



**Independent Auditor's Report**  
**To the members of Punjab Rural Municipal Services Company**  
**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements of Punjab Rural Municipal Services Company, which comprise the statement of financial position as at June 30, 2023, and the statement of income and expenditure, the statement of comprehensive income, the statement of changes in fund, the statement of cash flows 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, the statement of income and expenditure, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows 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 surplus, other comprehensive income, the changes in fund and its cash flows for the year 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, the statement of income and expenditure, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows 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 Arqum Naveed.

*Muniff Ziauddin & Co*

Chartered Accountants

Place: Lahore

Date: 22 APR 2024

UDIN: AR20231012373TLXGzyE

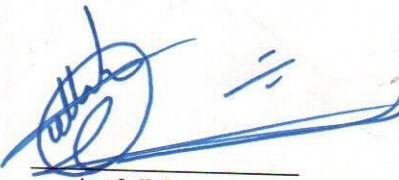
**PUNJAB RURAL MUNICIPAL SERVICES COMPANY**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**PUNJAB RURAL MUNICIPAL SERVICES COMPANY**  
(A Company setup under section 42 of the Companies Act, 2017)  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2023**

	Note	2023 Rupees	2022 Rupees
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,339,321,393	31,402,675
Right-of-use assets	6	72,883,160	-
Intangible assets	7	9,957,843	-
		1,422,162,396	31,402,675
<b>Current assets</b>			
Cash and bank balances	8	1,668,856,454	404,062,752
Advance income tax		95,139	-
Advances, deposits and prepayments	9	252,535,202	47,560,653
		1,921,486,795	451,623,405
<b>Total assets</b>		<b>3,343,649,191</b>	<b>483,026,080</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	20,221,158	462,465
Current portion of lease liabilities	11	17,594,680	-
		37,815,838	462,465
<b>Non-current liabilities</b>			
Deferred grants	13	3,195,255,961	482,563,615
Lease liabilities	11	63,263,857	-
		3,258,519,818	482,563,615
<b>Total liabilities</b>		<b>3,296,335,656</b>	<b>483,026,080</b>
<b>NET ASSETS</b>		<b>47,313,535</b>	<b>-</b>
<b>REPRESENTED BY:</b>			
General fund		-	-
Restricted fund	12	47,313,535	-
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		

The annexed notes, from 1 to 26, form an integral part of these financial statements.

  
Asadullah  
Chief Executive Officer

  
Talat Javed  
Director

  
Zubaid ul Hassan  
Chief Financial Officer

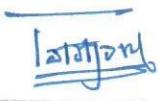


**PUNJAB RURAL MUNICIPAL SERVICES COMPANY**  
(A Company setup under section 42 of the Companies Act, 2017)  
**STATEMENT OF INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

		2023	October 15, 2021 to June 30, 2022
	Note	Rupees	Rupees
<b>Income</b>			
Amortization of deferred grants	13	511,390,764	6,826,571
<b>Expenditure</b>			
Project cost	15	(219,586,804)	-
Administrative and general expenses	16	(283,927,397)	(6,826,571)
Finance cost	17	(7,876,563)	-
<b>Surplus / (deficit) before taxation</b>		-	-
Taxation	18	-	-
<b>Surplus / (deficit) for the year / period</b>		-	-

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Talat Javed  
Director

  
Zubaid ul Hassan  
Chief Financial Officer



**PUNJAB RURAL MUNICIPAL SERVICES COMPANY**  
 (A Company setup under section 42 of the Companies Act, 2017)  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2023**

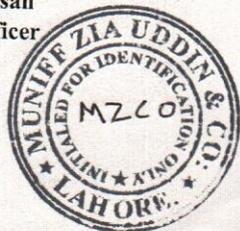
	2023	October 15, 2021 to June 30, 2022
	Rupees	Rupees
Surplus / (deficit) for the year / period	-	-
<b>Other comprehensive income:</b>		
Items that will not be subsequently reclassified to income and expenditure	-	-
Items that may be subsequently reclassified to income and expenditure	-	-
<b>Total comprehensive income / loss for the year / period</b>	-	-

The annexed notes, from 1 to 26, form an integral part of these financial statements.

  
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 Chief Executive Officer

  
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 Talat Javed  
 Director

  
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 Zubaid ul Hassan  
 Chief Financial Officer

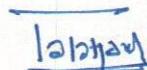


**PUNJAB RURAL MUNICIPAL SERVICES COMPANY**  
(A Company setup under section 42 of the Companies Act, 2017)  
**STATEMENT OF CHANGES IN FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund Rupees	Restricted Fund Rupees	Total Rupees
<b>Balance as at October 15, 2021</b>	-	-	-
Surplus / (deficit) for the period	-	-	-
Other comprehensive income / (loss) for the period	-	-	-
Total comprehensive income / (loss) for the period	-	-	-
<b>Balance as at June 30, 2022</b>	-	-	-
<b>Balance as at July 01, 2022</b>	-	47,313,535	47,313,535
Fair value of land received as donation	-	-	-
Surplus / deficit for the year	-	-	-
Other comprehensive income / (loss) for the year	-	-	-
Total comprehensive income / (loss) for the year	-	-	-
<b>Balance as at June 30, 2023</b>	-	47,313,535	47,313,535

The annexed notes, from 1 to 26, form an integral part of these financial statements.

  
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Talat Javed  
Director

  
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Chief Financial Officer

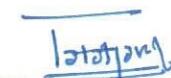


**PUNJAB RURAL MUNICIPAL SERVICES COMPANY**  
(A Company setup under section 42 of the Companies Act, 2017)  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2023	October 15, 2021 to June 30, 2022
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus / deficit before taxation	-	-
<b>Adjustments for non-cash and other items:</b>		
Depreciation on property, plant and equipments	5 58,911,840	468,661
Depreciation of right-of-use assets	13,402,314	-
Amortisation on intangibles	635,607	-
Finance costs	7,876,563	-
Amortisation of deferred credit - grants	13 (518,192,033)	(6,826,571)
	<u>(437,365,709)</u>	<u>(6,357,910)</u>
<b>Working capital changes:</b>		
<b>(Increase) / decrease in current assets:</b>		
Advances, deposits and prepayments	9 (204,974,549)	(47,560,653)
	<u>(204,974,549)</u>	<u>(47,560,653)</u>
Increase in accrued and other liabilities	10 19,758,693	462,465
	<u>(185,215,856)</u>	<u>(47,098,188)</u>
<b>Cash used in operations</b>	<u>(622,581,565)</u>	<u>(53,456,098)</u>
Bank charges paid	-	-
Taxes paid	(95,139)	-
<b>Net cash used in operating activities</b>	<u>(622,676,704)</u>	<u>(53,456,098)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for acquisition on property, plant and equipment	(899,378,734)	(31,871,336)
Payment for capital work in progress	(430,731,739)	-
<b>Net cash used in investing activities</b>	<u>(1,330,110,473)</u>	<u>(31,871,336)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Grants received	13 3,230,884,379	489,390,186
Payments against lease liabilities	11 (13,303,500)	-
<b>Net cash generated from financing activities</b>	<u>3,217,580,879</u>	<u>489,390,186</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>1,264,793,702</u>	<u>404,062,752</u>
Cash and cash equivalent at the beginning of the period	404,062,752	-
<b>Cash and cash equivalent at the end of the year / period</b>	<u>1,668,856,454</u>	<u>404,062,752</u>

The annexed notes, from 1 to 26, form an integral part of these financial statements.

  
**Asadullah**  
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**Talat Javed**  
Director

  
**Zubaid ul Hassan**  
Chief Financial Officer



**PUNJAB RURAL MUNICIPAL SERVICES COMPANY**  
**(A Company setup under section 42 of the Companies Act, 2017)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**1 THE COMPANY AND ITS ACTIVITIES**

Punjab Rural Municipal Services Company is a Guarantee Limited Company having no share capital which was incorporated on October 15, 2021 as a non-profit company under Section 42 of Companies Act, 2017. The registered office of the company is situated at 5th Floor, KD Plaza, MM Alam Road, Lahore. The purpose of the project is to improve sanitation condition, provide clean drinking water, improve living conditions through solid waste management, behaviour change and capacity building for the sustainability of the project in rural settlements of Punjab.

1.2 Geographical location and addresses of head office, and tehsil offices are as follows:

Sr. No.	Head office, Tehsil offices	Addresses
1.	<b>Head office</b>	5th Floor, KD Plaza, MM Alam Road, Lahore
	<b>Tehsil offices</b>	
1.	Bhowana	House No. 1228-1, Block 1, Chah Bairwala, Obhan Road,
2.	Ahmad Pur Sial	Jind Wadi Colony, Garh More, Tehsil Ahmed Pur Sial.
3.	Darya Khan	Mohallah Meher Abad, Near Nimra Masjid Old Bhakkar Road, Tehsil Darya Khan.
4.	Pakpattan	House # 71-72-S, Green Town, Pakpattan.
5.	Khairpur Tamewali	Masood Petroleum, Next to Ice Factory (Old Nestle Office), Main Hasilpur Road, Khairpur Tamewali.
6.	Bahawalnager	House No. 2-G, Hassan Garden, Faisal Colony, Bahawalnagar.
7.	Liaquatpur	House No. 69, Opposite Municipal Stadium, Near Faizan-e-Madina, Liaquatpur.
8.	Rojhan	Old Range Hotel Building, Zia Shaheed Road, Rajanpur.
9.	Taunsa	House No L-4, Canal View Town, Taunsa.
10.	Kallar Kahar	Plot No. BI-220/RII, Next to Union Council, Talagang Road, Kallar Kahar.
11.	Kot Momin	Mohallah Baldia Town, Near Reader College, Kot Momin.
12.	Isa Khel	Kaluanwala, (Isa Khel foundation Hospital) Isa Khel, District
13.	Noorpur Thal	Office 70/A, Mohallah Gulam Ali Khail, Jharkil Road, Noorpur
14.	Shujabad	Al-Fateh Colony Mouza Gaju Hatta, Near Dar-e-Arqam School, Lal Bagh Tehsil Shujabad, District Multan.
15.	Kahrur Pakka	House # 104/4 Near Ztbl Lodhran Road, Kahrur Pakka.
16.	Alipur	House No. 1, Multan Road, Opposite Sangat Hotel, Alipur.

**1.3 SIGNIFICANT EVENTS**

The Company is implementing World Bank sponsored project titled Punjab Rural Sustainable Water Supply and Sanitation Project (PRSWSSP). The project completion time is five years and after its completion the whole project will be transferred under the administration of PRMSC management. The management has strategic intentions to diversify its revenue streams through the provision of its services.

The executing agency of project is Punjab Rural Municipal Services Company (PRMSC) and it has been established with the aim of providing improved water and sanitation facilities in 2,000 villages of Punjab. Government of Punjab through LG&CD Department is sponsoring project activities. Government has



**PUNJAB RURAL MUNICIPAL SERVICES COMPANY**  
**(A Company setup under section 42 of the Companies Act, 2017)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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arranged major (80%) finance through World Bank by signing IDA credit and IBRD Loan agreements. 20% project cost is financed by the Government of Punjab itself. The project cost is \$553 million, of which \$442.4 million is financed by the World Bank, the remaining \$110.6 million is financed by the local government. The project scope consists of the following four components: \$477.70 million is being spent on sanitation and water supply infrastructure development, \$16.10 million on behavioural change and capacity development, \$42.30 million on service delivery improvement, and \$16.90 million on project management and monitoring.

**2 BASIS OF PRESENTATION**

**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 comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Accounting Standard for Not for Profit Organisations (AS for NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP); and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS standards and AS for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2 Basis of preparation**

These financial statements have been prepared under the historical cost convention, except for certain items as disclosed in the relevant accounting policies below.

**2.3 Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

**2.4 New or amendments to existing standards interpretations**

There are new and amended standards and interpretations that are mandatory for accounting period beginning on or after July 01, 2022 but are considered not to be relevant or do not have any significant effect on the Company's financial statements and therefore are not stated in these financial statements.

**2.4.1 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective**

The following standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan would be effective from the dates mentioned below:

<b>Standards</b>	<b>Effective date</b>
IAS-8 Accounting Policies, changes in Accounting Estimates and Errors - Amendment regarding the definition of accounting estimates.	January 1, 2023
IAS-12 Income Taxes - Amendments to narrow the scope of the initial recognition exemption.	January 1, 2023



**PUNJAB RURAL MUNICIPAL SERVICES COMPANY**  
**(A Company setup under section 42 of the Companies Act, 2017)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

IFRS-17 Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 and Amendments regarding the fixed expiry date for the temporary exemption in IFRS-4 from applying IFRS-9 is now 1st January, 2023.	January 1, 2023
IAS-1 Presentation of Financial Statements - Amendments regarding the classification of liabilities and Amendments regarding the disclosure of accounting policies	January 1, 2023
IFRS-16 Leases - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 1, 2024
IFRS-7 Financial Instrument Disclosure - Amendment regarding supplier finance arrangement.	January 1, 2024

**2.5 Critical accounting estimates and judgments**

The preparation of these financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain significant accounting estimates and judgments. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Depreciation, useful life and residual value of property, plant and equipment	Note 4.1 & 5
- Amortisation, useful life and residual value of intangible assets	Note 4.2
- Right-of-use assets	Note 4.3
- Lease liabilities	Note 4.4
- Receivables	Note 4.5
- Contingent liabilities	Note 4.10
- Provisions	Note 4.11
- Financial instruments	Note 4.12
- Impairment of financial assets	Note 4.12.4
- Taxation	Note 4.13
- Revenue	Note 4.14

**3 CHANGE IN APPLICABLE ACCOUNTING FRAMEWORK**

Companies Act, 2017 in its 3rd schedule prescribes the criteria for applicable framework for financial reporting on the basis of respective classes considering annual gross revenue (grants / income / subsidies / donations), paid up capital and number of employees of the Company. Since, the revenue of the Company has exceeded Rs. 200 million during the year, therefore, the company has met the criteria of Large sized Company. Consequently, applicable financial reporting framework has changed from International Financial Reporting Standards for Small and Medium sized Entities' to International Financial Reporting Standards for Large sized Entities as applicable in Pakistan.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below.



**PUNJAB RURAL MUNICIPAL SERVICES COMPANY**  
(A Company setup under section 42 of the Companies Act, 2017)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**4.1 Property, plant and equipment**

**4.1.1 Cost**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Capital work in progress, if any, is stated at cost less accumulated impairment loss. Capital work in progress is transferred to respective item of property, plant and equipment when available for intended use.

Cost in relation to property, plant and equipment comprises acquisition and other directly attributable cost incurred in bringing the asset to its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of income and expenditure during the period in which they are incurred.

**4.1.2 Depreciation**

Depreciation on property, plant and equipment is charged to statement of income and expenditure on a reducing balance method so as to write off cost / depreciable amount of an asset over its estimated useful life at the rates disclosed in the Note 4 to the financial statements. Depreciation on assets is charged from the date on which an asset is acquired till the date at which an asset is disposed off. The residual value and useful lives are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant.

**4.1.3 Derecognition**

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

**4.2 Intangible asset**

Intangibles assets are stated at cost less accumulated amortisation and accumulated impairment loss, if any. Amortisation is charged using the straight line method. Amortisation on additions is charged from the day when an asset is available for use and ceases when asset is disposed off. An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the intangible asset is included in the statement of income and expenditure in the year the intangible asset is derecognised.

Subsequent costs are included in the intangible's carrying amount or recognised as a separate asset, as appropriate, 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 repair and maintenance costs are charged to the statement of income and expenditure during the year in which they are incurred.

**4.3 Right-of-use assets**

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the lease term or the estimated useful life



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**(A Company setup under section 42 of the Companies Act, 2017)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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of the asset, whichever is shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to statement of income and expenditure as incurred.

#### **4.4 Lease liabilities**

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable / received, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties, when there are reasonable grounds to believe that such an option will be exercised. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortized cost using the effective interest method. The carrying amounts are re-measured, if there is a change in the following: future lease payments arising from a change in an index, or a rate used; residual guarantee; lease term; certainty of a purchase option or termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of-use asset, or to statement of income and expenditure, if the carrying amount of the right-of-use asset is fully written down.

##### **4.4.1 Lease Modifications**

A change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lease is accounted for a lease modification as a separate lease if both:

- (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

#### **4.5 Receivables**

Receivables are recognized at amortized cost, less any allowance for expected credit losses.

#### **4.6 Advances, deposits and prepayments**

Advances, deposits and prepayments are stated at cost which represent the consideration given.

#### **4.7 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flow, cash and cash equivalents comprise cash in hand and cash at bank in assignment account.



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**4.8 Accrued and other liabilities**

Accrued and other liabilities are carried at cost which is the fair value of the considerations to be paid in the future for the goods and / or services received, whether or not billed to the company.

**4.9 Contingent assets**

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes virtually certain.

**4.10 Contingent liabilities**

A contingent liability is disclosed when the company has a possible obligation as a result of past events, whose existence 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.

**4.11 Provisions**

Provisions are recognised when there is a present, legal or constructive obligation as a result of past events and 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

**4.12 Financial instruments**

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

**4.12.1 Classification of financial assets**

The Company classifies its financial instruments in the following categories:

- at amortised cost;
- fair value through profit or loss (FVTPL); or
- fair value through other comprehensive income (FVTOCI).

The management of the Company determines the classification of financial assets at initial recognition. The classification of instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

**Financial assets that meet the following conditions are measured at amortised cost:**

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Financial assets that meet the following conditions are measured at FVTOCI:**

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and



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- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets except those mentioned above are subsequently measured at FVTPL.

#### **4.12.2 Classification of financial liabilities**

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss ("FVTPL"); or
- at amortised cost.

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

#### **4.12.3 Measurement**

##### **Financial assets and liabilities at amortized cost**

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less impairment, if any.

##### **Financial assets and liabilities at FVTPL**

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss in the period in which they arise.

##### **Financial assets at FVTOCI**

Elected investments in equity instruments at FVTOCI are initially recognised at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income.

#### **4.12.4 Impairment of financial assets**

The Company recognises loss allowance for Expected Credit Loss (ECL) on financial assets measured at amortised cost at an amount equal to life time ECLs. For trade debts, if any, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected allowance. The Company uses General 3 stage approach for, deposits and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12 month ECL, if credit risk on a financial instruments has not increased significantly since initial recognition.

Life time ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 months' ECL are portion of ECL that result from default events that are possible within 12 months after the reporting date.

ECLs are probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive).

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.



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**4.12.5 Derecognition**

**Financial assets**

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expires or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in the statement of income and expenditure.

**Financial liabilities**

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of income and expenditure.

**4.12.6 Off-setting of financial assets and liabilities**

Financial assets and financial liabilities are off-set and the net amount is reported in the statement of financial position, if the company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

**4.13 Taxation**

**4.13.1 Current taxation**

The charge for current taxation is based on taxable income for the year determined in accordance with prevailing law for taxation at the current rate of taxation after taking into account applicable tax credits, tax losses, and exemptions available, if any, or minimum taxation at the specified applicable rate for the turnover or Alternative Corporate Tax, whichever is higher and tax paid on final tax regime. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

**4.13.2 Deferred taxation**

Deferred income tax is provided using the balance sheet liability method for all temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liability is recognized for all taxable temporary differences and deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses and unused tax credits, if any, to the extent it is probable that future taxable profits will be available against which these can be utilized. Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the periods when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to income 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.

**4.14 Revenue**

**4.14.1 Revenue recognition**

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised goods or services, if any. Revenue is measured at the fair value of the consideration received or receivable, which the Company expects to be entitled in exchange for transferring goods or services, if any.



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**4.14.2 Finance income**

Finance income comprises interest income on bank deposit. Interest income is calculated using the effective interest method and is recognized in statement of income and expenditure as part of other income.

**4.15 Government grants**

Grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions. Fair value signifies the amount received in cash and current market value in case of grant received in kind. Grants related to income are recognized on a systematic basis as income over the periods necessary to match them with related expenses incurred in accordance with terms of the respective project agreements. Grants related to assets are recognized as deferred credit. An amount equivalent to the depreciation for each year on such assets is credited to statement of income and expenditure in the same year in which the depreciation is charged. Amount equal to book value of assets relating to grant is also transferred to statement of income and expenditure in the same year in which asset is disposed of.

**4.16 Borrowings**

Borrowings are recorded at the proceeds received which is their fair value. Subsequently, borrowings are stated at amortized cost using the effective yield method. Financial charges are recognized on accrual basis.

**4.17 Foreign currencies transactions**

All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are included in the statement of income and expenditure.

**4.18 Related party transaction**

The Company has related party relationships with Government of Punjab, entities owned and controlled by Government of Punjab and key management personnel of the Company. Related party transactions, if any, are recorded on arm's length basis unless otherwise stated in relevant notes.



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**5 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment  
Capital work in progress (CWIP)

	2023	2022
	Rupees	Rupees
Note		
	908,589,654	31,402,675
5.1	430,731,739	-
	<u>1,339,321,393</u>	<u>31,402,675</u>

Description	Freehold land	Machinery & Equipment	Computer & IT Equipment	Office Equipment	Vehicles	Leasehold improvements	Furniture & Fixture	Total
<b>For the period ended June 30, 2022</b>								
Opening net book value	-	-	-	-	-	-	-	-
Additions	-	-	13,622,036	3,615,000	9,178,000	-	5,456,300	31,871,336
Depreciation charged for the period	-	-	(335,886)	(32,887)	(55,319)	-	(44,568)	(468,661)
	-	-	13,286,150	3,582,113	9,122,681	-	5,411,732	31,402,675
<b>As at July 01, 2022</b>	-	-	13,622,036	3,615,000	9,178,000	-	5,456,300	31,871,336
Cost	-	-	(335,886)	(32,887)	(55,319)	-	(44,568)	(468,661)
Accumulated depreciation	-	-	13,286,150	3,582,113	9,122,681	-	5,411,732	31,402,675
Net book value	-	-	-	-	-	-	-	-
<b>For the year ended June 30, 2023</b>								
Opening net book value	-	-	13,286,150	3,582,113	9,122,681	-	5,411,732	31,402,675
Additions	47,313,535	-	13,286,150	9,307,911	163,674,118	10,531,104	21,177,864	936,098,819
Depreciation charged for the year	-	-	(24,881,634)	(8,425,810)	(1,161,868)	(718,170)	(2,486,259)	(58,911,840)
Closing net book value	47,313,535	-	575,803,824	88,269,169	11,728,156	9,812,934	24,103,337	908,589,654
<b>As at June 30, 2023</b>	47,313,535	-	600,685,458	97,030,865	12,922,911	10,531,104	26,634,164	967,970,155
Cost	-	-	(24,881,634)	(8,761,696)	(1,194,755)	(718,170)	(2,530,827)	(59,380,501)
Accumulated depreciation	47,313,535	-	575,803,824	88,269,169	11,728,156	9,812,934	24,103,337	908,589,654
Closing net book value	-	-	15%	30%	15%	20%	20%	20%
Depreciation rate (% per annum)	-	-	15%	30%	15%	20%	20%	20%



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	Note	2023 Rupees	2022 Rupees
<b>5.1 CAPITAL WORK IN PROGRESS (CWIP)</b>			
Property, plant and equipment	5.1.1	383,745,487	-
Intangible	5.1.2	46,986,252	-
		<u>430,731,739</u>	<u>-</u>

5.1.1 This represents advance payments made to M/s Meeraj, Rikans and Bilal Engineering Company (BECO) for the procurement of capital goods such as Dewatering Sets, Excavators, and Sewer Suctions.

5.1.2 This represents payments made to M/s LMK Resources Pakistan (private) limited for the development of customized MIS (ERP system) for project monitoring.

**6 RIGHT-OF-USE ASSETS**

This represents right-of-use assets obtained on lease. These are being depreciated on straight line basis over their lease terms. Reconciliation of the carrying amount is as follows:

	Note	2023 Rupees	2022 Rupees
<b>Cost</b>			
Opening balance		-	-
Additions		86,285,474	-
Closing balance		86,285,474	-
<b>Less: Accumulated depreciation</b>			
Opening balance		-	-
Charge for the year	6.1	13,402,314	-
Closing balance		13,402,314	-
<b>Net book value</b>		<u>72,883,160</u>	<u>-</u>

6.1 The depreciation charge for the year has been allocated as follows:

General and administrative expenses		13,402,314	-
		<u>13,402,314</u>	<u>-</u>

**7 INTANGIBLE ASSETS**

Opening balance		-	-
Addition during the year / period		10,593,450	-
Amortisation for the year / period		(635,607)	-
Net book value		<u>9,957,843</u>	<u>-</u>
Amortisation rate per annum		<u>30%</u>	<u>-</u>

**8 CASH AND BANK BALANCES**

Cash in hand		-	-
Cash with banks:		-	-
Local currency		-	-
In current accounts	8.1	1,668,856,454	404,062,752
		<u>1,668,856,454</u>	<u>404,062,752</u>

8.1 The company has an asaan assignment and assignment accounts which is non interest bearing bank account opened in National Bank of Pakistan for transfer of funds by the Government of Punjab for approved schemes under the Annual Development Plan. The funds are made available for drawing, in the account after specific approvals of Admin Department, Finance Department, Accountant General and Director General Audit on periodic basis. The funds transferred in the account do not become the ownership of the Company unless the amounts are utilized by the Company against valid payees. Further, at the end of the fiscal year, the un-utilized funds lapse automatically.



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**9 ADVANCES, DEPOSITS AND PREPAYMENTS**

Considered good

Advances to:

- Suppliers	9.1	218,870,795	44,269,200
- Employees		599,667	-
- Security deposits	9.2	11,970,920	3,015,000
- Prepaid Rent		1,581,096	-
- Prepaid Insurance		19,512,724	276,453
		<u>252,535,202</u>	<u>47,560,653</u>

9.1 This represent payments made to multiple suppliers for acquisition of machinery and equipment's for the project.

9.2 This represents security deposit paid against premises leased for head office, tehsil offices and PSO fleet cards.

**10 TRADE AND OTHER PAYABLES**

Creditors			
Accrued liabilities		1,495,863	-
Retention money payable		3,152,793	272,465
Income tax payable		9,286,492	-
Sales tax payable		2,938,726	-
Staff expenses payable		2,785,889	-
Audit fee payable		21,395	-
		540,000	190,000
		<u>20,221,158</u>	<u>462,465</u>

**11 LEASE LIABILITIES**

Long term portion of lease liabilities	11.1	63,263,857	-
Current portion of lease liabilities		17,594,680	-
		<u>80,858,537</u>	<u>-</u>

11.1 The Company has obtained administrative office and tehsil offices on lease. Reconciliation of the carrying amount is as follows:

	2023 Rupees	2022 Rupees
Opening balance	-	-
Additions during the year	86,285,474	-
Finance cost on lease liabilities	7,876,563	-
Lease rentals paid during the year	(13,303,500)	-
	80,858,537	-
Current portion shown under current liabilities	(17,594,680)	-
Long term portion of lease liabilities	63,263,857	-

**11.2 Maturity Analysis - Minimum undiscounted lease payments:**

Not later than 1 year	28,701,000	-
Later than 1 year but not later than 5 years	77,664,767	-
	<u>106,365,767</u>	<u>-</u>

**12 RESTRICTED FUND**

Voluntary land donations (VLDs)			
State land	12.1	36,122,935	-
		11,190,600	-
		<u>47,313,535</u>	<u>-</u>

12.1 During the year ended June 30, 2023, the company has obtained the land through voluntary land donations (VLD) and State land as donation in kind from various government departments. This land will be use for the installation and implementation of clean water and sanitation system.



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**13 DEFERRED GRANTS**  
Government grant

	GRANTS UTILIZED FOR		
	PROJECT EXPENSES	PURCHASE OF ASSETS	TOTAL
	----- Rupees -----		
Balance at the beginning of the period	-	-	-
Add: Grants received during the period	457,518,850	31,871,336	489,390,186
Amortised to statement of income and expenditure	(6,357,910)	(468,661)	(6,826,571)
<b>Balance as at June 30, 2022</b>	<b>451,160,940</b>	<b>31,402,675</b>	<b>482,563,615</b>
Add: Grants received during the year	2,284,192,110	946,692,269	3,230,884,379
Amortised to statement of income and expenditure	(452,478,923)	(58,911,841)	(511,390,764)
Funds lapsed as at June 30, 2023	(6,801,269)	-	(6,801,269)
<b>Balance as at June 30, 2023</b>	<b>2,276,072,858</b>	<b>919,183,103</b>	<b>3,195,255,961</b>

13.1 The Project is sponsored by World Bank and Government of Punjab in ratio of 80:20, however the funds are provided to the company as grant through Annual Development Plan Scheme of Government of Punjab.

**14 CONTINGENCIES AND COMMITMENTS**

There are no known contingency as at the reporting date (2022: Nil).

**14.1 Commitments**

**Commitments in respect of consultancy expenditures**

The Company has signed agreements for the project and the approximate outstanding balance of these commitments as on reporting date are as follows:

	2023	2022
	Rupees	Rupees
Engineering, design and construction supervision	378,011,058	-
Water quality testing and tariff study	692,975,584	-
Legal and MIS system architect	1,757,602	-
	<b>1,072,744,244</b>	<b>-</b>

**15 PROJECT COST**

**15.1 Water supply and sanitation infrastructure development**

Sanitation infrastructure development  
Water supply infrastructure development

Note	2023	2022
	Rupees	Rupees
	162,793,459	-
	21,862,690	-
	<b>184,656,149</b>	<b>-</b>

**15.2 Service delivery improvement**

Establishing institutions and building capacity for service delivery  
Solid waste and animal waste management

	480,000	-
15.2.1	28,096,866	-
	<b>28,576,866</b>	<b>-</b>

15.2.1 It includes depreciation amounting to Rs. 24,881,634 on Plant & Machinery used for solid waste management.

**15.3 Project management & monitoring**

Project monitoring through customized MIS

	6,353,789	-
	<b>219,586,804</b>	<b>-</b>

**16 ADMINISTRATIVE AND GENERAL EXPENSES**

Salaries and benefits

Depreciation

Fuel charges

Depreciation of right-of-use assets

Printing and stationary

Meeting fee

Rent, rates & taxes

	177,439,979	2,704,087
5.1	34,030,207	468,661
	13,881,158	-
	13,402,314	-
	12,803,071	67,138
	6,936,000	1,230,000
	5,889,373	742,000



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	2023	2022
	Rupees	Rupees
Insurance	3,331,364	12,674
Utilities	3,137,353	25,242
Travelling and conveyance	3,068,055	748,628
Advertisement	2,446,744	-
Entertainment expense	1,350,595	57,444
Others	2,792,398	138,535
Repair and maintenance	1,044,472	311,373
Telephone and mobile	642,590	105,080
Amortization	635,607	-
Fee & subscription	572,494	-
Auditor's remuneration	350,000	190,000
Postage and communication	172,533	21,459
News paper, books and periodicals	1,090	4,250
	<u>283,927,397</u>	<u>6,826,571</u>
<b>16.1 Auditors' remuneration</b>		
Audit fee	<u>350,000</u>	<u>190,000</u>
	<u>350,000</u>	<u>190,000</u>
<b>17 FINANCE COST</b>		
Finance cost on lease liabilities	<u>7,876,563</u>	<u>-</u>
	<u>7,876,563</u>	<u>-</u>
<b>18 TAXATION</b>		

PRMSC is Section 42 established public sector company. During financial period 2022-23, company only received funds as Grant from Government of the Punjab to meet up expenditure of Project activities. Company did not open any commercial bank account yet.

**19 FINANCIAL RISK MANAGEMENT**

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 programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors (the Board). The Company's finance department evaluates and hedges financial risks. 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, liquidity risk and investment of excess liquidity.

**19.1 Market risk**

**19.1.1 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 transactions in foreign currencies.

The Company is not exposed to currency risk as no foreign currency receivables and payables exist at the reporting date.

**19.1.2 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 commodity price risk.

**19.1.3 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's interest rate risk arises from lease liabilities. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:



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	Note	June 30, 2023 Rupees	June 30, 2022 Rupees
Fixed rate instruments			
<b>Financial liabilities</b>			
Lease liabilities		80,858,537	-
<b>Net exposure</b>		<b>80,858,537</b>	<b>-</b>

**19.1.4 Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk mainly rises from future commercial transactions or receivables or payables that exist due to transactions in foreign currencies. At the reporting date, the Company is not exposed to any foreign currency risk.

**19.1.5 Equity price risk**

Equity 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 currency risk or interest rate 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. As at reporting date, the Company is not materially exposed to equity price risk as it has no investment in equity securities.

**19.2 Credit risk and concentration of credit risk**

Credit risk represent the risk of financial loss being caused if counter party fails 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 is as follows:

	Note	June 30, 2023 Rupees	June 30, 2022 Rupees
Security deposits			
Bank Balance		11,970,920	3,015,000
		<b>1,668,856,454</b>	<b>404,062,752</b>

**Credit quality of financial assets**

Deposits are secured against contractual terms. The management is of the view that it is not exposed to significant concentration of credit risk. The credit risk on liquid funds is limited because the counter party is a bank with reasonably high credit ratings. The credit quality of cash at bank (in current account) as per credit rating agency is as follows:

Banks	Rating			2023	2022
	Long Term	Short	Agency	Rupees	Rupees
National Bank of Pakistan	AAA	A1+	PACRA	1,668,856,454	404,062,752

**19.3 Liquidity Risk**

Liquidity risk is the risk that one enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

	Carrying Amount	Contractual cash flows	Rupees		
			1 to 3 months	3 to 12 months	1 to 5 years
<b>June 30, 2023</b>					
Lease liabilities	80,858,537	(106,365,767)	(6,768,750)	(21,932,250)	(77,664,767)
Trade and other payables	14,496,543	(14,496,543)	(14,496,543)	-	-
	<b>95,355,080</b>	<b>(120,862,310)</b>	<b>(21,265,293)</b>	<b>(21,932,250)</b>	<b>(77,664,767)</b>
<b>June 30, 2022</b>					
Lease liabilities	-	-	-	-	-
Trade and other payables	462,465	(462,465)	(462,465)	-	-
	<b>462,465</b>	<b>(462,465)</b>	<b>(462,465)</b>	<b>-</b>	<b>-</b>



**PUNJAB RURAL MUNICIPAL SERVICES COMPANY**  
(A Company setup under section 42 of the Companies Act, 2017)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

20 FINANCIAL INSTRUMENTS	2023	2022
	Rupees	Rupees
<b>Financial assets</b>		
<b>At amortised cost</b>		
Cash and bank balances	1,668,856,454	404,062,752
	<u>1,668,856,454</u>	<u>404,062,752</u>
<b>Financial liabilities</b>		
<b>At amortised cost</b>		
Lease liabilities	80,858,537	-
Trade and other payables	20,221,158	462,465
	<u>20,221,158</u>	<u>462,465</u>

**21 REMUNERATION OF DIRECTOR, CHIEF EXECUTIVE AND EXECUTIVES**  
Remuneration and benefits paid to the executives of the Company are as follows:

	Chief Executive Officer		Directors		Executives	
	2023	2022	2023	2022	2023	2022
	----- Rupees -----					
Remuneration	896,417	126,800	-	-	75,250,000	-
Leave encashment	160,895	-	-	-	-	-
Meeting fee	-	-	6,936,000	-	-	-
Allowances	2,435,057	430,620	-	-	-	-
<b>Total</b>	<b>3,492,369</b>	<b>557,420</b>	<b>6,936,000</b>	<b>-</b>	<b>75,250,000</b>	<b>-</b>
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>18</b>	<b>20</b>	<b>38</b>	<b>-</b>

21.1 The Chief executive officer and certain executives of the company are provided with company maintained car.

**22 NUMBER OF EMPLOYEES**

	2023	2022
Total number of employees at year end	215	30
Average number of employees at year end	109	30

**23 TRANSACTIONS WITH RELATED PARTIES**

The related parties of the Company comprise of Government of Punjab (GoPb), entities owned and controlled by GoPb and key management personnel. Following are the related parties with whom the Company entered into transactions during the year:

Name

Government of Punjab (GoPb)

Nature of Relationship

GoP owned / controlled entity

**Related parties by virtue of GoPb**

The Government of Punjab (GoPb) is entitled to nominate Members of the Board of Directors. Further, GoPb is in a position to exercise control over managerial affairs of the Company. The management of the Company considers GoPb and its associated bodies as related parties for disclosure purposes.

The Company availed exemption available under the applicable financial reporting framework and therefore did not provide detailed disclosures of its transactions with GoPs and related entities in these financial statements except for transactions which the Company deemed significant:

<u>Related Party</u>	<u>Description</u>	2023	2022
		Rupees	Rupees
Government of Punjab	Grant received	3,230,884,379	489,390,186

The transactions described below are collectively, but not individually, significant to these financial statements and therefore disclosed below:



**PUNJAB RURAL MUNICIPAL SERVICES COMPANY**  
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- a) The Company is working under administrative control of Local Government & Community Development Department.  
b) The Company has banking relationships with National bank of Pakistan owned and controlled by GoP.  
c) The Company collects Punjab sales tax on behalf of GoPb, in the capacity of Withholding Agent, and pays to Punjab Revenue Authority (PRA).

**24 GENERAL**

Figures have been rounded off to nearest of Rupee.

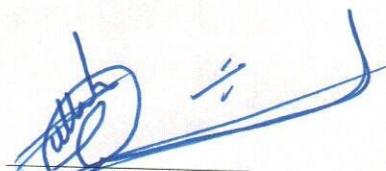
**25 CORRESPONDING FIGURES**

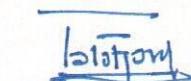
Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, there have been no rearrangements / reclassifications have been apart form the mentioned below:

<u>Description</u>	<u>Reclassified From</u>	<u>Reclassified to</u>	<u>Note</u>	<u>2022</u>
Receivables	Receivables	Cash and bank balances	8	404,062,752

**26 DATE OF AUTHORISATION**

These financial statements were approved by the Company's Board of Directors and authorized for issue on April 02, 2024.

  
Asadullah  
Chief Executive Officer

  
Talat Javed  
Director

  
Zubaid ul Hassan  
Chief Financial Officer

