

**WATER AND SANITATION SERVICES  
PESHAWAR  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

### INDEPENDENT AUDITOR'S REPORT

To the members of Water and Sanitation Services Peshawar

Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of **Water and Sanitation Services Peshawar** ("the Company"), which comprise the statement of financial position as at June 30, 2022 and the statement of income and expenditure and other comprehensive income, the statement of changes in funds, 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 and other comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the surplus, the comprehensive surplus, 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.

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

Management is responsible for the other information. The other information comprises the information included in the Director's Report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, on other information obtained prior to the date of this auditors report 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. 

Other Offices Karachi, Lahore, Islamabad, Faisalabad & Multan

## **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

### Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of income and expenditure and other comprehensive income, statement of cash flows and the statement of changes in funds together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, (XVIII of 1980).

### Other Matter

#### *Prior Year Financial Statements Audited by Predecessor Auditor*

The financial statements of the Company for the year ended June 30, 2021 were audited by another firm of auditors, who expressed an unmodified opinion on those financial statements dated August 29, 2022.

The engagement partner on the audit resulting in this independent auditor's report is Syed Ali Hasnain Shah.

*Zahid Jamil & Co.*

**Zahid Jamil & Co**

Chartered Accountants

Peshawar

UDIN: AR2022102910fFKY5pw1

Date: 19 FEB 2024

**WATER AND SANITATION SERVICES PESHAWAR**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2022**

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees <i>Restated</i>	01-Jul-20 Rupees <i>Restated</i>
<b><u>ASSETS</u></b>				
<b>NON-CURRENT ASSETS</b>				
Property and equipment	4	468,164,240	411,523,639	245,527,506
Right of use assets	5	21,834,814	11,164,306	11,254,374
Intangible assets	6	10,257	15,385	23,077
Long term advances and deposits	7	5,106,864	4,383,859	6,398,627
		495,116,175	427,087,189	263,203,584
<b>CURRENT ASSETS</b>				
Accounts receivable	8	1,693,629,825	1,405,781,654	1,438,124,868
Advances, prepayments and other receivables	9	43,589,358	37,013,938	40,637,651
Cash and bank balances	10	696,376,163	545,712,661	356,022,115
		2,433,595,346	1,988,508,253	1,834,784,634
<b>TOTAL ASSETS</b>		<b>2,928,711,521</b>	<b>2,415,595,442</b>	<b>2,097,988,218</b>
<b><u>FUNDS &amp; LIABILITIES</u></b>				
<b>FUNDS</b>				
General fund		443,572,130	360,738,353	302,859,830
<b>NON-CURRENT LIABILITIES</b>				
Deferred development grant	11	1,097,384,564	772,372,746	855,487,980
Deferred grant in aid for operations	12	286,372,055	343,569,757	298,062,091
Deferred capital grant for fixed assets	13	468,174,496	411,539,023	245,550,582
Staff retirement benefits	14	170,805,627	136,922,997	97,119,204
Lease liabilities against right of use assets	15	11,549,667	4,246,220	3,906,751
		2,034,286,409	1,668,650,743	1,500,126,608
<b>CURRENT LIABILITIES</b>				
Restricted donor grants	16	22,620,602	55,056,845	3,017,549
Accrued and other payables	17	416,822,813	323,243,945	284,326,349
Lease liabilities against right of use assets	15	11,409,567	7,905,556	7,657,882
		450,852,982	386,206,346	295,001,780
<b>TOTAL FUNDS &amp; LIABILITIES</b>		<b>2,928,711,521</b>	<b>2,415,595,442</b>	<b>2,097,988,218</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	18			

The annexed notes, from 1 to 33, form an integral part of these financial statements

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**



**WATER AND SANITATION SERVICES PESHAWAR**  
**STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees <i>Restated</i>
<b>INCOME &amp; FUNDS</b>			
<b>INCOME</b>			
Revenue from services	19	365,537,955	489,352,524
Other income	20	82,833,776	57,878,523
		<u>448,371,731</u>	<u>547,231,047</u>
<b>FUNDS</b>			
<b>Grants</b>			
Grant for operations	12.1	3,304,018,389	2,988,331,583
Development grants	25	457,773,023	227,115,234
Restricted donor grants	26	127,719,831	23,214,951
Amortization of deferred capital grant for fixed assets	13	74,784,371	85,015,323
		<u>3,964,295,614</u>	<u>3,323,677,091</u>
<b>TOTAL INCOME &amp; FUNDS</b>		<u><b>4,412,667,345</b></u>	<u><b>3,870,908,138</b></u>
<b>EXPENDITURES</b>			
<b>OPERATIONS</b>			
Operational expenses	22	(3,280,607,250)	(2,974,104,273)
General and administrative expenses	23	(471,448,339)	(586,347,571)
Finance cost	24	(2,753,934)	(2,247,586)
		<u>(3,754,809,523)</u>	<u>(3,562,699,430)</u>
<b>DEVELOPMENT &amp; RESTRICTED</b>			
Development grants	25	(457,773,023)	(227,115,234)
Restricted donor grants	26	(127,719,831)	(23,214,951)
		<u>(585,492,854)</u>	<u>(250,330,185)</u>
<b>TOTAL EXPENDITURES</b>		<u><b>(4,340,302,377)</b></u>	<u><b>(3,813,029,615)</b></u>
<b>SURPLUS FROM OPERATIONS</b>		<u><b>72,364,968</b></u>	<u><b>57,878,523</b></u>
<b>SURPLUS BEFORE TAXATION</b>		<u><b>72,364,968</b></u>	<u><b>57,878,523</b></u>
Provision for taxation	27	-	-
<b>SURPLUS AFTER TAXATION</b>		<u><b>72,364,968</b></u>	<u><b>57,878,523</b></u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that will not be subsequently reclassified to income and expenditure			
Gain on re-measurement of staff retirement benefit plans		10,468,808	-
<b>OTHER COMPREHENSIVE INCOME</b>		<u><b>10,468,808</b></u>	<u><b>-</b></u>
<b>TOTAL COMPREHENSIVE SURPLUS FOR THE YEAR</b>		<u><b>82,833,776</b></u>	<u><b>57,878,523</b></u>

*The annexed notes, from 1 to 33, form an integral part of these financial statements*

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**

**WATER AND SANITATION SERVICES PESHAWAR**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees <i>Restated</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Total comprehensive surplus for the year before taxation		82,833,776	57,878,523
<b>Adjustments for non-cash items:</b>			
Depreciation and amortization		87,394,969	95,529,015
Loss allowance on receivables		141,864,066	300,496,876
Provision for staff retirement gratuity		47,777,866	40,404,000
Gain on re-measurement of staff retirement benefits		(10,468,808)	-
Gain on sale of fixed assets		(2,563,539)	(541,000)
Deferred capital grant write back		(2,423,161)	(517,393)
Finance cost on lease liability		2,010,522	1,776,252
Restricted donor grants income		(127,719,831)	(9,639,951)
Development grant income		(457,773,023)	(227,115,234)
Amortization of deferred capital grant		(74,784,371)	(85,015,323)
Grant for operations - income		(3,305,428,789)	(2,988,537,880)
Operating deficit before working capital changes		(3,619,280,323)	(2,815,282,115)
<b>(Increase)/ decrease in current assets</b>			
Accounts receivable		(429,712,237)	(268,153,662)
Advances, prepayments and other receivables		(6,284,453)	4,215,882
<b>Increase/ (decrease) in current liabilities</b>			
Accrued and other payables		93,578,868	38,917,596
Financial charges		(2,010,522)	(1,776,252)
Income tax paid		(290,967)	(592,169)
Gratuity paid		(3,426,428)	(600,207)
Net cash used in operating activities		(3,967,426,062)	(3,043,270,927)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of operating assets		(133,843,005)	(251,521,157)
Acquisition of right of use assets		(23,281,106)	(10,423,624)
Proceeds from sale of fixed assets		4,986,700	1,058,393
Long term advances and deposits		(723,005)	2,014,768
Net cash generated from investing activities		(152,860,416)	(258,871,620)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Deferred development grant receipt		782,784,841	144,000,000
Deferred grant in aid for operations receipt		3,248,231,087	3,034,045,546
Deferred capital grant receipt		133,843,005	251,521,157
Restricted grants receipt - net of refund		95,283,588	61,679,247
Lease liabilities against right of use assets		22,560,623	10,423,624
Lease payments against right of use assets		(11,753,164)	(9,836,481)
Net cash generated from financing activities		4,270,949,980	3,491,833,093
Net increase/(decrease) in cash and cash equivalents		150,663,502	189,690,546
Cash and cash equivalents at the beginning of the year		545,712,661	356,022,115
Cash and cash equivalents at the end of the year		696,376,163	545,712,661

The annexed notes, from 1 to 33, form an integral part of these financial statements

  
**CHIEF EXECUTIVE OFFICER**

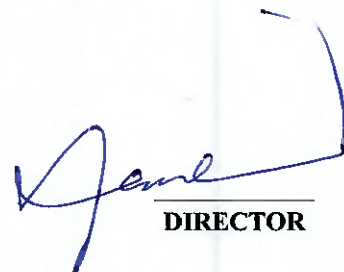
  
**DIRECTOR**

**WATER AND SANITATION SERVICES PESHAWAR**  
**STATEMENT OF CHANGES IN FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Note	Accumulated Surplus Rupees	Total Rupees
Balance as at 01 July 2020 - as previously reported		201,363,348	201,363,348
Effect of correction of error	32	101,496,482	101,496,482
Balance as at 01 July 2020 - restated		302,859,830	302,859,830
Total comprehensive surplus for the year - restated		57,878,523	57,878,523
Balance as at 30 June 2021		360,738,353	360,738,353
Total comprehensive surplus for the year		82,833,776	82,833,776
Balance as at 30 June 2022		443,572,130	443,572,130

*The annexed notes, from 1 to 33, form an integral part of these financial statements*

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**



**WATER AND SANITATION SERVICES PESHAWAR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**4 PROPERTY AND EQUIPMENT**

Particulars	2022				2021			
	Cost		Rate	Depreciation	Cost		Rate	Depreciation
	As on 01-Jul-21	Additions	Disposals	As at 30-Jun-22	As on 01-Jul-20	Additions	Disposals	As at 30-Jun-21
Freehold land	95,536,000	-	-	95,536,000	0%	-	-	-
Building on freehold land	2,884,000	-	(2,884,000)	-	10%	216,300	244,539	(460,839)
Vehicles	445,369,486	105,094,487	-	550,463,973	20%	212,301,630	52,369,971	264,671,601
Refurbished trucks	71,978,439	26,610,036	-	98,588,475	20%	36,903,521	9,412,675	46,316,196
IT equipment	82,658,446	758,380	-	83,416,826	33%	51,969,781	10,339,761	62,309,542
Electrical equipment	4,774,510	416,202	-	5,190,712	15%	2,700,726	435,721	3,136,447
Office equipment	16,301,081	866,000	-	17,167,081	15%	9,651,212	1,105,730	10,756,942
Furniture and fixtures	11,850,863	97,900	-	11,948,763	15%	6,086,016	870,846	6,956,862
<b>Total June 30, 2022 (Rupees)</b>	<b>731,352,825</b>	<b>133,843,005</b>	<b>(2,884,000)</b>	<b>862,311,830</b>		<b>319,829,186</b>	<b>74,779,243</b>	<b>(460,839)</b>
								<b>394,147,590</b>
								<b>468,164,240</b>

Particulars	2022				2021			
	Cost		Rate	Depreciation	Cost		Rate	Depreciation
	As on 01-Jul-20	Additions	Disposals	As at 30-Jun-21	As on 01-Jul-20	Additions	Disposals	As at 30-Jun-21
Freehold land	-	95,536,000	-	95,536,000	-	-	-	-
Building on freehold land	-	2,884,000	-	2,884,000	10%	216,300	-	216,300
Vehicles	361,540,895	84,972,591	(1,144,000)	445,369,486	20%	173,028,658	39,899,579	212,301,630
Refurbished trucks	58,518,439	13,460,000	-	71,978,439	20%	29,280,625	7,622,896	36,903,521
IT equipment	28,025,480	54,632,966	-	82,658,446	33%	17,253,007	34,716,774	51,969,781
Electrical equipment	4,774,510	-	-	4,774,510	15%	2,334,764	365,962	2,700,726
Office equipment	16,301,081	-	-	16,301,081	15%	8,477,706	1,173,506	9,651,212
Furniture and fixtures	11,815,263	35,600	-	11,850,863	15%	5,073,402	1,012,614	6,086,016
<b>Total June 30, 2021 (Rupees)</b>	<b>480,975,668</b>	<b>251,521,157</b>	<b>(1,144,000)</b>	<b>731,352,825</b>		<b>235,448,162</b>	<b>85,007,631</b>	<b>(626,607)</b>
								<b>319,829,186</b>
								<b>411,523,639</b>

4.1 Depreciation is allocated as follows:

	2022	2021
	Rupees	
General and administrative expenses	14,955,849	17,001,526
Operational expenses	59,823,394	68,006,105
	<b>74,779,243</b>	<b>85,007,631</b>

Depreciation is allocated as follows:

\*20% of total depreciation is allocated to "General and Administrative expenses" while the remaining 80% is allocated to "Operational expenses".  
 \*\*Depreciation related to right of use assets is allocated to "General and Administrative expenses".

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**WATER AND SANITATION SERVICES PESHAWAR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**1 THE COMPANY AND ITS OPERATIONS**

Water and Sanitation Services Peshawar (the Company) was incorporated by Government of Khyber Pakhtunkhwa on January 8, 2014 as a Company limited by guarantee, having no share capital, under section 42 of the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The primary objective of the company is to establish, run and manage an integrated, corporatized and modern water and sanitation utility in Peshawar city, ensuring unremitting water, sanitation and solid waste management services delivery to the residents of Peshawar city. The company started its operations from September 15, 2014. The registered office of the Company is situated at Plot # 33, Sector E8, LCB Building, Phase-VII, Hayatabad, Peshawar. The company's territorial jurisdiction is divided into five operational zones covering urban and peri-urban peripherals of Peshawar City.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (NPOs Standards) issued by the Institute of Chartered Accountants of Pakistan (ICAP); and
- Provisions of and directives issued under the Companies Act, 2017.

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

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except for certain items as disclosed in relevant accounting policies.

**2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees, which is the Company's functional currency.

**2.4 Accounting estimates and judgments**

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

The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about the judgments made by the management in the application of the accounting policies, that have the most significant effect on the amount recognized in these financial statements, assumptions and estimation uncertainties with significant risk of material adjustment to the carrying amount of asset and liabilities in the next year are described in the following notes:

- Estimate of useful life of property and equipment and right of use assets
- Impairment of financial assets
- Provision for taxation
- Impairment of right of use assets and property and equipment
- Provisions and contingencies
- Estimating the incremental borrowing rate

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**WATER AND SANITATION SERVICES PESHAWAR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**2.5 CHANGES IN ACCOUNTING STANDARDS, INTERPRETATIONS AND PRONOUNCEMENTS**

**2.5.1 New accounting standards, interpretations and amendments**

Certain standards, amendments and interpretations to IFRS are effective during the year but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

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

		Effective date (annual periods beginning on or after)
IAS 1	Amendments to 'IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies	January 1, 2023
	Amendments to IAS 1 'Presentation of Financial Statements' Classification of Liabilities as Current or Non-current	January 1, 2024
IAS 8	Accounting policies, changes in accounting estimates and errors (Amendments)	January 1, 2023
IAS 12	Income Taxes (Amendments)	January 1, 2023
IAS 16	Property, plant and equipment (Amendments)	January 1, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IFRS 3	Business Combinations (Amendments)	January 1, 2022
IAS 41,		
IFRS(1, 9	Annual improvements to IFRS Standards 2018-2020	January 1, 2022
& 16)		
IFRS 10	Sale or contribution of assets between an investor and its	
&	associate or joint venture – Amendments	N/A*
IAS 28		

\* The effective date is not yet issued

The management anticipates that adoption of above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

**2.5.3 Further, the following standard has been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:**

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are the same as those applied in earlier period presented.

**3.1 Property and equipment**

**(a) Initial Recognition**

The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably. Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

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**WATER AND SANITATION SERVICES PESHAWAR**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**(b) Measurement**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The costs of property, plant and equipment include:

- (a) its purchase price including import duties, non-refundable purchase taxes after deducting trade discounts and rebates; and
- (b) any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- (c) Borrowing costs, if any.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

**(c) Subsequent expenditure**

Expenditure incurred to replace a significant component of an item of property, property, plant and equipment is capitalized and the asset so replaced is retired. Other subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the items can be measured reliably. All other expenditure (including repairs and normal maintenance) is recognized in the statement of income and expenditure as an expense when it is incurred.

**(d) Depreciation**

Depreciation is charged on written down value at the rates specified in note 4. 'Depreciation on addition in property, plant and equipment is charged from the month of purchase or capitalization up to the month preceding the month of its disposal.

**(e) Gains and losses on disposal**

Gains and losses on disposal of property, plant and equipment are taken to the statement of income and expenditure and other comprehensive income.

**3.2 Financial assets**

**(a) Initial measurement**

A financial asset is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition.

The Company classifies its financial assets into following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- Amortized cost.

**(b) Subsequent measurement**

**i) Debt instrument at FVOCI**

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the unconsolidated statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of income and expenditure.

**ii) Equity instrument at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognized as income in the unconsolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of income and expenditure.

**iii) Financial assets at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest/ markup or dividend income, are recognized in statement of income and expenditure and other comprehensive income

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**iv) Financial asset at amortized cost**

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

**3.2.1 Impairment of financial assets**

The Company assesses on a forward looking basis the expected credit losses associated with its financial asset carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies the simplified approach for trade debts which requires expected lifetime losses to be recognized from initial recognition of the receivables in compliance of IFRS-9.

The Company recognizes life time ECL for trade debts, using the simplified approach. The expected credit losses on trade debts are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Life time expected credit losses against other receivables is also recognized due to significant increase in credit risk since initial recognition.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date reduced by security deposit held.

The Company recognizes an impairment loss in the profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery or otherwise.

The Company write off financial assets that are still subject to enforcement activities. Subsequent recoveries of amounts previously written off will result in impairment gains.

**3.2.2 Derecognition**

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

**3.2.3 Financial liabilities**

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of income and expenditure and other comprehensive income.

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**WATER AND SANITATION SERVICES PESHAWAR**  
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Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of Income and expenditure and other comprehensive income. Any gain or loss on de-recognition is also recognized in the statement of income and expenditure and other comprehensive income.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

**3.2.4 Off-setting financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the unconsolidated statement of financial position, if the Company has a legally enforceable right to set off the recognized amounts, and the Company either intends to settle on a net basis, or realize the asset and settle the liability simultaneously. Legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

**3.3 Staff retirement benefits**

**(a) Gratuity**

The Company operates a defined benefit plan - unfunded gratuity scheme covering all permanent employees. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Method. Cumulative unrecognized net actuarial gains and losses that exceed ten percent of present value of defined benefit obligation are amortized over the expected average remaining working lives of participating employees.

**3.4 Accounts receivable**

Receivables are carried at original invoice amount less provision made for receivables considered doubtful for recovery in line with expected credit loss model of IFRS 9.

**3.5 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash at bank.

**3.6 Government grants**

Government grants, including non-monetary grants at fair value are recognized when there is reasonable assurance

- a) the entity will comply with the conditions attaching to them, if any ; and
- b) the grants will be received.

Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. The grants receivable as compensation for expenses or loss already incurred or for the purpose of giving immediate financial support with no future related costs is recognized as income in the period in which it becomes receivable. Government grants related to assets, including non monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income which is recognized as income on a systematic and rational basis over the useful life of the asset.

**3.7 Leases**

**(a) Right of use asset**

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

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**(b) Lease liability**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments in the measurement of the lease liability comprise the following:

- a. fixed payments, including in-substance fixed payments;
- b. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c. amounts expected to be payable under a residual value guarantee; and
- d. the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**3.8 Income / revenue recognition**

Income is measured at the fair value of the consideration received or receivable and represents amounts receivable for services rendered in the normal course of business.

- Profit on investments / bank deposits is recognized on time proportionate basis.

**(a) Restricted grants**

Grants received for specific purposes are classified as restricted grants. Such grants are transferred to income as grants to the extent of actual expenditure incurred against them. Unspent portion of such grants are reflected as deferred restricted grants in the statement of financial position.

**(b) Deferred income**

Grants utilized for capital expenditure are transferred to deferred capital grant and amortized as income over the useful life of the respective assets.

**(c) Revenue from own sources**

Revenue is recognized on satisfaction of performance obligation i.e. supply of water and sanitation services to domestic and commercial customers.

The Company satisfy its performance obligation over the period of time against fixed consideration.

**3.9 Taxation**

No provision for taxation has been made in these accounts as the income of the company is eligible for tax credit equal to one hundred percent under sub section 2(e) of section 100 C of the Income Tax Ordinance, 2001 being an organization not for profit.

**3.10 Related party transactions**

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as outside party transactions using valuation modes as admissible, except as determined under the agreement or otherwise approved by Board of Directors.

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**3.11 Exemptions from applicability of accounting and reporting requirements**

**3.11.1 IFRS 9 "Financial Instruments"**

SECP through S.R.O 1177 (I)/2021 dated September 13, 2021 had notified that in respect of companies holding financial assets due from the Government of Pakistan (GoP), the requirements contained in IFRS-9 with respect to application of expected credit loss (ECL) model shall not be applicable till June 30, 2022 provided that such companies shall follow relevant requirements of IAS-39 'Financial Instruments Recognition and measurement' in respect of above referred financial assets during the exemption period. SECP has also clarified to certain companies that financial assets due from GoP include those that are directly due from GoP and that are ultimately due from GoP in consequence of circular debt. IFRS-9 introduces the ECL model, which replaces the incurred loss model of IAS-39 whereby an allowance for

doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets measured at amortised cost, irrespective of whether a loss event has occurred. In accordance with the exemption granted by SECP, ECL has not been assessed in respect of financial assets due directly / ultimately from GoP i.e. budgetary supports from TMA as well as receivables from other related parties. Subsequent to the year end, SECP through S.R.O 67(I)/2023, has further extended the exemption till 31 December 2024.

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	Note	30-Jun-22 Rupees	30-Jun-21 Rupees <i>Restated</i>
<b>5 RIGHT OF USE ASSETS</b>			
Cost			
Opening balance		29,493,168	19,069,544
Addition during the year		23,467,066	10,423,624
Adjustment during the year		(185,960)	-
		<u>52,774,274</u>	<u>29,493,168</u>
Accumulated Depreciation			
Opening balance		18,328,862	7,815,170
Depreciation during the year		12,610,598	10,513,692
		<u>30,939,460</u>	<u>18,328,862</u>
Net book value as at June 30		<u>21,834,814</u>	<u>11,164,306</u>
5.1	The right of use assets comprise of rented office premises / parking yards / dumping yards acquired on lease by the Company for its operations.		
5.2	The term of lease agreements ranges from 2 to 3 years.		
5.3	The Company also has certain leases with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases.		
5.4	The rate of depreciation is based on the term of the respective agreements and ranges from 33% to 50%.		
<b>6 INTANGIBLE ASSETS</b>			
Cost			
Opening balance		88,600	88,600
Addition during the year		-	-
		<u>88,600</u>	<u>88,600</u>
Accumulated Depreciation			
Opening balance		73,215	65,523
Amortization during the year		5,128	7,692
		<u>78,343</u>	<u>73,215</u>
Net book value as at June 30		<u>10,257</u>	<u>15,385</u>
-	Amortization of intangible assets has been recorded at rate of 33 % (2021: 33%) per annum.		
<b>7 LONG TERM ADVANCES AND DEPOSITS</b>			
Deposits with filling stations		500,000	500,000
Other security deposits		1,555,400	1,455,400
Advances to employees	7.1	3,051,464	2,428,459
		<u>5,106,864</u>	<u>4,383,859</u>
7.1 Advances to employees			
Opening balance		5,609,527	6,378,012
Addition during the year		9,739,730	4,109,394
		<u>15,349,257</u>	<u>10,487,406</u>
Less: received during the year		(6,146,948)	(4,877,879)
		<u>9,202,309</u>	<u>5,609,527</u>
Less: current portion of advances to employees		(6,150,845)	(3,181,068)
Closing balance		<u>3,051,464</u>	<u>2,428,459</u>

7.2

This represents the advances extended to employees up to the limit of Rs. 200,000/- and are repayable in 24 equal installments. These are secured against lien on their gratuity balances. These are interest free loan. These loans have been carried at cost as the effect of carrying these balances at amortized cost would not be material.

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	Note	30-Jun-22 Rupees	30-Jun-21 Rupees <i>Restated</i>
<b>8 ACCOUNTS RECEIVABLE</b>			
<b>Budgetary support - Considered good</b>			
Tehsil Municipal Administration (formerly known as Municipal Corporation Peshawar)	8.1	1,178,965,018	927,012,000
University Town Committee	8.2	51,750,000	51,750,000
Peshawar Development Authority	8.2	32,666,666	32,666,666
<b>Other receivables - Considered good</b>			
University Town Committee	8.2	2,172,500	2,172,500
Peshawar Development Authority	8.2	81,280,952	81,280,952
		<u>1,346,835,136</u>	<u>1,094,882,118</u>
Receivable from customers - unsecured		1,373,357,682	1,195,598,463
Allowance for expected credit loss	8.4	(1,026,562,993)	(884,698,927)
Receivable from customers - net of loss allowance		<u>346,794,689</u>	<u>310,899,536</u>
		<u>1,693,629,825</u>	<u>1,405,781,654</u>
<b>8.1</b> This amount represents receivable from Tehsil Municipal Administration (formerly known as Municipal Corporation Peshawar) under SAMA agreement. Under the agreement, an amount of Rs. 300 million per year is receivable by WSSP from TMA.			
<b>8.1.1</b> Movement of accounts receivables from related parties is as follows:			
Balance at beginning of the year		1,094,882,118	1,062,300,118
Receivable recorded during the year		300,000,000	300,000,000
Amount received during the year		(48,046,982)	(267,418,000)
Balance at end of the year		<u>1,346,835,136</u>	<u>1,094,882,118</u>
<b>8.1.2</b> Age analysis of amounts receivable for related parties:			
Up to 1 year		251,940,000	32,580,000
1 to 3 years		279,250,000	463,060,000
More than 3 years		815,645,136	599,242,118
		<u>1,346,835,136</u>	<u>1,094,882,118</u>
<b>8.2</b> Initially water and sanitation services and related billing in University Town and Hayatabad was the responsibility of WSSP under the SAMA agreement. In May 2017 through order of Government of Khyber Pakhtunkhwa, these operations and related billing of University Town and Hayatabad was transferred to Peshawar Development Authority. These amounts represents receivables still outstanding in respect of receipts of residential water supply collected on behalf of the Company by PDA and UTC as on 31-May-2017.			
<b>8.3</b>			
As per notification issued on 17 December 2019 by the Government of Khyber Pakhtunkhwa, operations of water and sanitation services of Karkhano Market and University Town have been transferred back to WSSP from PDA. However, no amount has been disbursed to the Company from the date of notification till date for the provision of these services in University Town. The matter is pending before the Provincial Government, hence a reliable estimate could not be made for the amount which would be received hence no receivable has been recorded in this regard.			
<b>8.4</b> Movement in allowance for expected credit losses in receivable from customers is as follows:			
Balance at 1 July		884,698,927	584,202,051
Charge for the year		141,864,066	300,496,876
Balance at 30 June		<u>1,026,562,993</u>	<u>884,698,927</u>
<b>9 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Current portion of long term advances	7.1	6,150,845	3,181,068
Prepaid general insurance and others		2,162,106	2,742,068
Prepaid rent and utilities		3,894,638	-
Income tax refund due from government		31,381,769	31,090,802
		<u>43,589,358</u>	<u>37,013,938</u>

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	Note	30-Jun-22 Rupees	30-Jun-21 Rupees <i>Restated</i>
<b>10 CASH AND BANK BALANCES</b>			
Cash at bank	10.1	695,914,379	545,237,052
Cash in hand		461,784	475,609
		<u>696,376,163</u>	<u>545,712,661</u>
<b>10.1 Cash at bank</b>			
Current accounts		3,509,916	9,237,227
Saving accounts	10.1.1	692,404,463	535,999,825
		<u>695,914,379</u>	<u>545,237,052</u>
10.1.1 These carry profit at the rates of 3.1% to 14% per annum (2021: 4.55% to 7.50% per annum).			
<b>11 DEFERRED DEVELOPMENT GRANT</b>			
Opening balance		772,372,746	855,487,980
Received / adjusted during the year	11.1	782,784,841	144,000,000
Grant income recognized	25.1	(457,773,023)	(227,115,234)
Closing balance		<u>1,097,384,564</u>	<u>772,372,746</u>
11.1 These are restricted grants provided by the Government of Khyber Pakhtunkhwa for Annual Developmental Programme (ADP) in Peshawar for the provision of water and sanitation services, infrastructure development and WSSP capacity building.			
<b>12 DEFERRED GRANT IN AID FOR OPERATIONS</b>			
Opening balance		343,569,757	298,062,091
Accrued and received during the year		3,248,231,087	3,035,953,546
Adjustment during the year		-	(1,908,000)
Grant in aid utilized for fixed assets during the year		(1,410,400)	(206,297)
Utilized during the year	12.1	(3,304,018,389)	(2,988,331,583)
Closing balance		<u>286,372,055</u>	<u>343,569,757</u>
12.1 Utilization of deferred grant in aid for operations			
Revenue from services	19	(365,537,955)	(489,352,524)
Amortization of deferred capital grant	13	(74,784,371)	(85,015,323)
Remeasurement of defined benefit obligation	14.1.4	(10,468,808)	-
Operational expenses	22	3,280,607,250	2,974,104,273
General and administrative expenses	23	471,448,339	586,347,571
Finance cost	24	2,753,934	2,247,586
Total		<u>3,304,018,389</u>	<u>2,988,331,583</u>
<b>13 DEFERRED CAPITAL GRANT FOR FIXED ASSETS</b>			
Opening balance		411,539,023	245,550,582
Addition during the year		133,843,005	251,521,157
Amount amortized against depreciation and amortization for the year		(74,784,371)	(85,015,323)
Net book value of disposed fixed assets		(2,423,161)	(517,393)
Closing balance		<u>468,174,496</u>	<u>411,539,023</u>
<b>14 STAFF RETIREMENT BENEFITS</b>			
Gratuity payable	14.1	170,805,627	136,922,997
		<u>170,805,627</u>	<u>136,922,997</u>

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**WATER AND SANITATION SERVICES PESHAWAR**  
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FOR THE YEAR ENDED JUNE 30, 2022

	Note	30-Jun-22	30-Jun-21
		Rupees	Rupees
			Restated
14.1 GRATUITY PAYABLE			
14.1.1 The amounts recognized in the statement of financial position are as follows:			
Present value of defined benefit obligation		170,805,627	136,922,997
Fair value of plan assets		-	-
Liability / (Asset)		170,805,627	136,922,997
14.1.2 Amounts recognized in the statement of income and expenditure are as follows:			
Current service cost		34,253,916	30,934,000
Net interest cost		13,523,950	9,470,000
		47,777,866	40,404,000
14.1.3 The estimated charge to statement of income and expenditure for the defined benefit plan for the year ending 30 June 2023 is Rs. 60.943 million.			
14.1.4 The movements in the present value of defined benefit obligation is as follows:			
Present value of defined benefit obligation at beginning of the year		136,922,997	97,119,204
Current service cost		34,253,916	30,934,000
Interest cost		13,523,950	9,470,000
Benefits paid		(3,426,428)	(600,207)
Re-measurement of defined benefit obligation		(10,468,808)	-
Present value of defined benefit obligation at end of the year		170,805,627	136,922,997
- The scheme provides terminal benefits for all employees of the Company who attain the minimum qualifying period of service as defined in the scheme. Annual charge is based on actuarial valuation using the Projected Unit Credit Method. Latest actuarial valuation is carried out as at June 30, 2021.			
- Principal actuarial assumptions			
Discount factor used		13.75% per annum	10 % per annum
Expected rate of increase in salaries		12.75 % per annum	10 % per annum
- The below sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (Projected Unit Credit Method) has been applied as for calculating the liability of staff retirement gratuity.			
- The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.			
	2022	2021	
	Defined benefit obligation	Defined benefit obligation	
	Effect of 1% increase	Effect of 1% decrease	Effect of 1% increase
			Effect of 1% decrease
Discount rate	(22,638,600)	28,308,334	-
Salary increase rate	28,646,405	(23,354,620)	-
			47,006,997
			(32,493,997)
The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.			
-			
15 LEASE LIABILITIES AGAINST RIGHT OF USE ASSETS			
Balance at beginning of the year		12,151,776	11,564,632
Addition during the year		23,467,066	10,423,624
Payments during the year		(13,763,686)	(11,612,732)
Interest expense		2,010,521	1,776,252
Adjustment during the year		(906,443)	-
Lease liabilities		22,959,234	12,151,776
Less: current portion of lease liabilities		(11,409,567)	(7,905,556)
		11,549,667	4,246,220

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15.1 Future minimum lease payments as at June 30, 2022 are as follows:

	Minimum lease payments	Interest	Present value of minimum lease payments
<b>2022</b>		-----Rupees-----	
Less than one year	13,391,200	1,981,633	11,409,567
More than 1 year but less than five years	12,609,043	1,059,376	11,549,667
More than five years	-	-	-
	<u>26,000,243</u>	<u>3,041,009</u>	<u>22,959,234</u>
<b>2021</b>			
Less than one year	9,005,948	1,100,392	7,905,556
More than 1 year but less than five years	4,563,200	316,980	4,246,220
More than five years	-	-	-
	<u>13,569,148</u>	<u>1,417,372</u>	<u>12,151,776</u>

- The cash outflow in respect of lease payments for the year ended June 30, 2022 is Rs. 13,763,686 (2021: Rs. 11,612,732).

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees <i>Restated</i>
<b>16 RESTRICTED DONOR GRANTS</b>			
UNICEF	16.1	22,620,602	55,056,845
MSP	16.2	-	-
		<u>22,620,602</u>	<u>55,056,845</u>

16.1 The UNICEF, has entered into an agreement with WSSP, to provide funds for WATSAN related services in Shaheen Muslim Town I & II. The project started in September 2018 and completed in December 2022.

Opening grant balance	55,056,845	3,017,549
Grants received during the year	95,283,588	69,880,179
Total grant	<u>150,340,433</u>	<u>72,897,728</u>
Less:		
Refund	-	(8,200,932)
Utilization	<u>(127,719,831)</u>	<u>(9,639,951)</u>
Closing balance	<u>22,620,602</u>	<u>55,056,845</u>

16.2 The MSP entered into contractual agreement with USAID to provide WATSAN support to WSSP in kinds including ERP, fleet management and other related activities.

Opening balance	-	-
Add: Grants received during the year	-	13,575,000
Less: Utilization	-	(13,575,000)
Closing balance	<u>-</u>	<u>-</u>

**17 ACCRUED AND OTHER PAYABLES**

Security from contractors	127,892,549	97,210,700
Employees' deductions payable to TMAs and others	86,991,076	80,448,235
Withholding tax payable	21,668,563	9,429,687
Payable to contractors	3,587,924	3,587,924
Unallocated revenue	9,265,536	9,246,866
<b>Accrued liabilities:</b>		
Operational expenses	113,835,927	119,308,068
Salaries and allowances	53,481,238	2,984,020
Others	100,000	1,028,445
	<u>416,822,813</u>	<u>323,243,945</u>

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**WATER AND SANITATION SERVICES PESHAWAR**  
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**18 CONTINGENCIES & COMMITMENTS**

**Contingencies**

The Company is involved in the following matters as at reporting date which may have material effect on the financial position as well as the performance of the Company:

- 18.1** The office of Inland Revenue LTU, Peshawar initiated proceedings against the Company under Section 122(5A) of the Income Tax Ordinance 2001. The office created demand of Income Tax of Rs. 55.272 million for tax year 2015. The Company filed an appeal before the Commissioner Inland Revenue (Appeals). The Commissioner passed an order against the Company and maintained the assessment made by the Officer Inland Revenue, Peshawar. The Company subsequently filed an appeal in Appellate Tribunal Islamabad against the order of Commissioner Inland Revenue (Appeals). The ATIR-ISB annulled the order of Add. Commissioner IR vide order No. ITA-290 (PB) TY 2015 on 22-02-2021. The Department has filed reference no. LTU/CIR/Legal/1112 on 28-05-2021 before the honorable Islamabad High Court, which is still pending for hearing.
- 18.2** The office of Inland Revenue LTU, Peshawar initiated proceeding against the Company under Section 122(5A) of the Income Tax Ordinance 2001. The office created demand for Income tax of Rs. 21.792 and 26.771 million for tax year 2016 & 2017 respectively. The Company filed an appeal before the Commissioner Inland Revenue (Appeals). The Commissioner subsequently passed an order against the Company and maintained the assessment made by the Office of Inland Revenue, Peshawar. The Company filed an appeal against the order with the Appellate Tribunal Inland Revenue, Islamabad. The ATIR-ISB annulled the order of Add. Commissioner IR vide order No. ITA-225 & 226 (PB) TY 2016 & 2017 on 22-02-2021. The Department has filed reference no. LTO/CIR/Legal/1112 on 28-05-2021 before the honorable Islamabad High Court, which is still pending for hearing.
- 18.3** The office of Inland Revenue LTU, Peshawar initiated proceeding against the Company under Section 122(5A) of the Income Tax Ordinance 2001. The office created demand of income tax amounting to Rs. 65.155 million for tax year 2018. The Company filed an appeal before the Commissioner Inland Revenue (Appeals). The Commissioner passed an order against the Company and maintained the assessment made by the Office of Inland Revenue, Peshawar. The Company subsequently filed an appeal against the order in the Appellate Tribunal Inland Revenue, Islamabad. The ATIR-ISB annulled the order of Add. Commissioner IR vide order No. ITA-227(PB) 2019 TY 2018 on 22-02-2021. The Department then filed reference no. LTO/CIR/Legal/1112 on 28-05-2021 before the honorable Islamabad High Court, which is still pending for hearing.

19 REVENUE FROM SERVICES	Note	30-Jun-22	30-Jun-21
		Rupees	Rupees
			<i>Restated</i>
Water tanker charges		109,100	309,420
Residential/commercial water charges		358,068,865	474,773,161
Solid waste collection fee		4,613,470	10,085,404
New connection charges		2,746,520	4,184,539
		<u>365,537,955</u>	<u>489,352,524</u>
<b>20 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Profit on deposit accounts		48,535,936	21,108,124
<b>Income from non-financial assets</b>			
Gain on sale of fixed assets		2,563,539	541,000
Deferred capital grant written back		2,423,161	-
<b>Other income</b>			
Tender fee		899,888	613,060
Penalties and others		3,069,026	1,955,258
Late payment charges		25,342,226	33,661,081
		<u>82,833,776</u>	<u>57,878,523</u>

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**WATER AND SANITATION SERVICES PESHAWAR**  
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	Note	30-Jun-22 Rupees	30-Jun-21 Rupees <i>Restated</i>
<b>21 GRANTS</b>			
Grant for operations	12	3,304,018,389	2,988,331,583
Development grants	25.1	457,773,023	227,115,234
		3,761,791,412	3,215,446,817
<b>Donors:</b>			
United Nations International Children's Emergency Fund	26.1	127,719,831	9,639,951
Municipal Services Programme - Government of Khyber Pakhtunkhwa	26.2	-	13,575,000
		3,889,511,243	3,238,661,768
<b>22 OPERATIONAL EXPENSES</b>			
Salaries, benefits and allowances		1,882,917,420	1,675,960,443
EOBI expense		16,412,400	13,414,683
Provision for gratuity		36,311,178	35,151,480
Electricity charges		842,054,308	803,233,038
Repair and maintenance		137,823,287	147,193,111
POL for operational vehicles		158,897,260	118,874,638
Hiring of solid waste vehicles		116,730,247	78,214,889
Entertainment charges		1,873,476	1,297,046
Hajj expenses		3,599,161	-
Health and safety charges		1,606,918	267,330
Security services		8,900,061	5,076,000
Solid waste management supplies		11,238,613	24,751,808
Printing and distribution of bills		2,122,212	2,445,563
Depreciation		59,823,394	68,006,105
Miscellaneous		297,314	218,139
		3,280,607,250	2,974,104,273
<b>23 GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Salaries, benefits and allowances		236,669,815	197,590,879
EOBI expense		1,226,900	-
ESSI expense		8,814,960	5,451,840
Provision for gratuity		11,466,688	5,252,520
Loss allowance on receivables	8.4	141,864,066	300,496,876
Rent for Head & Zonal Offices		8,377,667	15,004,045
Utilities		5,570,361	5,920,900
Printing and stationary		3,942,097	4,020,165
Travelling and transportation		329,678	1,151,200
Legal and professional charges		3,518,845	3,200,055
Internet and broadband charges		2,169,600	1,801,904
Repair and maintenance		2,945,259	2,572,247
Advertisement and awareness campaigns		2,345,956	1,319,301
POL for pool vehicles		417,750	654,655
COVID-19 related expenditure		59,100	2,577,783
Auditor's remuneration	23.1	350,000	229,500
Office supplies		2,802,829	2,411,256
Depreciation		14,955,849	17,001,526
Depreciation - right of use assets		12,610,598	10,513,692
Amortization of intangible assets		5,128	7,692
Security services		1,523,500	1,260,000
Insurance charges		8,761,004	7,405,204
Miscellaneous		720,690	504,331
		471,448,339	586,347,571
<b>23.1 Auditor's remuneration</b>			
Audit fee		300,000	187,500
Review report on statement of compliance		50,000	42,000
		350,000	229,500

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**WATER AND SANITATION SERVICES PESHAWAR**  
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	Note	30-Jun-22 Rupees	30-Jun-21 Rupees <i>Restated</i>
<b>24 FINANCE COST</b>			
Markup on lease liabilities		2,010,522	1,776,252
Bank charges		743,412	471,334
		<u>2,753,934</u>	<u>2,247,586</u>
<b>25 DEVELOPMENT GRANTS</b>			
Annual Development Programme (ADP) and Others	25.1	457,773,023	227,115,234
		<u>457,773,023</u>	<u>227,115,234</u>
<b>25.1 ANNUAL DEVELOPMENT PROGRAMME (ADP) AND OTHERS</b>			
Funded by city district government		56,723,047	23,030,527
Drinking water supply scheme		1,475,154	8,759,735
Development grant		44,428,306	146,274,972
Expansion program		151,635,000	-
Diversion of canal effluent and feasibility studies		203,511,516	49,050,000
		<u>457,773,023</u>	<u>227,115,234</u>
<b>26 RESTRICTED DONOR GRANTS</b>			
United Nations International Children's Emergency	26.1	127,719,831	9,639,951
Municipal Services Programme - Government of KP	26.2	-	13,575,000
		<u>127,719,831</u>	<u>23,214,951</u>
<b>26.1 UNITED NATIONS INTERNATIONAL CHILDREN'S EMERGENCY FUND</b>			
Project administrative cost		7,333,947	-
Staff salaries and other expenses		12,356,967	-
Mass media & awareness campaigns		8,645,704	183,000
Rehabilitation of water supply and sanitation schemes		97,695,333	4,510,417
Capacity building management staff		918,640	-
COVID-19		769,240	4,946,534
		<u>127,719,831</u>	<u>9,639,951</u>
<b>26.2 MUNICIPAL SERVICES PROGRAMME - GOVERNMENT OF KP</b>			
Containers and waste bins support		-	13,575,000

**27 PROVISION FOR TAXATION**

The Company has been established as a non-profit organization under section 42 of the Companies' Ordinance, 1984 (now the Companies Act, 2017) and have obtained the status of Non Profit Organization under the section 2(36) of the Income Tax Ordinance 2001. No tax liability has been recorded as the Company can claim 100% tax credit under section 100C of Income Tax Ordinance, 2001.

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**WATER AND SANITATION SERVICES PESHAWAR**  
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**28 RELATED PARTY TRANSACTIONS**

Related parties include associated organizations, directors, key management personnel, entities under common control, entities with common directors. Provincial Government governs and controls the Company through Local Government Elections & Rural Development Department, therefore all associated entities of Provincial Government are related parties of the Company.

The amounts due from associated entities are disclosed in note 8 to the financial statements. Remuneration to chief executive, directors and executives under the terms of their employment are disclosed in note 28 to the financial statements. Transactions with related parties during the year are as follows:

Name	Relationship with the company	Basis of relationship	Nature of Transaction	2022	2021
Tehsil Municipal Administration	Associated entity	Common directorship	Funds received	48,046,982	267,418,000
Local Government Elections & Rural Development Department	Associated entity	Governing body	Funds received	3,248,231,087	3,034,045,546
City District Government	Associated entity	Common directorship	Funds received	89,657,000	89,950,000
				<b>3,385,935,069</b>	<b>3,391,413,546</b>

**29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amounts charged in these financial statements for remuneration, including all benefits, to the chief executive, directors and executives of the Company are as follows:

	Chief Executive*	Directors**	Executives***
<b>2022</b>	<b>-----Rs.-----</b>		
Remuneration and bonus	8,330,022	-	125,188,867
Medical	96,000	-	1,480,133
Meeting fee	-	730,000	-
	<b>8,426,022</b>	<b>730,000</b>	<b>126,669,000</b>
No of person(s)	<b>1</b>	<b>14</b>	<b>33</b>
	Chief Executive	Directors	Executives
<b>2021</b>	<b>-----Rs.-----</b>		
Remuneration and bonus	4,123,665	-	99,916,961
Medical	94,194	-	1,389,267
Meeting fee	-	1,060,000	-
	<b>4,217,859</b>	<b>1,060,000</b>	<b>101,306,228</b>
No of person(s)	<b>1</b>	<b>15</b>	<b>34</b>

\* The CEO is also provided with a Company maintained car.

\*\* Directors are not paid any remuneration except meeting fee.

\*\*\* Executive means an employee whose basic salary exceeds Rs 1,200,000 (2021:Rs 1,200,000) during the year.

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**30 FINANCIAL RISK MANAGEMENT**

**Financial Risk Factor**

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

The Company has exposure to following risk categories:

- Market risk; (including currency risk and interest rate risk)
- Credit risk
- Budgetary control risk
- Liquidity risk

**30.1 Market risk**

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise two types of risk, currency risk and interest risk.

**a) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign transaction in foreign currencies. The Company is not exposed to currency risk.

**b) Interest rate risk**

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from finance lease obligations and bank balances.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

Floating rate instruments	Note	30-Jun-2022	30-Jun-2021
		Rupees	Rupees
			<i>Restated</i>
Bank balance		692,404,463	545,237,052
Lease liability		22,959,234	12,151,776
		<u>715,363,697</u>	<u>557,388,828</u>

**30.2 Credit Risk**

Credit risk represents the financial loss that would be recognized at the reporting date if a counterparty fails to perform as contracted. The Company's credit risk exposures are categorized under the following headings:

**(i) Counterparties**

Short and long term loans to employees and contractors are diversified due to number and performance of borrowers. The Company has a credit policy that governs the management of credit risk, including the specific transaction approvals and establishment of counterparty credit repayment timeline. The Company limits credit risk by limiting loans up to a maximum amount, and continuing to evaluate the creditworthiness of its borrowers, after transactions have been initiated.

**(ii) Bank Balances and Investments**

The Company maintains its bank balances and makes short term investments in PLS accounts. Deposits held with banks can either be redeemed upon demand, or have a short term maturity of less than a year and therefore also bear minimal risk.

**(iii) Exposure to credit risk**

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

	30-Jun-2022	30-Jun-2021
	Rupees	Rupees
		<i>Restated</i>
Advances, deposits and receivables	1,737,219,183	1,442,795,592
Bank balances	695,914,379	545,237,052
	<u>2,433,133,562</u>	<u>1,988,032,644</u>

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis.

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**WATER AND SANITATION SERVICES PESHAWAR**  
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(iv) **Concentration to credit risk**

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

(v) **Impairment losses**

The aging of receivables at the reporting date was:

	RUPEES			
	2022		2021	
			<i>Restated</i>	
	Gross	Impairment	Gross	Impairment
Past due up to 6 month	78,223,943	-	137,286,131	-
Past due between:				
- 6 month to 1 years	108,106,463	-	98,283,731	-
- 1 to 3 years	462,502,073	302,037,790	517,782,247	442,452,573
- Over 3 years	724,525,203	724,525,203	442,246,354	442,246,354
	<b>1,373,357,682</b>	<b>1,026,562,993</b>	<b>1,195,598,463</b>	<b>884,698,927</b>

(vi) The movement in the allowance for impairment in respect of receivable during the year was as follows:

	30-Jun-2022	30-Jun-2021
	Rupees	Rupees
Balance at 1 July	884,698,927	584,202,051
Impairment of expected credit losses	141,864,066	300,496,876
Bad debts written off	-	-
<b>Balance at 30 June</b>	<b>1,026,562,993</b>	<b>884,698,927</b>

(vii) **Allowances for impairment**

Based on past experience, the management has recorded impairment allowance which is considered necessary in respect of trade debts. Trade debts are due from regular customers.

(viii) **Write-off policy**

The allowance account in respect of trade debts is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible. At that point the amount considered irrecoverable is written off against the financial asset directly.

**30.3 Budgetary control risk**

Budgetary control risk represents the risk that the Company would not be able to fulfil the embedded conditions regarding preparation of budget and effective control measures in order to keep expenditures in line with the approved budget.

It is the responsibility of the Board to design and maintain effective budgetary controls across the entity in order to ensure that the key performance milestones are achieved.

**30.4 Liquidity risk**

Liquidity risk results from Company's potential inability to meet its financial liabilities, e.g. settlement of borrowings, paying its suppliers and employees. The responsibility of liquidity risk management rests with the Company's Board of Directors, and their approach in this regard is to ensure that the Company always has sufficient liquidity to meet its liabilities when they become due, without incurring unacceptable losses or risking damage to the Company's reputation. Beyond effective net working capital and cash management, the Company mitigates liquidity risk by arranging short-term financing from highly rated financial institutions.

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**WATER AND SANITATION SERVICES PESHAWAR**  
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The following are the contractual maturities of the financial instruments

June 30 2022	Carrying amount	Contractual cash flows	Within a year	More than one year
			Rupees	
Accrued expenses and other payables	416,822,813	416,822,813	416,822,813	-
			Rupees	
June 30 2021	Carrying amount	Contractual cash flows	Within a year	More than one year
			Rupees	
Accrued expenses and other payables	323,243,945	323,243,945	323,243,945	-

**30.5 Fair value of financial instruments**

The carrying values of all financial assets and financial liabilities reflected in the financial statements appropriate 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.

**30.6 Fair value hierarchy**

The company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market places (unadjusted) in an active market for an identical assets or liabilities.
- Level 2: Other valuation 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 which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2022 and 2021, the company did not hold any financial instruments to which fair value hierarchy was applicable.

30.7 Financial instruments by category	30-Jun-2022 Rupees	30-Jun-2021 Rupees <i>Restated</i>
<b><u>Financial assets - amortized cost</u></b>		
Advances, deposits and receivables	1,737,219,183	1,442,795,592
Bank balances	695,914,379	545,237,052
	<u>2,433,133,562</u>	<u>1,988,032,644</u>
<b><u>Financial liabilities at amortized cost</u></b>		
Accrued and other payables	22,620,602	12,197,685
	<u>22,620,602</u>	<u>12,197,685</u>

**31 NUMBER OF EMPLOYEES**

Total number of employees at the end of the year were 4,405 (2021: 4,518). Average number of employees during the year were 4,495 (2021: 4,585).

**32 CORRECTION OF ERROR**

During the year ended 30 June 2021, an amount of Rs. 300.5 million related to expected credit losses in respect of amount receivable from customers were not recorded. Further, an amount of Rs. 33.66 million was incorrectly classified as revenue from services. In previous years before the prior year presented in the financial statements, an expected credit loss amounting to Rs. 584.2 million was not recorded. Further, an amount of Rs. 101.5 million was incorrectly recorded as revenue from services. Therefore, the Company has restated the financial statements retrospectively to correct the effects of this error.

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**WATER AND SANITATION SERVICES PESHAWAR**  
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The effect of correction of these errors is as follows:

Effect on statement of financial position (extract)	As previously reported on 30-Jun-20	Increase/(decrease)	As restated on 01-Jul-20
-----'Rupees'-----			
<b>Statement of financial position (extracts)</b>			
Deferred grant in aid for operations	983,760,624	685,698,533	298,062,091
Accounts receivable	2,022,326,919	(584,202,051)	1,438,124,868
<b>Statement of changes in funds (extracts)</b>			
General Fund	201,363,348	101,496,482	302,859,830
Effect on statement of financial position (extract)	As previously reported on 30-Jun-21	Increase/(decrease)	As restated on 30-Jun-21
-----'Rupees'-----			
<b>Statement of financial position (extracts)</b>			
Deferred grant in aid for operations	1,363,426,247	1,019,856,490	343,569,757
Accounts receivable	2,290,480,581	(884,698,927)	1,405,781,654
<b>Statement of changes in funds (extracts)</b>			
General Fund	225,580,790	135,157,563	360,738,353
<b>Effect on statement of income and expenditure (extracts)</b>			
Loss allowance on receivables	-	300,496,876	300,496,876
Revenue from services	523,013,605	(33,661,081)	489,352,524
Grant for operations	2,654,173,626	334,157,957	2,988,331,583
Other income	24,217,442	33,661,081	57,878,523
Surplus for the year	24,217,442	33,661,081	57,878,523

**33 GENERAL**

- The figures have been rounded to nearest rupee.
- Corresponding figures, wherever necessary, have been rearranged and reclassified for the purpose of comparison and better presentation. However, these are not considered material enough to be disclosed separately.
- These financial statements have been authorized for issue on 27/02/2024 by the Board of Directors of the Company.

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**