

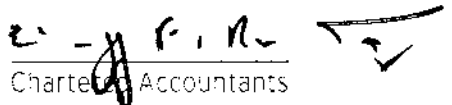
## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **BAHAWALPUR WASTE MANAGEMENT COMPANY** (the Company) as at **30 June 2014**, the related income and expenditure account, statement of comprehensive income, cash flow statement and statement of 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 purposes 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 conduct 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:

- 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 balance sheet 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 accounts;
  - 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 balance sheet, income and expenditure account, statement of comprehensive income, cash flow statement and statement of 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 **30 June 2014** and of the surplus, its cash flows, comprehensive income 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 (XVIII of 1980).

  
Chartered Accountants

Engagement Partner: Naseem Akbar

Lahore: 19 January 2016

**BAHAWALPUR WASTE MANAGEMENT COMPANY**  
 (A Company set up under section 42 of the Companies Ordinance, 1984)  
**BALANCE SHEET**  
 AS AT 30 JUNE 2014

<b>ASSETS</b>	<b>Note</b>	<b>2014 Rupees</b>
<b>Non-current assets</b>		
Property and equipment	5	5,111,446
<b>Current assets</b>		
Stores and spares	6	1,525,200
Trade and other receivable	7	496,047
Cash and bank balances	8	82,240,240
		<u>84,261,487</u>
<b>TOTAL ASSETS</b>		<u><u>89,372,933</u></u>
<b>FUND AND LIABILITIES</b>		
<b>Fund</b>		
General fund		158,142
<b>Non-current liabilities</b>		
Deferred grants	9	82,495,214
<b>Current liabilities</b>		
Creditors, accrued and other liabilities	10	6,719,577
<b>TOTAL FUNDS AND LIABILITIES</b>		<u><u>89,372,933</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	11	-

The annexed notes from 1 to 18 form an integral part of these financial statements.

94.

  
 (MANAGING DIRECTOR)

  
 (DIRECTOR)

**BAHAWALPUR WASTE MANAGEMENT COMPANY**  
**(A Company set up under section 42 of the Companies Ordinance, 1984)**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE PERIOD FROM 13 JULY 2013 TO 30 JUNE 2014**

	Note	2014 Rupees
Amortization of Grants	12	26,084,787
Direct Expenses	13	<u>(25,331,228)</u>
Gross Surplus		753,559
Administrative Expenses	14	<u>(752,265)</u>
		1,294
Other Income	15	158,142
Finance Cost		<u>(1,294)</u>
Excess of income over expenditure before taxation		158,142
Taxation		<u>-</u>
Excess of income over expenditure		<u><u>158,142</u></u>

The annexed notes from 1 to 18 form an integral part of these financial statements.

  
**(MANAGING DIRECTOR)**

  
**(DIRECTOR)**

**BAHAWALPUR WASTE MANAGEMENT COMPANY**  
**(A Company set up under section 42 of the Companies Ordinance, 1984)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD FROM 13 JULY 2013 TO 30 JUNE 2014**

	<b>2014</b> <b>Rupees</b>
Excess of income over expenditure	158,142
Other comprehensive income	-
Total comprehensive income for the period	<u>158,142</u>

The annexed notes from 1 to 18 form an integral part of these financial statements.

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(MANAGING DIRECTOR)

  
(DIRECTOR)

**BAHAWALPUR WASTE MANAGEMENT COMPANY**  
 (A Company set up under section 42 of the Companies Ordinance, 1984)  
**CASH FLOW STATEMENT**  
 FOR THE PERIOD FROM 13 JULY 2013 TO 30 JUNE 2014

	2014 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Excess of income over expenditure before taxation	158,142
Adjustment for:	
Amortization of grants	-
Interest on bank deposit	-
Depreciation and amortization	114,453
Finance cost	1,294
	<u>273,889</u>
<b>Effect on cash flow due to working capital changes</b>	
(Increase) / decrease in current assets:	
Store and spares	(1,525,200)
Other receivables	(395,602)
Current liabilities	6,719,577
	<u>4,798,775</u>
Cash generated from operations	5,072,664
Interest received	57,697
Finance cost paid	(1,294)
<b>Net cash generated from operating activities</b>	<u>5,129,067</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Capital expenditure incurred	(5,225,899)
<b>Net cash used in investing activities</b>	<u>(5,225,899)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Grants received during the year	82,495,214
<b>Net cash from financing activities</b>	<u>82,495,214</u>
Net increase in cash and cash equivalents	82,398,382
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	(8) <u><u>82,240,240</u></u>

The annexed notes from 1 to 18 form an integral part of these financial statements.


  
 (MANAGING DIRECTOR)

  
 (DIRECTOR)

**BAHAWALPUR WASTE MANAGEMENT COMPANY**  
**(A Company set up under section 42 of the Companies Ordinance, 1984)**  
**STATEMENT OF CHANGES IN FUND**  
**FOR THE PERIOD FROM 13 JULY 2013 TO 30 JUNE 2014**

	<b>General Fund Rupees</b>
Opening balance	-
Total comprehensive income for the period ended 30 June 2014	158,142
Balance as at 30 June 2014	<u>158,142</u>

The annexed notes from 1 to 18 form an integral part of these financial statements.

  
(MANAGING DIRECTOR)

  
(DIRECTOR)

## BAHAWALPUR WASTE MANAGEMENT COMPANY

Government grants relating to expenses are deferred and recognized in the income and expenditure account over the period necessary to match them with the expenses that they are intended to compensate.

Government grants relating to the purchase of property, machinery or equipment are included in non-current liabilities as deferred Government grants and are credited to the income and expenditure account over the expected lives of the related assets.

### 4.5 Stores and spares

These are measured at lower of net realizable value and cost except items in transit which are valued at cost comprising invoice value plus other charges incurred on till balance sheet date. Cost of an item is determined on First In First Out (FIFO) basis. Provision is made for slow moving and obsolete items.

### 4.6 Provisions

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

### 4.7 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 the section 2 (36) of the Income Tax Ordinance 2001. Hence, income of the Company is exempt from taxation under Clause 58, Part 1, Second Schedule of Income Tax Ordinance, 2001.

### 4.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at banks on current accounts.

### 4.9 Employees' benefits

#### 4.9.1 Government employees

Pension, Gratuity, G.P. Fund and other similar payments to TMA employees transferred to BWMC is the liability of TMA as per the SAMA. Therefore, liability for retirement benefits of TMA employees is not made in the financial statements. Service records of these TMA employees are maintained by Accounts office of the TMA Bahawalpur.

#### 4.9.2 Employees on contract

There are no retirement benefits available to contract employees.

### 4.10 Revenue recognition

Interest on bank deposits is recognized using effective interest rate method.

Grants are recognized in income and expenditure account 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.

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5. PROPERTY AND EQUIPMENT

2014								
Description	Cost			Accumulated Depreciation			Book Value	Rate%
	As on 13 July 2013	Addition / (deletion)	As on 30 June 2014	As on 13 July 2013	For the period	As on 30 June 2014		
----- ( Rupees ) -----								
Furniture and fixture	-	46,098	46,098	-	1,537	1,537	44,561	20
Office equipment	-	135,908	135,908	-	4,989	4,989	130,919	20
Vehicle	-	1,795,148	1,795,148	-	67,318	67,318	1,727,830	15
Waste equipment	-	3,248,745	3,248,745	-	40,609	40,609	3,208,136	15
<b>Total</b>	<b>-</b>	<b>5,225,899</b>	<b>5,225,899</b>	<b>-</b>	<b>114,453</b>	<b>114,453</b>	<b>5,111,446</b>	

	Note	2014 Rupees
5.1 The depreciation charge for the year has been allocated as follows:		
Direct expenses	(13)	107,927
Administrative expenses	(14)	6,526
		<u>114,453</u>

	Note	2014 Rupees
6. STORES AND SPARES		
Opening balance		-
Purchased during the period		1,592,757
Issued during the period		<u>(67,557)</u>
Balance as at 30 June 2014		<u>1,525,200</u>

	Note	2014 Rupees
7. TRADE AND OTHER RECEIVABLES		
Receivable from TMA		395,602
Profit on bank deposit		<u>100,445</u>
		<u>496,047</u>

	Note	2014 Rupees
8. CASH AND BANK BALANCES		
Cash in hand		-
Cash at banks - current account		<u>82,240,240</u>
		<u>82,240,240</u>

	Note	2014 Rupees
9. DEFERRED GRANTS		
Deferred grant from:		
Punjab Government	(9.1)	82,495,214
TMA	(9.2)	<u>-</u>
		<u>82,495,214</u>

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**BAHAWALPUR WASTE MANAGEMENT COMPANY**

	Note	2014 Rupees
<b>9.1 Punjab Government</b>		
Opening balance		-
Grants received during the period		87,410,000
Grants amortized during the period	(12)	<u>(4,914,786)</u>
Balance as at 30 June 2014		<u><u>82,495,214</u></u>
<b>9.2 TMA</b>		
Opening balance		-
Grants received during the period		21,170,001
Grants amortized during the period	(12)	<u>(21,170,001)</u>
Balance as at 30 June 2014		<u><u>-</u></u>
<b>10. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Creditors		5,140,332
Salaries payable		944,496
Staff Payable		129,822
Accrued liabilities	(10.1)	115,809
Security payable		95,456
Withhold tax payable		288,662
Lease Payable		<u>5,000</u>
		<u><u>6,719,577</u></u>
<b>10.1 Utilities bill payable</b>		
Electricity bills payable		2,258
Gas bills payable		12,901
Telephone bills payable		<u>650</u>
		<u><u>15,809</u></u>
<b>11. CONTINGENCIES AND COMMITMENTS</b>		
<b>11.1 Contingencies</b>		
There is no contingency during the period		
<b>11.2 Commitment</b>		
<b>11.2.1</b>	As referred to Note 1.2, the Company has entered into operating lease agreement amounting to Rs. 100,000 for the period of 20 years with TMA, which falls due:	
Within 1 year		5,000
Within 2 to 5 years		20,000
Above 5 years		<u>70,000</u>
		<u><u>95,000</u></u>

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16. RELATED PARTY TRANSACTIONS

The related parties comprise GoP, GoP 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. Significant transactions with related parties and associated undertakings are as follows:

<u>Relationship with the company</u>	<u>Nature of Transaction</u>	
Associates	Grant Received	87,410,000
	Salaries	19,347,594
	Vehicle running	1,363,605
	Repair & Maintenance Expense	395,602
	Consultancy Charges	2,500,000
		<u>111,016,801</u>

16.1 According to Service and Assets Management Agreement (SAMA), TMA employees will work for BWMC and salaries of those employees will be paid by TMA.

16.2 BWMC is using workshops and station of TMA free of cost.

17. DATE OF AUTHORIZATION OF ISSUE


The Board of Directors of the Company authorized the financial statements for issuance on

27<sup>th</sup> April 2016

18. GENERAL

Figures have been rounded off to the nearest rupee.

Being the first financial year, no comparatives have been given.

  
(MANAGING DIRECTOR)

  
(DIRECTOR))



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Chartered Accountants  
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LAB/2223/15  
30 June 2015

The Board of Directors  
Bahawalpur Waste Management Company  
5D Model Town A  
Bahawalpur

Dear Sirs

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

We are pleased to enclose the three copies of the **draft financial statements** of Bahawalpur Waste Management Company (the Company), prepared by the management, for the above year, together with our **draft audit report** thereon to the members and Board of the Company initiated by us for identification purposes only. We shall be pleased to sign and issue our audit report in its present or amended form, after:

- a) the Board of Directors (the Board) has approved the financial statements and these have been amended to incorporate adjustments and / or disclosures, if any, as may be approved by the Board;
- b) the financial statements have been signed by the Managing Director and a Director authorized in this behalf and we have:

- i) seen the Board's resolutions approving:

	Rupees
- grants received from Provincial Government during the year	87,410,000
- grant received from TMA	21,170,001
- additions in fixed assets	5,225,899

- ii) received documents listed as per annexure "A"; and

- iii) received general representation letter duly signed by the Managing Director and Chief Financial Officer of the Company on the lines of a draft provided to the management.

It may be stated that non-availability of information /documents required from (a) and (b) above may have bearing on our opinion contained in our draft audit report.

2. We will appreciate management efforts in arranging the confirmations listed as per annexure "B".

### 3. RESPONSIBILITIES OF THE AUDITORS AND BOARD OF DIRECTORS IN RELATION TO THE FINANCIAL STATEMENTS

3.1 The responsibilities of the independent auditors in a usual examination of financial statements are stipulated in Section 255 of the Companies Ordinance, 1984 (the Ordinance) and International Standards on Auditing.

3.2 While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for preparation of such statements is primarily that of the Company's Board of Directors. The Board's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Company and prevention and detection of frauds and irregularities. The audit of the financial statements does not relieve the Board of its responsibilities. Accordingly, our examination of books of accounts and records should not be relied upon to disclose all errors or irregularities.

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#### **4. SIGNIFICANT MATTERS**

We would like to draw Board's attention to the following matters:

##### **4.1 Consultancy services**

The Company has entered into an agreement with Lahore Waste Management Company (LWMC) for provision of certain consultancy services as defined in General Conditions of Contract. The payment against such consultancy was to be made according to clause 6.3 of Section III which states that 15% of contract price is to be paid in advance, 75% at completion of each work package and 10% upon completion of assignment. The work packages were estimated to be completed before 30 July, 2014.

LWMC, however, has not submitted any work package to the Company although the Company has made payment of 80% of the contract price. We request the management to pursue LWMC and request that the work packages be provided in accordance with the terms of the contract.

##### **4.2 Services and Assets Management Agreement**

The Company has entered into a Service and Asset Management Agreement (SAMA) with Tehsil Municipal Administration (TMA), Bahawalpur with effect from December 2013. As per clause (i) of Section 9 of the agreement, budgeted amounts as approved in the annual budget of TMA for the financial year 2013-14 for solid waste management shall be transferred to the Company with effect from 01 July 2013. The budgetary allocation for the financial year 2013-14 has not been made by TMA.

Furthermore, as per clause (iii) of Section 9 of the agreement, the Company shall receive funds from TMA in monthly installments upon submission of simple receipt form, to the Accountant General, Punjab. The simple receipt form is to be submitted within first week of every month. However, the procedure has not been followed during the year. Moreover, TMA has been reimbursing the expenses incurred by the Company. We suggest that management of the Company should comply with the requirements of SAMA agreement to avoid any loss of revenue.

##### **4.3 Tax Exemption**

The company is established under section 42 of the Companies Ordinance 1984 as a "not for profit organization", and hence, is exempt from tax. However, the company has neither obtained tax exemption nor applied to tax authorities for such exemption. We advise the management to claim for tax exemption to prevent the Company from any unwanted loss of funds on account of provision for taxation.

#### **5. TRANSACTIONS WITH RELATED PARTIES**

We have been informed by the management that there were no transactions with related parties other than those disclosed in the financial statements.

#### **6. CONTINGENCIES AND COMMITMENTS**

We have been informed by the management that there were no contingencies and commitments as of the balance sheet date except as disclosed in note 11 to the financial statements.

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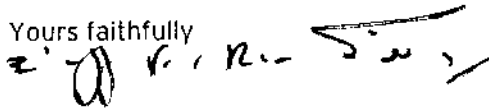
## 7. MANAGEMENT LETTER

We shall shortly be issuing a separate memorandum on the internal control weaknesses and other accounting matters noted by us during the course of our audit.

We would like to inform the Board, that unless we have signed our audit report on the accompanying financial statements, the same shall remain and be deemed un-audited and shall not be laid before the Annual General Meeting of the Company.

We place on record our appreciation of the courtesy and co-operation extended to us during the course of the audit.

Yours faithfully



Encls: As Above

**BAHAWALPUR WASTE MANAGEMENT COMPANY  
AUDIT FOR THE YEAR ENDED 30 JUNE 2014**

**CONFIRMATIONS REQUIRED**

1. PEPRA Rules exemption certificate
2. Withholding tax exemption certificate of Lahore Waste Management Company (LWMC)

**BAHAWALPUR WASTE MANAGEMENT COMPANY  
AUDIT FOR THE YEAR ENDED 30 JUNE 2014**

**INFORMATION /DOCUMENTS REQUIRED**

1. Confirmation from Tehsil Municipal Administration (TMA)
2. Confirmation from Lahore Waste Management Company (LWMC)