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Lahore Transport Company

Financial Statements
For the Year Ended
30 June 2013

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **LAHORE TRANSPORT COMPANY** as at **30 June 2013** and the related income and expenditure account, statement of comprehensive income and cash flow statement together with the notes forming part thereof, for the year then ended 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 account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion :
 - i) the balance sheet and income and expenditure 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 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;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, statement of comprehensive income and cash flow statement 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 30 June 2013 and of the surplus and its cash flow for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Farooq Hameed

Lahore: 31 October 2013

LAHORE TRANSPORT COMPANY
(a company set up under section 42 of the Companies Ordinance, 1984)

BALANCE SHEET AS AT 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
Non current assets			
Property, plant and equipment	5	2,877,063,987	27,181,036
Capital work in progress	6	404,738	-
Intangible assets	7	13,333	58,003
		2,877,482,058	27,239,039
Current assets			
Inventory - Buses for lease		-	1,575,763,209
Advances, deposits and prepayments	8	10,871,117	8,160,119
Accrued profit on bank balances		860,753	2,011,979
Accounts receivable	9	6,361,694	35,279,515
Receivable from operators	10	63,564,977	261,823,260
Cash and bank	11	348,692,196	250,775,892
		430,350,737	2,133,813,974
Less : Current liabilities			
Creditors, accrued and other liabilities	12	42,269,254	8,352,263
Subsidy payable	13	299,345,053	717,263,451
Performance guarantee		2,165,000	6,165,000
Loan against trust receipt		-	1,395,000,000
		343,779,307	2,126,780,714
Net current asset		86,571,430	7,033,260
Long Term Liabilities			
Provision for Gratuity	14	22,276,256	14,309,695
Deferred income	15	6,742,652	-
Payable to Government of Punjab	16	2,844,138,000	-
		2,873,156,908	14,309,695
NET ASSETS		90,896,580	19,962,604
REPRESENTED BY:			
ACCUMULATED FUND			
Grant from Government of Punjab	17	85,208,219	14,274,243
Accumulated surplus		5,688,361	5,688,361
		90,896,580	19,962,604
CONTINGENCIES AND COMMITMENTS			
	18	-	-
		90,896,580	19,962,604

The annexed notes 1 to 25 form an integral part of these financial statements.

Chief Executive Officer

Director

LAHORE TRANSPORT COMPANY
(a company set up under section 42 of the Companies Ordinance, 1984)

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
INCOME			
Grant from Government of Punjab			
- for operations	17	129,150,580	111,110,772
- for markup on loan against trust receipt		92,802,897	54,084,891
- for assets	15.1	976,233	-
Other income	19	85,928,285	81,527,556
		308,857,996	246,723,219
EXPENDITURE			
Salaries, wages and benefits	22	162,910,067	128,220,830
Legal and professional charges		6,577,988	6,605,046
Rent		6,652,357	5,727,651
Utilities		2,749,655	3,128,185
Fuel		9,889,866	7,692,565
Travel, conveyance and lodging		1,787,543	9,944,449
Printing and stationery		1,706,685	1,641,323
Entertainment		1,410,134	1,851,643
Repairs and maintenance		1,636,567	2,093,860
Office supplies		585,273	233,682
Postage and delivery		44,680	52,884
Advertisement		943,125	4,345,512
Enforcement expense		116,450	1,298,367
Staff training		13,900	6,536,450
Vehicle repair and maintenance		1,167,747	1,361,053
Insurance		3,540,146	389,188
Security services		2,102,602	896,771
Newspaper and periodicals		78,133	-
Audit fee		600,000	550,000
Financial charges		93,111,114	54,492,102
Depreciation	5	10,238,452	8,242,596
Amortization of intangible assets	7	64,670	86,144
Other expense		930,841	1,332,918
		308,857,996	246,723,219
Surplus/(Deficit) for the year		-	-

The annexed notes 1 to 25 form an integral part of these financial statements.



Chief Executive Officer



Director

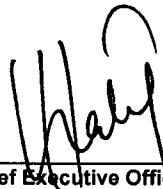
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LAHORE TRANSPORT COMPANY
(a company set up under section 42 of the Companies Ordinance, 1984)

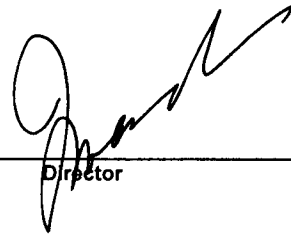
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	<u>2013</u> Rupees	<u>2012</u> Rupees
Surplus/(Deficit) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income for the period	-	-

The annexed notes 1 to 25 form an integral part of these financial statements.



Chief Executive Officer



Director

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LAHORE TRANSPORT COMPANY
(a company set up under section 42 of the Companies Ordinance, 1984)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	<u>2013</u> Rupees	<u>2012</u> Rupees
Cash flow from operating activities			
Cash used in operations	20	(162,842,526)	(169,779,288)
Receivable from operators		187,458,283	(261,823,260)
Inventory		1,575,763,209	(1,575,763,209)
Grant received during the year		139,606,339	87,000,000
Gratuity paid		(4,825,363)	(995,500)
Advance income tax paid		(2,629,165)	(5,498,540)
		<u>1,732,530,777</u>	<u>(1,926,859,797)</u>
Cash flows from investing activities			
(Additions) / Deletion of property, plant and equipment	5	(16,142,905)	1,625,809
Proceeds from sale of property, plant and equipment		208,711	-
Additions of intangible assets		(20,000)	-
Additions in capital work in progress		(404,738)	-
Profit on bank deposits		26,862,856	54,790,278
		<u>10,503,925</u>	<u>56,416,087</u>
Cash flows from financing activities			
Subsidy Received during the year		134,823,596	679,900,000
Subsidy Paid during the year		(380,941,994)	(351,830,549)
Performance guarantee		(4,000,000)	4,500,000
Loans against TR paid		(1,395,000,000)	1,395,000,000
		<u>(1,645,118,398)</u>	<u>1,727,569,451</u>
Net increase / (decrease) in cash and cash equivalents		<u>97,916,304</u>	<u>(142,874,259)</u>
Cash and cash equivalents at beginning of the period	11	<u>250,775,892</u>	<u>393,650,151</u>
Cash and cash equivalents at end of the period	11	<u>348,692,196</u>	<u>250,775,892</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

Chief Executive Officer

Director

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LAHORE TRANSPORT COMPANY
(a company set up under section 42 of the Companies Ordinance, 1984)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. Legal status and nature of business

Lahore Transport Company (the company) was incorporated on April 7, 2009 as a company limited by guarantee and not having share capital under section 42 of the Companies Ordinance 1984. The company has been registered with the Registrar Joint Stock Companies, City District Government, Lahore vide No. RP/4895-L/S/09/476 dated April 7, 2009. The principal objective of the company is to undertake or engage in such activities which provide safe, affordable, reliable and efficient transport services for the general public in the city of Lahore.

2. Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standard for Medium-Sized Entities (MSEs) issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. Basis of preparation

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

4. Summary of significant accounting policies

4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.2 Taxation

The company's income is exempt from levy of income tax under clause 59 of part I of Second Schedule of the Income Tax Ordinance, 2001 and accordingly, no provision has been made in the company's financial statements on account of income tax.

4.3 Creditors, 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 future for goods and services.

4.4 Financial Instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. 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.

4.5 Offsetting of financial assets and liabilities

Financial assets and liabilities are set off and the net amount is reported in the balance sheet if the company has a legal right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.6 Government grants

Government grants, including the non monetary grants at fair value are recognized when there is reasonable assurance that:

- a) the entity will comply with the conditions attaching to them, if any ; and
- b) the grants will be received.

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Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. The grant receivable as compensation for expenses or loss already incurred or for the purpose of giving immediate financial support with no future related costs is recognized as income in the period in which it becomes receivable. Government grants related to assets, including non monetary grants at fair value, is presented in the balance sheet by setting up the grant as deferred income which is recognized as income on a systematic and rational basis over the useful life of the asset.

4.7 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation on property, plant and equipment is charged to income on straight line method so as to write off the depreciable amount of an asset over its estimated useful life at the rates mentioned in note 5.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of residual value of its property, plant and equipment as at June 30, 2013 has not required any adjustment as its impact is insignificant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment 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 recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income and expenditure account for the year. The recoverable amount is higher of an asset's fair value less costs to sell and value in use.

Subsequent costs are included in the assets' carrying amount or recognized as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of an asset is recognized as an income or expense.

4.8 Capital work in progress

Capital work in progress represents expenditure on property, plant and equipment in course of construction, installation and in transit. Capital work in progress is stated at cost less any identified impairment loss. These costs are transferred to fixed assets as and when assets are available for use.

4.9 Intangible assets

These are stated at cost less accumulated amortization and any impairment loss and are amortized on a straight line basis over 3 years being its useful life. Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

4.10 Receivables

Receivables are carried at original invoice amount less provision made for receivables considered doubtful for recovery.

4.11 Revenue

Fee and charges are recognized when these become due except for route permit processing fee which is recognized as and when it is received. Return on bank deposits is accrued on a time proportion basis using the effective interest method.

4.12 Staff retirement benefits

Gratuity payable to employees is accounted for on an accrual basis, on the last salary drawn by the employees for the total completed years of service, or part thereof, as at the balance sheet date.

Due to the long term nature of the plan, such estimates are subject to significant uncertainty.

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LAHORE TRANSPORT COMPANY
(Rupees)

5 Property, plant and equipment	Freehold Land	Building on leasehold land	Road Infrastructure	Office appliances and equipment	Computers and equipments	Furniture and fixtures	Vehicles	Total
Net carrying value basis								
Year ended June 30, 2013								
Opening net book value (NBV)	-	350,000	5,684,563	3,847,275	1,694,672	5,365,658	10,588,868	27,181,036
Additions (at cost)	2,846,723,820	-	-	112,007	3,944,803	204,840	8,945,435	2,860,280,905
Disposals (at NBV)	-	-	-	(50,832)	(108,669)	-	-	(159,501)
Depreciation charge	-	(14,583)	(718,711)	(489,716)	(3,329,234)	(733,075)	(4,953,133)	(10,238,452)
Closing net book value (NBV)	<u>2,846,723,820</u>	<u>335,417</u>	<u>4,965,852</u>	<u>3,418,733</u>	<u>2,201,572</u>	<u>4,837,423</u>	<u>14,581,170</u>	<u>2,877,063,987</u>
Gross carrying value basis								
As at June 30, 2013								
Cost	2,846,723,820	350,000	7,187,110	4,867,481	11,586,071	7,378,372	27,980,024	2,906,072,878
Accumulated depreciation	-	(14,583)	(2,221,258)	(1,448,748)	(9,384,499)	(2,540,948)	(13,398,855)	(29,008,891)
Net book value (NBV)	<u>2,846,723,820</u>	<u>335,417</u>	<u>4,965,852</u>	<u>3,418,733</u>	<u>2,201,572</u>	<u>4,837,424</u>	<u>14,581,170</u>	<u>2,877,063,987</u>
Depreciation rate % per annum								
	10	10	10	10	33	10	20	
Net carrying value basis								
Year ended June 30, 2012								
Opening net book value (NBV)	-	-	6,373,674	4,239,149	5,037,241	6,032,860	14,395,786	36,078,710
Additions (at cost)	-	-	28,000	83,617	414,324	48,250	-	574,191
Disposals (at NBV)	-	-	-	-	(1,229,269)	-	-	(1,229,269)
Depreciation charge	-	-	(717,111)	(475,491)	(2,527,624)	(715,452)	(3,806,918)	(8,242,596)
Closing net book value (NBV)	<u>-</u>	<u>-</u>	<u>5,684,563</u>	<u>3,847,275</u>	<u>1,694,672</u>	<u>5,365,658</u>	<u>10,588,868</u>	<u>27,181,036</u>
Gross carrying value basis								
As at June 30, 2012								
Cost	-	-	7,187,110	4,826,510	7,749,937	7,173,532	19,034,589	45,971,678
Accumulated depreciation	-	-	(1,502,547)	(979,235)	(6,055,265)	(1,807,874)	(8,445,722)	(18,790,643)
Net book value (NBV)	<u>-</u>	<u>-</u>	<u>5,684,563</u>	<u>3,847,275</u>	<u>1,694,672</u>	<u>5,365,658</u>	<u>10,588,868</u>	<u>27,181,036</u>
Depreciation rate % per annum								
	10	10	10	10	33	10	20	

5.1 Additions in freehold land, represents the cost of 4 properties, acquired under an agreement with the Government of Punjab on 28 of August 2012, on account of this the title of these properties will transfer in the name of the Company on payment of the amount, as explained in Note 16.

Signature

6 Capital work in progress

	Note	2013 Rupees	2012 Rupees
Furniture and fixtures		<u>404,738</u>	<u>-</u>

7 Intangible assets - Softwares

Net carrying value basis

Year ended 30 June 2013

Opening net book value (NBV)		58,003	144,147
Additions (at cost)		20,000	-
Amortization charge		<u>(64,670)</u>	<u>(86,144)</u>
Closing net book value (NBV)		<u>13,333</u>	<u>58,003</u>

Gross carrying value basis

As at 30 June 2013

Cost		278,690	258,690
Accumulated amortization		<u>(265,357)</u>	<u>(200,687)</u>
Net book value (NBV)		<u>13,333</u>	<u>58,003</u>

Depreciation rate % per annum		33%	33%
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8 Advances deposits and prepayments

Security deposits		831,451	808,951
Advances to employees		59,333	-
Advance income tax		<u>9,980,333</u>	<u>7,351,168</u>
		<u>10,871,117</u>	<u>8,160,119</u>

9 Accounts receivables

Receivable from Government of Punjab	9.1	847,923	27,067,891
Receivable from taxation authorities	9.2	2,839,645	2,839,645
Trade receivables		<u>2,674,126</u>	<u>5,371,979</u>
		<u>6,361,694</u>	<u>35,279,515</u>

9.1 This represents the receivable from Government of Punjab (GoPb.) against payment made on its behalf, to M/S Istanbul Ulasim, in the previous year.

9.2 This represents the amount paid against the notice received from the Commissioner Taxation and Inland Revenue under section 161 of the Income tax Ordinance, 2001. Based on the tax consultant's opinion the Company is of the view that these regulations are not applicable to the company and case will be decided in favor of the Company. Accordingly, the amount has been recorded as receivable in these financial statements.

10 Receivable from Operators

Current year's balance represents amount receivable from M/S Foton, M/S Rawal Travels and M/S New Chaudhary Bus Service amounting to Rs. 58,133,667, Rs. 5,025,000 and Rs. 406,310, respectively against the 20% share of cost of busses provided to these operators, which were repossessed from other operators.

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LAHORE TRANSPORT COMPANY

	<u>Note</u>	<u>2013</u> Rupees	<u>2012</u> Rupees
11 Cash and bank			
At bank			
Saving account	11.1	37,178,456	33,609,428
Current account		1,090,014	119,620
Term deposits	11.2	310,359,000	217,000,000
Cash in hand		64,725	46,844
		<u>348,692,196</u>	<u>250,775,892</u>

11.1 The balance in saving accounts bear markup at the rate of 10 % per annum (2012: 10% per annum)

11.2 The term deposits are for one month with the rate ranging from 9.15% to 11.25% per annum (2012: 11.3% to 12.95% per annum)

	<u>Note</u>	<u>2013</u> Rupees	<u>2012</u> Rupees
12 Creditors, accrued and other liabilities			
Trade creditors		6,189,443	5,034,570
Payable to operators	12.1	18,538,834	-
Repair and maintenance payable against Ankai Buses	12.2	10,538,190	-
Retention money payable		336,252	336,252
Legal and professional charges		2,051,720	1,976,700
Accrued liabilities		4,575,326	-
Sales tax payable		5,768	-
Withholding tax payable		33,720	1,004,741
		<u>42,269,254</u>	<u>8,352,263</u>

12.1 The balance represents the amount due to operators net of deductions from equity, for the buses repossessed during the year.

12.2 The amount represents the deductions made from operators' equity, against repair and maintenance of repossessed buses.

	<u>Note</u>	<u>2013</u> Rupees	<u>2012</u> Rupees
13 Subsidy Payable			
Capital Subsidy	13.1	63,750,000	543,580,000
Operational Subsidy	13.2	227,695,053	152,183,451
Refurbishment Subsidy	13.3	7,900,000	21,500,000
		<u>299,345,053</u>	<u>717,263,451</u>

13.1 Capital Subsidy

Opening Balance		543,580,000	238,750,000
Received during the year		-	630,000,000
Transferred to Grant from Government of Punjab	13.1.1	(161,000,000)	-
Paid during the year		(318,830,000)	(325,170,000)
Closing Balance		<u>63,750,000</u>	<u>543,580,000</u>

13.1.1 This represents bridge finance obtained in the previous year which on the written instructions from Government, dated 12 March 2013, has been transferred to grant for operations.

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LAHORE TRANSPORT COMPANY

13.2 Operational Subsidy	Note	2013 Rupees	2012 Rupees
Opening Balance		152,183,451	150,444,000
Received during the year		134,823,596	9,900,000
Paid during the year		(59,311,994)	(8,160,549)
Closing Balance		<u>227,695,053</u>	<u>152,183,451</u>
13.3 Refurbishment Subsidy			
Opening Balance		21,500,000	-
Received during the year		-	40,000,000
Adjustment made during the year	13.3.2	(10,800,000)	-
Paid during the year		(2,800,000)	(18,500,000)
Closing Balance		<u>7,900,000</u>	<u>21,500,000</u>

13.3.1 This represent the amount of subsidy given to the Company by the Government of Punjab for the payment to certain investors from private sector for the refurbishment of their old buses. Refurbishment subsidy is paid on the basis of Rs.400,000 per bus after the approval of the inspection committee of the Company.

13.3.2 This represent the amount adjusted against receivable from M/S Askar Transport Company with respect to 20% share of cost of buses provided to him.

	2013 Rupees	2012 Rupees
14 Provision for Gratuity		
Opening balance	14,309,695	4,829,765
Expense charge for the year	12,791,924	10,475,430
Less: Gratuity paid during the year	(4,825,363)	(995,500)
Closing balance	<u>22,276,256</u>	<u>14,309,695</u>

15 Deferred income		
Grant deferred against assets during the year	7,718,885	-
Less: grant recognized during the year	(976,233)	-
Closing balance	<u>6,742,652</u>	<u>-</u>

15.1 This represents grant received against purchase of vehicles which is recognized as income on a systematic and rational basis over the useful life of the asset.

16 Payable to Government of Punjab

This represents the amount payable to Government of Punjab against land acquired under an agreement on 28 August 2012. As per the sale agreement, the payment will be made in 8 annual installments commencing from 01 September 2014 after a grace period of 2 years.

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LAHORE TRANSPORT COMPANY

	<u>Note</u>	<u>2013</u>	<u>2012</u>
		<u>Rupees</u>	<u>Rupees</u>
17 Grant from Government of Punjab			
Opening balance		14,274,243	38,385,015
Grant received for the year	17.1	139,606,339	87,000,000
Grant transferred from capital subsidy	13.1.1	161,000,000	-
Less: Grant transferred to deferred income	15	(7,718,885)	-
Less: Grant recognized during the year against expenses		<u>(221,953,477)</u>	<u>(111,110,772)</u>
Closing balance	17.2	<u>85,208,219</u>	<u>14,274,243</u>
17.1 Grant received during the year includes:			
Grant related to Income		131,106,339	87,000,000
Grant related to Assets		<u>8,500,000</u>	-
		<u>139,606,339</u>	<u>87,000,000</u>
17.2	The balance includes grant related to Assets of Rs. 781,115 (2012: Rs. Nil).		
18 Contingencies and commitments			
18.1 Contingencies	Contingent liabilities at year end were Rs. Nil (2012: Rs. Nil)		
18.2 Commitments	Commitments for capital expenditure: Rs Nil (2012: Rs Nil)		
19 Other Income		<u>2013</u>	<u>2012</u>
		<u>Rupees</u>	<u>Rupees</u>
From financial assets			
Profit on term deposits		21,138,442	31,262,312
Profit on saving account		4,573,188	19,449,164
From non financial assets			
Advertisement revenue		12,102,194	13,850,444
Membership fee		360,000	600,000
Route permit processing fee		13,282,620	14,033,575
Tender document fee		68,300	567,900
Driver and fair collector training fee		1,310,500	-
Ticketing Revenue		80,475	-
Senior, disabled and student card fee		1,929,990	-
Bus depot regulation fee		-	400,000
Other income		<u>31,082,576</u>	<u>1,364,161</u>
		<u>85,928,285</u>	<u>81,527,556</u>
20 Cash used in operations			
Surplus/(Deficit) for the year		-	-
Adjustments for:			
Profit on bank deposits		(25,711,630)	(50,711,476)
Depreciation and amortization		10,303,122	8,328,740
Gratuity expense		12,791,924	10,475,430
Gain on disposal of assets		(49,210)	(970,733)
Deferred Income recognized		(976,233)	-
Grant recognized		<u>(221,953,477)</u>	<u>(111,110,772)</u>
		<u>(225,595,504)</u>	<u>(143,988,811)</u>
Working capital changes:			
Increase / (decrease) in creditors, accrued and other liabilities		33,916,991	7,144,198
Increase in advances, deposits and prepayments		(81,833)	364,688
Decrease in accounts receivable		<u>28,917,821</u>	<u>(33,299,363)</u>
		<u>(162,842,526)</u>	<u>(169,779,288)</u>

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21 Financial risk management

21.1 Financial risk factors

The company is not exposed to any significant financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transaction in foreign currencies. The company is not exposed to currency risk.

(ii) Interest rate risk

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

At the balance sheet date, the interest rate profile of the company's interest bearing financial instruments was:

	2013 Rupees	2012 Rupees
Floating rate instruments		
Financial assets		
Bank balance - Savings account	37,178,456	33,609,428
Bank balance - Term deposit	310,359,000	217,000,000
	<u>347,537,456</u>	<u>250,609,428</u>

Fair value sensitivity analysis for fixed rate instruments

The company has invested in fixed rate term deposits of Rs. 310.36 million, a change of 100 bps in interest rate at the balance sheet date would result in additional interest of Rs. 3.10 million.

Cash flow sensitivity analysis for variable rate instruments

The company has taken loan on variable interest rate however, since the markup is reimbursed by the GoPb therefore, a change in interest rate at the reporting date would not affect surplus or deficit of the company.

(b) 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. Credit risk arises from balances with banks, long term security deposits, and advances and other receivables.

(i) Exposure to credit risk

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	2012 Rupees
Cash and bank balances	348,627,471	250,729,048
Profit on saving account	860,753	2,011,979
Accounts receivable	6,361,694	35,279,515
Receivable from operators	63,564,977	261,823,260
	<u>419,414,895</u>	<u>549,843,802</u>

The credit risk on liquid funds is limited because the counter party is a bank with reasonably high credit rating.

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(ii) Credit quality of major financial assets

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

Bank	Rating Agency	Rating		2013
		Short term	Long term	Rupees
The Bank of Punjab	PACRA	A +	AA-	419,414,895

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The cash requirement of the company is currently being met through grant from the Government of Punjab therefore the company is not exposed to liquidity risk.

The following are the contractual maturities of financial liabilities as at 30 June 2013:

	Less than one year	One to five years	More than five years
	Rupees	Rupees	Rupees
2013			
Creditors, accrued and other liabilities	42,229,765	-	-
Performance guarantee	2,165,000	-	-
Subsidy payable	299,345,053	-	-
Loan against trust receipt	-	-	-
Payable to Government of Punjab	-	1,422,069,000	1,422,069,000
2012			
Creditors, accrued and other liabilities	7,347,522	-	-
Performance guarantee	6,165,000	-	-
Subsidy payable	717,263,451	-	-
Loan against trust receipt	1,395,000,000	-	-
Payable to Government of Punjab	-	-	-

21.2 Fair values of financial assets and liabilities

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

21.3 Financial instruments by categories

	Loans and receivables	Loans and receivables
	2013	2012
	Rupees	Rupees
Assets measured at fair value (Level 2)		
Cash and bank balances	348,627,471	250,729,048
Profit on saving account	860,753	2,011,979
Accounts receivable	6,361,694	35,279,515
Receivable from operators	63,564,977	261,823,260
	419,414,895	549,843,802

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	Other financial liabilities 2013 Rupees	Other financial liabilities 2012 Rupees
Liabilities measured at fair value (Level 2)		
Creditors, accrued and other liabilities	42,229,765	7,347,522
Performance guarantee	2,165,000	6,165,000
Subsidy payable	299,345,053	717,263,451
Payable to Government of Punjab	2,844,138,000	-
Liabilities measured at amortized cost (Level 2)		
Loan against trust receipt	-	1,395,000,000
	<u>3,187,877,818</u>	<u>2,125,775,973</u>

22 Directors' Remuneration

	Chief Executive Officer		Directors	
	2013	2012	2013	2012
	Rupees			
Managerial remuneration	<u>4,665,496</u>	<u>8,699,000</u>	<u>-</u>	<u>-</u>
Number of persons	1	1	11	10

23 Total number of employees as at 30 June 2013 are 328 (2012: 310) and average number of employees for the year ended are 316 (2012: 271)

24 Date of authorization for issue

These financial statements were authorized for issue on October 31, 2013 by the board of directors of the

25 General

Figure have been rounded off to the nearest rupee.

Chief Executive Officer

Director

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