



## INDEPENDENT AUDITOR'S REPORT

To the members of Lahore Waste management Company  
Report on the Audit of the Financial Statements

### Qualified 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, 2017, 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, except for the matters described in the Basis for Qualified Opinion section below, 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, except for the effect of the matter described in the Basis for Qualified Opinion section of our report 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 Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Qualified Opinion

Our audit revealed a departure from the applicable financial reporting framework in the treatment of the gain of Rs. 11,892,781,892 arising from the modification of long-term financing. The company recorded a portion of the gain amounting to Rs. 5,290,411,129 in the statement of income and expenditure as disclosed in Note 20 to the financial statements. The balance, amounting to Rs. 6,602,370,762 was reflected in the statement of changes in fund. However, according to the applicable financial reporting framework the entire gain should have been recorded in the statement of income and expenditure. Had the company recorded the entire gain of Rs. 11,892,781,892 arising from the modification of long-term financing in the statement of income and expenditure in accordance with the applicable financial reporting framework, the deficit for the year would have been eliminated. As a result, the deficit for the year would have been converted to a surplus of Rs. 4,354,796,011.

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 Qualified Opinion.

MZCO



### **Material Uncertainty Related to Going Concern**

We draw attention to Note 2 in the financial statements, which indicates that the company incurred a net loss of Rs. 2,294,380,657 during the year ended June 30, 2017 and, as of that date the accumulated losses of the company are Rs. 12,770,209,772. 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.

### **Emphasis of Matter**

We draw attention to Note 6 of the financial statements which describe the restatement of long-term financing, deferred grant, accrued interest on long-term financing, trade and other payables and certain expenses and income and effects of change in depreciation policy of landfill site on freehold land. The restatement has resulted in a material impact on the financial statements and we draw attention to the note for a better understanding of the effects of restatement on the financial position and performance of the company. Our opinion is not modified in respect of this matter.

### **Other Matter**

The financial statements of Lahore Waste Management Company for the year ended June 30, 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on January 23, 2017.

### **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.

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 Ordinance, 1984 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.

MZCO





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.
- 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.



# MUNIFF ZIAUDDIN & CO.

## Chartered Accountants



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, except for the possible effect of the matter described in Basis for Qualified Opinion section, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- 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 Ordinance, 1984 and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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



Lahore Waste Management Company

Audited Financial Statements  
For the year ended  
June 30, 2017



**LAHORE WASTE MANAGEMENT COMPANY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2017**

	2017	2016	2015
	Rupees	Restated Rupees	Restated Rupees
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	7 1,621,870,164	1,758,120,902	1,804,896,230
Intangible assets	8 2,406,697	1,727,789	2,067,087
Long-term deposits	3,936,625	3,797,625	3,842,625
	1,628,213,486	1,763,646,316	1,810,805,942
<b>Current Assets</b>			
Stores and spares	13,746,224	4,316,751	5,434,260
Receivables against services	9 223,309,292	309,152,707	116,672,284
Advances	10 1,135,968	2,625,487	1,305,889
Short term prepayments	3,191,681	2,050,961	2,948,011
Accrued interest on bank deposits	522,826	1,455,525	979,279
Other receivables	11 88,915,301	74,036,531	35,919,381
Due from Government	12 72,247,192	68,911,182	48,633,307
Advance tax	43,337,146	3,336,011	20,277,875
Cash and bank balances	13 2,286,607,066	3,152,847,590	3,586,031,318
	2,733,012,696	3,618,762,745	3,818,201,604
<b>Total Assets</b>	<b>4,361,226,182</b>	<b>5,382,409,061</b>	<b>5,629,007,546</b>
<b>FUND AND LIABILITIES</b>			
<b>Funds</b>			
General funds	(12,770,209,772)	(17,078,199,877)	(11,235,338,700)
<b>Non Current Liabilities</b>			
Deferred Grants	14 4,135,624,628	2,959,374,711	2,785,659,188
Long-term financing	15 11,259,963,192	13,794,375,854	10,900,411,000
	15,395,587,820	16,753,750,565	13,686,070,188
<b>Current Liabilities</b>			
Trade and other payables	17 1,272,594,312	249,322,711	263,616,218
Accrued interest on financing	131,790,307	80,202,790	42,151,752
Current portion of deferred grant	14 331,463,515	1,491,130,698	1,375,761,421
Current portion of long-term financing	16 -	3,886,202,174	1,496,746,667
	1,735,848,134	5,706,858,373	3,178,276,058
<b>Total Fund And Liabilities</b>	<b>4,361,226,182</b>	<b>5,382,409,061</b>	<b>5,629,007,546</b>
<b>Contingencies And Commitments</b>	18 -	-	-

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR



**LAHORE WASTE MANAGEMENT COMPANY**  
**STATEMENT OF INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED JUNE 30, 2017**

		2017	2016
	Note	Rupees	Restated Rupees
<b>Income</b>			
Income from services	19	506,530,807	420,242,813
Amortization of grants	20	10,026,437,756	4,749,196,421
		<u>10,532,968,563</u>	<u>5,169,439,234</u>
<b>Expenditures</b>			
Direct expenses	21	(10,936,802,325)	(9,311,739,421)
		<u>(403,833,762)</u>	<u>(4,142,300,187)</u>
Administrative expenses	22	(374,930,697)	(374,792,615)
		<u>(778,764,459)</u>	<u>(4,517,092,802)</u>
Operating surplus / (deficit)		157,848,201	160,618,160
Other income	23		
Finance cost	24	(1,673,464,399)	(1,486,386,535)
		<u>(2,294,380,657)</u>	<u>(5,842,861,177)</u>
Deficit before taxation			
Taxation	25	-	-
Deficit for the year		<u>(2,294,380,657)</u>	<u>(5,842,861,177)</u>

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR



LAHORE WASTE MANAGEMENT COMPANY  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	Rupees	Restated Rupees
Deficit for the year	(2,294,380,657)	(5,842,861,177)
Items that may be subsequently reclassified to income and expenditure	-	-
Items that will not be subsequently reclassified to income and expenditure	-	-
<b>Total comprehensive deficit for the year</b>	<b>(2,294,380,657)</b>	<b>(5,842,861,177)</b>

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR





**LAHORE WASTE MANAGEMENT COMPANY  
STATEMENT OF CHANGES IN FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	General Funds Rupees
Balance as at July 01, 2015		(11,448,548,063)
Effect of restatement	6	213,209,363
Balance as at July 01, 2015 - restated		(11,235,338,700)
Deficit for the year		(5,842,861,177)
Other comprehensive income		-
		(5,842,861,177)
Balance as at June 30, 2016 - restated		(17,078,199,877)
Balance as at July 01, 2016		(17,078,199,877)
Deficit for the year		(2,294,380,657)
Other comprehensive income		-
Gain on restructuring of long-term financing		6,602,370,762
		4,307,990,105
Balance as at June 30, 2017		(12,770,209,772)

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR



**LAHORE WASTE MANAGEMENT COMPANY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

		2017	2016
	Note	Rupees	Restated Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Deficit for the year		(2,294,380,657)	(5,842,861,177)
<b>Adjustments for non cash and other items:</b>			
Interest on saving accounts	23	(88,787,715)	(157,611,471)
Depreciation of property, plant and equipment	7.1	146,265,453	77,846,887
Gain on restructuring of long-term loan	20	(5,290,411,130)	-
Amortization of intangible assets	8	1,294,035	1,243,698
Amortization of deferred grant	20	(1,632,814,627)	(1,375,761,421)
Bad debts		43,728,016	-
Finance cost	24	1,673,464,399	1,486,386,535
Loss on disposal of property, plant and equipment	23	689,826	-
		(5,146,571,743)	32,104,228
<b>Changes in working capital:</b>			
<i>(Increase) / Decrease in current assets:</i>			
Stores and spares		(9,399,473)	1,087,509
Receivables against services		42,115,399	(192,480,423)
Advances		1,489,519	(1,319,598)
Short term prepayments		(1,140,720)	897,050
Other receivables		(14,878,770)	(38,117,150)
		18,185,955	(229,932,612)
<i>Increase / (Decrease) in current liabilities:</i>			
Trade, accrued and other payables		1,023,271,601	(14,293,507)
Cash used in operations		(6,399,494,844)	(6,054,983,068)
Interest income received		89,720,414	157,135,225
Interest cost paid		(312,465)	(68,915)
Income tax paid		(43,337,146)	(3,336,011)
<b>Net cash used in operating activities</b>		<b>(6,353,424,041)</b>	<b>(5,901,252,769)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for acquisition of property, plant and equipment		(7,995,029)	(31,071,559)
Proceeds from disposal of property, plant and equipment		600,000	-
Capital work in progress (C WIP)		(3,309,511)	-
Payment for acquisition of Intangible assets		(1,972,943)	(904,400)
Long-term deposits		(139,000)	45,000
<b>Net cash used in investing activities</b>		<b>(12,816,483)</b>	<b>(31,930,959)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan received from the Government	15	5,500,000,000	5,500,000,000
Net decrease in cash and cash equivalents		(866,240,524)	(433,183,728)
Cash and cash equivalents at the beginning of the year		3,152,847,590	3,586,031,318
Cash and cash equivalents at the end of the year	13	2,286,607,066	3,152,847,590

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

