INDEPENDENT AUDITOR'S REPORT

To the members of Lahore Waste management Company

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Lahore Waste Management Company** (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of income and expenditure, the statement of comprehensive income, the statement of changes in fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of income and expenditure, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes forming part thereof confirm with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit, the 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 2 in the financial statements, which indicates that the company incurred a net deficit of Rs. 8,546,990,930 during the year ended June 30, 2018 and, as of that date the accumulated losses of the company are Rs. 21,317,200,702. These events or conditions, along with other matters set forth in note 2 indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Arqum Naveed.

Muniff Ziauddin & Co.
Chartered Accountants
Lahore
Date: 14 SEP 2024

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Lahore Waste Management Company

Audited Financial Statements
For the year ended
June 30, 2018

LAHORE WASTE MANAGEMENT COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	6	1,508,368,283	1,621,870,164
Intangible assets	7	3,135,469	2,406,697
Long-term deposits		3,176,625	3,936,625
		1,514,680,377	1,628,213,486
Current Assets			
Stores and spares		7,058,480	13,746,224
Receivables against services	8	230,881,006	223,309,292
Advances	9	1,710,024	1,135,968
Short term prepayments		5,597,032	3,191,681
Accrued interest on bank deposits		3,887,840	522,826
Other receivables	10	129,491,762	88,915,301
Due from Government	11	115,584,338	72,247,192
Advance tax		40,529,336	43,337,146
Cash and bank balances	12	262,962,211	2,286,607,066
		797,702,029	2,733,012,696
Total Assets		2,312,382,406	4,361,226,182
FUND AND LIABILITIES			
Funds			
General funds		(21,317,200,702)	(12,770,209,772)
Non Current Liabilities			
Deferred Grants	13	4,952,853,003	4,135,624,628
Long-term financing	14	16,323,088,127	11,259,963,192
		21,275,941,130	15,395,587,820
Current Liabilities			
Trade and other payables	15	1,668,380,987	1,272,594,312
Accrued interest on financing		66,624,504	131,790,307
Current portion of deferred grant	13	618,636,487	331,463,515
		2,353,641,978	1,735,848,134
Total Fund And Liabilities		2,312,382,406	4,361,226,182
Contingencies And Commitments	16	-	-

The annexed notes, from 1 to 31, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

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

LAHORE WASTE MANAGEMENT COMPANY
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Income			
Income from services	17	**688,332,988**	506,530,807
Amortization of grants	18	**3,738,057,372**	10,026,437,756
		4,426,390,360	10,532,968,563
Expenditures			
Direct expenses	19	**(11,670,793,234)**	(10,936,802,325)
		(7,244,402,874)	(403,833,762)
Administrative expenses	20	**(471,699,961)**	(374,930,697)
Operating deficit		**(7,716,102,835)**	(778,764,459)
Other income	21	**296,687,494**	157,848,201
Finance cost	22	**(1,127,575,589)**	(1,673,464,399)
Deficit before taxation		**(8,546,990,930)**	(2,294,380,657)
Taxation	23	-	-
Deficit for the year		**(8,546,990,930)**	(2,294,380,657)

The annexed notes, from 1 to 31, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

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

LAHORE WASTE MANAGEMENT COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
Deficit for the year	**(8,546,990,930)**	(2,294,380,657)
Items that may be subsequently reclassified to income and expenditure	-	-
Items that will not be subsequently reclassified to income and expenditure	-	-
Total comprehensive deficit for the year	**(8,546,990,930)**	(2,294,380,657)

The annexed notes, from 1 to 31, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

MUNIFF ZIA UDDIN & CO. LAHORE
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LAHORE WASTE MANAGEMENT COMPANY
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Note	General Funds Rupees
Balance as at July 01, 2016		(17,078,199,877)
Deficit for the year		(2,294,380,657)
Other comprehensive income / (loss)		-
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)
Balance as at July 01, 2017		**(12,770,209,772)**
Deficit for the year		**(8,546,990,930)**
Other comprehensive income / (loss)		-
		(8,546,990,930)
Balance as at June 30, 2018		**(21,317,200,702)**

The annexed notes, from 1 to 31, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

MUNIFF ZIA UDDIN & CO. LAHORE
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LAHORE WASTE MANAGEMENT COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit before taxation		**(8,546,990,930)**	(2,294,380,657)
Adjustments for non cash and other items:			
Interest on saving accounts	21	**(60,049,003)**	(88,787,715)
Depreciation of property, plant and equipment	6.1	**144,230,373**	146,265,453
Gain on restructuring of long-term loan	18	**-**	(5,290,411,130)
Amortization of intangible assets	7	**1,081,214**	1,294,035
Amortization of deferred grant	18	**(618,636,487)**	(1,632,814,627)
Unrealised exchange gain		**(1,555)**	(606)
Bad debts		**54,437,985**	43,728,016
Finance cost	22	**1,122,165,723**	1,673,464,399
Loss on disposal of property, plant and equipment		**1,247,000**	689,826
		644,475,250	(5,146,572,349)
Changes in working capital:			
(Increase) / Decrease in current assets			
Stores and spares		**6,687,744**	(9,399,473)
Receivables against services		**(62,009,699)**	42,115,399
Advances		**(574,056)**	1,489,519
Short term prepayments		**(2,405,351)**	(1,140,720)
Other receivables		**(40,576,461)**	(14,878,770)
		(98,877,823)	18,185,955
Increase in current liabilities:			
Trade, accrued and other payables		**395,786,675**	1,023,271,601
Cash used in operations		**(7,605,606,828)**	(6,399,495,450)
Interest income received		**56,683,989**	89,720,414
Interest cost paid		**(132,490,534)**	(312,465)
Income tax paid		**(40,529,336)**	(43,337,146)
Net cash used in operating activities		**(7,721,942,709)**	(6,353,424,647)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of property, plant and equipment		**(31,975,492)**	(7,995,029)
Proceeds from disposal of property, plant and equipment		**-**	600,000
Capital work in progress (CWIP)		**-**	(3,309,511)
Payment for acquisition of intangible assets		**(1,809,986)**	(1,972,943)
Long-term deposits		**760,000**	(139,000)
Net cash used in investing activities		**(33,025,478)**	(12,816,483)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan received from the Government	14	**5,731,321,777**	5,500,000,000
Net cash generated from financing activities		**5,731,321,777**	5,500,000,000
Net decrease in cash and cash equivalents		**(2,023,646,410)**	(866,241,130)
Cash and cash equivalents at the beginning of the year		**2,286,607,066**	3,152,847,590
Effect of exchange gain on cash and cash equivalents		**1,555**	606
Cash and cash equivalents at the end of the year	12	262,962,211	2,286,607,066

The annexed notes, from 1 to 31, form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

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

LAHORE WASTE MANAGEMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1 COMPANY AND ITS OPERATIONS

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

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

2 GOING CONCERN

During the year, the Company incurred a net deficit for the year of Rupees 8,546,990,930 and its accumulated losses as at year end amount to Rs. 21,317,200,702. During the year, the Company has received a further loan of Rupees 5.73 billion to meet its operational requirements and the Company's total loan from the GoPb as at the year end stands at Rupees 33.51 billion, which carries an interest at the rate ranging from NIL to 0.25%. Also, current liabilities of the company exceed its current assets by Rs. 1,555.94 million. Further, the Company's ability to continue as a going concern is dependent on the continued financial support from the GoPb and Lahore Municipal Corporation.

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

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

3 STATEMENT OF COMPLIANCE

As a result of enactment of the Companies Act, 2017, Lahore Waste Management Company (LWMC) is now subject to the provisions of this new legislation, which replaced the Companies Ordinance, 1984. The Companies Act, 2017 introduced a number of changes to the legal and regulatory framework governing companies in Pakistan, including the introduction of new reporting and disclosure requirements.

Accordingly, these financial statements have been prepared in accordance with Companies Act, 2017 wich supersedes the Companies Ordinance, 1984. This include compliance with all applicable reporting and disclosure requirements under the new legislation.

The impact of the Companies Act, 2017 on LWMC's financial performance and position is not expected to be significant. However the company will continue to monitor any changes to the legal and regulatory environment and ensure that it remains in compliance with all applicable requirements.

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

4 BASIS OF PREPARATION

4.1 Accounting convention

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

4.2 Functional and presentation currency

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

4.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relates primarily to:

- Useful lives, residual values, depreciation method and impairment of property, plant and equipment - Note 5.1 & 6.1
- Impairment of financial assets - Note 5.16
- Estimation of provisions - Note 5.7
- Provision for taxation - Note 5.9 & 23
- Estimation of contingent liabilities - Note 5.8 & 16
- Revenue recognition - Note 5.17
- Provision for trade receivables - Note 5.2
- Stores and Spares - Note 5.6
- Employee Benefits - Note 5.11
- Useful life, residual value and amortization method of intangible assets - Note 5.3
- Government Grants - Note 5.5



4.4 **New or amendments to existing standards and interpretations**

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

Following amendments to published accounting and reporting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2017.

IFRS 7 Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)

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

There are amendments to accounting and reporting standards that are mandatory for accounting periods beginning on or after 01 July 2017 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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

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

Standard or Interpretation		Effective Date (Annual periods beginning on or after)
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IAS 40	Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRS 15	Revenue from Contracts with Customers	01 January 2018
IFRS 9	Financial Instruments: Classification and Measurement (Amendments)	01 January 2018
IFRS 2	Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	01 January 2019
IFRS 16	Leases	01 January 2020
IFRS 7	Financial Instrument: Disclosures (Amendments)	01 January 2021
IFRS 17	Insurance Contracts	01 January 2022
IFRS-9	Financial Instruments	01 January 2022
IAS-16	Proceeds Before Intended Use (Amendments)	01 January 2022
IAS-37	Onerous Contracts (Amendments)	01 January 2022
IFRS-1	First-time Adoption of International Financial Reporting Standards (Amendments)	01 January 2022
IFRS-16	Leases	01 January 2023
IAS-1	Classification of Liabilities as Current or Non-Current (Amendments)	01 January 2023
IAS-1	Disclosure of accounting policies	01 January 2023
IAS-1	Classification of Liabilities as Current or Non-Current (Amendments)	01 January 2023
IAS-8	Definition of Accounting Estimates (Amendments)	

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

5 **SIGNIFICANT ACCOUNTING POLICIES**

5.1 **Property, plant and equipment**

5.1.1 **Operating property, plant and equipment**

Cost

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

Cost in relation to operating property, plant and equipment comprises acquisition and other directly attributable cost incurred in bringing the asset to its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

Depreciation

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

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

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

Derecognition

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



Impairment

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

5.1.2 **Capital work in progress**

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

5.2 **Receivables**

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

5.3 **Intangible assets**

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

5.4 **Trade and other payables**

Trade and other payables are carried at cost which is the fair value of the considerations to be paid in the future for the goods and / or services received, whether or not billed to the Company.

5.5 **Government Grants**

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

5.6 **Stores and spares**

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

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

5.7 **Provisions**

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

5.8 **Contingencies**

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company, or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

5.9 **Taxation**

5.9.1 **Current**

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

5.9.2 **Deferred**

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

5.10 **Cash and cash equivalents**

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



5.11 Employee benefits obligation

5.11.1 Provident fund

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

5.11.2 Compensated absences

All regular employees of the Company are entitled to 18 days annual paid leaves during a year. All leaves will be calculated on the basis of fiscal year and may be carried forward to the maximum of one year.

5.12 Loan and borrowings

Financial liabilities are initially measured at fair value.

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

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

5.13 Borrowing costs

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

5.14 Foreign currency transactions and translation

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

5.15 Related party transactions

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

5.16 Financial instruments

Recognition

Financial assets and liabilities are recognized at the time the Company becomes a party to contractual provisions of the instruments. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Derecognition

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Impairment

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

5.16.1 Classification of financial assets

- Investments held to maturity

Investments, if any, with fixed or determinable payments and fixed maturity and where the Company has positive intent and ability to hold investments to maturity are classified as investments held to maturity. These are initially recognised at cost inclusive of transaction costs and are subsequently carried at amortised cost using the effective interest rate method, less any impairment losses.

- Loans and receivables

These are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

- Investments at fair value through profit or loss

An investment, if any, is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. All investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value, determined on the basis of prevailing market prices, with any resulting gain or loss recognised directly in profit or loss.



5.17 **Revenue recognition**

- Revenue from cleaning and environmental services is recognised when such services are rendered.
- Income from projects is recognised in accordance with the terms of agreement.
- Interest on bank deposits is recognised using effective interest rate method.
- Grants are recognised in statement of income and expenditure on a systematic basis over the periods in which the entity recognizes the related costs as expenses for which the grants are intended to compensate.



	Note	2018 Rupees	2017 Rupees
6 PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	6.1	1,449,408,283	1,558,353,653
Capital work in progress (CWIP)	6.2	58,960,000	63,516,511
		1,508,368,283	1,621,870,164

6.1 Operating property, plant and equipment

	Freehold land	Land fill site on freehold land	works - on freehold land	works - on leasehold land	Machinery and equipment	Portable fiber glass offices	Furniture and fixtures	Computer and ancillary equipment	Office equipment	Leasehold improvements	Vehicles	Total
	---Rupees---											
As at June 30, 2016												
Cost	310,024,829	903,838,180	262,766,595	20,189,971	205,735,702	2,677,300	18,935,394	59,692,024	38,200,155	10,325,506	54,938,776	1,887,324,432
Accumulated depreciation	-	(30,127,939)	(13,110,086)	(3,295,749)	(68,341,021)	(1,313,406)	(5,786,505)	(35,951,519)	(16,616,194)	(4,147,216)	(23,338,811)	(202,028,446)
Closing-net book value	310,024,829	873,710,241	249,656,509	16,894,222	137,394,681	1,363,894	13,148,889	23,740,505	21,583,961	6,178,290	31,599,965	1,685,295,986
For the year ended June 30, 2017												
Opening-net book value	310,024,829	873,710,241	249,656,509	16,894,222	137,394,681	1,363,894	13,148,889	23,740,505	21,583,961	6,178,290	31,599,965	1,685,295,986
Additions	-	-	4,736,702	-	2,781,596	-	4,368,300	7,292,197	1,434,151	-	-	20,612,946
Disposals:												
-Cost	-	-	-	-	-	-	(1,176,102)	-	-	-	(708,380)	(1,884,482)
-Accumulated Depreciation	-	-	-	-	-	-	255,325	-	-	-	339,331	594,656
	-	-	-	-	-	-	(920,777)	-	-	-	(369,049)	(1,289,826)
Depreciation charge for the year	-	(90,383,818)	(12,575,613)	(844,711)	(20,707,187)	(204,584)	(2,173,882)	(7,565,244)	(6,087,983)	(1,032,551)	(4,689,880)	(146,265,453)
Closing-net book value	310,024,829	783,326,423	241,817,598	16,049,511	119,469,090	1,159,310	14,422,530	23,467,458	16,930,129	5,145,739	26,541,036	1,558,353,653
As at June 30, 2017												
Cost	310,024,829	903,838,180	267,503,297	20,189,971	208,517,298	2,677,300	22,127,592	66,984,221	39,634,306	10,325,506	54,230,396	1,906,052,896
Accumulated depreciation	-	(120,511,757)	(25,685,699)	(4,140,460)	(89,048,208)	(1,517,990)	(7,705,062)	(43,516,763)	(22,704,177)	(5,179,767)	(27,689,360)	(347,699,243)
Closing-net book value	310,024,829	783,326,423	241,817,598	16,049,511	119,469,090	1,159,310	14,422,530	23,467,458	16,930,129	5,145,739	26,541,036	1,558,353,653
For the year ended June 30, 2018												
Opening-net book value	310,024,829	783,326,423	241,817,598	16,049,511	119,469,090	1,159,310	14,422,530	23,467,458	16,930,129	5,145,739	26,541,036	1,558,353,653
Additions	-	-	-	-	4,372,315	-	1,152,089	9,344,065	13,599,995	-	3,507,028	31,975,492
Transfer from capital work in progress	-	3,309,511	-	-	-	-	-	-	-	-	-	3,309,511
Depreciation charge for the year	-	(90,383,818)	(12,256,355)	(802,476)	(18,012,467)	(173,896)	(2,278,579)	(7,635,802)	(7,258,296)	(1,032,551)	(4,396,133)	(144,230,373)
Closing-net book value	310,024,829	696,252,116	229,561,243	15,247,035	105,828,938	985,414	13,296,040	25,175,721	23,271,828	4,113,188	25,651,931	1,449,408,283
As at June 30, 2018												
Cost / Revalued Amount	310,024,829	907,147,691	267,503,297	20,189,971	212,889,613	2,677,300	23,279,681	76,328,286	53,234,301	10,325,506	57,737,424	1,941,337,899
Accumulated depreciation	-	(210,895,575)	(37,942,054)	(4,942,936)	(107,060,675)	(1,691,886)	(9,983,641)	(51,152,565)	(29,962,473)	(6,212,318)	(32,085,493)	(491,929,616)
Closing-net book value	310,024,829	696,252,116	229,561,243	15,247,035	105,828,938	985,414	13,296,040	25,175,721	23,271,828	4,113,188	25,651,931	1,449,408,283
Rate of depreciation per annum (%)	-	10%	5%	5%	15%	15%	15%	30%	15%	10%	15%	

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

	Note	2018	2017
Direct expenses	19	127,007,132	129,883,891
Administrative expenses	20	17,223,241	16,381,562
		144,230,373	146,265,453

6.2 Capital work in progress

	Opening balance	Additions	Transfer to property, plant and equipment	Disposals / Written off	Closing balance
	Rupees				
June 30, 2018					
Land and infrastructure	62,269,511	-	3,309,511	-	58,960,000
Android based collection software	1,247,000	-	-	1,247,000	-
	63,516,511	-	3,309,511	1,247,000	58,960,000
June 30, 2017					
Land and infrastructure	58,960,000	3,309,511	-	-	62,269,511
Bio gas plant	12,401,616	-	-	12,401,616	-
Android based collection software	1,247,000	-	-	-	1,247,000
Waste bins	216,300	-	-	216,300	-
	72,824,916	3,309,511	-	12,617,916	63,516,511

	Note	2018 Rupees	2017 Rupees
7 INTANGIBLE ASSETS			
Accounting software		3,135,469	2,406,697
As at beginning of the year			
Cost		6,668,994	4,696,051
Accumulated amortisation		(4,262,297)	(2,968,262)
Closing net book value		2,406,697	1,727,789
Reconciliation of net book value			
Opening balance		2,406,697	1,727,789
Additions during the year		1,809,986	1,972,943
Amortisation for the year		(1,081,214)	(1,294,035)
Closing balance		3,135,469	2,406,697
As at end of the year			
Cost		8,478,980	6,668,994
Accumulated amortisation		(5,343,511)	(4,262,297)
Closing net book value		3,135,469	2,406,697
Amortization rate		33%	33%

7.1 The amortization charge has been allocated to the administrative expenses

8 RECEIVABLES AGAINST SERVICES			
Considered good - unsecured	8.1	230,881,006	223,309,292
Considered doubtful		54,437,985	-
		285,318,991	223,309,292
Less: provision against doubtful receivables		(54,437,985)	-
		230,881,006	223,309,292
8.1 **These include receivables from the following related parties:**			
Punjab Mass Transit Authority		85,915,489	100,108,020
Vegetable and fruit market		54,437,985	35,887,890
	8.1.1	140,353,474	135,995,910

8.1.1 As at reporting date, these were past due but not impaired. The maximum amount of Punjab Mass Transit Authority and Vegetable and fruit market, outstanding at any time during the year calculated by reference to month end balances is Rs. 171.37 million (2017: Rs. 82.96 million) and Rs. 54.44 million (2017: 49.11 million) respectively.

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

	Note	2018 Rupees	2017 Rupees
Past due but not impaired		121,612,265	130,463,633
Past due 1-3 Months		48,944,793	32,043,472
Past due 4-6 Months		43,863,063	44,268,325
Past due 7-12 Months		-	16,533,862
Past due one year		214,420,121	223,309,292

9 ADVANCES			
considered good		1,710,024	1,091,508
Advances to employees		-	44,460
Advance to contractors		1,710,024	1,135,968
10 OTHER RECEIVABLES			
Sanitation fee receivable from CDGL		129,231,000	88,731,000
Others		260,762	184,301
		129,491,762	88,915,301



		Note	2018 Rupees	2017 Rupees
11	**DUE FROM GOVERNMENT**			
	Advance income tax		32,440,801	32,104,854
	Tax deducted at source		83,143,537	40,142,338
			115,584,338	72,247,192
12	**CASH AND BANK BALANCES**			
	Cash in hand		229,946	248,001
	Balance at bank			
	-Current accounts		31,448	101,917
	-Saving accounts	12.1	262,700,817	2,286,257,148
			262,732,265	2,286,359,065
			262,962,211	2,286,607,066

12.1 These carry return at the rate ranging from 3.75% to 4.5% (2017: 3.75% to 5.25%) per annum.

		Note	2018 Rupees	2017 Rupees
13	**DEFERRED GRANTS**			
	Deferred grant	13.1	4,952,853,003	4,135,624,628
13.1	**Deferred Grant**			
	Opening balance		4,467,088,143	4,450,505,409
	Add: Deferred grant recognized during the year	14	1,723,037,834	1,649,397,361
	Less: Amortization for the year		(618,636,487)	(1,632,814,627)
			5,571,489,490	4,467,088,143
	Less: current portion shown under current liabilities		(618,636,487)	(331,463,515)
	Closing balance		4,952,853,003	4,135,624,628
14	**LONG TERM FINANCING**			
	Opening balance		11,259,963,192	13,794,375,854
	Add: Additions during the year		5,731,321,777	5,500,000,000
			16,991,284,969	19,294,375,854
	Less: Impact of restructuring	14.2	-	(8,006,579,718)
	Less: Transferred to deferred grant	13.1	(1,723,037,834)	(1,649,397,361)
	Amortized cost		15,268,247,135	9,638,398,775
	Add: Interest expense for the year		1,121,465,496	1,673,151,934
	Less: Accrued Interest payable		(66,624,504)	(51,587,517)
			16,323,088,127	11,259,963,192
	Less: Current portion shown under current liabilities		-	-
	Closing balance		16,323,088,127	11,259,963,192

14.1 **Details of these loans are as follows:**

Year of Loan	Interest Bearing Loans		Non - Interest Bearing Loans	Total
	Interest Rate	Amount		
Year ended	%	Rupees	Rupees	Rupees
Loan 1	30 June 2011	0.25%	230,000,000	-	230,000,000
Loan 2	30 June 2012	0.25%	317,000,000	3,713,240,000	4,030,240,000
Loan 3	30 June 2013	0.25%	2,608,126,520	300,000,000	2,908,126,520
Loan 4	30 June 2014	0.25%	4,380,000,000	-	4,380,000,000
Loan 5	30 June 2015	0.25%	5,232,274,751	-	5,232,274,751
Loan 6	30 June 2016	0.25%	5,500,000,000	-	5,500,000,000
Loan 7	30 June 2017	0.25%	5,500,000,000	-	5,500,000,000
Loan 8	30 June 2018	0.25%	5,731,321,777	-	5,731,321,777
			29,498,723,048	4,013,240,000	33,511,963,048

14.2 This represent loans to the Company by Government of Punjab as seed money for operational expenditures of years 2010 to



2018. As per the original draft loan agreement, the loans, other than loan 8, are repayable in nine years time, in equal yearly installments with first principal installment due from 2014. The terms and conditions have been revised to defer first principal installment to 2024. The loan 8 is repayable in 3 equal annual instalments starting from 2021. The loan carries markup ranging from NIL to 0.25% per annum with penalty @ 4% on the default amount. The loan is secured against first charge on all assets of the Company.

	Note	2018 Rupees	2017 Rupees
15 TRADE AND OTHER PAYABLES			
Creditors		**782,513,741**	9,081,504
Payable to the Local Government	15.1	**-**	253,111,654
Income tax payable		**4,626,077**	-
Securities payable		**4,836,048**	4,587,116
Accrued expenses		**849,713,109**	981,881,604
Other payables	15.2	**26,692,012**	23,932,434
		1,668,380,987	1,272,594,312

15.1 These represent advances from the Directorate General Local Government and Community Development Department of the Government of Punjab for the installation of Bio Gas Plants at different locations of Punjab and 3 Cities Project (Kasur, Nankana and Sheikhupura).

15.2 These include Rs.9,328,694 (2017: Rs 9,323,694) payable to CDGL in respect of sanitation fee received from commercial industrial users.

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

There are no known contingencies as at June 30, 2018 (2017: Nil).

16.2 Commitments

16.2.1 The Company has entered into operating lease agreement amounting to Rs. 100,000 for the period of 20 years with CDGL, which falls due as follows:

	Note	2018 Rupees	2017 Rupees
Within 1 year		**5,000**	5,000
Later than 1 year but less than 5 year		**20,000**	20,000
Above 5 years		**40,000**	45,000
		65,000	70,000

16.2.2 Other operating lease agreements relating to rent of offices fall due as follows:

Within 1 year		**22,360,317**	17,248,702
Later than 1 year but less than 5 year		**20,460,701**	36,018,798
		42,821,018	53,267,500

17 INCOME FROM SERVICES

Lahore Ring Road Project		**85,227,568**	81,671,878
Punjab Mass Transit Authority		**472,750,518**	322,574,633
Vegetables and Fruit Market Committee		**18,550,095**	19,354,028
Sanitation fee		**65,422,501**	62,407,959
Other projects		**46,382,306**	20,522,309
		688,332,988	506,530,807

18 AMORTIZATION OF GRANTS

Grant received from CDGL		**3,102,960,000**	3,103,212,000
Gain on restructuring of long-term financing	14.2	**-**	5,290,411,129
Income hospital waste management		**16,460,885**	-
Amortization of deferred grant		**618,636,487**	1,632,814,627
		3,738,057,372	10,026,437,756



		Note	2018 Rupees	2017 Rupees
19	**DIRECT EXPENSES**			
	Salaries, wages and other benefits		**4,254,532,141**	3,548,308,733
	Vehicle running		**272,644,043**	273,045,727
	Repair and maintenance - vehicles		**436,783,212**	380,889,051
	Repair and maintenance - others		**15,194,995**	4,074,300
	Outsourced cleaning expenses	19.1	**6,341,868,257**	6,361,125,345
	Special occasion expenses		**43,205,434**	38,961,114
	Rehabilitation of dumping site		**90,053,079**	124,349,006
	Store and spares consumed		**38,583,869**	27,756,211
	Call center charges		**1,453,627**	3,153,306
	Depreciation	6.1.1	**127,007,132**	129,883,891
	Rent, rates and taxes		**17,733,962**	18,158,333
	Electricity, gas and water		**7,105,429**	6,479,116
	Printing and stationery		**2,128,645**	1,171,325
	Telephone and postage		**4,340,779**	5,273,210
	Lease rentals		**5,000**	5,000
	Hospital waste management expenses		**14,233,858**	-
	Research and development		**-**	12,401,616
	Miscellaneous expenses		**3,919,772**	1,767,041
			11,670,793,234	10,936,802,325

19.1 The Company has divided service area of Lahore into two zones whereby cleaning services have been outsourced to Turkish contractors namely M/s Gunes Albayrak Turizm Seyehat Sanayi VE Ticaret and M/s Ozkartallar LTD.STI CM Pak A.S Exclusive Business Partnership whereas the services to rural areas are provided by LWMC itself.

		Note	2018 Rupees	2017 Rupees
20	**ADMINISTRATIVE EXPENSES**			
	Salaries and other benefits	20.1	**178,214,218**	157,026,643
	Advertisements and public awareness		**38,972,887**	23,952,031
	Consultancy cost		**23,683,160**	45,240,787
	Travelling expenses		**74,208,113**	21,219,313
	Seminars, trainings and workshops		**979,472**	6,034,747
	Rent, rates and taxes		**1,970,440**	2,017,592
	Office maintenance		**775,198**	683,704
	Vehicle insurance		**1,245,410**	1,191,793
	Printing and stationery		**6,444,782**	4,797,926
	Vehicle running and maintenance		**24,315,441**	12,191,772
	Repair and maintenance		**2,967,433**	2,333,832
	Website maintenance		**810,364**	807,235
	Legal and professional expenses		**6,518,733**	4,359,448
	Computer accessories		**583,451**	579,859
	Auditors' remuneration		**900,000**	900,000
	Utilities		**9,843,375**	7,634,746
	Telephone and postage		**3,840,466**	3,404,408
	Newspapers and periodicals		**341,831**	538,104
	Entertainment expenses		**4,622,996**	4,114,198
	Security services		**15,155,345**	12,115,520
	Depreciation	6.1.1	**17,223,241**	16,381,562
	Amortization of intangible assets	7	**1,081,214**	1,294,035
	Bad debts		**54,437,985**	43,728,016
	Loss on disposal of assets		**1,247,000**	689,826
	Miscellaneous expenses		**1,317,406**	1,693,600
			471,699,961	374,930,697

20.1 These include an amount of Rs. 7,638,038 (2017: Rs. 6,271,754) in respect of contribution towards provident fund.



	Note	2018 Rupees	2017 Rupees
21 OTHER INCOME			
Income from financial assets		**60,049,003**	88,787,715
Interest income on saving accounts			
Income from assets other than financial assets		**3,161,962**	577,114
Scrap sales		879,678	1,215,500
Tender fee		232,058,556	65,590,211
Liabilities written back		538,295	1,677,661
Other services		296,687,494	157,848,201
22 FINANCE COST			
Charge on amortization of loan	14	1,121,465,496	1,673,151,934
Markup on bank facility		-	153,425
Charge on advances from Government		5,409,866	-
Bank charges		700,227	159,040
		1,127,575,589	1,673,464,399

23 TAXATION

The Company has been established as a non-profit organization under section 42 of the Companies Ordinance, 1984 and has obtained the status of Non Profit Organization under section 2 (36) of the Income Tax Ordinance 2001. Hence according to section 100C of Income Tax Ordinance 2001, the Company has been allowed a tax credit equal to one hundred per cent of the tax payable, including minimum tax and final taxes payable under any of the provisions of this Ordinance.

24 REMUNERATION OF DIRECTORS AND CHIEF EXECUTIVE OFFICER/KEY MANAGEMENT PERSONNEL

The aggregate amount charged in the financial statements for the year in respect of remuneration including certain benefits to the Chief Executive Officer of the Company are:

	Chief Executive Officer		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	Rupees					
Managerial remuneration	4,302,578	6,264,180	3,225,000	1,743,000	31,857,654	18,887,848
House rent allowance	1,654,838	2,409,300	-	-	12,252,944	7,264,519
Cell phone allowance	-	-	-	-	816,000	474,000
Other reimbursable expenses	661,935	963,720	-	-	4,901,178	2,905,807
	6,619,351	9,637,200	3,225,000	1,743,000	49,827,776	29,532,174
Number of persons	1	1	14	13	19	10

The Chief Executive Officer has also been provided with the facility of Company maintained car. No remuneration has been paid to directors other than meeting fees.

25 RELATED PARTY TRANSACTIONS

The related parties comprise Government of Punjab (GoPb), GoPb owned entities, Directors of the Company, companies with common directorship, associated companies, staff provident fund and key management personnel. The Company in the normal course of business carries out transactions with various related parties and the balance outstanding at the year end have been disclosed in the respective notes of the financial statements. Transactions with key management personnel under the terms of employment are disclosed in the note 24. Other significant transactions entered during the year with the related parties and associated undertakings are as follows:

Relationship with the Company	Nature of transactions	2018 Rupees	2017 Rupees
Associated undertaking	Grant received	3,102,960,000	3,103,212,000
	Loan received	5,731,321,777	5,500,000,000
	Interest expense	66,624,504	51,587,517
	Sanitation fee deposited	40,500,000	14,500,000
	Lease rental	5,000	5,000
	Income from service	576,528,181	423,600,539
	Employer contribution	7,638,038	6,271,754
Provident fund			

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

26 FINANCIAL RISK MANAGEMENT

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

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

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

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



Company's activities

26.1 **Credit risk and concentration of credit risk**

Credit risk represent the risk of financial loss being caused if counter party fails to discharge an obligation. The carrying amount of financial asset represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2018 Rupees	2017 Rupees
Long term deposits	3,176,625	3,936,625
Receivables against services	230,881,006	223,309,292
Other receivables	129,491,762	88,915,301
Accrued interest on bank deposits	3,887,840	522,826
Bank balances	262,732,265	2,286,359,065
	630,169,498	2,603,043,109

Long term deposits

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

Receivables against services

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

Other receivable

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

Accrued interest on bank deposits

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

Other financial assets

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

Banks	Short term	Long term	Agency	2018 Rupees	2017 Rupees
The Bank of Punjab	A1+	AA	PACRA	206,100,714	2,167,193,470
National Bank of Pakistan	A1+	AAA	PACRA	56,631,551	119,165,595
				262,732,265	2,286,359,065

26.2 **Liquidity risk**

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

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Above 5 years
	(Rupees)				
June 30, 2018					
Long term financing	16,323,088,127	(33,511,963,048)	-	(5,731,321,777)	(27,780,641,271)
Trade and other payables	1,668,380,987	(1,668,380,987)	(1,668,380,987)	-	-
Accrued interest on financing	66,624,504	(66,624,504)	(66,624,504)	-	-
	18,058,093,618	(35,246,968,539)	(1,735,005,491)	(5,731,321,777)	(27,780,641,271)
June 30, 2017					
Long term financing	11,259,963,192	(27,780,641,271)	-	-	(27,780,641,271)
Trade and other payables	1,272,594,312	(1,272,594,312)	(1,272,594,312)	-	-
Accrued interest on financing	131,790,307	(131,790,307)	(131,790,307)	-	-
	12,664,347,811	(29,185,025,890)	(1,404,384,619)	-	(27,780,641,271)

26.3 **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

26.3.1 **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

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

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

	USD	
	2018 Rupees	2017 Rupees
Balance at banks	259	972
	259	972



	Average rate		Spot rate	
	2018	2017	2018	2017
	Rupees	Rupees	Rupees	Rupees
Rupee per USD	118.91	104.77	121.29	104.79

Foreign currency sensitivity analysis

At June 30, 2018, if the functional currency had weakened / strengthened by 5% against the USD with all other variables held constant, the deficit for the year would have been increased / decreased by Rs. 1,572 (2017: Rs. 5,093)

26.3.2 **Interest rate risk**

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

	2018	2017
	Rupees	Rupees
Floating rate instruments		
Bank balances - deposit accounts	**262,700,817**	2,286,257,148
Fixed rate instruments		
Long-term financing	**16,323,088,127**	11,259,963,192

Sensitivity analysis for fixed rate instruments

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

Sensitivity analysis for floating rate instruments

As at June 30, 2018 if interest rate on floating rate instruments had been 1% higher / lower with all other variables held constant, deficit for the year would have been lower / higher by Rs. 2.627 million (2017: Rs. 22.86 million) mainly as a result of interest exposure on variable rate borrowings.

26.3.3 **Other price risk**

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

26.4 **Fair value of financial instruments**

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

Fair value hierarchy

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

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

26.5 **Fund risk management**

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

26.6 **Financial instruments by categories**

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

	2018	2017
	Rupees	Rupees
Financial Assets at amortized cost		
Long term deposits	**3,176,625**	3,936,625
Receivables against services	**230,881,006**	223,309,292
Other receivables	**129,491,762**	88,915,301
Accrued interest on bank deposits	**3,887,840**	522,826
Cash and bank balances	**262,962,211**	2,286,607,066
	630,399,444	2,603,291,110
Financial liabilities at amortized cost		
Long term financing	**16,323,088,127**	11,259,963,192
Trade and other payables	**1,663,754,910**	1,272,594,312
Accrued interest on financing	**66,624,504**	131,790,307
	18,053,467,541	12,664,347,811

27 **PROVIDENT FUND TRUST**

27.1 The Company has maintained an employee provident fund account and investments out of provident fund account have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose. The salient information of the fund is as follows:



	Note	2018 Rupees	2017 Rupees
Size of the fund	27.2	32,935,960	21,915,446
Cost of investment made		32,935,960	21,915,446
Percentage of investment made		100%	100%
Fair value of investment		32,935,960	21,915,446

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

27.3 The above information is based on un-audited financial statements of the provident fund for the year ended 30 June 2018.

		2018 Number	2017 Number
28	NUMBER OF EMPLOYEES		
	Number of employees at the end of the year	7,798	7,991
	Average number of employees during the year	7,894	7,984

29 CORRESPONDING FIGURES

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

30 EVENTS AFTER REPORTING PERIOD

As disclosed in Note 14.2, the company is subject to a penalty of 4% on the default amount of long term financing. During the year the company has received loan from Government of Punjab with a term of five years including grace period of two years. The loan is repayable in three euqal annual installments starting from the financial year 2021. Company has not paid due installments of the loan due to which a penalty of 4% amounting to Rs. 229,252,871 has been recorded till date the of authorization of these financial statements.

31 DATE OF AUTHORIZATION OF ISSUE

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

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