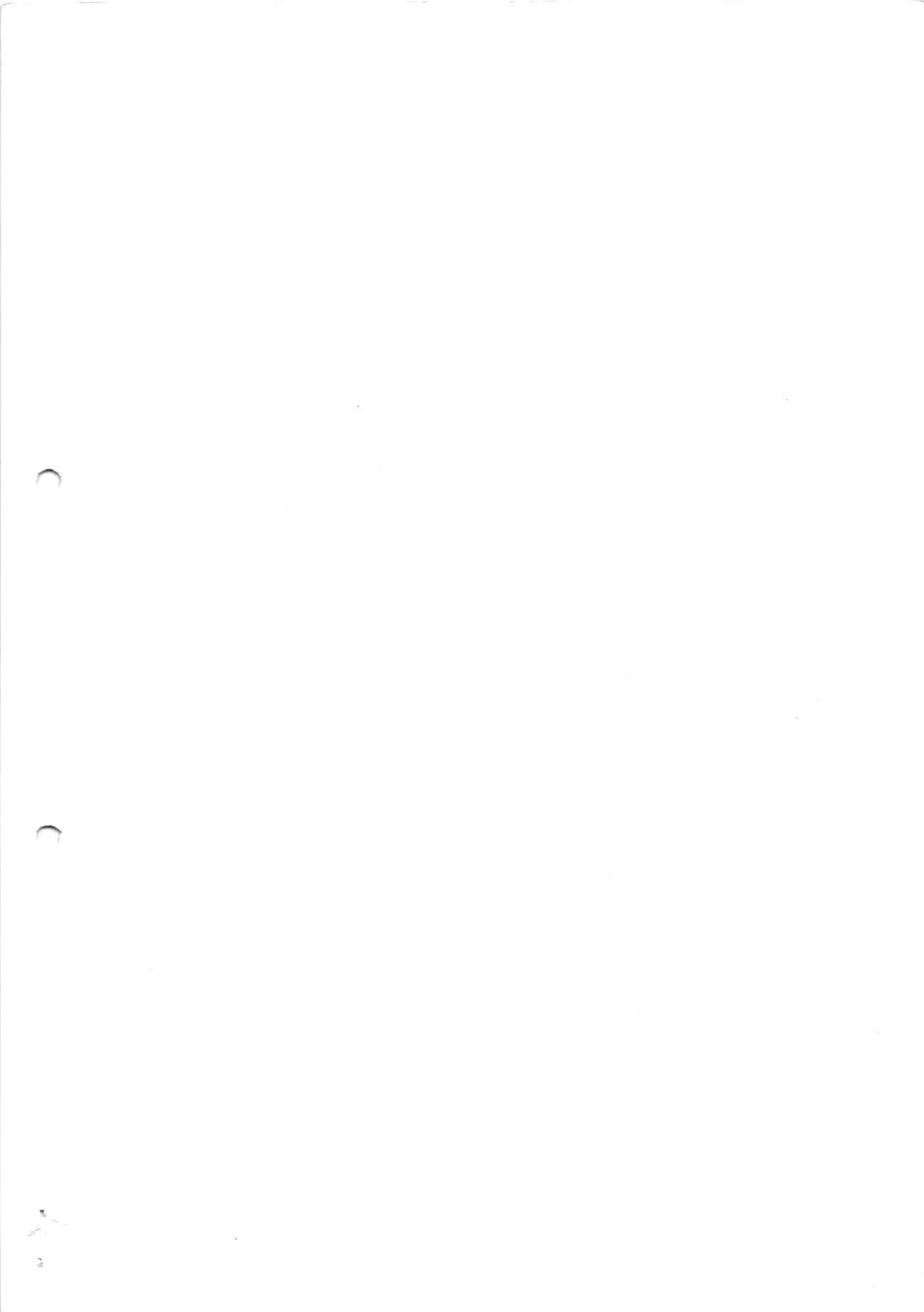
AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **URBAN SECTOR PLANNING AND MANAGEMENT SERVICE UNIT (PRIVATE) LIMITED** as at June 30, 2014 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 year ended June 30, 2014 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 year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;





Crowe Horwath™

- (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, 2014 and of the profit, total comprehensive income, its cash flows and changes in equity for the year ended June 30, 2014; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

LAHORE

Dated: 03 OCT 2014

Horwath Hussain Ch. & Co.

HORWATH HUSSAIN CHAUDHURY & CO.

Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

C

C

4.

REVIEW REPORT TO THE MEMBERS

**ON STATEMENT OF COMPLIANCE WITH THE PUBLIC
SECTOR COMPANIES (CORPORATE GOVERNANCE)
RULES, 2013**

We have reviewed the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 for the year ended June 30, 2014 prepared by the Board of Directors of **Urban Sector Planning and Management Services Unit (Private) Limited (the Company)** to comply with the provisions of the Rules.

- a) The Board has neither set criteria nor carried out the performance evaluation of its members, including the Chairman and the Chief Executive during the year.

Based on our review, nothing has come to our attention, except for matters covered in paragraph "a" above, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance in all material aspects with the Public Sector Companies (Corporate Governance) Rules, 2013 as applicable to the Company for the year ended June 30, 2014.

Lahore

Dated: 03 OCT 2014



HORWATH HUSSAIN CHAUDHURY & CO.

Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

11-17-19

**URBAN SECTOR PLANNING
UNIT
BALANCE SHEET**

	2014	
	Note	Rupees
EQUITY AND LIABILITIES		
Share Capital and Reserves		
Authorized share capital 1,000 shares of Rs. 10,000 each		<u>10,000,000</u>
Issued, subscribed and paid up share capital 1,000 shares of Rs. 10,000 each		10,000,000
Capital reserves		6,037,484
Revenue reserve		<u>45,628,137</u>
		61,665,621
Non Current Liabilities		
Deferred credit	4	81,217,190
Current Liabilities		
Project payables	5	132,318,132
Accrued and other liabilities	6	105,266,137
Provision for taxation		<u>4,469,737</u>
		242,054,006
Contingencies and Commitments	7	-
		<u>384,936,817</u>

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


CHIEF EXECUTIVE OFFICER

**URBAN SECTOR PLANNING AND MANAGEMENT SERVICES
UNIT (PRIVATE) LIMITED**

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	For the Year Ended June 30, 2014 Rupees	For the Period Ended June 18, 2012 To June 30, 2013 Rupees (Restated)
Project revenue	12	446,973,673	569,862,971
Project expenses (Restated)	13	<u>(387,578,470)</u>	<u>(433,003,337)</u>
Gross Profit		59,395,203	136,859,634
Operating Expenses:			
Administrative expenses	14	<u>(74,849,866)</u>	<u>(110,923,874)</u>
Operating (Loss) / Profit		(15,454,663)	25,935,760
Finance cost - Bank charges		(145,512)	(9,271)
Other operating expenses	15	(3,166,195)	(6,641,997)
Other income	16	2,811,668	11,074,151
Amortization of deferred credit (Restated)	4.2	<u>28,519,722</u>	<u>9,495,111</u>
Profit before Taxation		12,565,020	39,853,754
Taxation	17	(3,396,812)	(3,393,825)
Net Profit for the Year/Period		<u><u>9,168,208</u></u>	<u><u>36,459,929</u></u>

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 YEAR ENDED JUNE 30, 2014**

	For the Year Ended June 30, 2014	For the Period Ended June 12, 2012 to June 30, 2013
	Rupees	Rupees
Net Profit for the Year / Period	9,168,208	36,459,929
Other comprehensive income	-	-
Total Comprehensive Income for the Year / Period	9,168,208	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 YEAR ENDED JUNE 30, 2014**

	For the Year Ended June 30, 2014 Rupees	For the Period Ended June 30, 2012 To June 30, 2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year/period before taxation	12,565,020	39,853,754
Adjustments for:		
- Depreciation of property, plant and equipment	27,152,998	13,467,701
- Amortization of intangible assets	-	232,553
- Property, plant and equipment written-off	3,041,195	6,546,997
- Amortization of deferred credit	(170,816,012)	(101,125,041)
- Gain on disposal of property, plant and equipment	(106,880)	(486,950)
- Finance cost - bank charges	145,512	9,271
	<u>(140,583,187)</u>	<u>(81,355,469)</u>
Cash used in operating activities before working capital changes	(128,018,167)	(41,501,715)
(Increase) / decrease in current assets:		
- Project receivables	6,455,036	(230,132,546)
- Advances, deposits, prepayments and other receivables	(1,635)	18,883,870
Increase / (decrease) in current liabilities:		
- Project payables	(124,741,144)	257,059,276
- Accrued and other liabilities	102,696,966	2,561,449
	<u>(15,590,777)</u>	<u>48,372,049</u>
Cash used in Operations	(143,608,944)	(58,224,884)
Finance cost - bank charges paid	(145,512)	(9,271)
Income tax paid	(3,577,146)	-
Net Cash used in Operating Activities	(147,331,602)	(58,234,155)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(71,544,490)	(47,042,245)
Proceeds from disposal of property, plant and equipment	167,000	865,600
Net Cash used in Investing Activities	(71,377,490)	(46,176,645)
CASH FLOWS FROM FINANCING ACTIVITIES		
Funds received during the year / period	228,273,000	108,198,000
Lapse of funds	(34,502)	(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	<u>228,238,498</u>	<u>134,919,745</u>
Net Increase in Cash and Cash Equivalents	9,529,406	30,508,945
Cash and cash equivalents at the beginning of the year / period	30,508,945	-
Cash and Cash Equivalents at the End of the Year / Period	<u>40,038,351</u>	<u>30,508,945</u>

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 YEAR ENDED JUNE 30, 2014**

	Share Capital	Capital Reserves	Accumulated Profits	Total Equity
	Rupees	Rupees	Rupees	Rupees
Reserves transferred from Urban Sector Planning and Management Unit	-	6,037,484	-	6,037,484
Shares issued during the period	10,000,000	-	-	10,000,000
Total comprehensive income 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
Total comprehensive income for the year	-	-	9,168,208	9,168,208
Balance as at June 30, 2014	10,000,000	6,037,484	45,628,137	61,665,621

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 AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Note 1

The Company and its Operations

Urban Sector Planning and Management Services Unit (Private) Limited (the Company) 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.

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

These 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. All the figures have been rounded off to the nearest rupee, unless stated otherwise.

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 are exercised in the 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 management reviews the value of assets for possible impairment.

Note 2, Basis of Preparation - Continued...

2.4.2 *Doubtful project receivables*

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

2.5 **Changes in accounting standards, interpretations and pronouncements**

2.5.1 *Standards, interpretations and amendments to approved accounting standards which became effective during the year but are not relevant*

The new standards, amendments and interpretations that are mandatory for the accounting period beginning on or after January 01, 2014 and are considered not to be relevant for the Company's financial statements are not detailed here.

2.5.2 *Standards, interpretations and amendments to approved accounting standards that are relevant but not yet effective*

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014 and relevant. These amendments are not likely to have an impact on the Company's financial statements:

i) Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS-32. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off, and that some gross settlement systems that may be considered equivalent to net settlement.

ii) Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These amendments to IAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments require the disclosure of additional information about the fair value measurement. The amendment also requires the disclosure of discount rates that have been used in current and previous measurement if recoverable amount based on fair value less cost of disposal was measured using present value technique.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following

i) Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

ii) IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

Note 2, Basis of Preparation - Continued...

2.5.3 Standards, interpretations and amendments to approved accounting standards that are relevant but not yet effective

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IAS 32 (Amendment), 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities	January 1, 2014
- IAS 36 (Amendment), 'Impairment of assets'	January 1, 2014
- IAS 16, 'Property, plant and equipment'.	July 1, 2014
- IAS 24 (Amendment), 'Related parties'	July 1, 2014

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

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments'	January 1, 2014
- IAS 39 "Financial Instruments: Recognition and Measurement" <i>Continuing hedge accounting after derivative novation</i>	January 1, 2014
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41]	January 1, 2016
- Annual Improvements 2010-2012 and 2011-2013 Cycle	July 1, 2014
- Amendments to IAS 19 "Employee Benefits" Employee contributions	July 1, 2014
- Amendments to IAS 38 Intangible Assets	January 1, 2016

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 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 the attached conditions. Fair value signifies the amount received or receivable in cash. Funds relating to expenses are deferred and recognized in the profit and loss account over the period necessary to match them with the expenses that they are intended to compensate.