INDEPENDENT AUDITOR'S REPORT

To the members of Lahore Waste management Company

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Lahore Waste Management Company** (the Company), which comprise the statement of financial position as at June 30, 2019, 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 confirm with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 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, 2019 and of the loss, the 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the company incurred a net deficit of Rs. 8,929.19 million during the year ended June 30, 2019 and, as of that date the accumulated losses of the company are Rs. 30,246.395 million. These events or conditions, along with other matters set forth in note 2 indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements and our auditor's report thereon.

MZCO

Office No.43 & 44, 3rd Floor, Sadiq Plaza, Shahrah-e-Quaid-e-Azam, Lahore.
042-36280360 m.a.latif@mzcopk.com www.mzcopk.com

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 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 is 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 scepticism 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.

MZCO

- 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;

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 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
Lahore
Date: 14 SEP 2024

MZCO



Lahore Waste Management Company

Audited Financial Statements
For the year ended
June 30, 2019

LAHORE WASTE MANAGEMENT COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	6	1,370,900,107	1,508,368,283
Intangible assets	7	1,652,673	3,135,469
Long-term deposits		3,471,919	3,176,625
		1,376,024,699	1,514,680,377
Current Assets			
Stores and spares		11,823,885	7,058,480
Receivables against services	8	410,097,835	230,881,006
Advances	9	1,652,632	1,710,024
Short term prepayments		4,068,158	5,597,032
Accrued interest on bank deposits		7,097,039	3,887,840
Other receivables	10	129,413,964	129,491,762
Due from Government	11	156,113,674	115,584,338
Advance tax		72,918,018	40,529,336
Cash and bank balances	12	1,547,882,377	262,962,211
		2,341,067,582	797,702,029
Total Assets		3,717,092,281	2,312,382,406
FUND AND LIABILITIES			
Funds			
General funds		(30,246,395,507)	(21,317,200,702)
Non Current Liabilities			
Deferred income	13	339,842,879	-
Deferred grants	14	6,908,615,754	4,952,853,003
Long-term financing	15	23,719,953,390	16,323,088,127
		30,968,412,023	21,275,941,130
Current Liabilities			
Trade and other payables	16	1,646,259,835	1,668,380,987
Accrued interest on financing		86,579,633	66,624,504
Current portion of deferred grant	14	1,262,236,297	618,636,487
		2,995,075,765	2,353,641,978
Total Fund And Liabilities		3,717,092,281	2,312,382,406
Contigencies And Commitments	17	-	-

The annexed notes, from 1 to 32, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

MUNIFF ZIA UDDIN & CO. LAHORE. INITIALED FOR IDENTIFICATION ONLY MZUD

LAHORE WASTE MANAGEMENT COMPANY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Income			
Income from services	18	**759,149,524**	688,332,988
Amortization of grants	19	**4,408,892,533**	3,738,057,372
		5,168,042,057	4,426,390,360
Expenditures			
Direct expenses	20	**(12,018,577,206)**	(11,670,793,234)
		(6,850,535,149)	(7,244,402,874)
Administrative expenses	21	**(386,426,886)**	(471,699,961)
Operating deficit		**(7,236,962,035)**	(7,716,102,835)
Other income	22	**55,422,572**	296,687,494
Finance cost	23	**(1,747,655,342)**	(1,127,575,589)
Deficit before taxation		**(8,929,194,805)**	(8,546,990,930)
Taxation	24	-	-
Deficit for the year		**(8,929,194,805)**	(8,546,990,930)

The annexed notes, from 1 to 32, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

MUNIFF ZIA UDDIN & CO. LAHORE. INITIALED FOR IDENTIFICATION ONLY MZCO

LAHORE WASTE MANAGEMENT COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
Deficit for the year	(8,929,194,805)	(8,546,990,930)
Items that may be subsequently reclassified to income and expenditure	-	-
Items that will not be subsequently reclassified to income and expenditure	-	-
Total comprehensive deficit for the year	(8,929,194,805)	(8,546,990,930)

The annexed notes, from 1 to 32, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

MUNIEF ZIA UDDIN & CO. LAHORE. INITIALED FOR IDENTIFICATION ONLY MZCO

LAHORE WASTE MANAGEMENT COMPANY
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Note	General Funds Rupees
Balance as at July 01, 2017		(12,770,209,772)
Deficit for the year		(8,546,990,930)
Other comprehensive income / (loss)		-
		(8,546,990,930)
Balance as at June 30, 2018		(21,317,200,702)
Balance as at July 01, 2018		**(21,317,200,702)**
Deficit for the year		**(8,929,194,805)**
Other comprehensive income / (loss)		-
		(8,929,194,805)
Balance as at June 30, 2019		**(30,246,395,507)**

The annexed notes, from 1 to 32, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

MUNIFF ZIA UDDIN & CO. LAHORE. INITIALED FOR IDENTIFICATION ONLY

LAHORE WASTE MANAGEMENT COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit before taxation		**(8,929,194,805)**	(8,546,990,930)
Adjustments for non cash and other items:			
Interest on saving accounts	**22**	**(50,879,842)**	(60,049,003)
Depreciation of property, plant and equipment	**6.1**	**141,812,412**	144,230,373
Amortization of intangible assets	**7**	**1,482,796**	1,081,214
Amortization of deferred grant	**19**	**(1,262,236,297)**	(618,636,487)
Amortization of deferred income	**13**	**(43,696,236)**	-
Unrealised exchange gain		**(9,749)**	(1,555)
Bad debts		**14,712,455**	54,437,985
Finance cost	**23**	**1,747,655,342**	1,122,165,723
Loss on disposal of property, plant and equipment	**22**	-	1,247,000
		548,840,881	644,475,250
Changes in working capital:			
(Increase) / Decrease in current assets:			
Stores and spares		**(4,765,405)**	6,687,744
Receivables against services		**(210,390,169)**	(62,009,699)
Advances		**57,392**	(574,056)
Short term prepayments		**1,528,874**	(2,405,351)
Other receivables		**77,798**	(40,576,461)
		(213,491,510)	(98,877,823)
(Decrease) / Increase in current liabilities:			
Trade, accrued and other payables		**(22,121,152)**	395,786,675
Cash used in operations		**(8,615,966,586)**	(7,605,606,828)
Interest income received		**47,670,643**	56,683,989
Interest cost paid		**(69,236,092)**	(132,490,534)
Income tax paid		**(72,918,018)**	(40,529,336)
Net cash used in operating activities		**(8,710,450,053)**	(7,721,942,709)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of property, plant and equipment		**(4,344,236)**	(31,975,492)
Payment for acquisition of intangible assets		-	(1,809,986)
Long-term deposits		**(295,294)**	760,000
Net cash used in investing activities		**(4,639,530)**	(33,025,478)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deferred Income received		**400,000,000**	-
Loan received from the Government	**15**	**9,600,000,000**	5,731,321,777
Net cash generated from financing activities		**10,000,000,000**	5,731,321,777
Net increase / (decrease) in cash and cash equivalents		**1,284,910,417**	(2,023,646,410)
Cash and cash equivalents at the beginning of the year		**262,962,211**	2,286,607,066
Effect of exchange gain on cash and cash equivalents		**9,749**	1,555
Cash and cash equivalents at the end of the year	**12**	**1,547,882,377**	262,962,211

The annexed notes, from 1 to 32, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **CHIEF FINANCIAL OFFICER** **DIRECTOR**

MUNIFF ZIA UDDIN & CO. LAHORE. INITIALED FOR IDENTIFICATION ONLY

LAHORE WASTE MANAGEMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1 COMPANY AND ITS OPERATIONS

Lahore Waste Management Company (the Company) was incorporated as a guarantee limited company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) on 19 March 2010 and is performing its duties under the administrative control of City District Government Lahore as a not for profit organization, with the objective to provide efficient, effective and modern services regarding the disposal of solid waste in Lahore. The company was incorporated as NPO under section 42 of then applicable Companies Ordinance 1984 (the Ordinance) (now the Companies Act, 2017). The registered office of the Company is located at Shaheen Complex, Egerton Road, Lahore.

The Company entered into a Service and Asset Management Agreement (SAMA) with City District Government Lahore (CDGL) which is effective from 01 July 2011 and would expire on 30 June 2032. In accordance with the terms of the SAMA, CDGL had transferred possession, management, use, maintenance and control of certain assets, employees, operations and arrangement under agreement with Lahore Compost (Private) Limited to the Company.

2 GOING CONCERN

During the year, the Company incurred a net deficit for the year of Rupees 8,929,194,805 and its accumulated losses as at year end amount to Rs. 30,246,395,507. During the year, the Company has received a further loan of Rupees 9.60 billion to meet its operational requirements and the Company's total loan from the GoPb as at the year end stands at Rupees 43.11 billion, which carries an interest at the rate ranging from NIL to 0.25%. Also, current liabilities of the company exceed its current assets by Rs. 654.008 million. Further, the Company's ability to continue as a going concern is dependent on the continued financial support from the GoPb and Lahore Municipal Corporation.

These conditions may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may not be able to realize its assets and discharge its liabilities in the normal course of business.

However, the management of the Company expects continuity of the financial support from the GoPb and Lahore Municipal Corporation which intends to provide the support for the current and future operations. Accordingly, these financial statements are prepared on a going concern basis and do not include any adjustments relating to the realization of its assets and liquidation of any liabilities that might be necessary for the Company to be able to continue as a going concern.

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017. The accounting and reporting standards applicable in Pakistan comprise of:

International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- 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 Act differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

4 BASIS OF PREPARATION

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except as otherwise stated in the relevant accounting policies.

4.2 Functional and presentation currency

Items included in these financial statements are measured using the currency of primary economic environment in which the Company operates. These financial statements are presented in Pakistan Rupee (Rs. / Rupees) which is the Company's functional and presentation currency.

4.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards 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 relates primarily to:

- Useful lives, residual values, depreciation method and impairment of property, plant and equipment - Note 5.1 & 6.1
- Impairment of financial assets - Note 5.10.4
- Estimation of provisions - Note 5.7
- Provision for taxation - Note 5.9 & 23
- Estimation of contingent liabilities - Note 5.8 & 16
- Revenue recognition - Note 5.17
- Provision for trade receivables - Note 5.2
- Stores and Spares - Note 5.6
- Employee Benefits - Note 5.11
- Useful life, residual value and amortization method of intangible assets - Note 5.3
- Government Grants - Note 5.5

4.4 New or amendments to existing standards and interpretations

4.4.1 Standards, interpretations and amendments to accounting and reporting standards that are effective in current year and are relevant to the Company

Following amendments to published accounting and reporting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2018:

IFRS 15 Revenue from Contracts with Customers
IFRS 9 Financial Instruments: Classification and Measurement

4.4.2 Standards, interpretations and amendments to accounting and reporting standards that are effective in current year but are not relevant to the Company

There are amendments to accounting and reporting standards that are mandatory for accounting periods beginning on or after 01 July 2018 but are considered



not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

4.4.3 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company

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 against the respective standard or interpretation:

Standard or Interpretation		Effective Date (Annual periods beginning on or after)
IFRIC 23	Uncertainty over Income Tax Treatments	01 January 2019
IFRS 16	Leases	01 January 2019
IFRS 7	Financial Instrument: Disclosures (Amendments)	01 January 2020
IFRS 17	Insurance Contracts	01 January 2021
IFRS 9	Financial Instruments	01 January 2022
IAS 16	Proceeds Before Intended Use (Amendments)	01 January 2022
IAS 37	Onerous Contracts (Amendments)	01 January 2022
IFRS 1	First-time Adoption of International Financial Reporting Standards (Amendments)	01 January 2022
IFRS 16	Leases	01 January 2022
IAS 1	Classification of Liabilities as Current or Non-Current (Amendments)	01 January 2023
IAS 1	Disclosure of accounting policies	01 January 2023
IAS 1	Classification of Liabilities as Current or Non-Current (Amendments)	01 January 2023
IAS 8	Definition of Accounting Estimates (Amendments)	01 January 2023

The management expects that the adoption of the above revision, amendments and interpretation of the standards will not materially effect the Company's financial statements in the period of initial application.

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 Property, plant and equipment

5.1.1 Operating property, plant and equipment

Cost

Property, plant and equipment, except freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost less accumulated impairment losses, if any.

Cost in relation to operating 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 recognised 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 profit or loss during the period in which they are incurred.

Depreciation

Depreciation on assets, excluding leasehold improvements and cell phones, is charged to statement of income and expenditure under the reducing balance method so as to write off the cost of an asset over its estimated useful life, while leasehold improvements and cell phones are depreciated over the useful life of the assets on a straight line basis.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date the asset is classified as held for sale in accordance with IFRS-5 and the date that the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon 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 of the asset) is included in statement of income and expenditure in the year in which the asset is derecognised.

Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in statement of income and expenditure. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in statement of income and expenditure.

5.1.2 Capital work in progress

All costs / expenditures connected with specific assets incurred during implementation period are carried under this head. These are transferred to specific assets as and when assets are available for intended use. These are carried at cost less accumulated impairment losses, if any.

5.2 Receivables

Receivables are carried at original invoice amount less an estimate for doubtful receivable balances based on review of outstanding amounts at the year end.

5.3 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognised at cost, which comprises purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition, an intangible asset is carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised from the day, in which these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised over its estimated useful life. The useful life and



amortization method are reviewed and adjusted, if appropriate, at each balance sheet date

5.4 Trade and other payables

Trade and other payables 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

5.5 Government Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and amortized over the expected useful life of the related asset. When loans or similar assistance are provided by governments or related institutions with an interest free or interest rate below the current applicable market rate, the effect of this favorable interest (measured as the difference between consideration received and present value of cash flows at market rate) is regarded as government grants

5.6 Stores and spares

Stores and spares are valued at the lower of weighted average cost and net realizable value (NRV) except for items in transit, which are stated at invoice values and related expenses incurred upto the date of statement of financial position

Provision / write-off (if required) is made in the financial statements for slow moving, obsolete and unusable items to bring their carrying values down to NRV

5.7 Provisions

Provisions are recognised when the Company has legal or constructive obligation as a result of past events, and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate

5.8 Contingencies

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

5.9 Taxation

5.9.1 Current

Provision for current tax is based on taxable income for the year determined in accordance with prevailing law for taxation of income. Charge for current tax is calculated using prevailing current tax rates or tax rates expected to apply to the taxable profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years

5.9.2 Deferred

Deferred tax is accounted for using balance sheet approach in respect of all temporary differences arising from difference between carrying amounts of the assets and liabilities in the financial statements and corresponding tax bases used in computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized

5.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value

5.11 Employee benefits obligation

5.11.1 Provident fund

The Company operates an employee provident fund scheme for its permanent employees. Equal monthly contributions at the rate of ten percent of basic pay are made both by the Company and employees to the fund

5.11.2 Compensated absences

All corporate employees of the Company are entitled to 12 days annual paid leaves during a year. All leaves will be calculated on the basis of fiscal year and may be carried forward to the maximum of one year

5.12 Loan and borrowings

Financial liabilities are initially measured at fair value

After initial recognition, non interest bearing and interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate

5.13 Borrowing costs

Borrowing costs, if any, directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds



5.14 Foreign currency transactions and translation

Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at functional currency rate of exchange prevailing at the balance sheet date. All differences are taken to the statement of income and expenditure

5.15 Related party transactions

A related party transaction is a transfer of resources, services and obligations between the Company and its related parties, regardless of whether a price is charged. The Company regularly reviews the related party transactions and related party relationships and disclose such transactions in the financial statements.

5.16 Financial instruments

Financial instruments carried on the statement of financial position include trade debts, loans and deposits, other receivables, bank balances, trade and other payables, long-term financing and accrued mark-up. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument

5.16.1 Initial recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received

5.16.2 Classification

5.16.2.1 Financial assets

The Company classifies its financial instruments in the following categories

- at amortised cost;
- fair value through income & expenditure (FVTIE); or
- fair value through other comprehensive income (FVTOCI)

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 subsequently 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 subsequently 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
- 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

By default, all other financial assets are subsequently measured at FVTIE

5.16.2.2 Financial liabilities

The Company classifies its financial liabilities in the following categories

- at fair value through income & expenditure ("FVTIE"), and
- at amortised cost

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

5.16.3 Subsequent measurement

-Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are subsequently carried at amortised cost, and in the case of financial assets, less any accumulated impairment losses, if any.

- Financial assets and liabilities at FVTIE

Financial assets and liabilities carried at FVTIE are subsequently carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTIE are included in the statement of income & expenditure in the period in which they arise

- Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are subsequently measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income

5.16.4 Impairment of financial assets

The Company recognizes loss allowance for ECL on financial assets measured at amortised cost except for debts due directly / ultimately from Government of Pakistan, if any, in respect of which exemption is granted by SECP. 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, other receivables 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 a 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

In respect of financial assets due directly / ultimately from Government of Pakistan, if any, the financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more



events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

5.16.5 **Derecognition**

- Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire 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 statement of income and expenditure. In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to income and expenditure. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to income and expenditure, but is transferred to statement of changes in equity.

- Financial liabilities

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

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

Financial assets and liabilities are offset and the net amount is reported in the financial statements if, and only if, there is a currently enforceable legal 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. Incomes and expenses arising from such assets and liabilities are also set-off accordingly.

5.17 **Revenue recognition**

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for rendering services to a customer. For each customer, the Company 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 and the time value of money, allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct service to be delivered, and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the services promised. Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method.

The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognized as deferred revenue in the form of a separate refund liability.

Services

Revenue from the services is recognized at the point in time or over the period depending on the terms of the contract and the nature of the services provided.

Other revenue

Other revenue is recognized when it is received or when the right to receive payment is established.

Contract assets

A contract asset is the right to consideration in exchange for services rendered to the customer. The Company recognizes a contract asset for the earned consideration that is conditional if the Company performs by rendering services to a customer before the customer pays consideration or before payment is due.

Contract liabilities

A contract liability is the obligation to render services to a customer for which the Company has received consideration from the customer. A contract liability is recognized at earlier of when the payment is made or the payment is due if a customer pays consideration before the Company renders services to the customer.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.



	Note	2019 Rupees	2018 Rupees
6 PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	6.1	1,311,940,107	1,449,408,283
Capital work in progress (CWIP)	6.2	58,960,000	58,960,000
		1,370,900,107	1,508,368,283

6.1 Operating property, plant and equipment

	Freehold land	Land fill site on freehold land	works - on freehold land	works - on leasehold land	Machinery and equipment	Portable fiber glass offices	Furniture and fixtures	Computer and ancillary equipment	Office equipment	Leasehold improvements	Vehicles	Total
	Rupees											
As at June 30, 2017												
Cost	310,024,829	903,838,180	267,503,297	20,189,971	208,517,298	2,677,300	22,127,592	66,984,221	39,634,306	10,325,506	54,230,396	1,906,052,896
Accumulated depreciation	-	(120,511,757)	(25,685,699)	(4,140,460)	(89,048,208)	(1,517,990)	(7,705,062)	(43,516,763)	(22,704,177)	(5,179,767)	(27,689,360)	(347,699,243)
Closing-net book value	310,024,829	783,326,423	241,817,598	16,049,511	119,469,090	1,159,310	14,422,530	23,467,458	16,930,129	5,145,739	26,541,036	1,558,353,653
For the year ended June 30, 2018												
Opening-net book value	310,024,829	783,326,423	241,817,598	16,049,511	119,469,090	1,159,310	14,422,530	23,467,458	16,930,129	5,145,739	26,541,036	1,558,353,653
Additions	-	-	3,309,511	-	4,372,318	-	1,152,089	9,344,065	13,599,995	-	3,507,028	35,285,003
Depreciation charge for the year	-	(90,383,818)	(12,256,355)	(802,476)	(18,012,467)	(173,896)	(2,278,579)	(7,635,802)	(7,258,296)	(1,032,551)	(4,396,133)	(144,230,373)
Closing-net book value	310,024,829	692,942,605	232,870,754	15,247,035	105,828,938	985,414	13,296,040	25,175,721	23,271,828	4,113,188	25,651,931	1,449,408,283
As at June 30, 2018												
Cost	310,024,829	903,838,180	270,812,808	20,189,971	212,889,613	2,677,300	23,279,681	76,328,286	53,234,301	10,325,506	57,737,424	1,941,337,899
Accumulated depreciation	-	(210,895,575)	(37,942,054)	(4,942,936)	(107,060,675)	(1,691,886)	(9,983,641)	(51,152,565)	(29,962,473)	(6,212,318)	(32,085,493)	(491,929,616)
Closing-net book value	310,024,829	692,942,605	232,870,754	15,247,035	105,828,938	985,414	13,296,040	25,175,721	23,271,828	4,113,188	25,651,931	1,449,408,283
For the year ended June 30, 2019												
Opening-net book value	310,024,829	692,942,605	232,870,754	15,247,035	105,828,938	985,414	13,296,040	25,175,721	23,271,828	4,113,188	25,651,931	1,449,408,283
Additions	-	-	-	-	-	-	1,924,921	200,944	1,528,964	689,407	-	4,344,236
Depreciation charge for the year		(90,383,818)	(11,643,538)	(762,352)	(15,874,341)	(147,812)	(2,230,934)	(7,596,529)	(8,233,436)	(1,032,551)	(3,907,098)	(141,812,412)
Closing-net book value	310,024,829	602,558,787	221,227,216	14,484,683	89,954,597	837,602	12,990,027	17,780,136	16,567,353	3,770,044	21,744,833	1,311,940,107
As at June 30, 2019												
Cost	310,024,829	903,838,180	270,812,808	20,189,971	212,889,613	2,677,300	25,204,602	76,529,230	54,763,265	11,014,913	57,737,424	1,945,682,135
Accumulated depreciation	-	(301,279,393)	(49,585,592)	(5,705,288)	(122,935,016)	(1,839,698)	(12,214,575)	(58,749,094)	(38,195,912)	(7,244,869)	(35,992,591)	(633,742,028)
Closing-net book value	310,024,829	602,558,787	221,227,216	14,484,683	89,954,597	837,602	12,990,027	17,780,136	16,567,353	3,770,044	21,744,833	1,311,940,107
Rate of depreciation per annum (%)	-	10%	5%	5%	15%	15%	15%	30%	15%	10%	15%	

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

	Note	2019	2018
Direct expenses	20	124,469,536	127,007,132
Administrative expenses	21	17,342,876	17,223,241
		141,812,412	144,230,373

		Note	2019 Rupees	2018 Rupees
6.2	Capital work in progress			
	Land		58,960,000	58,960,000
6.2.1	Following is the movement in capital work in progress during the year			
	Opening balance			
	- Land		58,960,000	58,960,000
	- Water draining system		-	3,309,511
	- Android based collection software		-	1,247,000
			58,960,000	63,516,511
	Less: Transfer to operating property, plant and equipment - Water draining system		-	(3,309,511)
	Less: Disposed off during the year - Android based collection software		-	(1,247,000)
	Closing balance		58,960,000	58,960,000
7	INTANGIBLE ASSETS			
	Accounting software		1,652,673	3,135,469
	As at beginning of the year			
	Cost		8,478,980	6,668,994
	Accumulated amortisation		(5,343,511)	(4,262,297)
	Closing net book value		3,135,469	2,406,697
	Reconciliation of net book value			
	Opening balance		3,135,469	2,406,697
	Additions during the year		-	1,809,986
	Amortisation for the year		(1,482,796)	(1,081,214)
	Closing balance		1,652,673	3,135,469
	As at end of the year			
	Cost		8,478,980	8,478,980
	Accumulated amortisation		(6,826,307)	(5,343,511)
	Closing net book value		1,652,673	3,135,469
	Amortization rate		33%	33%
7.1	The amortization charge has been allocated to the administrative expenses			
8	RECEIVABLES AGAINST SERVICES			
	Considered good		410,097,835	230,881,006
	Considered doubtful		69,150,440	54,437,985
		8.1	479,248,275	285,318,991
	Less: provision against doubtful receivables	8.3	(69,150,440)	(54,437,985)
			410,097,835	230,881,006
8.1	These include receivables from the following related parties:			
	Punjab Mass Transit Authority		240,165,182	85,915,489
	Vegetable and fruit market		69,150,440	54,437,985
		8.1.1	309,315,622	140,353,474

8.1.1 As at reporting date, these were past due but not impaired. The maximum amount of Punjab Mass Transit Authority and Vegetable and fruit market, outstanding at any time during the year calculated by reference to month end balances is Rs. 317.35 million (2018: Rs. 171.37 million) and Rs. 54.44 million (2018: 54.44 million) respectively.

8.2 The aging of the receivables against services at the reporting date is:

	Note	2019 Rupees	2018 Rupees
Past due but not impaired			
Past due 1-3 Months		149,505,967	138,073,150
Past due 4-6 Months		94,617,669	67,494,888
Past due 7-12 Months		62,120,233	43,863,063
Past due one year		173,004,406	35,887,890
		479,248,275	285,318,991

8.3	Allowance for expected credit losses		
	Opening balance	54,437,985	-
	Add: Recognised during the year	14,712,455	54,437,985
	Closing Balance	69,150,440	54,437,985
9	ADVANCES		
	considered good		
	Advances to employees	1,652,632	1,710,024
		1,652,632	1,710,024
10	OTHER RECEIVABLES		
	Sanitation fee receivable from CDGL	129,231,000	129,231,000



		Note	2019 Rupees	2018 Rupees
	Others		182,964	260,762
			129,413,964	129,491,762

11 DUE FROM THE GOVERNMENT

Advance income tax		36,325,079	32,440,801
Tax deducted at source		119,788,595	83,143,537
		156,113,674	115,584,338

12 CASH AND BANK BALANCES

Cash in hand		232,511	229,946
Balance at bank:			
-Current accounts		41,197	31,448
-Saving accounts	12.1	1,547,608,669	262,700,817
		1,547,649,866	262,732,265
		1,547,882,377	262,962,211

12.1 These carry return at the rate ranging from 4.5% to 10.25% (2018: 3.75% to 4.5%) per annum.

	Note	2019 Rupees	2018 Rupees
13 DEFERRED INCOME			
Opening balance		-	-
Add: Received during the year	13.1	400,000,000	-
Less: Adjustment for receivables		(16,460,885)	-
Less: Amortisation against expenses	20	(43,696,236)	-
Closing balance		339,842,879	-

13.1 During the year the company has received Rs. 400 million from the specialized healthcare and medical education department of the Government of Punjab to meet hospital waste management expenses.

	Note	2019 Rupees	2018 Rupees
14 DEFERRED GRANTS			
Deferred grant	14.1	6,908,615,754	4,952,853,003

14.1 Deferred Grant

Opening balance		5,571,489,490	4,467,088,143
Add: Deferred grant recognized during the year	15	3,861,598,858	1,723,037,834
Less: Amortization for the year		(1,262,236,297)	(618,636,487)
		8,170,852,051	5,571,489,490
Less: current portion shown under current liabilities		(1,262,236,297)	(618,636,487)
Closing balance		6,908,615,754	4,952,853,003

15 LONG TERM FINANCING

Opening balance		16,323,088,127	11,259,963,192
Add: Additions during the year		9,600,000,000	5,731,321,777
	15.2	25,923,088,127	16,991,284,969
Less: Transferred to deferred grant	14.1	(3,861,598,858)	(1,723,037,834)
Amortized cost		22,061,489,269	15,268,247,135
Add: Interest expense for the year		1,745,043,754	1,121,465,496
Less: Accrued Interest payable		(86,579,633)	(66,624,504)
		23,719,953,390	16,323,088,127
Less: Current portion shown under current liabilities		-	-
Closing balance		23,719,953,390	16,323,088,127



Relationship with the Company	Nature of transactions	2019 Rupees	2018 Rupees
	Loan received	**9,600,000,000**	5,731,321,777
	Lease rental	**5,000**	5,000
	Income from service	**624,154,040**	576,528,181
Provident fund	Employer contribution	**7,407,042**	7,638,038

All transactions with the (GoPb) and its owned entities are not disclosed as the management is of the view that it is impracticable to disclose such transactions due to the nature of the Company's operations.

27 FINANCIAL RISK MANAGEMENT

Financial instruments comprise deposits, interest accrued, trade debts, other receivables, cash and bank balances, long term financings and trade and other payables.

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price 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 financial performance.

The Board of Directors have the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

27.1 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 asset represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2019 Rupees	2018 Rupees
Long term deposits	**3,471,919**	3,176,625
Receivables against services	**410,097,835**	230,881,006
Other receivables	**129,413,964**	129,491,762
Accrued interest on bank deposits	**7,097,039**	3,887,840
Bank balances	**1,547,649,866**	262,732,265
	2,097,730,623	630,169,498

Long term deposits

Deposits mainly relates to office buildings and utilities against which chances of default are remote, hence no impairment allowance has been made.

Receivables against services

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company has established a credit policy under which each new customer is analyzed individually for credit worthiness before the company's standard payment terms and conditions are offered. Credit limits are established for each customer which are regularly reviewed and approved by the management.

Other receivable

It includes sanitation fee receivable from CDGL against which chances of default are remote, hence no impairment allowance has been made.

Accrued interest on bank deposits

This represents accrued interest on saving accounts against which chances of default are remote, hence no impairment allowance is required.

Other financial assets

The credit risk on liquid funds is low because the counter parties are banks with reasonably high credit ratings. The credit quality of cash at bank as per credit rating agencies are as follows:

Banks	Short term	Long term	Agency	2019 Rupees	2018 Rupees
The Bank of Punjab	A1+	AA+	PACRA	**1,496,345,463**	206,100,714
National Bank of Pakistan	A1+	AAA	PACRA	**51,304,403**	56,631,551
				1,547,649,866	262,732,265

27.2 Liquidity risk

Liquidity risk is the risk that one enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The company is exposed to liquidity risk as disclosed in Note 2.

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Above 5 years
			(Rupees)		
June 30, 2019					
Long term financing	**23,719,953,390**	**(43,111,963,048)**	**-**	**(15,407,988,444)**	**(27,703,974,604)**
Trade and other payables	**1,646,259,835**	**(1,646,259,835)**	**(1,646,259,835)**	**-**	**-**
Accrued interest on financing	**86,579,633**	**(86,579,633)**	**(86,579,633)**	**-**	**-**
	25,452,792,858	**(44,844,802,516)**	**(1,732,839,468)**	**(15,407,988,444)**	**(27,703,974,604)**



	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Above 5 years
	(Rupees)				
June 30, 2018					
Long term financing	16,323,088,127	(33,511,963,048)	-	(5,731,321,777)	(27,780,641,271)
Trade and other payables	1,668,380,987	(1,668,380,987)	(1,668,380,987)	-	-
Accrued interest on financing	66,624,504	(66,624,504)	(66,624,504)	-	-
	18,058,093,618	(35,246,968,539)	(1,735,005,491)	(5,731,321,777)	(27,780,641,271)

27.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The company is not exposed to market risk.

27.3.1 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.

Monetary items, including financial assets and financial liabilities, denominated in currency other than functional currency of the Company are restated to Pak Rupee equivalent, at year end. The associated gain or loss is taken to statement of income and expenditure.

The Company is exposed to currency risk, primarily with respect to the "United States Dollar". Currently, the Company's foreign exchange exposure is restricted to bank balances. The Company's exposure to currency risk is as follow:

	USD	
	2019	2018
	Rupees	Rupees
Balance at banks	**254**	259
	254	259

	Average rate		Spot rate	
	2019	2018	**2019**	2018
Rupee per	**Rupees**	Rupees	**Rupees**	Rupees
USD	**155.25**	118.91	**162.01**	121.29

Foreign currency sensitivity analysis

At June 30, 2019, if the functional currency had weakened / strengthened by 5% against the USD with all other variables held constant, the deficit for the year would have been increased / decreased by Rs. 2,060 (2018: Rs. 1,572)

27.3.2 Interest rate risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company mitigates its risk against the exposure by focusing on short-term investment and maintaining adequate bank balances. At the reporting date the Company's interest-bearing financial instruments were:

	2019	2018
	Rupees	Rupees
Floating rate instruments		
Bank balances - deposit accounts	**1,547,608,669**	262,700,817
Fixed rate instruments		
Long-term financing	**23,719,953,390**	16,323,088,127

Sensitivity analysis for fixed rate instruments

The Company is not exposed to interest rate risk on its fixed rate instruments.

Sensitivity analysis for floating rate instruments

As at June 30, 2019 if interest rate on floating rate instruments had been 1% higher / lower with all other variables held constant, deficit for the year would have been lower / higher by Rs. 15.47 million (2018: Rs. 2.627 million) mainly as a result of interest exposure on variable rate borrowings.

27.3.3 Other price risk

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

27.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

27.5 Fund risk management

The Company's objectives when managing fund are to safeguard the Company's ability to continue as a going concern in order to provide services for the general public. The Company manages its fund structure and makes adjustments to it, in the light of changes in economic conditions. There were no changes to Company's approach to fund management during the year.



27.6 Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

27.7 Financial instruments by categories

The accounting policies for financial instruments have been applied for line items below:

	2019 Rupees	2018 Rupees
Financial Assets at amortized cost		
Long term deposits	**3,471,919**	3,176,625
Receivables against services	**410,097,835**	230,881,006
Other receivables	**129,413,964**	129,491,762
Accrued interest on bank deposits	**7,097,039**	3,887,840
Cash and bank balances	**1,547,882,377**	262,962,211
	2,097,963,134	630,399,444
Financial liabilities at amortized cost		
Long term financing	**23,719,953,390**	16,323,088,127
Trade and other payables	**1,618,810,263**	1,663,754,910
Accrued interest on financing	**86,579,633**	66,624,504
	25,425,343,286	18,053,467,541

28 PROVIDENT FUND TRUST

28.1 The Company has maintained an employee provident fund account and investments out of provident fund account have been made in accordance with the provisions of section 227 of the repealed Companies Ordinance 1984, and the rules formulated for this purpose. The salient information of the fund is as follows:

	Note	2019 Rupees	2018 Rupees
Size of the fund		**41,130,926**	32,935,960
Cost of investment made	**28.2**	**41,130,926**	32,935,960
Percentage of investment made		**100%**	100%
Fair value of investment		**41,130,926**	32,935,960

28.2 This represents bank balance in saving account maintained by the Company for the Provident Fund Scheme.

28.3 The above information is based on un-audited financial statements of the provident fund for the year ended 30 June 2019.

	2019 Number	2018 Number
29 NUMBER OF EMPLOYEES		
Number of employees at the end of the year	**7,597**	7,798
Average number of employees during the year	**7,684**	7,894

30 CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, wherever necessary, for the purposes of comparison, however no significant rearrangements / reclassifications have been made during the year.

31 EVENTS AFTER REPORTING PERIOD

As disclosed in Note 15.2, the company is subject to a penalty of 4% on the default amount of long term financing. During the year the company has received loan from Government of Punjab with a term of five years including grace period of two years. The loan is repayable in three euqal annual installments starting from the financial year 2021. Company has not paid due installments of the loan due to which a penalty of 4% amounting to Rs. 230,443,333 (2018: Rs. 203,835,247) has been recorded till date the of authorization of these financial statements.

32 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on Sep 13, 2024.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

MUNIEF ZIA UDDIN & CO. LAHORE. INITIALED FOR IDENTIFICATION ONLY