

**GUJRANWALA WASTE
MANAGEMENT COMPANY**

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30, 2016**

A member of

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ILYAS SAEED & CO.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **GUJRANWALA WASTE MANAGEMENT COMPANY** as at June 30, 2016 and the related income and expenditure account, statement of comprehensive income, statement of cash flows and statement of changes in fund together with the notes forming part thereof, for the year then ended 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 purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (1) We have not been provided with the Directors' Statement of Compliance with Best Practices required under Public Sector (Corporate Governance) Rules, 2013. Thus, in the absence of any Statement of Compliance, we did not issue any review report on the aforesaid statement.
- (2) We have not been provided with Management Representations Letter as required under International Standard on Auditing 580 'Written Representations' alongwith signed financial statements which representation letter is required as part of audit evidence in acknowledgement of acceptance and confirmation of management responsibilities.

Except for the matters stated in paragraphs (1) and (2) above, we report that:

- a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984 ;
- b) in our opinion:
 - i) the statement of financial position and income and expenditure account 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 are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business ; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, income and expenditure account, statement of cash flows and statement of changes in fund together with the notes forming part thereof, conform with approved accounting 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, 2016 and of the deficit, comprehensive deficit, its cash flows and changes in fund for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.


ILYAS SAEED & CO.

Chartered accountants

Engagement Partner: Irfan Ilyas

Date: **19 MAY 2017**

Place: Lahore



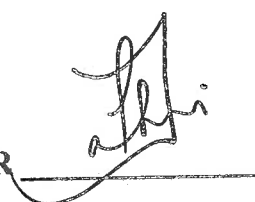
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GUJRANWALA WASTE MANAGEMENT COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2016

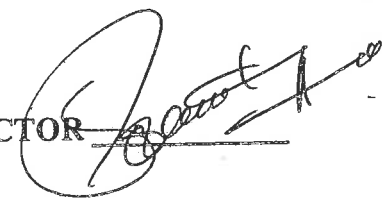
	Note	<u>2016</u> <u>RUPEES</u>	<u>2015</u> <u>RUPEES</u>
ASSETS			
Non - current assets			
Property, plant and equipment	4	155,011,706	80,347,796
Capital work in progress - civil	5	-	1,014,950
Intangible assets	6	546,167	-
Long term deposits and prepayments	7	4,983,940	7,102,578
		160,541,813	88,465,324
Current assets			
Loans and advances	8	5,329,336	2,672,393
Cash and bank balances	9	79,288,444	129,460,851
		84,617,780	132,133,244
Total Assets		<u>245,159,593</u>	<u>220,598,568</u>
FUNDS & LIABILITIES			
General fund		27,408,344	167,752,244
Current liabilities			
Trade and other payables	10	195,108,229	52,846,324
Un-amortized grants	13	22,643,020	-
		217,751,249	52,846,324
Contingencies and commitments	11	-	-
Total fund and liabilities		<u>245,159,593</u>	<u>220,598,568</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

MANAGING DIRECTOR



DIRECTOR



**GUJRANWALA WASTE MANAGEMENT COMPANY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016**

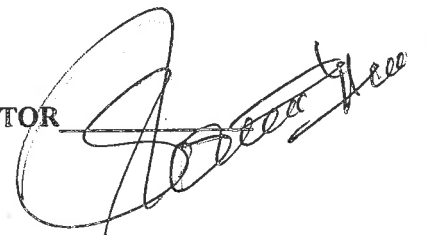
Particulars	Note	2016 <u>RUPEES</u>	2015 <u>RUPEES</u>
Income from services	12	3,958,137	473,333
Amortization of grants	13	819,651,956	792,578,000
		823,610,093	793,051,333
Direct expenses	14	(856,644,518)	(666,157,151)
Gross (deficit)/ surplus		<u>(33,034,425)</u>	<u>126,894,182</u>
Administrative expenses	15	(114,769,070)	(69,838,829)
Net (deficit)/ surplus from operations		<u>(147,803,495)</u>	<u>57,055,353</u>
Other income	16	6,315,996	3,478,713
		(141,487,499)	60,534,066
Finance cost	17	(16,247)	(4,877)
(Deficit) / surplus before taxation		<u>(141,503,746)</u>	<u>60,529,189</u>
Taxation	18	1,159,846	(1,159,846)
(Deficit) / surplus after taxation		<u><u>(140,343,900)</u></u>	<u><u>59,369,343</u></u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

MANAGING DIRECTOR



DIRECTOR



**GUJRANWALA WASTE MANAGEMENT COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016**

	2016 <u>RUPEES</u>	2015 <u>RUPEES</u>
(Deficit) / surplus for the year after taxation	(140,343,900)	59,369,343
Other comprehensive income / loss	-	-
Total (deficit) / surplus for the year	<u>(140,343,900)</u>	<u>59,369,343</u>

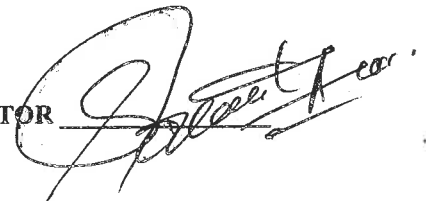
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The annexed notes from 1 to 25 form an integral part of these financial statements.

MANAGING DIRECTOR



DIRECTOR

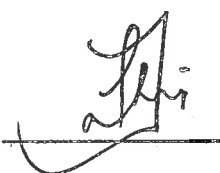


GUJRANWALA WASTE MANAGEMENT COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

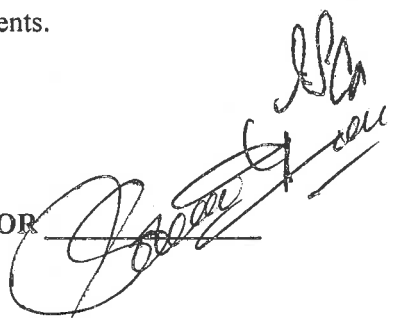
	<u>2016</u> <u>RUPEES</u>	<u>2015</u> <u>RUPEES</u>
CASH FLOW FROM OPERATING ACTIVITIES		
(Deficit) / surplus before taxation	(141,503,746)	60,529,189
Adjustments for non cash items:		
Depreciation	22,652,448	8,180,351
Amortization	2,972,887	3,024,436
Finance cost	16,247	4,877
Loss on disposal of assets	-	46,746
	<u>25,641,582</u>	<u>11,256,410</u>
Operating (deficit) / surplus before working capital chang	(115,862,164)	71,785,599
(Increase) in current assets		
Loans and advances	(735,088)	(480,885)
Increase in current liabilities		
Trade and other payables	142,500,554	35,408,409
Cash generated from operations	<u>25,903,302</u>	<u>106,713,123</u>
Financial charges paid	(16,247)	(4,877)
Taxes paid	(1,000,658)	(775,758)
Net cash inflow from operating activities	<u>24,886,397</u>	<u>105,932,488</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(97,015,358)	(60,343,980)
Purchase of intangible assets	(580,000)	-
Sale proceeds of equipments	-	1,058,000
Capital work in progress - civil	-	(6,547,950)
Long term deposits and prepayments	(106,466)	(1,575,814)
Net cash out flow from investing activities	<u>(97,701,824)</u>	<u>(67,409,744)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Deferred grant	22,643,020	-
Net cash inflow from financing activities	<u>22,643,020</u>	<u>-</u>
Net (decrease) / increase in cash and cash equivalents	<u>(50,172,407)</u>	<u>38,522,744</u>
Cash and cash equivalents at the beginning of the year	129,460,851	90,938,107
Cash and cash equivalents at the end of the year	<u>79,288,444</u>	<u>129,460,851</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

MANAGING DIRECTOR



DIRECTOR



**GUJRANWALA WASTE MANAGEMENT COMPANY
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED JUNE 30, 2016**

PARTICULARS

General Fund

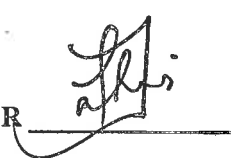
RUPEES

Balance as at June 30, 2014	108,382,901
Total surplus for the year	59,369,343
Balance as at June 30, 2015	167,752,244
Total (deficit) for the year	(140,343,900)
Balance as at June 30, 2016	<u>27,408,344</u>

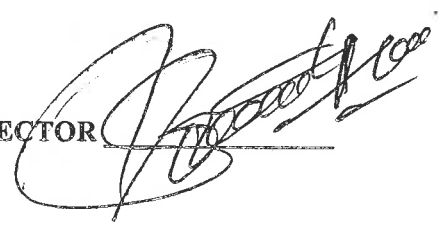


The annexed notes from 1 to 25 form an integral part of these financial statements.

MANAGING DIRECTOR



DIRECTOR



GUJRANWALA WASTE MANAGEMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. STATUS AND NATURE OF THE BUSINESS

Gujranwala Waste Management Company (GWMC) was incorporated as guarantee limited Company under section 42 of the Companies Ordinance, 1984, vide Registration No. RG/S/01 dated 12th July, 2013, as a Non-Profit Organization, with the goal to provide the efficient, effective and modern services regarding the disposal of solid waste in a modern way in Gujranwala. The Company is a Public Interest and Large Sized Company in terms of SECP notification number S.R.O 929 (1) / 2015 dated 10th September, 2015. The registered office of the Company is situated at 2nd floor, Gujranwala Chamber of Commerce and Industry Building, Aiwan-e-Tijarat Road, Gujranwala.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved Accounting Standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.1 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

2.1.1 The following revised 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 standards or interpretation:

Standards, amendments or Interpretation	Effective date (annual periods beginning on or after)
IFRS-5 Non-current Assets Held for Sale and Discontinued Operations- Amendments resulting from September 2014 annual improvements to IFRSs. (Amendment)	01 January 2016
IFRS-7/IAS 34/ IAS 19 Financial Instruments: Disclosures- Amendments	01 January 2016

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Gujranwala Waste Management Company
Notes to the financial statements for the year ended June 30, 2016

	resulting from September 2014 annual improvements to IFRS. (Amendment)	
IFRS-11	Joint Arrangements – Amendments regarding the Accounting for acquisitions of an interest in a joint operation. (Amendment)	01 January 2016
IFRS-12	Disclosures of Interests in Other Entities - Amendments regarding the application of the consolidated exceptions.(Amendment)	01 January 2016
IAS-1	Presentation of Financial Statements- Amendments resulting from the disclosure initiative (Amendment)	01 January 2016
IAS 16/ IAS 38/IAS 41	Property, Plant and Equipment- Amendments regarding the clarification of acceptable methods of depreciation and amortization(Amendment) Amendments bringing bearer plants into the scope of IAS 16(Amendment)	01 January 2016
IAS 27	Separate Financial Statements - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements(Amendment)	01 January 2016

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IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception (Amendment)	01 January 2016
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2.1.2 Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

IASB Effective date
(Annual Periods
beginning on or after)

IFRS-9	Financial Instruments	January 01, 2018
IFRS-14	Regulatory Deferral accounts	January 01, 2016
IFRS-15	Revenue from Contracts with Customers	January 01, 2018
IFRS-16	Leases	January 01, 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been adopted in the preparation of the Company's accounts are as follows: -

3.1 *ACCOUNTING CONVENTION*

These financial statements have been prepared under the historical cost convention.

3.2 *CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS*

The preparation of financial statements in conformity with approved accounting standards require management to make judgments, estimates and assumptions that affects the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the 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 ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if revision affect only that period, or in the period of revision and future periods if 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.

- Residual values and useful lives of assets
- Provisions of obsolete and slow moving items
- Provisions
- Taxations
- Impairment

3.3 PROPERTY, PLANT AND EQUIPMENT

All the Property, Plant and Equipment have been valued at cost less accumulated depreciation and accumulated impairment losses (if any) except work in progress which is stated at cost less identified impairment losses, if any. Cost includes purchase price and all incidental expenses incurred up to the date of operation. The capital work in progress is transferred to fixed assets as and when assets are available for intended use.

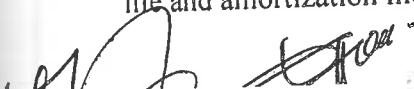
Depreciation on Property, Plant and Equipment is charged to income and expenditure account on reducing balance method over its estimated useful life so as to write off the historical cost of an asset at the rates specified in note 5. Depreciation on additions is charged from the month in which an asset is purchased while no depreciation is charged for the month in which the asset is disposed of. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

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 the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income and expenditure account during the period in which they are incurred.

An item of property, plant 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 the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income and expenditure account in the year the asset is derecognized.

3.4 INTANGIBLE ASSETS

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise 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 amortized on straight line basis whereby the cost of intangible asset is amortized over its estimated useful life. The useful life and amortization method are reviewed and adjusted, if any, at each balance sheet date.



3.5 IMPAIRMENT

An assessment is made at each statement of financial position date to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment and intangible assets. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognized in the income and expenditure account.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of amortization or depreciation), had no impairment losses been recognized for the asset in prior years. Reversal of impairment loss is restricted to the original cost of the asset.

3.6 INVESTMENT

Investments with fixed or determinable payments and fixed maturity, which the Company has the positive intent and ability to hold to maturity, are carried at amortized cost, using the effective interest rate method less impairment losses, if so determined.

3.7 STORES & SPARES

These are valued at the lower of cost and net realisable value except for items in transit, which are valued at invoice price and related expenses incurred up to the balance sheet date. Cost of an item is determined on First in First out (FIFO) basis. For items which are slow moving and / or identified as surplus to the Company's requirement, a provision is made for excess of book value over estimated realisable value.

3.8 TRADE DEBTORS & RECEIVABLES

Trade debtors and receivables are carried at invoice amount less an estimate made for doubtful debts based on review of outstanding amounts at year end. Bad debts are written off when identified.

3.9 BORROWING COST

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that is directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of the asset.



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3.10 TRADE & OTHER PAYABLES

Liabilities for trade and other amounts payables are carried at cost which is the fair value considered to be paid in the future for goods and services received, whether or not billed to the Company.

3.11 GRANTS

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 the grant relate to an asset, it is recognized as deferred income and released to the income in equal amounts over the expected useful life of related assets. When loans or similar assistance are provided by governments or similar institutions with an interest free loan or interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

3.12 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 balance sheet date and adjusted, if any, to reflect the current best estimate.

3.13 RELATED PARTY TRANSACTIONS

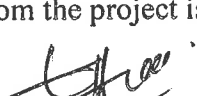
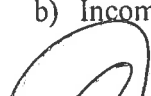

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include holding Company, associated companies with or without common directors, directors and major shareholders and their close family members, key management personnel and staff and retirement benefit funds.

All transactions with related parties are made at arm's length prices determined in accordance with comparable uncontrolled price method except for the assets sold to employees at Written down Value under the employees' car scheme as approved by the Board of Directors.

3.14 REVENUE RECOGNITION

Revenue from cleaning and environmental services is recognized when such services are rendered and the following conditions have been satisfied:

- a) the amount of revenue can be measured reliably;
- b) Income from the project is in accordance with the terms of the agreement.



- c) it is probable that the economic benefits associated with the transaction will flow to the Company;
- d) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Other Revenue is recognized on the following bases:

- interest on bank deposits is recognized using the effective interest rate method; and
- grant is recognized in income and expenditure account on systematic basis over the periods in which the entity recognizes the related cost as expenses for which grants are intended to compensate.

3.15 TAXATION

Current

Provision for current taxation is based on taxable income at current tax rates after taking into account applicable tax rebates and credits, if any.

Deferred

Deferred taxation is recognized using the balance sheet liability method on all major temporary differences arising between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax is charged to / credited to the income and expenditure account except in case of items credited or charged to fund in which case it is included in fund.

As the Company is a non-profit organization and incorporated under section 42 of the companies' ordinance, 1984 and the Company does not anticipate future taxable income, so deferred tax asset has not been recognized on deductible temporary difference and unused tax losses.

3.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and bank deposits.

3.17 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into Pak rupees at the rates of exchange approximating those prevailing on the date of transaction. Monetary assets and liabilities in

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foreign currencies are translated into rupees at the exchange rates prevailing at the balance sheet date. Current exchange differences are included in income and expenditure account.

3.18 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized at cost which is the fair value of the consideration given or received at the time when the Company becomes a party to the contractual provisions of the instrument by following trade date accounting.

A financial asset or part thereof is de-recognized when the Company loses control of the contractual rights that comprise the financial assets or part thereof. Such control is deemed to be lost if the Company realizes the rights to benefits specified in the contracts, the rights expire or the Company surrenders those rights. A financial liability or part thereof is removed from the balance sheet when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Any gain or loss on subsequent measurement and de-recognition is charged to income.

3.19 STAFF RETIREMENT BENEFITS

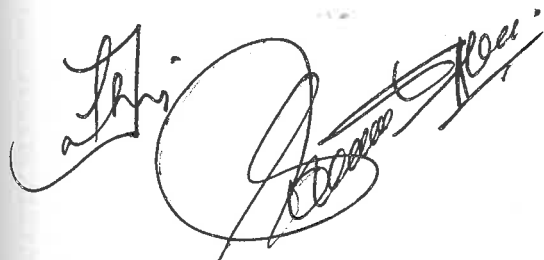
Defined Contribution Plan

The Company operates an un-funded provident fund scheme for its permanent employees eligible under the Employees Provident Fund Rules of the Company. The employees and Company make equal monthly contributions at the rate of 10% of basic salary.

No other staff retirement benefit plan is maintained by the Company.

3.20 OFFSETTING

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



4 Property, plant & equipment

Description	Cost		Rate	Depreciation			W.D.V 30-Jun-16 Rupees	
	01-Jul-15	Addition/ (Deletion)		30-Jun-16	01-Jul-15	Adjustment		For the year
	Rupees			%	Rupees			
Owned								
Furniture & fittings	4,567,830	373,098	15	583,572	-	612,489	3,744,867	
Private Vehicles	15,284,367	1,789,411	15	1,884,630	-	2,236,292	12,952,856	
Commercial Vehicles	48,115,045	80,496,020	15	4,924,948	-	13,882,809	109,803,308	
Computer & accessories	9,216,271	156,563	30	890,212	-	2,535,115	5,947,507	
Office equipments	2,771,330	1,108,952	15	297,830	-	499,660	3,082,792	
Garbage containers	1,689,520	12,976,482	15	21,119	-	1,742,846	12,902,037	
Generator	4,311,993	415,832	15	58,775	-	700,358	3,968,692	
Vehicles tracking devices	2,989,900	-	15	37,374	-	442,879	2,509,647	
Leasehold Assets								
Leasehold assets (4.1)	100,000	-		-	-	-	100,000	
Total	89,046,256	97,316,358		8,698,460	-	22,652,448	155,011,706	

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Description	Cost			Rate %	Depreciation			W.D.V 30-Jun-15 Rupees	
	01-Jul-14	Addition/ (Defection) Rupees	30-Jun-15		01-Jul-14	Adjustment	For the year		30-Jun-15
							Rupees		
Owned									
Furniture & fittings	90,825	4,477,005	4,567,830	15	3,471	-	580,101	3,984,258	
Private Vehicles	5,730,030	10,684,717 (1,130,380)	15,284,367	15	211,428	(25,634)	1,677,717	13,420,856	
Commercial Vehicles	22,900,500	25,214,545	48,115,045	15	286,256		4,659,811	43,168,978	
Computer & accessories	851,941	8,364,330	9,216,271	30	40,596	-	849,616	8,326,059	
Office equipments	159,360	2,611,970	2,771,330	15	1,992	-	295,838	2,473,500	
Garbage containers	-	1,689,520	1,689,520	15	-	-	21,119	1,668,401	
Generator	-	4,311,993	4,311,993	15	-	-	58,775	4,253,218	
Vehicles tracking devices	-	2,989,900	2,989,900	15	-	-	37,374	2,952,526	
Leasehold Assets									
Leasehold assets (4.1)	100,000	-	100,000	-	-	-	-	100,000	
Total	29,832,656	59,213,600	89,046,256		543,743	(25,634)	8,180,351	8,698,460	

Leasehold Assets

Under section 6(i) of Service and Assets Management Agreement (SAMA) which read as follows:

"The CDGG hereby transfers possession, management, uses, maintenance and control of machinery, equipments, tools and plants, vehicles, lands, buildings, structures and all other moveable and immovable assets owned, managed or controlled by the CDGG for solid waste management, a list whereof has been appended to this Schedule of fixed assets as Annexure, to the GWMC on a lease money of Rs. 100,000/- for the period of currency of this Agreement and this Agreement shall be deemed to be the lease agreement for this purpose. The GWMC is further authorized to consume the consumable items."

[Signature]

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	<u>2016</u> <u>RUPEES</u>	<u>2015</u> <u>RUPEES</u>
5 CAPITAL WORK IN PROGRESS		
Office renovation expenses		
Opening balance	1,014,950	2,784,200
Additions during the year	-	6,547,950
	<u>1,014,950</u>	<u>9,332,150</u>
Transferred to office building renovation account	(1,014,950)	(8,317,200)
	<u>-</u>	<u>1,014,950</u>
6 INTANGIBLE ASSETS		
Opening balance	-	-
Addition during the year	580,000	-
	<u>580,000</u>	<u>-</u>
Less: Amortized	(33,833)	-
	<u>546,167</u>	<u>-</u>
6.1 This pertains to website of the Company. Amortization on website has been charged on straight line basis over the useful life of 10 years. Amortization has been charged from the month of purchase.		
7 LONG TERM DEPOSITS AND PREPAYMENTS		
Long-term deposits		
Security deposits of offices & waste transfer station	1,316,910	1,407,244
Security deposits to sasta model bazar Gujranwala	196,800	-
Security deposits to fruit mandi Gujranwala	150,000	150,000
Security deposits to GEPCO	252,570	252,570
	<u>1,916,280</u>	<u>1,809,814</u>
Deferred costs		
Office building renovation account		
Opening balance	5,292,764	-
During the year	1,014,950	8,317,200
Transferred to property, plant & equipment	(301,000)	-
	<u>6,006,714</u>	<u>8,317,200</u>
Less : Amortized during the year	(2,939,054)	(3,024,436)
	<u>3,067,660</u>	<u>5,292,764</u>
	<u>4,983,940</u>	<u>7,102,578</u>
7.1 This represents renovation expenses of office floors at Gujranwala Chamber of Commerce & Industry building at Trust Plaza G.T. Road, Gujranwala taken on lease vide agreement dated 25-03-2014.		
7.2 This represents amortization charges of renovation expenses of office floors on area of 6000 sq. ft. taken on lease vide lease agreement dated 25-03-2014 for the period of three years.		
8 LOANS AND ADVANCES		
Advances		
Income tax	1,921,855	-
Rent (office & weigh bridge)	62,500	62,500
Telenor Pakistan (Pvt.) Ltd.	25,000	-
Prepaid insurance	794,367	358,769
Prepaid group insurance (health & life)	181,980	-
	<u>2,985,702</u>	<u>421,269</u>
Other receivables		
Employees	358,359	357,791
Sasta Model Bazar	164,000	-
Professors Colony	238,828	-
Al Mansoorah Housing Society	218,426	-
Fruit Mandi Gujranwala	864,021	473,333
United Insurance	-	190,000
Lahore Waste Management Company	500,000	1,230,000
	<u>2,343,634</u>	<u>2,251,124</u>
	<u>5,329,336</u>	<u>2,672,393</u>

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GUJRANWALA WASTE MANAGEMENT COMPANY
Notes to the financial statements for the year ended June 30, 2016

		2016 <u>RUPEES</u>	2015 <u>RUPEES</u>
8.1 Advance income tax			
Opening balance		-	145,439
Prior year adjustment		921,197	-
		921,197	145,439
<i>Deducted during the year</i>			
On profit on debt		604,950	323,471
On cash withdrawal from bank		6,401	27,415
On utilities		211,760	138,985
On others		177,547	285,887
		1,000,658	775,758
Provision for the year	18	-	(921,197)
		<u>1,921,855</u>	-
8.2 Receivable from employees			
Receivable against cash lost	8.2.1	350,000	350,000
Other receivables		8,359	7,791
		<u>358,359</u>	<u>357,791</u>
8.2.1 This represents cash snatched by dacoits from an employee and according to the management it stands recoverable from the employee on installments.			
9 CASH AND BANK BALANCES			
Cash in hand		-	44,127
Cash at banks	9.1	79,288,444	129,416,724
		<u>79,288,444</u>	<u>129,460,851</u>
9.1 Cash at banks			
Current accounts	9.1.1	31,522,439	128,134,090
Deposit accounts	9.1.2	47,766,005	1,282,634
		<u>79,288,444</u>	<u>129,416,724</u>
9.1.1 Current accounts			
BOP A/C No.10827-6		<u>31,522,439</u>	<u>128,134,090</u>
9.1.2 Deposit accounts			
BOP A/C No.10861-7		39,627,642	324,678
GWMC Employess Provident Fund- BOP A/C No.1318-6		8,138,363	957,956
		<u>47,766,005</u>	<u>1,282,634</u>
9.1.3 The deposit accounts carry mark up ranging from 6.5 to 7 % per annum.			
10 TRADE AND OTHER PAYABLES			
Bills payable -- Unsecured		179,968,339	49,565,262
Accrued liabilities	10.1	7,140,876	1,604,391
Provident fund		7,998,823	1,148,204
Other liabilities		191	528,467
		<u>195,108,229</u>	<u>52,846,324</u>
10.1 Accrued expenses			
Auditor's remuneration		450,000	400,000
Staff salaries		2,302,359	869,924
Leave encashment		3,368,041	-
Rent of weighbridge & transfer stations		-	100,800
Electricity bill		75,704	100,596
Communication charges		58,205	37,053
Mobilink bills		79,177	70,178
E.O.B.I. contribution		158,100	15,840
Legal & professional charges		269,750	10,000
Death insurance claims		240,000	-
Interest		139,540	-
		<u>7,140,876</u>	<u>1,604,391</u>

M 

2016
RUPEES 2015
RUPEES

11 CONTINGENCIES & COMMITMENTS

Contingencies

11.1 The Company is a non profit organization and registered under section 42 of the Companies Ordinance, 1984 and had applied to the Commissioner Inland revenue (CIR) to avail the exemptions provided under section 2 (36) (C) of the Income Tax Ordinance, 2001 dated 21-01-2016. The application still lying to the CIR for approval. In the case of rejection, the officer of FBR may raise a demand of Rs. 102,741 as income tax required to be provided under the Income tax Ordinance, 2001

Commitments

There is no commitment as on June 30, 2016

12 INCOME FROM SERVICES

Cleaning service income	12.1	<u>3,958,137</u>	<u>473,333</u>
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12.1 The amount represents the service charges for cleaning various societies including commercial markets in Gujranwala city.

13 AMORTIZATION OF GRANTS

Expense related grants

Government of punjab (GoP)		356,115,000	355,500,000
City district government gujranwala (CDGG)			
For operational and general expenses		459,694,250	436,983,000
For financial assistance to widows		12,700,000	-
For leave encashments of CDGG staff		13,785,726	-
		486,179,976	436,983,000
Japan international cooperation agency (JICA)		-	95,000
Total expense related grants		<u>842,294,976</u>	<u>792,578,000</u>

Assets related grants

Government of punjab (GOP)		-	-
City District Government Gujranwala (CDGG)		-	-
Total assets related grants		-	-
Total grants received		<u>842,294,976</u>	<u>792,578,000</u>
Grant amortized		<u>(819,651,956)</u>	<u>(792,578,000)</u>
Closing balance	13.1	<u>22,643,020</u>	<u>-</u>

13.1 Un-amortised Grant

For financial assistance to widows		12,700,000	-
For leave encashments of CDGG staff		9,943,020	-
		<u>22,643,020</u>	<u>-</u>

In terms of requirements of para 39(c) of IAS 20, there are no un-fulfilled conditions and other contingencies attracting to grants/govt. assistance that has been recognized. Further there were no other grants given specifically for assets by either CDGG or by GOP except as mentioned above. However the Company has utilized some grant for purchase of assets as needed by the Company to perform its operation more efficiently and effectively which are shown in the schedule of fixed assets.

14 DIRECT EXPENSES

Staff salaries, wages and allowances	14.1	599,870,417	468,240,526
Commercial vehicles operational costs	14.2	170,114,087	150,611,907
Repair & maintenance of containers & waste enclosures		170,969	6,552,835
Training expenses - capacity building		45,735	262,400
Uniform & rain coats		-	1,024,960
Rent of weighbridge and transfer stations		411,000	873,730
Electricity-workshop & land fill site		396,786	217,919
Electrification		115,480	2,405,028
Depreciation of operational vehicles		15,625,655	4,680,930
Land fill cleaning & improvement		66,711,824	31,286,916
Printing & stationary		89,000	-
Insurance of operational vehicle		100,618	-
Rent, rates & taxes		556,090	-
Fee and subscription		10,434	-
Legal & professional charges		15,900	-
Travelling & allowance		30,500	-
Advertisement		2,380,023	-

see page

GUJRANWALA WASTE MANAGEMENT COMPANY
Notes to the financial statements for the year ended June 30, 2016

	2016 <u>RUPEES</u>	2015 <u>RUPEES</u>
14.1 Staff salaries, wages and allowance		
Sanitation staff - regular & contract	289,121,684	291,815,810
Sanitation staff - daily wages	60,071,529	38,989,124
Outsource service firms	220,896,710	116,065,887
Leave encashment and bonuses	22,204,884	13,370,398
Workshop and project staff	7,339,976	1,512,049
Other benefits	235,634	6,487,258
	<u>599,870,417</u>	<u>468,240,526</u>
14.2 Commercial		
Diesel, mobil oil & lubricants	96,692,665	78,471,169
Repair & maintenance vehicles & trucks	59,885,813	63,418,817
Stores & spares	13,535,609	6,372,201
Rent of vehicles for operational activities	-	2,349,720
	<u>170,114,087</u>	<u>150,611,907</u>
15 ADMINISTRATIVE EXPENSES		
Managing Director's remuneration	15.1 11,905,662	5,960,267
Management staff salary	15.2 64,093,859	28,066,833
Management staff travelling	15.3 10,867,857	5,353,437
Communication	15.4 4,892,913	1,975,213
Office rent	2,265,265	1,344,244
Printing & stationery	811,925	735,967
Auditor's remuneration	450,000	400,000
Legal & professional charges	258,740	101,000
Miscellaneous	105,970	256,903
Entertainment	1,203,505	520,906
Advertisement	748,382	3,548,707
Insurance - vehicles	616,224	419,325
Depreciation/Amortization	7,060,626	3,499,421
EOBI employer contribution	371,150	111,680
Fees & subscription	67,830	52,420
Consultancy charges	15.6 1,434,680	12,753,800
Electricity expense	805,722	632,704
Repair & maintenance	420,008	177,243
Office supplies & maintenance	503,480	743,057
News papers and books	85,175	40,520
Carriage & freight	3,870	28,000
Amortization of office renovations	7.2 2,939,054	3,024,436
Security guard services	1,873,844	-
Health & group life insurance	983,329	-
Others	-	92,746
	<u>114,769,070</u>	<u>69,838,829</u>

15.1 REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

	Managing Director		Directors		Executives	
	2,016	2,015	2,016	2015	2016	2,015
	Rupees					
Remuneration	6,041,440	3,518,304	-	-	19,923,822	8,809,034
House rent allowance	1,510,360	703,662	-	-	4,980,955	1,761,807
Utilities allowance	604,144	703,662	-	-	1,992,382	1,761,807
Bonus	2,539,721	327,888	-	-	5,603,005	864,931
Contribution to provident fund	584,210	0	-	-	1,872,262	325,895
Leave Encashment	625,787	706,751	-	-	2,634,700	855,353
	<u>11,905,662</u>	<u>5,960,267</u>	<u>-</u>	<u>-</u>	<u>37,007,126</u>	<u>14,378,827</u>
Number of persons	1	1	9	9	12	11

15.1.1 A company owned and maintained car has been provided to MD of the Company for business and personal use.

The Managing Director also participates in the provident fund scheme and the Company contributed Rupees 584,211 towards his

15.1.2 provident fund.

15.2 Administrative staff salaries, allowances & bonuses

Administrative staff salaries	47,872,273	24,470,907
Bonuses	9,012,106	1,641,481
Leave encashment	4,297,232	1,337,236
Provident fund contribution	15.5 2,840,248	568,709
Mile award	72,000	48,500

GUJRANWALA WASTE MANAGEMENT COMPANY
 Notes to the financial statements for the year ended June 30, 2016

	2016 <u>RUPEES</u>	2015 <u>RUPEES</u>
15.3 Management staff travelling		
Travelling allowances	947,493	127,110
Vehicle repair & maintenance	1,598,439	972,054
Vehicles running & maintenance	5,844,408	4,254,273
Training & capacity building	2,477,517	-
	<u>10,867,857</u>	<u>5,353,437</u>
15.4 Communication		
Ptcl evo charges	229,118	118,449
Mobile bills	754,762	423,006
Telephone charges	271,289	175,420
Postage & couriers	35,720	42,032
Mobile phone sets	1,092,530	1,195,306
Mobile Sets for field staff	2,377,500	-
Email services	131,994	21,000
	<u>4,892,913</u>	<u>1,975,213</u>
15.5 Provident fund		
The contributions are made by the employees @10 % of the basic salaries as stated in the employees provided fund rules of the Company. Equal contribution is made by the employer i.e. GWMC.		
15.6 Consultancy		
ISO audit and certification	84,680	113,800
TPL Tracking system	1,200,000	-
Consultancy for land fill	150,000	-
Corporate & tax	-	70,000
Interior designing	-	98,000
Environmental	-	4,872,000
IT services	-	7,600,000
	<u>1,434,680</u>	<u>12,753,800</u>
15.7 Auditor's remuneration		
Audit fee	450,000	400,000
Out of pocket expenses	-	-
Other	-	-
	<u>450,000</u>	<u>400,000</u>
16 OTHER INCOME		
Income from financial assets		
Interest income on bank deposit accounts	6,049,496	3,234,713
Income from assets other than financial assets		
Tender fee	266,500	244,000
	<u>6,315,996</u>	<u>3,478,713</u>
17 FINANCIAL CHARGES		
Bank charges	16,247	4,877
18 TAXATION		
Current	102,741	1,159,846
Tax credit under section 100C of the Income Tax Ordinance, 2001	(102,741)	-
	<u>-</u>	<u>1,159,846</u>

The company is a Non Profit Organisation as per the objects clause of its Memorandum of Association and as defined under clause (36) (C) of section 2 of income tax ordinance, 2001. The company has claimed tax credits equal to 100 % u/s 100 (C) of income tax

19 FINANCIAL INSTRUMENTS
 As per schedule annexed

19 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

DESCRIPTION	INTEREST / MARK UP BEARING			NON INTEREST / MARK-UP BEARING			TOTAL	
	Maturity up to one year	Maturity after one year	Sub Total	Maturity up to one year	Maturity after one year	Sub Total	2016	2015
-----RUPEES-----								
FINANCIAL ASSETS								
Trade debts	-	-	-	-	-	-	-	-
Loan & Advances	-	-	-	5,329,336	-	5,329,336	5,329,336	2,672,393
Trade deposits	-	-	-	-	-	-	-	-
Cash and bank balances	47,766,005	-	47,766,005	31,522,439	-	31,522,439	79,288,444	129,460,851
	47,766,005	-	47,766,005	36,851,775	-	36,851,775	84,617,780	132,133,244
FINANCIAL LIABILITIES								
Trade and other payables	-	-	-	195,108,229	-	195,108,229	195,108,229	52,846,324
	-	-	-	195,108,229	-	195,108,229	195,108,229	52,846,324

19.1 Financial Instruments and Financial risk management

The company's activities are exposed to a variety of financial risks namely credit risk, interest rate risk, foreign exchange risk and liquidity risk. Overall, risks arising from the Company's financial instruments are limited. The Company manages its exposure to financial risk in the following manner:

19.1.1 Credit Risk

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

19.1.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The short term borrowing of the Company is exposed to interest rate risk. The effective interest rates as at June 30, 2016 for the financial instruments are given in the relevant notes.

19.3 Foreign Exchange Risk

Foreign exchange risk arises mainly where the receivables and payables exist due to transactions with foreign undertakings. The Company is not subject to any foreign exchange risk as majority of services are offered to local communities.

19.1.4 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and bank balances and availability of funding through an adequate amount of committed credit facilities. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

	2016		
	Carrying amount	Contractual cash flows	Less than 1 year
	-----Rs.-----		
Trade and other payables	195,108,229	195,108,229	195,108,229
	<u>195,108,229</u>	<u>195,108,229</u>	<u>195,108,229</u>
	2015		
	Carrying amount	Contractual cash flows	Less than 1 year
	-----Rs.-----		
Trade and other payables	52,846,324	52,846,324	52,846,324
	<u>52,846,324</u>	<u>52,846,324</u>	<u>52,846,324</u>

19.2 Capital Risk Management

The company's prime objectives when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to shareholders, issue new shares or sell assets to reduce debts. Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debts. The company strategy was to maintain a gearing ratio of 60% debt and 40% equity. The gearing ratio as at period ended June 30, 2016 and June 30, 2015 are as follows:-

	2016	2015
	Rs.	Rs.
Total Borrowing	-	-
Less: Cash and bank balances	<u>79,288,444</u>	<u>129,460,851</u>
Net Debt	(79,288,444)	(129,460,851)
Total Equity	<u>(27,408,344)</u>	<u>167,752,244</u>
Total Capital	<u>(106,696,788)</u>	<u>38,291,392</u>
Gearing Ratio	-	-

19.3 Fair Value of Financial Instruments

The Carrying amounts of financial assets and financial liabilities approximate their fair values.

2016
RUPEES

2015
RUPEES

20 NUMBER OF EMPLOYEES

Number of employees at the end of the year were 2,674 (2015: 2,390)

	No.	No.
Permanent staff	50	21
Administration	1,170	1,198
Sanitation	535	325
Daily wages		

Outsourced staff

In addition to above, a variable number of temporary labours are recruited through an agreement with two outsourcing companies namely as (1) 3R's Waste Management (Pvt.) Ltd and (2) Zohaib & Co. (Pvt.) Ltd The details of the actual recruited persons are as follows:

	No.	No.
Zohaib & Co.	574	575
3R's waste	345	271

21 DISCLOSURE RELATING TO PROVIDENT FUND

Size of the fund	7,998,823	1,148,204
Cost of investment made	8,138,363	957,956
Percentage of investment made	102%	83%
Fair value of investment made	<u>8,138,363</u>	<u>957,956</u>

Breakup of investment

	<u>8,138,363</u>	<u>957,956</u>
--	------------------	----------------

% age of investments made in terms of size of fund

102% 83%

Special accounts in scheduled banks

The figures for 2015 are based on audited financial statements of provident fund. Investments out of provident fund have been made in accordance with the provision of section 227 of the Companies Ordinance 1984, and rules formulated for this purpose.

22 RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprise, associated companies, companies in which directors are interested, directors and key management personnel's. The company in the normal course of business carries out transactions with various related parties. Amount due from and to related parties are shown under respective heads. Remunerations paid to the Managing Director, Directors and Executives of the company are shown under Note 15.1. No other significant related party transactions were incurred during the period.

23 CAPACITY UTILIZATION

The capacity utilization and cost per ton waste lifted has been as follows:

Year	Waste Lifted (Tonnes)	Operational Expenses	Cost per ton waste lifted (Rs.)
2016	261,748	961,155,702	3,672
2015	217,005	732,048,811	3,373

The total waste lifting capacity of GWMC is 310,250 tonnes (2015: 310,250) per annum.

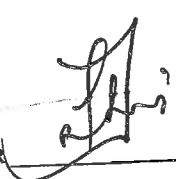
24 Date of authorization of financial statements

These financial statements were authorized for issue on May 09, 2017 by the board of Directors

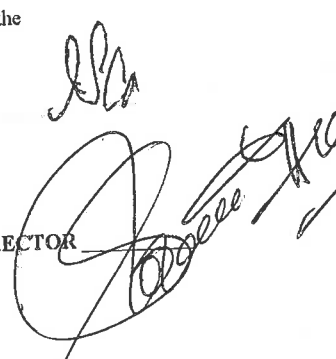
25 General

- Figures have been rounded off to the nearest rupee.
- Comparative figures are reclassified, wherever necessary, for the purpose of comparison and better presentation, the effect of which is not material.

MANAGING DIRECTOR




DIRECTOR



GUJRANWALA WASTE MANAGEMENT COMPANY DIRECTORS' REPORT 2016

The Directors of Gujranwala Waste Management Company are pleased to present the Annual Report of the company, together with audited financial statements for the year ended June 30, 2016.

Operating Results

The financial highlights for the financial years ending June 30, 2015 and June 30, 2016 have been as follows:

Operating Results	2016	2015
Gross (Deficit)/ Surplus	(33,034,425)	126,894,182
Operating Expenses		
Administration & General	(114,769,070)	(69,838,829)
Financial	(16,247)	(4,877)
	(114,785,317)	(69,843,706)
Other Income	6,315,996	3,478,713
Surplus/ (Deficit) before Taxation	(141,503,746)	60,529,189
Taxation	1,159,846	(1,159,846)
Surplus/ (Deficit) after Taxation	(140,343,900)	59,369,343

Corporate Social Responsibility

The management is mindful of its corporate social responsibilities and is taking steps in this regard.

External Auditors

The Auditors, Messer's Ilyas Saeed & Co, Chartered Accountants, retire at the conclusion of 3rd AGM and being eligible have offered themselves for re-appointment. The Board of Directors has, however, recommended to solicit expression of interest from *Category A* firms of Chartered Accountants having satisfactory QCR rating for appointment as Statutory Auditors.

Modification of Audit Opinion

Upon approval of initialed financial statements for the year ended June 30, 2016; the same were signed and provided to the auditors for issuance of signed report thereof. However, unlike all previous engagements they requested a Management Representation Letter covering multiple assertions including but not limited to:

- We confirm that all transactions entered during the year have been approved at appropriate level according to materiality levels approved by the Board of Directors;
- There has been no known actual or possible non-compliance with laws and regulations that could have a material effect on the financial statements in the event of non-compliance;
- We have disclosed to you that there have been no instances of frauds or suspected frauds that may have affected the Company; and
- There have been no events subsequent to the balance sheet date which require adjustment of, or disclosure in, the financial statements or notes thereto. Should any of such events occur between the date of this letter and the date of AGM, we shall let you know.

Since subsequent to the reporting date certain procurement cases were identified and reported to the Board that do not conform with the aforementioned assertions and an inquiry has also been initiated to establish whether any financial, procedural, codal or legal irregularities were committed; it was proposed to the auditors that a disclosure to that effect

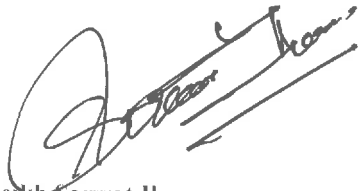

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shall be provided in the financial statements. Also, a modified form of Management Representation Letter duly incorporating the said aspects was tendered to them.

Moreover, Statement of Compliance with Best Practices of Code of Corporate Governance 2016 was also duly provided to the auditors, however, not only the Review Report for the current year has not been issued by the auditors but they also failed to issue the Review Report for 2015.

Notwithstanding anything explained above, they modified the opinion on account of non-provision of Management Representation Letter and Statement of Compliance with Best Practices of Code of Corporate Governance.

For and on behalf of Board



Sheikh Sarwat Ikram
Chairman



Muhammad Qasim Akbar
Managing Director (Acting)

Dated: May 28, 2017