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BAHAWALPUR WASTE MANAGEMENT COMPANY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30,2023

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Review Report to Members
On the Statement of Compliance with the Public Sector Companies
(Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of **Bahawalpur Waste Management Company** for the year ended June 30, 2023.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Rules.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Rules requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended June 30, 2023.

UHY Hassan Naeem & Co.
Chartered Accountants

UHY Hassan Naeem & Co. Chartered Accountants Lahore

Date: August 18, 2025
Place: Lahore
UDIN: CR202310300diHIFWtVC

INDEPENDENT AUDITOR'S REPORT
To the members of Bahawalpur Waste Management Company
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Bahawalpur Waste Management Company** ("the Company"), which comprise the statement of financial position as at June 30, 2023, and the statement of income and expenditure, the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy 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 funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2023 and of the deficit and other comprehensive income, the changes in funds 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 1.4 to the financial statements, which states that the Company incurred a net deficit of Rs. 358.407 million (2022: Rs. 260.140 million) during the year. As at the reporting date, its accumulated deficit amounts to Rs. 1,120.162 million (2022. Rs. 761.755 million) and its current liabilities exceed its current assets by Rs. 474.252 million. These events or conditions, along with others matters as set forth in Note 1.4, indicate 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 the other information. The other information comprises the information included in the annual report for the year ended June 30, 2023, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forger, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of income and expenditure, the statement of comprehensive income, statement of changes in funds and statement of cash flows, together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on audit resulting in this independent auditor's report is Ibne Hassan.

Date: August 18, 2025
Place: Lahore
UDIN: AR2023103009g5ZSNx8W

UHY Hassan Naeem & Co.
Chartered Accountants

UHY Hassan Naeem & Co.
Chartered Accountants
Lahore

BAHAWALPUR WASTE MANAGEMENT COMPANY
(A Company set-up under section 42 of the repealed Companies Ordinance, 1984, now Companies Act, 2017)
STATEMENT OF FINANCIAL POSITION
As at June 30, 2023

	Note	2023 Rupees	2022 Rupees
ASSETS			
Non-current assets			
Property and equipment	4	122,376,630	147,827,697
Intangible assets	5	286,170	401,740
Long-term deposits	6	115,190	115,190
Total non-current assets		**122,777,990**	**148,344,627**
Current assets			
Advances and other receivables	7	10,470,634	8,105,841
Stores and spares		13,387,708	16,302,932
Cash and bank balances	8	63,634,553	76,909,256
Total current assets		**87,492,895**	**101,318,029**
Total Assets		**210,270,885**	**249,662,656**
LIABILITIES			
Non-current liabilities			
Grant available for utilization	9	259,870,094	181,701,136
Long-term financing	10	508,817,537	462,477,937
Total non-current liabilities		**768,687,631**	**644,179,073**
Current liabilities			
Trade and other payables	11	91,745,416	67,238,618
Current portion of long-term financing	10	470,000,000	300,000,000
Total current liabilities		**561,745,416**	**367,238,618**
Total Liabilities		**1,330,433,047**	**1,011,417,691**
Net Liabilities		**(1,120,162,162)**	**(761,755,035)**
Represented by:			
General fund		**(1,120,162,162)**	**(761,755,035)**
Contingencies and commitments	12		

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

MANAGING DIRECTOR/CEO | **DIRECTOR**

BAHAWALPUR WASTE MANAGEMENT COMPANY

(A Company set-up under section 42 of the repealed Companies Ordinance, 1984, now Companies Act, 2017)

STATEMENT OF INCOME AND EXPENDITURE

For the year ended June 30, 2023

	Note	2023 Rupees	2022 Rupees
Income			
Income from grants	13	**293,974,601**	**256,000,958**
Income from services	14	**5,266,327**	**3,174,213**
Expenditure			
Direct expenses	15	(506,893,948)	(407,271,368)
Administrative expenses	16	(86,348,104)	(69,809,263)
Finance cost	17	(59,996,800)	(42,704,177)
		(653,238,852)	**(519,784,808)**
Other operating expenses	18	(13,331,507)	(3,906,849)
Other income	19	8,922,304	4,376,101
Net deficit before taxation		**(358,407,127)**	**(260,140,385)**
Taxation	20	-	-
Net deficit after taxation		**(358,407,127)**	**(260,140,385)**

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

MANAGING DIRECTOR/CEO

DIRECTOR

BAHAWALPUR WASTE MANAGEMENT COMPANY

(A Company set-up under section 42 of the repealed Companies Ordinance, 1984, now Companies Act, 2017)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2023

	2023 Rupees	2022 Rupees
Net Deficit For The Year	(358,407,127)	(260,140,385)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
- items that may be reclassified subsequently to profit or loss	-	-
- items that will not be reclassified susbequenlty to profit or loss	-	-
Total comprehensive loss for the year	**(358,407,127)**	**(260,140,385)**

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

MANAGING DIRECTOR/CEO

DIRECTOR

BAHAWALPUR WASTE MANAGEMENT COMPANY

(A Company set-up under section 42 of the repealed Companies Ordinance, 1984, now Companies Act, 2017)

STATEMENT OF CHANGES IN FUNDS

For the year ended June 30, 2023

	General Fund Rupees
Balance as at July 01, 2021	(501,614,650)
Total deficit during the year	(260,140,385)
Balance as at June 30, 2022	**(761,755,035)**
Total deficit during the year	(358,407,127)
Balance as at June 30, 2023	**(1,120,162,162)**

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

MANAGING DIRECTOR/CEO

DIRECTOR

BAHAWALPUR WASTE MANAGEMENT COMPANY

(A Company set-up under section 42 of the repealed Companies Ordinance, 1984, now Companies Act, 2017)

STATEMENT OF CASH FLOWS

For the year ended June 30, 2023

	Note	2023 Rupees	2022 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Net deficit before taxation		**(358,407,127)**	**(260,140,385)**
Adjustments for non-cash and other items:			
Depreciation	4	23,204,654	21,293,990
Amortization of intangible assets	5	115,570	216,835
Gain on disposals of property and equipment	4.2	(2,547,567)	-
Amortization of grant relating to subsidized loan	13.1	(59,967,270)	(42,693,099)
Amortization of capital grants	13.1	(3,677,442)	(4,254,884)
Unwinding of long-term financing	17	59,967,270	42,693,099
Bank charges	17	29,530	11,078
Net cash used in operating activities before working capital changes		**(341,282,382)**	**(242,873,366)**
Working capital adjustments:			
(Increase)/ decrease in advances and other receivables		(1,781,406)	200,000
Decrease/(Increase) in stores and spares		2,915,224	(9,208,570)
Increase in trade and other payables		24,506,798	15,777,960
		25,640,616	**6,769,390**
Cash used in operations		**(315,641,766)**	**(236,103,976)**
Bank charges paid		(29,530)	(11,078)
Taxes paid		(583,387)	(400,432)
Net cash used in operating activities		**(316,254,683)**	**(236,515,486)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	4	(739,975)	(61,982,645)
Proceeds from disposal of property and equipment	4.2	5,533,955	-
Purchase of intangible assets	5	-	(490,768)
Net cash used in investing activities		**4,793,980**	**(62,473,413)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing obtained	10.1	300,000,000	262,117,000
Long-term financing repaid	10.1	(1,814,000)	(1,340,000)
Net cash generated from financing activities		**298,186,000**	**260,777,000**
Net decrease in cash and cash equivalents		**(13,274,703)**	**(38,211,899)**
Cash and cash equivalents at the beginning of year		**76,909,256**	**115,121,155**
Cash and cash equivalents at the end of the year	8	**63,634,553**	**76,909,256**

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

MANAGING DIRECTOR/CEO

DIRECTOR

1 Status and nature of business

1.1 Bahawalpur Waste Management Company (BWMC) ("the Company") was incorporated in Pakistan as a limited by guarantee Company under section 42 of the Companies Ordinance 1984, (now the Companies Act, 2017) on July 13, 2013 and is registered as a non profit organization. The principal activity of the Company is to administer, co-ordinate, supervise, provide guideline for smooth functioning and undertake / engage in provision of solid waste management services for citizens of Bahawalpur City. The Company is domiciled in Pakistan and its registered office is situated at Tehsil Municipal Administration Bahawalpur (TMA) Bahawalpur City, Pakistan.

1.2 Subsequent to its incorporation, the Company entered into Service and Asset Management Agreement (SAMA) with Tehsil Municipal Administrations for a period of 20 years to enable the Company to carry out its objectives. In accordance with the terms of the agreement, TMA had transferred its certain assets, employees, operations and all movable and immovable property against lease money of Rs. 100,000 for the period of operating lease. No other charges in respect of these assets are payable; however if an asset is scraped and sold by the Company, the amount realized shall be paid to the Tehsil Municipal Administrations.

1.3 The Company has submitted its plan to Government of Punjab (GoPb) via letter number BWMC/2016/1617 dated April 04, 2016 regarding generation of its own revenue. As on the reporting date, such plan has not been approved by GoPb. Consequently, the Company could not raise billings to customers against services rendered on behalf of TMA. As of the reporting date, GoPb gives grant in aid and long term loan each year to the Company to meet its operational expenses.

Going Concern

1.4 During the year, the Company has shown net deficit of Rs. 358.407 million (2022: Rs. 260.140 million) and as at the reporting date, the accumulated deficit amounts to Rs. 1,120.166 million (2022 Rs. 761.755 million). The current liabilities of the Company exceed its current assets by Rs. 474.252 million. The Company has yet not been able to generate revenue from sources as planned during the previous years. Moreover, the Company is running its operations through loans from the Government of Punjab (GoPb) which do not seem payable with the current resources of the Company. Furthermore, the Company could not pay its loan installment which was due on May 13, 2023. These factors indicate the existence of material uncertainties that cast significant doubts about the Company's ability to continue as a going concern, and therefore, it may be unable to realize its ascets and discharge its liabilities in the normal course of business.

Subsequent to the year end, the GoPb has lent further loans of Rs. 350 million for the year 2023-2024 and further approved Rs. 420 million for the year 2024-2025 to meet the day to day operational requirements of the Company. The management is confident that being a GoPb funded company, continued funding and support shall be available from the Government and the Company shall continue to operate in foreseeable future Consequently, the financial statements have been prepared using the going concem assumption.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board (IASB) and accounting standards for Not for Profit Organizations issued by ICAP as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions of and directives issued under the Companies Act, 2017 shall prevail.

2.1.1 New standards, interpretations and amendments applicable to the financial statements for the year ended June 30, 2023

There are certain amendments and an interpretation to approved accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2022. However, there is no implication of new standards and amendments adopted during the year.

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

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

		Effective date (annual reporting periods beginning on or after)
IFRS 9	Financial Instruments (Amendments)	January 1, 2024
IAS 21	Effects of Changes in Foreign Exchange Rates	January 1, 2025
IAS 7	Statement of Cash Flows	January 1, 2026
IFRS 7	(Amendments) Financial Instruments	January 1, 2026
IFRS 16	Leases (Amendments)	January 1, 2024

The above standards, amendments to approved accounting standards and interpretations are not likely to have any material impact on the Company's financial statements.

Other than the aforesaid standards, interpretations and amendments, International Accounting Standards Board (IASB) has also issued the following standards and interpretation, which have not been notified locally or declared exempt by the Securities and Exchange Commission of Pakistan (SECP) as at June 30, 2024;

IFRS 1 First-time Adoption of International Financial Reporting Standards
IFRS 17 Insurance Contracts
IFRIC 12 Service Concession Arrangement

2.1.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

-recoverable amount, residual values and useful lives of property and equipment;
-useful lives of intangibles assets;
-amortization of loans and grants;
-net realisable values of store and spares;
-income taxes; and
-disclosure and assessment of provision for contingencies.

2.1.3 Basis of measurement

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

2.1.4 Functional and presentation currency

These financial statements are presented in Pak Rupee ("Rs.") which is the Company's functional currency. All financial information presented in Rupees has been rounded off to the nearest rupee, unless otherwise stated.

3 Material accounting policy information

3.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment, if any. Subsequent costs are included in the asset's carrying amount or recognized as 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 asset can be measured reliably. Major renewals and improvements are capitalized. All repairs and maintenance costs are charged to the income and expenditure when these are incurred.

Depreciation is charged to income and expenditure account applying the reducing balance method at the rates specified in the property and equipment (Note 4). Depreciation on additions is charged from the month in which assets are available for use and on deletions up to the month in which assets are disposed.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Impairment loss or its reversal, if any is also charged to statement of income and expenditure. Where an impairment loss is recognized, depreciation charge is adjusted to allocate the asset's revised carrying amount over its estimated useful life.

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

3.2 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprises purchase price, non-refundable taxes on purchases and other directly attributable expenditure 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 amortized from the month, in which these assets are available for use, using the straight line method, whereby the cost of intangible asset is amortized over its useful life. The useful life and amortization method are reviewed and adjusted, if appropriate at each reporting date.

3.3 Stores and spares

These are valued at lower of cost and net realizable value except for items in transit, which are valued at invoice price and related direct expenses incurred upto the date of statement of financial position. Cost of an item is determined on First in First out (FIFO) basis. For items which are slow moving, provision is made for excess of their book values over their estimated net realizable values.

3.4 Long term financing

The Company charges interest on long term loan using effective rate of interest basis, taking into account KIBOR rate prevailing in the market. Change in KIBOR rate might affect the interest calculated on loan with the corresponding affect on liabilities of the Company.

3.5 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of consideration to be paid in future for goods and services.

3.6 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each year end and adjusted, if any, to reflect the current best estimates.

3.7 Revenue recognition

Revenue of the Company comprises of following two:
- Amortization of government grants.
- Income from services.

3.7.1 Government grants

Income related to grants are accounted for in accordance with the requirement of IAS-20 "Accounting for Government Grants and Disclosure of Government Assistance". i.e. Grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

- When the grant relates to expense item, it is recognized as income over the period necessary to match the grant on systematic basis to the cost that is intended to compensate.
- When loans or similar assistance are provided by Government or related institutions with an interest free or interest rate below the current applicable market rate, the effect of this favorable interest is recorded as additional government grant.
- When the grant relates to an asset, it is recognized as deferred income and charged to the income over the expected useful life of the related assets.
- Restricted grants are recognized to the extent of its utilization in respective project while un-utilized portion till year end is carried forward as deferred income.

3.7.2 Income from services

Revenue is recognized when or as performance obligations are satisfied by transferring control of promised goods or services to a customer, and control either transfers over time or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies.
Income from services is recognized on stage of completion method.

3.8 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after considering rebates and tax credits available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior periods which arise from assessment framed / finalized during the period, if any.

Deferred

Deferred tax is provided using the balance sheet method for all temporary differences at the date of statement of financial position between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits, if any, to the extent that it is probable that taxable profits will be available against which such temporary differences and tax losses/credits can be utilized. Deferred tax liabilities are recognized for all major taxable temporary differences.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of statement of financial position. Deferred tax is charged or credited to the statement of income and expenditure, except in the case of items credited or charged to equity or other comprehensive income in which case it is included in equity or statement of comprehensive income.

The Company has obtained the status of "Non Profit Organization" under Section 2 (36) of the Income Tax Ordinance, 2001. Hence according to Section 100C of the Income Tax Ordinance 2001, the Company would be allowed a tax credit equal to one hundred per cent of the tax payable, including minimum tax and final tax payable under any of the provisions of that Ordinance. Therefore, no provision for taxation and deferred tax has been recorded in these financial statements.

3.9 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand and cash at bank in current and saving accounts.

3.10 Financial instruments

3.10.1 Recognition and initial measurement

All financial assets or financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

3.10.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment. Interest income, foreign exchange gains and losses and impairment are recognized in statement of income and expenditure. Any gain or loss on derecognition is recognized in statement of income and expenditure.

Financial assets measured at amortized cost comprise of cash and bank balances and other receivables.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in statement of income and expenditure. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of income and expenditure. However, the Company has no such instrument at the date of statement of financial position.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair values. Dividends are recognized as income in statement of income and expenditure unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to statement of income and expenditure. However, the Company has no such instrument at the date of statement of financial position.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.
On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in statement of income and expenditure. However, the Company has no such instrument at the balance sheet date.

Financial assets – Business model assessment:

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in statement of income and expenditure. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of income and expenditure. Any gain or loss on derecognition is also recognized in statement of income and expenditure.

Financial liabilities comprise of creditors and accrued liabilities.

3.10.3 **Derecognition**

Financial assets

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

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in statement of income and expenditure.

3.10.4 Offsetting of financial instrument

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.11 Impairment

3.11.1 Financial assets

The Company recognizes loss allowances for ECL on:

- financial assets measured at amortized cost; and
- debt investments measured at FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the followings, which are measured at 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECL is the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECL is the ECL that result from all possible default events over the expected life of a financial instrument. 12-month ECL is the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3.11.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment are recognized in statement of income & expenditure. Impairment recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment had been recognized.

3.12 Related parties transactions

Transactions in relation to services acquired and provided with related parties are made at arm's length and priced at comparable uncontrolled market price determined as per the Company's policy.

3.13 Employee benefits

3.13.1 Employee cost for the year

Salaries, wages and other benefits are accrued in the period in which the associated services are rendered by employees of the Company and measured on an undiscounted basis. The accounting policy for employee retirement benefits is described below.

3.13.2 Employee retirement benefits

Leave Encashment

Leave encashment is paid to the maangement employee's of the Bahawalpur Waste Management Company.

Government employees

Post employment benefits of TMA employees, transferred to the Company, are the liability of TMA as per Service and Asset Management Agreement. Therefore, liability for retirement benefits of TMA employees' is not recorded in these financial statements. Services records of these TMA employees are maintained by accounts office of TMA Bahawalpur.

Employees on contract

Company operates an employees provident fund scheme for its eligible employees, who opted for the scheme. Equal monthly contribution at the rate of 10% of basic pay are made both by the Company and employees to the fund. Investments in collective investment schemes, listed equity and listed debt securities out of provident fund/trust have been made in accordance with the provisions of section 218 of the Act and the Rules formulated for this purpose.

Provident Fund

Company has provident fund scheme for its eligible (regular) employees. As per this scheme, equally monthly contributions are made by the Company and employees at the rate of 10 percent of basic salary.

3.14 Contingent liability

Contingent liability is disclosed when:

- There is possible obligation that arises from 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
- There is present 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.

BAHAWALPUR WASTE MANAGEMENT COMPANY

(A Company set-up under section 42 of the repealed Companies Ordinance, 1984, now Companies Act, 2017)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2023

4 Property and equipment

PARTICULARS	COMPUTER AND ACCESSORIES	WASTE EQUIPMENT	FURNITURE AND FIXTURES	VEHICLES	OFFICE EQUIPMENT	MOBILES	TOTAL
Year Ended June 30, 2023	---	---	---	Rupees	---	---	---
Cost							
Balance as at July 01, 2022	7,939,386	70,075,907	3,066,306	212,113,799	6,407,379	1,836,093	301,438,870
Additions	-	-	318,285	-	421,690	-	739,975
Disposals	(624,078)	(12,631,345)	(59,409)	-	-	-	(13,314,832)
As on June 30, 2023	7,315,308	57,444,562	3,325,182	212,113,799	6,829,069	1,836,093	288,864,013
Accumulated depreciation							
Balance as at July 01, 2022	4,496,344	25,753,620	2,416,711	115,760,568	4,418,891	765,039	153,611,173
Charge for the year	1,032,912	7,953,999	149,307	13,147,329	385,580	535,527	23,204,654
Disposals during the year	(604,894)	(9,670,883)	(52,667)	-	-	-	(10,328,444)
As on June 30, 2023	4,924,362	24,036,736	2,513,351	128,907,897	4,804,471	1,300,566	166,487,383
Balance as at June 30, 2023	2,390,946	33,407,826	811,831	83,205,902	2,024,598	535,527	122,376,630
Depreciation Rate (%)	30	15	20	15	20	50	
Year Ended June 30, 2022							
Cost							
Balance as at July 01, 2021	5,158,218	44,708,687	3,034,956	180,405,899	6,148,465	-	239,456,225
Additions	2,781,168	25,367,220	31,350	31,707,900	258,914	1,836,093	61,982,645
As on June 30, 2022	7,939,386	70,075,907	3,066,306	212,113,799	6,407,379	1,836,093	301,438,870
Accumulated depreciation							
Balance as at July 01, 2021	4,113,357	20,939,656	2,252,473	101,473,523	3,538,174		132,317,183
Charge for the year	382,987	4,813,964	164,238	14,287,045	880,717	765,039	21,293,990
As on June 30, 2022	4,496,344	25,753,620	2,416,711	115,760,568	4,418,891	765,039	153,611,173
Balance as at June 30, 2022	3,443,042	44,322,287	649,595	96,353,231	1,988,488	1,071,054	147,827,697
Depreciation Rate (%)	30	15	20	15	20	50	

4.1 Depreciation charge for the year has been allocated as follows:

	Note	2023 Rupees	2022 Rupees
Direct expenses	15	21,101,328	19,101,009
Administrative expenses	16	2,103,326	2,192,981
		23,204,654	21,293,990

4.2 Dispoal of Property, Plant and Equipment

Particulars	Cost	Net Book Value	Sale Proceeds	Gain/ (loss) on disposal	Mode of Disposal	Name of Purchaser
	2023 Amount in Rupees					
Plastic Chairs	59,409	6,742	22,001	15,259	Auction	Abdul Jabbar
Telephone set	19,656	2,111	2,750	639	Auction	Haji Zardad Khan
Wheel Barrow	683,100	138,440	326,154	187,714	Auction	Haji Zardad Khan
Waste Container	11,948,245	2,822,022	4,990,550	2,168,528	Auction	Haji Zardad Khan
Laptops	604,422	17,073	192,500	175,427	Auction	Haji Zardad Khan
Total- 2023	13,314,832	2,986,388	5,533,955	2,547,567		

No disposals were made during the financial year 2022.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2023

5	**Intangible assets**	2023 Rupees	2022 Rupees
	Cost		
	Opening balance	1,662,294	1,171,526
	Additions	-	490,768
	Closing balance	1,662,294	1,662,294
	Accumulated amortization		
	Opening balance	1,260,554	1,043,719
	Amortization for the year	115,570	216,835
	Closing balance	1,376,124	1,260,554
	Net book value as at 30 June	**286,170**	**401,740**
	Amortization rate	20%	20%

6 Long-term deposits

This represents security deposits given to MEPCO and Telenor Pakistan Private Limited.

7	**Advances and other receivables**	*Note*	2023 Rupees	2022 Rupees
	Advance tax / withholding tax deducted at source	*7.1*	8,489,228	7,905,841
	Advance against insurance		1,248,626	-
	Receivable against services	*7.2*	732,780	200,000
			10,470,634	**8,105,841**

7.1 This includes amount of Rs. 4,298,601 (2022: Rs. 4,298,601) recovered by Federal Board of Revenue (FBR) by attachment of bank account under section 161/205 of Income Tax Ordinance, 2001. The Company filed appeal before learned Commissioner Inland Revenue (Appeals) against the said order. The CIR (appeals) has annuled the order of FBR.

7.2 This represents amount receivable against cleaning services provided to various government and semi government departments.

8	**Cash and bank balances**	*Note*	2023 Rupees	2022 Rupees
	Cash in hand		1	47,741
	Bank balance - *local currency*			
	Current account		21,835,215	16,188,759
	Saving account	*8.1*	41,799,337	60,672,756
			63,634,553	**76,909,256**

8.1 These saving accounts carry mark-up at the rates ranging from 4.981 % to 9.12% (2022: 3.80% to 8.79%) per annum.

9	**Grant available for utilization**	*Note*	2023 Rupees	2022 Rupees
	Opening balance		181,701,136	139,212,588
	Add: Grant received during the year	*9.1*	230,329,889	209,052,975
	Add: Effect of present value on long-term subsidized loan	*10.1*	141,813,670	89,436,531
	Less: Amortized during the year	*13*	(293,974,601)	(256,000,958)
	Closing balance		**259,870,094**	**181,701,136**

9.1	**Grant received during the year**		2023 Rupees	2022 Rupees
	Grant received from Government of Punjab	*9.1.1*	144,000,000	144,000,000
	Grant received from Municipal Corporation Ahmedpur East	*9.1.2*	86,329,889	65,052,975
			230,329,889	**209,052,975**

9.1.1 Grant received from Government of Punjab

Letter reference number	Date	Amount
FD(PFC) 2-8/2022-23937	August 31, 2022	36,000,000
FD(PFC) 2-8/2022-31165	November 16, 2022	36,000,000
FD(PFC) 2-8/2022-7650	March 8, 2023	36,000,000
FD(PFC) 2-8/2022-11995	April 20, 2023	36,000,000
		144,000,000

		2023 Rupees	2022 Rupees
9.1.2 Grant received from Municipal Corporation Ahmedpur East			
For revenue expenditure	*9.1.2.1*	**86,329,889**	**65,052,975**

9.1.2.1 On September 23, 2020, Service and Asset Management Agreement reference number BWMC/CEO/20/53 was made between Bahawalpur Waste Management Company (BWMC) and Municipal Committe Ahmedpur East (MC-APE) for the solid waste management services in Ahmedpur East, District Bahawalpur.

10 Long-term financing	*Note*	2023 Rupees	2022 Rupees
Loan from Government of Punjab (GoPb) - secured	*10.1*	**508,817,537**	**462,477,937**

10.1 Movement of long-term financing is as follows:

		2023	2022
Opening balance		762,477,937	548,444,369
Received during the year	*10.1.1*	300,000,000	262,117,000
Interest at effective rate of interest		59,967,270	42,693,099
Effect of present value charged to Government Grant	*9*	(141,813,670)	(89,436,531)
Repayments		(1,814,000)	(1,340,000)
		978,817,537	762,477,937
Current portion of long-term financing		(470,000,000)	(300,000,000)
Closing balance		**508,817,537**	**462,477,937**

10.1.1 Loan received during the year

Letter reference number	Date	Amount
FD (L) 1-383/2018-20866	July 25, 2022	75,000,000
FD (L) 1-383/2018-28447	October 19, 2022	75,000,000
FD (L) 1-383/2018-2671	January 25, 2023	75,000,000
FD (L) 1-383/2018-11604	April 17, 2023	75,000,000
		300,000,000

10.2 This represents the loan from Government of Punjab (GoPb) to meet its capital, operational and head office expenditures. These loans are repayable in 3 equal annual instalments with 2 years grace period, latest by June 2027, and carries markup at 0.25% (2022: 0.25%) per annum, payable on annual basis.

The Company has defaulted on the repayment obligations, failing to make schedule payments as per agreed terms with GoPb.

10.3 The long term financing has been discounted using the interest rate prevailing on date of receipt of loan in order to reflect the effect of benefit of interest free loan as required under IAS - 20 'Government Grants'. The loan has been discounted from the date of receipt of loan to the date of maturity.

11 Trade and other payables	*Note*	2023 Rupees	2022 Rupees
Salary and benefits payable		20,272,836	18,024,208
Provident fund payable - related party	*11.1*	34,618,570	23,273,789
Creditors		4,347,187	4,650,796
Tender securities payable		13,434,990	15,199,715
Accrued liabilities		42,495	938,056
Audit fee payable		1,000,000	500,000
Loan penalty payable	*11.2*	17,983,561	4,652,054
Withholding tax payable		45,777	-
		91,745,416	**67,238,618**

21 Financial risk management

The Company has exposures to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of fund. The Company's risk management policies are established to identify and analyze the risks faced by the Company, set appropriate risk limits, controls, 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.

21.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises principally from loans, advances and bank balances. The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements.

The maximum exposure to credit risk at the reporting date is:

	2023 Rupees	2022 Rupees
Receivable against services	732,780	200,000
Bank balances	63,634,553	76,861,515
	64,367,333	**77,061,515**

The Company monitors the credit quality of the financial assets with reference to the historical performance of such assets and available external credit ratings.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate. There is concentration of credit risk as bank balance is held with a related party (BOP).

Banks	Ratings		Rating agency	2023	2022
	Short term	Long term		Rupees	Rupees
The Bank of Punjab	A1+	AA+	PACRA	63,634,553	76,861,515

21.2 Liquidity risk

Liquidity risk represents the risk that the Company shall encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The Company intends to manage liquidity risk by maintaining sufficient cash and the availability of funding through grants received from the Government of Punjab. The management believes that its liquidity risk is low subject to proper cash flow management and contingent planning for meeting delays in release of grants. The table below analyses the Company's financial liabilities into relevant maturity based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

Contractual maturities of financial liabilities:

30-Jun-23	Carrying amount	Contractual cash flow	Less than 1 year	Between 1 and 5 year	Over 5 years
Trade and other payables	90,699,639	90,699,639	90,699,639	-	-
Long-term financing	978,817,537	978,817,537	508,817,537	470,000,000	-
	1,069,517,176	**1,069,517,176**	**599,517,176**	**470,000,000**	**-**

30-Jun-22	Carrying amount	Contractual cash flow	Less than 1 year	Between 1 and 5 year	Over 5 years
Trade and other payables	66,738,618	66,738,618	66,738,618	-	-
Long-term financing	762,477,937	762,477,937	462,477,937	300,000,000	-
	829,216,555	**829,216,555**	**529,216,555**	**300,000,000**	**-**

21.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest/mark up 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.

a) 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 periodically restated to Pak rupee equivalent and the associated gain or loss is taken to income and expenditure account. The Company keep such risk minimum.

b) Interest/Markup rate risk

Interest/Mark up rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest/mark up rates . The Company is exposed to markup/interest rate risk to the extent of deposits with banks only.

At the reporting date, the variable markup rate profile of the Company's significant interest bearing financial instruments was as follows:

Variable rate instruments	2023	2022	2023	2022
	Effective rate of interest		Rupees	Rupees
Financial Assets				
Bank balances	9.12%	8.79%	41,799,337	60,672,756

Cash flow sensitivity analysis for variable rates

A change of 100 basis points in interest/markup rates at the reporting date would have increased / decreased surplus before tax for the year by the amounts shown below. This analysis assumes that all other variables remain constant.

	Increase Rupees	Decrease Rupees
As at June 30, 2023		
Cash flow sensitivity-variable rate financial liabilities	636,346	769,093
As at June 30, 2022		
Cash flow sensitivity-variable rate financial liabilities	769,093	1,151,212

21.4 Financial instruments by category

	2023 Rupees	2022 Rupees
Financial assets at amortised cost		
Receivable against services	732,780	200,000
Cash and bank balances	63,634,553	76,909,256
	64,367,333	**77,109,256**
Financial liabilities at amortised cost		
Trade and other payables	90,699,639	66,738,618
Long-term financing	978,817,537	762,477,937
	1,069,517,176	**829,216,555**

21.5 Fair value of financial assets and liabilities

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).