

**Punjab Rural Municipal Services Company
Independent Auditors' Report and
Audited Financial Statements
For the Year Ended June 30, 2024**

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Audited Financial Statements
For the Year Ended June 30, 2024**

**INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF PUNJAB
RURAL MUNICIPAL SERVICES COMPANY
REPORT ON THE AUDIT OF FINANCIAL STATEMENTS**

Opinion

We have audited the accompanying financial statements of Punjab Rural Municipal Services Company (the Company), which comprise the statement of financial position as at June 30, 2024 and the statement of income and expenditure and other comprehensive income and the statement of cash flows for the year then ended, and notes comprising material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of income and expenditure and other comprehensive income 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, 2024 and of the surplus, total comprehensive income and its cash flows for the year then ended.

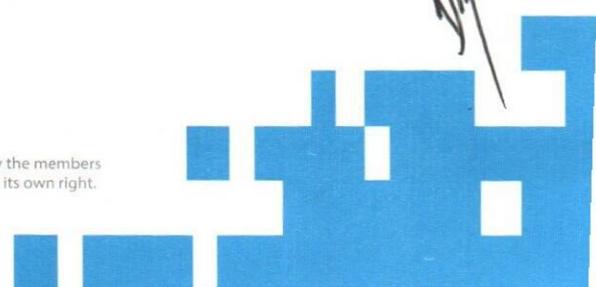
Basis of Opinion

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 directors' report, but does not include the financial statements of the Company and our auditors' 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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and the State-Owned Enterprises (Governance and Operations) Act, 2023 (SOE Act 2023) and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

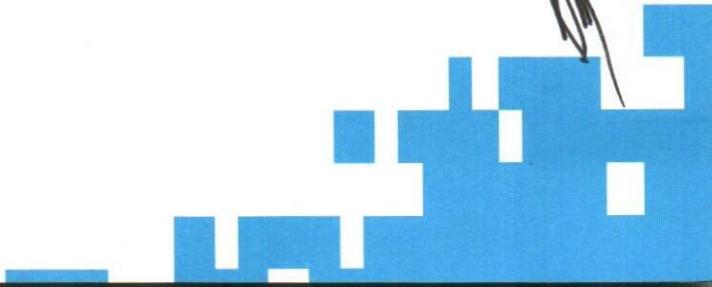
In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operation, 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, misrepresentation, 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.
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- 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

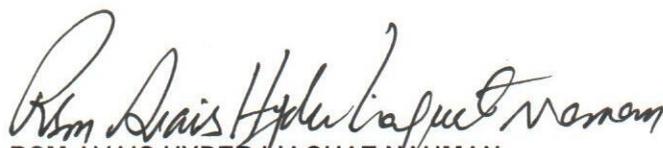
Based on our audit, we further report that in our opinion:

- 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 and other comprehensive income 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 the SOE Act, 2023, 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).

Other Matter

The financial statements of the Company for the year ended June 30, 2023 were audited by another firm of chartered accountants who expressed an un-modified opinion in their report dated April 22, 2024.

The engagement partner on the audit resulting in this independent auditor's report is Inam ul Haque.

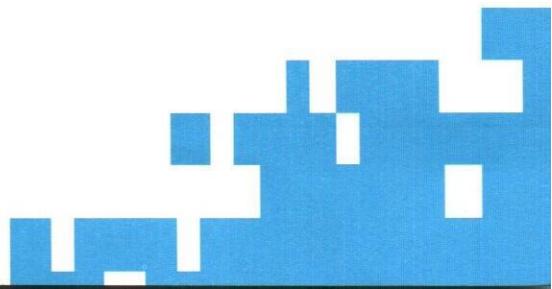


RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Date: 14 FEB 2025

Place: Lahore

UDIN: AR202410226UG6Nk8DIr



PUNJAB RURAL MUNICIPAL SERVICES COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024

		Restated*	Restated*	
	2024	2023	2022	
Note	Rupees	Rupees	Rupees	
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment	5	1,158,487,046	1,292,335,141	31,402,675
Right-of-use assets	6	55,749,501	72,883,160	-
Intangible assets	7	109,087,278	56,944,095	-
Long term security deposits	8	15,240,920	11,370,920	3,015,000
		1,338,564,745	1,433,533,316	34,417,675
CURRENT ASSETS				
Advances, deposits, prepayments and other receivables	9	1,797,046,326	241,259,421	44,545,653
Bank balances	10	10,457,657,635	1,668,856,454	404,062,752
		12,254,703,961	1,910,115,875	448,608,405
		13,593,268,706	3,343,649,191	483,026,080
LIABILITIES				
NON-CURRENT LIABILITIES				
Deferred grants	13	12,830,100,448	3,242,569,496	482,563,615
Lease liabilities	12	43,383,932	62,793,763	-
		12,873,484,380	3,305,363,259	482,563,615
CURRENT LIABILITIES				
Trade and other payables	11	695,094,695	20,221,158	462,465
Current portion of lease liabilities	12	24,689,631	18,064,774	-
		719,784,326	38,285,932	462,465
Commitments	14			
		13,593,268,706	3,343,649,191	483,026,080

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

*(Refer note 4 for restatement)

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

**PUNJAB RURAL MUNICIPAL SERVICES COMPANY
STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2024**

	Note	2024 Rupees	2023 Rupees
INCOME			
Grants amortized during the year	13	7,891,850,016	511,390,764
Other income		997,683	-
		<u>7,892,847,699</u>	<u>511,390,764</u>
EXPENDITURE			
Project cost	15	(7,521,580,300)	(297,407,955)
Administrative and general expenses	16	(361,147,079)	(206,106,246)
Markup on lease liabilities		(10,120,320)	(7,876,563)
		<u>(7,892,847,699)</u>	<u>(511,390,764)</u>
Surplus for the year before taxation		-	-
Provision for taxation	17	-	-
Surplus for the year		<u>-</u>	<u>-</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>-</u>	<u>-</u>

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER

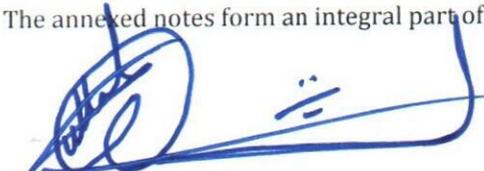


DIRECTOR

PUNJAB RURAL MUNICIPAL SERVICES COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
A) CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year before taxation		-	-
Adjustments for:			
Depreciation on property, plant and equipment	5.1	180,886,817	58,911,840
Depreciation of right-of-use assets	6	24,049,999	13,402,314
Amortization on intangible asset	7	2,987,353	635,607
Markup on lease liabilities		10,120,320	7,876,563
Amortization of deferred grants	13	(7,891,850,016)	(511,390,764)
Operating cash flows before working capital changes		<u>(7,673,805,527)</u>	<u>(430,564,440)</u>
Working capital changes			
Decrease/(Increase) in current assets			
Advances, deposits, prepayments and other receivables		(1,551,593,299)	(196,618,629)
Increase in current liabilities			
Trade and other payables		674,873,537	19,758,693
		<u>(876,719,762)</u>	<u>(176,859,936)</u>
Cash flow from operations		<u>(8,550,525,289)</u>	<u>(607,424,376)</u>
Income taxes paid		(4,193,606)	(95,139)
Long term security deposits		(3,870,000)	(8,355,920)
Net Cash flow from operating activities		<u>(8,558,588,895)</u>	<u>(615,875,435)</u>
B) CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(430,784,209)	(899,378,734)
Capital work in progress transferred to operating assets		383,745,487	-
Payment for capital work in progress of ERP system		(55,130,536)	(430,731,739)
Net Cash flow from investing activities		<u>(102,169,258)</u>	<u>(1,330,110,473)</u>
C) CASH FLOWS FROM FINANCING ACTIVITIES			
Grants received - net		17,479,380,968	3,224,083,110
Payments against lease liabilities		(29,821,634)	(13,303,500)
Net cash flow from financing activities		<u>17,449,559,334</u>	<u>3,210,779,610</u>
Net increase in cash and cash equivalents (A+B+C)		8,788,801,181	1,264,793,702
Cash and cash equivalents at the beginning of the year		1,668,856,454	404,062,752
Cash and cash equivalents at the end of the year		<u>10,457,657,635</u>	<u>1,668,856,454</u>

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



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

PUNJAB RURAL MUNICIPAL SERVICES COMPANY
NOTES COMPRISING MATERIAL ACCOUNTING POLICY INFORMATION AND
OTHER EXPLANATORY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024

1 COMPANY AND ITS OPERATIONS

1.1 Punjab Rural Municipal Services Company (the 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 and head office of the Company is situated at 5th Floor, KD Plaza, MM Alam Road, Lahore in the province of Punjab. The objective of the Company is to implement the project(s) 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 in the province of Punjab.

1.2 Geographical locations and addresses of tehsil offices of the Company are as follows:

Sr. No.	Head office, Tehsil offices	Addresses
1	Bhowana	- House No. 1228-1, Block 1, Chah Bairwala, Obhan Road, Bhowana.
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	Bahawalnager	- House No. 2-G, Hassan Garden, Faisal Colony, Bahawalnagar.
6	Khairpur Tamewali	- Rehmani House, Chungi No. 4 wali gali, Khairpur Tamewali
7	Liaquatpur	- House No. 69, Opposite Municipal Stadium, Near Faizan-e-Madina, Liaquatpur.
8	Rojhan	- Old Range Hotel Building, Zia Shaheed Road, Rajanpur.
9	Kallar Kahar	- Plot No. BI-220/RH, Next to Union Council, Talagang Road, Kallar
10	Taunsa	- Faizabad Bas, Buzadar Road near mangrotha chungi, Taunsa
11	Kot Momin	- Mohallah Baldia Town, Near Reader College, Kot Momin.
12	Isa Khel	- Muhammad Aslam Khan House, Railway Road, Isa Khel
13	Noorpur Thal	- Office 70/A, Mohallah Gulam Ali Khail, Jharkil Road, Noorpur Thal.
14	Shujabad	- Al-Fateh Colony Mouza Gaju Hatta, Near Dar-e-Arqam School, Lal Bagh Tehsil Shujabad, District Multan.
15	Kahror Pakka	- House # 104/4 Near Ztbl Lodhran Road, Kahror Pakka.
16	Alipur	- House No. 1, Multan Road, Opposite Sangat Hotel, Alipur.

1.3 The Company is implementing World Bank sponsored project titled Punjab Rural Sustainable Water Supply and Sanitation Project (PRSWSSP) as an executing agency. The project completion time is five years and after its completion the whole project will be operated / managed by the Company. The management has strategic intentions to diversify its revenue streams through the provision of its services.

PUNJAB RURAL MUNICIPAL SERVICES COMPANY
NOTES COMPRISING MATERIAL ACCOUNTING POLICY INFORMATION AND
OTHER EXPLANATORY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024

The Government of Punjab through LG&CD Department is sponsoring project activities. Total cost of the project is US \$553 million out of which 80% will be financed by the Government through World Bank (by signing IDA credit and IBRD Loan agreements) and remaining 20% will be financed by the Government itself. The project scope consists of the following four components:

- Sanitation and water supply infrastructure development
- Behavioural change and capacity development
- Service delivery improvement
- Project management and monitoring.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standards for Not for Profit Organizations (NPOs) issued by ICAP as notified under the Companies Act, 2017; 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 and accounting standards for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The Company has opted to present a single statement of income and expenditure and other comprehensive income (I&E and OCI). This approach reflects the combined presentation of income and expenditure and other comprehensive income items, providing a comprehensive view of the entity's total performance during the reporting period.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except lease liability and post employment benefits obligation which are stated at present value.

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 Use of judgments and key estimates

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. 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 3.1 & 5 |
| - Amortisation, useful life and residual value of intangible assets | Note 3.2 & 7 |
| - Right-of-use assets | Note 3.3 |
| - Lease liabilities | Note 3.4 |
| - Receivables | Note 3.5 |
| - Contingent liabilities | Note 3.9 |
| - Provisions | Note 3.10 |
| - Financial instruments | Note 3.11 |
| - Impairment of financial assets | Note 3.11.4 |
| - Taxation | Note 3.12 |
| - Revenue | Note 3.13 |

PUNJAB RURAL MUNICIPAL SERVICES COMPANY
NOTES COMPRISING MATERIAL ACCOUNTING POLICY INFORMATION AND
OTHER EXPLANATORY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024

2.5 Standards, Amendments to standards and interpretations

2.5.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2023 and therefore, have been applied in preparing these financial statements.

IAS 1 – Presentation of Financial Statements

The IASB has issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements in the following ways:

- an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Application of these amendments do not have any significant impact on the Company's financial statements.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The IASB has published 'Definition of Accounting Estimates' to help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The IASB clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after 1 January 2023. Application of these amendments do not have any significant impact on the Company's financial statements.

PUNJAB RURAL MUNICIPAL SERVICES COMPANY
NOTES COMPRISING MATERIAL ACCOUNTING POLICY INFORMATION AND
OTHER EXPLANATORY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024

IAS 12 – Income Taxes

- The IASB has published 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)' that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. Accordingly, the initial recognition exemption, provided in IAS 12.15(b) and IAS 12.24, does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

- The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

- The IASB has issued amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes. The amendments introduce an exception to the requirements in the standard that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes.

An entity applies the exception and the requirement to disclose that it has applied the exception immediately upon issuance of the amendments; the remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023.

Application of these amendments do not have any significant impact on the Company's financial statements.

2.5.2 Standards, amendments to standards and interpretations becoming effective in the current year but not relevant

There are certain new standards, amendments to standards and interpretations that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2023 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

2.5.3 Standards, amendments to standards and interpretations becoming effective in future periods

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after the effective dates specified therein.

IAS 1 – Presentation of Financial Statements

The IASB has issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;

- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

PUNJAB RURAL MUNICIPAL SERVICES COMPANY
NOTES COMPRISING MATERIAL ACCOUNTING POLICY INFORMATION AND
OTHER EXPLANATORY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024

The IASB has further modified the requirements introduced by 'Classification of Liabilities as Current or Non-current' on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The IASB has further modified the requirements introduced by 'Classification of Liabilities as Current or Non-current' on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

IAS 7 – Statement of Cash Flows and IFRS 7 – Financial Instruments: Disclosures

The IASB has published 'Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)' to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments in Supplier Finance Arrangements:

- Do not define supplier finance arrangements. Instead, the amendments describe the characteristics of an arrangement for which an entity is required to provide the information. The amendments note that arrangements that are solely credit enhancements for the entity or instruments used by the entity to settle directly with a supplier the amounts owed are not supplier finance arrangements.
- Add two disclosure objectives. Entities will have to disclose in the notes information that enables users of financial statements:
 - to assess how supplier finance arrangements affect an entity's liabilities and cash flows and
 - to understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.
- Complement current requirements in IFRSs by adding to IAS 7 additional disclosure requirements about:
 - the terms and conditions of the supplier finance arrangements;
 - for the arrangements, as at the beginning and end of the reporting period:
 - a) the carrying amounts of financial liabilities that are part of the arrangement and the associated line item presented;
 - b) the carrying amount of financial liabilities disclosed under a) for which suppliers have already received payment from the finance providers;
 - c) the range of payment due dates (for example, 30 to 40 days after the invoice date) of financial liabilities disclosed under a) and comparable trade payables that are not part of a supplier finance arrangement; and
 - the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of the arrangement

The IASB decided that, in most cases, aggregated information about an entity's supplier finance arrangements will satisfy the information needs of users of financial statements.

PUNJAB RURAL MUNICIPAL SERVICES COMPANY
NOTES COMPRISING MATERIAL ACCOUNTING POLICY INFORMATION AND
OTHER EXPLANATORY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024

- Add supplier finance arrangements as an example within the liquidity risk disclosure requirements in IFRS 7.

An entity applies these amendments for annual reporting periods beginning on or after 1 January 2024. Application of these amendments is not expected to have any significant impact on the Company's financial statements.

IFRS 16 Leases

The IASB has issued amendments for 'Lease Liability in Sale and Leaseback' that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for sale.

Lease Liability in a Sale and Leaseback Amendments' requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments also include one amended and one new illustrative example.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Application of these amendments is not expected to have any significant impact on the Company's financial statements.

2.5.4 Standards, amendments to standards and interpretations becoming effective in future periods but not relevant

There are certain new standards, amendments to standards and interpretations that are effective from different future periods as specified therein, but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

2.5.5 Standards issued by IASB but not applicable in Pakistan

Following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

IFRS 1 - First-time adoption of International Financial Reporting Standards

IFRS 18 - Presentation and Disclosures in Financial Statements

IFRS 19 - Subsidiaries without Public Accountability: Disclosures

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S2 Climate-related Disclosures

3 Material Accounting Policy Information

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless stated otherwise.

3.1 Property, plant and equipment

3.1.1 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.

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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.

3.1.2 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.

3.1.3 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.

3.1.4 Impairment of non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized, as an expense in the income and expenditure account. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flows have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized previously. Reversal of an impairment loss is recognized immediately in the income and expenditure account.

3.2 Intangible assets

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.

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3.3 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 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.

3.4 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.

3.4.1 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.

3.5 Advances, deposits, prepayments and other receivables

Advances and other receivables are recognised at nominal amount which is fair value of the consideration to be received in future less an estimate made for doubtful balances based on review of outstanding amounts at the reporting date. Balances considered bad are written off when identified.

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3.6 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.

3.7 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

3.8 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.

3.9 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.

3.10 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.

3.11 Financial instruments

3.11.1 Measurement of financial asset

Initial measurement

The Company classifies its financial assets into following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus transaction costs that are directly attributable to its acquisition, except FVTPL which is measured at fair value.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as follows:

Debt Investments at FVOCI

These assets are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the income and expenditure account. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the income and expenditure account.

Equity Investments at FVOCI

These assets are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income and are never reclassified to the income and expenditure account. Dividends are recognized as income in the income and expenditure account unless the dividend clearly represents a recovery of part of the cost of the investment.

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Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest markup or dividend income, are recognized in the income and expenditure account.

Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the income and expenditure account.

Non-derivative financial assets

All non-derivative financial assets are initially recognized on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalents.

Derecognition

The Company derecognizes the financial assets when the contractual rights to the cash flows from the assets expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred assets.

3.11.2 Financial liabilities

Initial recognition

Financial liabilities are classified in the following categories:

- fair value through profit or loss; and
- other financial liabilities.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in case of other financial liabilities also include directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as follows:

Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost using the effective interest rate method. Gain and losses are recognized in statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

Derecognition

The Company derecognizes financial liabilities when and only when the Company's obligations are discharged, cancelled or expire.

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3.11.3 Off-setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has currently legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Company or the counter parties.

3.12 Taxation

3.12.1 Current taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions, if any. Minimum taxes in excess of the amount designated as income tax is recognized as levy falling under the scope of IAS 37.

3.12.2 Deferred taxation

Deferred tax is recognized using the liability method, on all temporary differences arising at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forwarded unused tax losses and tax credits, if any, to the extent that it is probable that the future taxable profits will be available against which the asset may be utilized.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be realized. Unrecognized deferred tax asset are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow deferred tax asset to be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is expected to be utilized or the liability is expected to be settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax is charged or credited to income and expenditure, except in case of items credited or charged to equity in which case it is included in equity.

3.12.3 Change in accounting policy of taxation

During the year the Institute of Chartered Accountants of Pakistan (ICAP) has withdrawn the Technical Release 27 regarding treatment of final taxes and issued guidance - "IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes". The said guidance requires certain amounts of minimum tax and final tax to be classified separately as a levy instead of current tax expense.

Accordingly, the impact has been incorporated in these financial statements retrospectively in accordance with the requirements of International Accounting Standard (IAS 8) — 'Accounting Policies, Change in Accounting Estimates and Errors'. As a result of this change, minimum and final taxes previously accounted for as income tax have been classified as levies wherever applicable. There has been no effect on the statement of financial position, the statement of changes in equity, the statement of cash flows, earning per share and deferred taxation, as a result of this change.

3.13 Revenue

3.13.1 Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For this purpose, the Company:

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- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration, if any, and the time value of money;
- allocates the transaction price to the separate performance obligations, if applicable, on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer of control of the goods or services promised to the customer.

Determining the timing of the transfer of control – at a point in time or over time – requires judgment. Revenue is recognized by the Company on the following basis:

- Revenue from sale of goods is recognized at the point in time when control of goods is transferred to customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The control is transferred to the customer, generally, on delivery of goods which coincides with issuance of invoice to the customer.

3.13.2 Interest income

Finance income comprises profit on saving account which is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective profit rate applicable.

3.14 Grants from government and other parties

Grants from the government and other parties are recognised 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.

Government grants relating to costs are deferred and recognised in the statement of income and expenditure over the period necessary to match them with the costs that they are intended to compensate. The Company meets its expenses with other income, if any, to the extent possible while the balance expenses are covered by the amortization of grant.

Government grants relating to the property, plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of income and expenditure over the useful lives of the related assets based on the pattern of flow of economic benefits to the Company.

3.15 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.

3.16 Foreign currency 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.

3.17 Related party transactions

Transactions with related parties are carried at arm's length on price determined using the comparable uncontrolled price method except for those transactions which, in exceptional circumstances, are specifically approved by the Board.

4 Correction of error

The Company has received land as grant from government and through donations which was recorded as restricted fund instead of grants. The error has been corrected retrospectively and comparative information has been restated in accordance with the requirements of IAS 8 'Accounting Policies, Change in Accounting Estimates and Errors. The correction of error has resulted in decrease of restricted fund and increase in deferred grants by Rs. 47.31 million in 2023 (2022: Nil).

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5	PROPERTY, PLANT AND EQUIPMENT	Note	2024		2023	
			Rupees	Rupees	Rupees	Rupees
	Property, plant and equipment	5.1	1,158,487,046	908,589,654		
	Capital work in progress	5.4	-	315,238,484		
	Advance against capital work in progress		-	68,507,003		
			1,158,487,046	1,292,335,141		

5.1	DESCRIPTION	Freehold land	Leasehold improvements	Machinery & equipment	Computer & IT equipment	Office equipment	Furniture & fixtures	Vehicles	Total

As at July 01, 2022									
	Cost	-	-	-	13,622,036	3,615,000	5,456,300	9,178,000	31,871,335
	Accumulated depreciation	-	-	-	(335,886)	(32,887)	(44,568)	(55,319)	(468,660)
	Net book value	-	-	-	13,286,150	3,582,113	5,411,732	9,122,681	31,402,675

Year end June 30, 2023									
	Opening net book value	-	-	-	13,286,150	3,582,113	5,411,732	9,122,681	31,402,675
	Additions	47,313,535	10,531,104	600,685,458	83,408,829	9,307,911	21,177,864	163,674,118	936,098,819
	Depreciation for the year	-	(718,170)	(24,881,634)	(8,425,810)	(1,161,868)	(2,486,259)	(21,238,099)	(58,911,840)
		47,313,535	9,812,934	575,803,824	88,269,169	11,728,156	24,103,337	151,558,700	908,589,654

As at 30 June, 2023									
	Cost	47,313,535	10,531,104	600,685,458	97,030,865	12,922,911	26,634,164	172,852,118	967,970,154
	Accumulated depreciation	-	(718,170)	(24,881,634)	(8,761,696)	(1,194,755)	(2,530,827)	(21,293,418)	(59,380,500)
	Net book value	47,313,535	9,812,934	575,803,824	88,269,169	11,728,156	24,103,337	151,558,700	908,589,654

Year end June 30, 2024									
	Opening net book value	47,313,535	9,812,934	575,803,824	88,269,169	11,728,156	24,103,337	151,558,700	908,589,655
	Additions	105,481,624	-	-	3,920,782	168,750	5,974,568	-	115,545,724
	Transferred from capital work in progress	-	-	315,238,484	-	-	-	-	315,238,484
	Depreciation for the year	-	(1,962,587)	(114,551,448)	(26,563,363)	(1,780,097)	(5,717,583)	(30,311,739)	(180,886,817)
	Closing net book value	152,795,159	7,850,347	776,490,860	65,626,588	10,116,809	24,360,322	121,246,961	1,158,487,046

As at 30 June, 2024									
	Cost	152,795,159	10,531,104	915,923,942	100,951,647	13,091,661	32,608,732	172,852,118	1,398,754,363
	Accumulated depreciation	-	(2,680,757)	(139,433,082)	(35,325,059)	(2,974,852)	(8,248,410)	(51,605,157)	(240,267,317)
	Net book value	152,795,159	7,850,347	776,490,860	65,626,588	10,116,809	24,360,322	121,246,961	1,158,487,046
	Depreciation rate	-	20%	15%	30%	15%	20%	20%	

5.2	Depreciation for the year has been allocated as under:	Note	2024		2023	
			Rupees	Rupees	Rupees	Rupees
	Project cost	15	114,551,448	24,881,634		
	Administrative and general expenses	16	66,335,369	34,498,866		
			180,886,817	59,380,500		

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5.3 At reporting date the formalities for the transfer of ownership of 105 vehicles having net book value of Rs. 168.85 million (2023: Rs. 445.24million) were in process.

5.4 Capital work in progress	2024	2023
	Rupees	Rupees
Machinery and equipment		
Opening balance	315,238,484	-
Incurred during the year	-	315,238,484
Transferred to machinery	(315,238,484)	-
Closing balance	-	315,238,484

5.4.1 The asset become available for intended use as some remaining works related to installation completed during the current period.

6 RIGHT-OF-USE ASSETS	Note	2024	2023
		Rupees	Rupees
Buildings			
Cost		93,201,814	86,285,474
Accumulated depreciation		(37,452,313)	(13,402,314)
	6.1	55,749,501	72,883,160

6.1 Reconciliation of right of use assets

Cost			
Opening balance		86,285,474	-
Impact of lease modification		3,033,978	-
Additions/adjustments		3,882,362	86,285,474
Closing balance		93,201,814	86,285,474
Less: Accumulated depreciation			
Opening balance		13,402,314	-
Charge for the year	5.1.1	24,049,999	13,402,314
Closing balance		37,452,313	13,402,314
Net book value		55,749,501	72,883,160

5.1.1 The depreciation for the year has been allocated to administrative and general expenses.

7 INTANGIBLE ASSETS	Note	2024	2023
		Rupees	Rupees
Software - Microsoft Office & Windows	7.1	6,970,490	9,957,843
Software under development	7.2	102,116,788	46,986,252
		109,087,278	56,944,095

7.1 Software - Microsoft Office & Windows

Cost			
Opening balance		10,593,450	-
Additions		-	10,593,450
Closing balance		10,593,450	10,593,450
Less: Accumulated ammortization			
Opening balance		635,607	-
Charge for the year		2,987,353	635,607
Closing balance		3,622,960	635,607
Net book value		6,970,490	9,957,843
Amortization rate		30%	30%

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7.2 Software under development	Note	2024	2023
		Rupees	Rupees
Opening balance		46,986,252	-
Incurred during the year		55,130,536	46,986,252
Closing balance		<u>102,116,788</u>	<u>46,986,252</u>

8 LONG TERM SECURITY DEPOSITS

Against office buildings		4,205,000	5,335,000
To PSO against fuel		11,035,920	6,035,920
		<u>15,240,920</u>	<u>11,370,920</u>

9 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Considered good			
Advance to suppliers		1,784,476,156	218,870,795
Advances to employees		668,375	599,667
Advance income tax		4,288,745	95,139
Security deposits	9.1	4,662,649	600,000
Prepayments		1,078,000	21,093,820
Other receivables		1,872,401	-
		<u>1,797,046,326</u>	<u>241,259,421</u>

9.1 This represents security deposit paid against premises leased for head office and tehsil offices.

10 BANK BALANCES	Note	2024	2023
		Rupees	Rupees
Local currency			
In current accounts	10.1	10,354,463,851	1,668,856,454
In saving account	9.2 & 9.3	103,193,784	-
		<u>10,457,657,635</u>	<u>1,668,856,454</u>

10.1 The current accounts include an account (assaan assignment account) which is used to receive funds from the Government of Punjab and to utilize the same for the projects/purposes of the Company. The unutilized closing balance in this account at each year end belong to Government and is not available to the Company, hence the same is not included in the bank balances of the Company.

10.2 This is maintained with a related party - the Bank of Punjab.

10.3 The average profit rate on savings account is 16.02% to 21.75% per annum.

11 TRADE AND OTHER PAYABLES	Note	2024	2023
		Rupees	Rupees
Creditors		16,849,016	1,495,863
Accrued liabilities		4,423,088	3,714,188
Retention money payable	11.1	657,887,854	9,286,492
Income tax payable		309,818	2,938,726
Sales tax payable		3,387,564	2,785,889
Payable to government of punjab	11.2	12,237,355	-
		<u>695,094,695</u>	<u>20,221,158</u>

11.1 It represents amounts retained from the payments made to civil work contractors, payable on completion of relevant works.

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11.2 It represents profit on surplus funds which belongs to the Government.

12 LEASE LIABILITIES	2024	2023
	Rupees	Rupees
Opening balance	80,858,537	-
Obtained/adjusted during the year	2,914,295	86,285,474
Impact of lease modification	3,033,978	-
Finance cost accrued during the year	11,088,387	7,876,563
	97,895,197	94,162,037
Paid during the year	(29,821,634)	(13,303,500)
Closing balance	68,073,563	80,858,537
less: current portion	(24,689,631)	(18,064,774)
Closing non current portion	43,383,932	62,793,763

12.1 These represents liabilities related to buildings under lease contracts (Refer Note 6). These are recognized at present value of remaining minimum lease payments, discounted using incremental borrowing rate ranging from 15.57% to 21.8% per annum (2023: 15.57% to 22.9% per annum).

12.2 The future lease payments to which the Company is committed are as under:	2024	2023
	Rupees	Rupees
Future minimum lease payments	82,975,735	106,365,767
Less: Financial charges allocated to future periods	14,902,172	25,507,230
	68,073,563	80,858,537

12.3 Reconciliation of minimum lease payments and their present values are as follows:

	Minimum lease payments	Present value of minimum lease
	----- Rupees -----	
2024		
Due within one year	32,742,415	26,861,984
Due after one year but not later than five years	50,233,320	41,211,579
	82,975,735	68,073,563
2023		
Due within one year	28,701,000	17,594,680
Due after one year but not later than five years	77,664,767	63,263,857
	106,365,767	80,858,537

13 DEFERRED GRANTS	Note	2024	2023
		Rupees	Rupees
			Restated
Grant in cash	13.1	12,677,305,289	3,195,255,961
Grant in kind	13.2	152,795,159	47,313,535
		12,830,100,448	3,242,569,496

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13.1 Grant in cash	2024	2023
	Rupees	Rupees
Opening balance	3,195,255,961	482,563,615
Received during the year	17,373,899,344	3,224,083,110
	<u>20,569,155,305</u>	<u>3,706,646,725</u>
Utilized during the year		
for fixed capital expenditure	183,874,170	58,911,841
for operational expenses	7,707,975,846	452,478,923
	<u>7,891,850,016</u>	<u>511,390,764</u>
Closing balance	<u>12,677,305,289</u>	<u>3,195,255,961</u>

13.1.1 The Project is sponsored by World Bank and the related party the Government of Punjab (Refer Note 1.3). The funds are provided to the Company as grant through Annual Development Plan Scheme of the Government.

13.2 Grant in kind	2024	2023
	Rupees	Rupees
In shape of freehold land		
Opening balance	47,313,535	-
Granted during the year	105,481,624	47,313,535
Closing balance	<u>152,795,159</u>	<u>47,313,535</u>

13.2.1 The freehold land have been received by the Company from respective land lords and various government departments for the purpose of installation and implementation of clean water and sanitation systems. The ownership is transferred to the Company through voluntary land donations, NOCs and transfers in the revenue records.

14 COMMITMENTS	Note	2024	2023
		Rupees	Rupees
Commitments under contracts for:			
Projects - Civil works, water quality testing, engineering and solarization		21,625,534,508	1,070,986,642
ERP system		309,883,201	365,013,737

15 PROJECT COST		2024	2023
		Rupees	Rupees
Water supply and sanitation infrastructure development			
- Sanitation Infrastructure Development		4,416,531,831	162,793,459
- Water Supply Infrastructure Development		2,666,685,435	21,862,690
		<u>7,083,217,266</u>	<u>184,656,149</u>
Behaviour change & capacity development			
- Training & Capacity Building of Village - Level Institutions		66,082,862	-
Service delivery improvement			
- Establishing institutions and building capacity for service delivery		-	480,000
- Solid waste and animal waste management	15.1	114,673,126	28,096,866
- Water quality monitoring		16,784,504	-
		<u>131,457,630</u>	<u>28,576,866</u>
Project management & monitoring			
- Project Monitoring through Customized MIS		24,179,593	6,353,789
Salaries and benefits		216,642,949	77,821,151
		<u>7,521,580,300</u>	<u>297,407,955</u>

15.1 It includes depreciation amounting to Rs. 114.55 million (2023: Rs. 24.88 million).

15.2 The project cost is being charged to income and expenditure account as the ultimate beneficiary of these activities is the general public and the assets built belongs to the Government.

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16 ADMINISTRATIVE AND GENERAL EXPENSES	Note	2024	2023
		Rupees	Rupees
Salaries and benefits		151,611,539	106,554,828
Fuel charges		31,800,978	13,881,158
Printing and stationary		1,545,877	12,803,071
Rent, rates & taxes		626,079	5,889,373
Insurance		31,675,087	3,331,364
Utilities		14,748,705	3,137,353
Travelling and conveyance		9,539,237	3,068,055
Advertisement	16.2	3,779,511	2,446,744
Entertainment expense		6,361,241	1,350,595
Repairs and maintenance		9,296,767	1,044,472
Amortization of intangible assets	6.1	2,987,353	635,607
Fee & subscription		513,518	572,494
Auditor's remuneration	16.1	200,000	350,000
Depreciation on property, plant and equipment	4.1	66,335,369	34,030,207
Depreciation of right-of-use assets	5.1	24,049,999	13,402,314
Postage and communication		1,663,843	815,123
Others		4,411,976	2,793,488
		<u>361,147,079</u>	<u>206,106,246</u>

16.1 Auditors' remuneration

Annual audit fee	160,000	236,250
Certification fee	30,000	78,750
Out of pocket charges	10,000	35,000
	<u>200,000</u>	<u>350,000</u>

16.2 This includes an amount of Rs. 3.6 million (2023: Rs. 2 million) payable to Directorate General Public Relations - a related party.

17 PROVISION FOR TAXATION

The Company is a not for profit organization and has applied for the approval of its status under section 2(36) of the Income Tax Ordinance, 2001 (the Ordinance), hence the Company is claiming 100% tax credit under section 100C of the Ordinance. Provision for taxation has been made, in view of the above.

18 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.

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18.1 Market risk

18.1.1 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.

18.1.2 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.

18.1.3 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.

	2024	2023
	Rupees	Rupees
Financial liabilities		
Lease liabilities	68,073,563	80,858,537
Financial assets		
Bank balances	103,193,784	-

The Company is not exposed to any significant interest rate risk.

18.1.4 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.

18.1.5 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 exposed to any equity price risk as it has no investment in equity securities.

18.2 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:

	2024	2023
	Rupees	Rupees
Security deposits	4,662,649	11,970,920
Bank balances	10,457,657,635	1,668,856,454
	<u>10,462,320,284</u>	<u>1,680,827,374</u>

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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:

	Rating		Rating Agency	2024	2023
	Short term	Long term		Rupees	Rupees
National Bank of Pakistan	A1+	AAA	PACRA	10,354,463,851	1,668,856,454
The Bank of Punjab	A1+	AA+	PACRA	103,193,784	-
				<u>10,457,657,635</u>	<u>1,668,856,454</u>

18.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Contractual maturities of financial liabilities as at June 30, 2024 and 2023 are as under:

	Carrying Amount	Contractual cash flows	1 to 6 months	6 to 12 months	1 to 5 years
			----- Rupees -----		
2024					
Lease liabilities	68,073,563	82,975,735	15,808,752	16,933,663	50,233,320
Trade and other payables	679,159,958	679,159,958	679,159,958	-	-
	<u>747,233,521</u>	<u>762,135,693</u>	<u>694,968,710</u>	<u>16,933,663</u>	<u>50,233,320</u>
2023					
Lease liabilities	80,858,537	106,365,767	7,617,500	12,068,410	86,679,857
Trade and other payables	14,496,543	14,496,543	14,496,543	-	-
	<u>95,355,080</u>	<u>120,862,310</u>	<u>22,114,043</u>	<u>12,068,410</u>	<u>86,679,857</u>

19 FINANCIAL INSTRUMENTS

Financial assets

At amortised cost

Bank balances	<u>10,457,657,635</u>	<u>1,668,856,454</u>
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Financial liabilities

At amortised cost

Lease liabilities	68,073,563	80,858,537
Trade and other payables	695,094,695	20,221,158
	<u>763,168,258</u>	<u>101,079,695</u>

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20 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Remuneration and benefits paid to the executives of the Company are as follows:

	Chief executive officer		Directors		Executives	
	2024	2023	2024	2023	2024	2023
	-----Rupees-----					
Remuneration	967,980	896,417	-	-	248,165,160	121,472,393
Leave encashment	174,752	160,895	-	-	9,594,049	2,839,251
Meeting fee	660,000	630,000	3,570,000	6,306,000	-	-
Allowances	3,198,378	2,435,057	-	-	-	-
	<u>5,001,110</u>	<u>4,122,369</u>	<u>3,570,000</u>	<u>6,306,000</u>	<u>257,759,209</u>	<u>124,311,644</u>
Number of persons	1	1	18	18	127	108

20.1 The Chief executive officer and certain executives of the Company are provided with company maintained cars.

21 NUMBER OF EMPLOYEES

	2024	2023
	Rupees	Rupees
Number of employees as at the year end	<u>281</u>	<u>215</u>
Average number of employees during the year	<u>272</u>	<u>109</u>

22 TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of Government of Punjab, Director / President and key management personnel. Balances outstanding at the year end have been disclosed in the respective notes to the financial statements. Significant transactions, other than those disclosed in relevant notes, are as follows:

Related party	Nature of transaction	2024	2023
		Rupees	Rupees
Government of Punjab	Grant received	17,671,566,934	3,230,884,379
The bank of Punjab	Profit received	12,237,355	-
	Bank charges paid	3,707	-
Directorate General Public Relations	Advertisement expense	3,589,233	2,043,390

A number of entities owned directly/indirectly by the Government of Punjab (GOP) are the related parties of the Company due to significant influence of the GOP over the Company. The transactions with other such entities, are considered insignificant, hence are not specifically disclosed.

23 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on _____ by the Board of Directors of the

24 GENERAL

24.1 Figures have been rounded off to nearest of Rupee.

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24.2 Nomenclature

Nomenclature of different line items has been changed. Significant changes are as under;

Previous nomclature	Current nomclature
Statement of income & expenditure	Statement of income and expenditure
Statement of comprehensive income	and other comprehensive income
Finance cost	Markup on lease liabilities
Advances, deposits and prepayments	Advances, deposits, prepayments and other receivables
Cash and bank balances	Bank balances
Contingencies and commitments	Commitments
Taxation	Provision for taxation
Amortization of deferred grants	Grants amortized during the year

24.3 Re-arrangement

Corresponding figures have been re-arranged, wherever considered necessary for the purpose of better presentation and better comparison. Significant reclassifications made are as follow:

Nature	From	To	Amounts in Rupees
Advance income tax	Advance income tax	Advances, deposits & prepayments	95,139
Capital work in progress of intangible	Property, plant and equipment	Intangible assets	46,986,252
Security deposits	Advances, deposits, prepayments	Long term security deposits	11,370,920

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

