

**WATER & SANITATION SERVICES COMPANY KOHAT**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**



**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF WATER & SANITATION SERVICES COMPANY KOHAT**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the annexed financial statements of **Water & Sanitation Services Company Kohat** (the 'Company'), which comprise the statement of financial position as at **June 30, 2019**, the statement of income & expenditure, the statement of cash flows, the statement of changes in general fund 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, statement of income & expenditure, statement of cash flows and statement of changes in general fund together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the 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, 2019 and of the deficit and its cash flows for the year then ended.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty relating to going concern**

As fully discussed in Note 1.1 to the financial statements, the company has suffered a deficit of Rs 38.75 (2018: 0) million during the year; increasing the accumulated losses to Rs. 38.79 (2018: 0.0425) million as at June 30, 2019. Moreover, the current liabilities have also exceeded current assets of the company by Rs. 42.05 (2018: 0) million as at June 30, 2019. However, the financial statements have been prepared on going concern basis as the company has managed to continue operation due to continuous financial support from the Provincial Government of Khyber Pakhtunkhwa. The support is likely to be provided in the future and therefore these financial statements have not been adjusted under the "going concern assumption".

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## **Emphasis of Matter**

Without qualifying our opinion, we draw attention to note 5.2 to the financial statements which describes operating fixed assets, transferred from TMA & KDA Kohat and USAID, not recognized in these financial statements. Our opinion is not qualified in respect of this matter.

## **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 income & expenditure, the statement of cash flows and statement of change in general fund 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, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Mr. Manzoor Ahmed Savul FCA**.

Peshawar

DATE: 03 OCT 2019

  
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CHARTERED ACCOUNTANTS

WATER & SANITATION SERVICES COMPANY KOHAT  
Statement of Financial Position  
AS AT JUNE 30, 2019

	Note	2019 Pak Rupees	Restated 2018 Pak Rupees
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property & equipment	5	26,986,139	29,816,773
Capital work in progress	5.3	7,076,129	3,252,489
		<b>34,062,268</b>	<b>33,069,262</b>
<b>Current Assets</b>			
Account receivable		15,575,478	8,398,741
Advances, deposits & other receivables	6	12,314,856	11,703,931
Cash and bank balances	7	13,385,991	87,823,649
		<b>41,276,325</b>	<b>107,926,321</b>
<b>Current Liabilities</b>			
Accrued & other liabilities	8	(83,321,489)	(10,691,907)
		<b>(83,321,489)</b>	<b>(10,691,907)</b>
Commitments & contingencies	15	-	-
		<b>(7,982,896)</b>	<b>130,303,676</b>
<b>NET ASSETS</b>			
<b>REPRESENTED BY:</b>			
General fund		(38,792,675)	(42,500)
Deferred income (grants)	9	30,809,779	130,346,176
		<b>(7,982,896)</b>	<b>130,303,676</b>

The annexed notes 1 to 17 form an integral part of these financial statements.

  
DIRECTOR

  
CHIEF EXECUTIVE

WATER & SANITATION SERVICES COMPANY KOHAT  
 Statement of Income & Expenditure  
 FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 <i>Pak Rupees</i>	Restated 2018 <i>Pak Rupees</i>
<b>INCOME</b>			
Revenue from services	10	29,803,091	15,849,960
Profit on PLS Accounts		1,459,099	1,588,029
Tender fee		50,000	235,780
Deferred grants amortized		6,927,955	5,222,997
Restricted grants amortized	9.1	286,103,600	235,207,393
		<b>324,343,745</b>	<b>258,104,159</b>
<b>EXPENDITURE</b>			
Operational	11	306,460,359	211,961,292
Administrative	12	56,633,561	46,142,867
		<b>363,093,920</b>	<b>258,104,159</b>
<b>DEFICIT FOR THE YEAR</b>		<b>(38,750,175)</b>	<b>-</b>

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The annexed notes 1 to 17 form an integral part of these financial statements.

  
 DIRECTOR

  
 CHIEF EXECUTIVE

WATER & SANITATION SERVICES COMPANY KOHAT

Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2019

	2019 <i>Pak Rupees</i>	Restated 2018 <i>Pak Rupees</i>
<b>Cash flows from operating activities</b>		
Deficit for the year	(38,750,175)	-
<i>Adjustment for non cash income and expenses:</i>		
Depreciation	6,927,955	5,229,777
Deferred grants amortized	(6,927,955)	(5,229,777)
Restricted grants amortized	(286,103,600)	(235,207,393)
Operating profit before working capital changes	(324,853,775)	(235,207,393)
<i>Working capital changes:</i>		
(Increase) / decrease in current assets		
Advances, deposits & other receivables	(610,925)	(10,002,897)
Account receivable	(7,176,737)	(1,167,161)
Increase / (decrease) in current liabilities		
Accrued & other liabilities	72,629,582	8,756,298
Net cash flows from operating activities	(260,011,855)	(237,621,153)
<b>Cash flows from investing activities</b>		
Additions in property & equipment	(4,097,321)	(23,587,194)
Capital work in progress	(3,823,640)	(3,252,489)
Net cash flows from investing activities	(7,920,961)	(26,839,683)
<b>Cash flows from financing activities</b>		
Government grants received during the year	193,495,158	249,400,685
Net cash flows from financing activities	193,495,158	249,400,685
<b>Net cash flow during the year</b>	(74,437,658)	(15,060,151)
Cash & cash equivalents at the beginning	87,823,649	102,883,800
Cash & cash equivalents at the end	13,385,991	87,823,649

The annexed notes 1 to 17 form an integral part of these financial statements.

  
DIRECTOR

  
CHIEF EXECUTIVE

WATER & SANITATION SERVICES COMPANY KOHAT  
 Statements of Changes in General Fund  
 FOR THE YEAR ENDED JUNE 30, 2019

PARTICULARS	GENERAL FUND	TOTAL
	----- Pak Rupees -----	
As at July 01, 2017	(42,500)	(42,500)
Deficit for the year	-	-
As at June 30, 2018	<u>(42,500)</u>	<u>(42,500)</u>
As at July 01, 2018	(42,500)	(42,500)
Deficit for the year	(38,750,175)	(38,750,175)
As at June 30, 2019	<u>(38,792,675)</u>	<u>(38,792,675)</u>

The annexed notes 1 to 17 form an integral part of these financial statements.

  
 DIRECTOR

  
 CHIEF EXECUTIVE



WATER & SANITATION SERVICES COMPANY KOHAT  
Notes to the Financial Statements  
FOR THE YEAR ENDED JUNE 30, 2019

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1. **LEGAL STATUS**

Water and Sanitation Services Company Kohat (WSSCK) ("the company") was incorporated by KPK Government on June 04, 2015 as a company limited by guarantee, having no share capital, under Section 42 of the Companies Ordinance, 1984 (repealed with the enactment of Companies Act, 2017). The registered office of the company is situated at Municipal Committee Office, Hangu Road, Peshawar Chowk Kohat, Khyber Pakhtunkhwa. The primary objective of the company is to establish, run and manage an integrated, corporatized and modern water and sanitation utility in Kohat, ensuring unremitting water, sanitation and solid waste management services delivery to the residents of Kohat.

1.1 **Going concern status**

The company has suffered a deficit of Rs. 38.75 million (2018: 0) during the year; increasing the accumulated losses to Rs. 38.79 million (2018: 0.0425) at the balance sheet date. Moreover, the current liabilities have also exceeded current assets of the company by Rs. 42.05 million (2018: 0) as at June 30, 2019. However, the financial statements have been prepared on going concern basis as the company has managed to continue operation due to continuous financial support from the Provincial Government of Khyber Pakhtunkhwa. The support is likely to continue in future as well, and therefore these financial statements have not been adjusted under the "going concern assumption".

2. **BASIS OF PREPARATION**

2.1 **Statement of compliance**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as notified under the provisions of the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

2.2 **Basis for measurement**

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective policies and notes given hereunder.

2.3 **Functional and presentation currency**

These financial statements are presented in Pakistan Rupee (PKR), which is the functional currency of the Company. All financial information presented in Pak Rupee has been rounded off to nearest Rupee.

2.4 **Significant estimates and judgments**

The preparation of the financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

WATER & SANITATION SERVICES COMPANY KOHAT  
Notes to the Financial Statements  
FOR THE YEAR ENDED JUNE 30, 2019

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Property and equipment**

These assets, except land and capital work in progress, are stated at cost less accumulated depreciation and impairment loss if any. Depreciation is charged to statement of income & expenditure account using the reducing balance method at the rates specified as per Note # 4. Depreciation is charged on additions from the first day of the month in which the asset is available for use while no depreciation is charged in the month in which the asset is disposed off. Assets having cost not exceeding the minimum threshold as determined by the management or gains and losses on disposal of fixed assets are charged to the income & expenditure account, currently. Assets transferred as donation and/or under loan are accounted for through a separate memorandum record in accordance with the spirits of the respective agreement executed if any

**3.2 Capital work in progress**

Capital work in progress is stated at cost less identified impairment losses, if any, and includes the expenditure on material, labor and appropriate overheads directly relating to the project. These cost are transferred to operating fixed assets when assets are available for intended use.

**3.3 Other receivables**

These are originated by the Company and are stated at cost less provision for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Receivables considered irrecoverable are written off.

**3.4 Cash and cash equivalents**

Cash & cash equivalents are carried in the balance sheet at nominal amount. For the purposes of statement of cash flows, cash & cash equivalents comprise of cash in hand and balance with

**3.5 Taxation**

The company has been established as a non-profit organization under section 42 of the Companies' Ordinance (repealed), 1984 and is in the process of obtaining the status of "Non Profit Organization" under section 2 (36) of the Income Tax Ordinance, 2001. The company would be allowed tax credit equal to one hundred per cent of tax payable, including minimum tax and final tax payable under the relevent provision of Income tax Ordinance, 2001.

**3.6 Payables and other liabilities**

Payables and other liabilities are carried at their nominal value in the statement of financial

**3.7 Revenue recognition**

Revenue from Water services is recognized when such services are rendered. Markup on bank deposit is recognized using effective interest method. *sh*

**3.8 Grants for operations**

- (i) Grants for operation are recognized in income and expenditure account on systematic basis over the periods in which entity recognizes the related cost as expenses for which the grants are intended to compensate.
- (ii) **Restricted Grants**
- (a) Grants received for specific purposes are used in accordance with the stipulations attached thereto.
- (b) Grants related to assets are presented in financial statements as "Deferred income" and recognized in the income statement on a systematic basis over the period in which their related costs are recognized as "expenses" i.e. annual depreciation.

**3.9 Related party transaction**

Transaction with related parties are carried out at arm's length and priced at comparable uncontrolled market price. Parties are said to be related if they are generally considered to able to influence the operating and financial decision of the company and vice verse.

**3.10 Presentation**

The corresponding figures are rearranged wherever necessary for the purpose of comparison and are rounded off to nearest rupee. Appropriate disclosure is given in relevant note in case of material rearrangements.

**3.11 Restatements of Financial statements**

Perior to financial year 2019, the company has recognised government grants received during the year as income in 'Staements of Income and Expenditure' which resulted in reported surplus of Rs. 9.957 Million and 110.435 Million for the financial years 2018 and 2017 respectively. During the financial year 2019, the company has changed its accounting policy for Government grants wherein operational grant is amortized and/transferred to income to the extent of its utilization for opertional expenditures and capital grant is tranfered to deferred income and amortized on a systematic basis over the period in which their related costs are recognized as 'expense' i-e annual depreciation. The change in policy is in line with the requirements of International Accounting Standards - 20 "Accounting for Government Grants and Disclosure of Government Assistance". Thr impact of change in accounting policy is summerized below. There is no impact of change on financial year 2019.

	2018		2017	
	After restatement	Before restatement	After restatement	Before restatement
Income	258,104,159	268,061,819	78,254,371	188,689,607
Surplus/deficit for the year	-	9,957,660	-	110,435,236
General fund	(42,500)	120,350,396	(42,500)	110,392,736
Deferred inome	130,346,176	9,953,280	110,435,236	-

## Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

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### 4. CHANGES IN ACCOUNTING STANDARDS, INTERPRETATIONS AND PRONOUNCEMENTS

#### (a) Standards, interpretations and amendments to published approved accounting standards that become effective during the year and are relevant

##### 4.1 First time adoption of IFRS 15- Revenue from contracts with customers

IFRS 15 replaces the previous standard: IAS 18 "Revenue", IAS 11 "Construction Contracts", and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on core principle that an entity should recognize revenue representing the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

Management has undertaken a detailed assessment of the performance obligation associated with revenue streams and is of the view that application of IFRS 15 does not have a material impact on the current/prior year figures as well as accounting policies applied for the recognition of revenue. Accordingly, no restatement of the information presented for the prior year is required.

#### (b) Standards, interpretations and amendments to published approved accounting standard that became effective during the year but are not relevant

The new standards, amendments and interpretations that are mandatory of accounting period beginning on or after July 1, 2018 are considered not to be relevant for the company's financial statements and hence have not detailed here.

#### (c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

IFRS 16 'Leases' - IFRS 16 replaces the previous leases standard: IAS 17 Lease. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and financial leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rental and recognised. The only exception or short term and low leases. IFRS 16 is effective for annual period beginning on or after January 1, 2019.

WATER & SANITATION SERVICES COMPANY KOHAT

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

5. PROPERTY & EQUIPMENT

5.1 Operating fixed assets - At cost less accumulated depreciation

P A R T I C U L A R S	C O S T		R A T E (%)	D E P R E C I A T I O N		W.D.V
	As at July 01, 2018	Addition		As at June 30, 2019	For the year	
Tube wells	-	3,973,421	10	-	397,342	3,576,079
Furniture & fixture	2,925,450	29,000	15	193,607	414,126	2,346,717
Equipment	3,679,457	-	15	276,299	510,474	2,892,684
Vehicles	20,141,000	-	20	3,888,200	3,250,560	13,002,240
Electric Appliances	886,000	-	15	55,375	124,594	706,031
Computer & Accessories	7,420,989	94,900	33	822,642	2,230,859	4,462,388
<b>TOTAL</b>	<b>35,052,896</b>	<b>4,097,321</b>		<b>5,236,123</b>	<b>6,927,955</b>	<b>12,164,078</b>
						<b>26,986,139</b>

5.2 The above schedule of fixed assets and depreciation doesn't include assets transferred from TMA & KDA, Kohat in accordance with Clause 7 of the Services & Assets Management Agreement (SAMMA) dated January 24, 2017 and assets transferred from USAID in November 2018.

5.3 This represents installation of tube well valuing Rs 7.07 million till June 30, 2019. The installation cost of tube well equipment and construction of related infrastructure is completed during the year. However, operational sanction from WAPDA for supply of electricity is pending as on June 30, 2019.

WATER & SANITATION SERVICES COMPANY KOHAT

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

	2019 <i>Pak Rupees</i>	2018 <i>Pak Rupees</i>
<b>6. ADVANCES DEPOSITS &amp; RECIEVABLES</b>		
<i>Advances:</i>		
Staff - against work	270,000	215,000
Income tax	779,362	603,131
Advance rent (office)	379,694	-
	<b>1,429,056</b>	<b>818,131</b>
<i>Deposits:</i>		
Security for POL supplies	500,000	500,000
Security against office rent	300,000	300,000
	<b>800,000</b>	<b>800,000</b>
<i>Receivables:</i>		
Loan to TMA	10,000,000	10,000,000
Car rental refundable	85,800	85,800
	<b>10,085,800</b>	<b>10,085,800</b>
	<b>12,314,856</b>	<b>11,703,931</b>
<b>6.1</b> This represents payment of outstanding electricity bills for and on behalf of TMA Kohat. The aforesaid amount is adjustable in subsequent years.		
<b>7. CASH AND BANK BALANCES</b>		
Cash in hand	16,895	-
<i>Cash with banks - PLS Accounts:</i>		
ABL # 60012	96,216	901,058
BOK PLS # 01033-00-0	672,946	13,549,350
BOK PLS # 0712-00-2	9,570,499	73,170,785
MCB # 1000-78-0	3,029,436	202,456
	<b>13,369,096</b>	<b>87,823,649</b>
	<b>13,385,991</b>	<b>87,823,649</b>
<b>8. ACCRUED &amp; OTHER LIABILITIES</b>		
Accrued - <i>auditors' remuneration</i>	435,000	500,000
Salaries payable	648,614	4,173,184
EOBI	47,580	2,210
Utilities bills payable	31,728,432	-
Other liabilities:		
Sales tax (withheld) payable	5,583,305	39,775
Income tax (withheld) payable	2,686,514	499,871
Call deposits - Contractors	3,507,359	2,302,694
Contractors payable	32,541,763	-
Security deducted from suppliers	6,142,922	3,174,173
	<b>83,321,489</b>	<b>10,691,907</b>

WATER & SANITATION SERVICES COMPANY KOHAT  
Notes to the Financial Statements  
FOR THE YEAR ENDED JUNE 30, 2019

		2019 <i>Pak Rupees</i>	2018 <i>Pak Rupees</i>
<b>9. DEFERRED INCOME</b>			
Opening balance as on July 01,		130,346,176	110,435,236
Fixed assets received in kind grant from USAID		-	10,940,645
Fixed assets purchased from ADP funds	9.1	7,920,961	23,587,194
Less: Depreciation on fixes assets received/acquired from USAID/ADP fund	12	(6,927,955)	(5,222,997)
		993,006	29,304,842
Restricted grants	9.1	(100,529,403)	(9,393,902)
Closing balance as on June 30,		<u>30,809,779</u>	<u>130,346,176</u>
<b>9.1 RESTRICTED GRANTS</b>			
Funds received during the year:			
ADP allocation	9.2	38,350,000	70,000,000
TMA / KDA	9.3	153,845,158	179,400,685
Public Health Department		1,300,000	-
		193,495,158	249,400,685
Funds utilized for:			
Operational expenses		(286,103,600)	(235,207,393)
Capital assets	9	(7,920,961)	(23,587,194)
		<u>(100,529,403)</u>	<u>(9,393,902)</u>
		<u>38,350,000</u>	<u>70,000,000</u>
<b>9.2 FUNDS FROM GOVERNMENT OF KPK</b>			
This represents funds released to the Company from the Local Government, Election & Rural Development, Government of KPK against ADP allocation meant for the period ended June 30, 2019. The aforementioned funds are required to be utilized for expenditure in accordance with the instructions of the Finance Department, KPK.			
<b>9.3 FUNDS FROM TMA/KDA</b>		<u>153,845,158</u>	<u>179,400,685</u>
This represents funds received for payment of operational expenses and salaries & allowances of staff transferred from TMA and KDA as follows:			
a) Tehsil Municipal Administration (TMA)		121,037,000	146,817,371
b) Kohat Development Authority (KDA)		32,808,158	32,583,314
		<u>153,845,158</u>	<u>179,400,685</u>
<b>10. REVENUE FROM SERVICES</b>		<u>29,803,091</u>	<u>15,849,960</u>
This represents revenue generated from provision of water-services to the residents of Kohat District. <i>AK</i>			

WATER & SANITATION SERVICES COMPANY KOHAT  
Notes to the Financial Statements  
FOR THE YEAR ENDED JUNE 30, 2019

	2019 <i>Pak Rupees</i>	2018 <i>Pak Rupees</i>
<b>11. OPERATIONAL</b>		
Salaries, allowances & other benefits	124,544,860	106,180,950
Solid waste management supplies	4,158,620	4,071,545
Petrol, oil & lubricants	5,379,253	4,178,791
Water supply maintenance	22,708,205	26,433,300
Repair & maintenance	12,064,919	4,585,438
Sanitation Schemes Urban III	1,247,688	-
Vehicles hired for cleaning	53,519,800	25,849,449
Utilities (Electricity bills of Tube wells)	82,837,014	40,661,819
	<b>306,460,359</b>	<b>211,961,292</b>
<b>12. ADMINISTRATIVE</b>		
Salaries, benefits and allowances	43,037,651	31,357,654
Directors' meeting fee	170,000	308,000
Utilities	537,528	712,924
Advertisement & publicity	861,908	854,625
Repair & maintenance	867,410	2,223,408
Entertainment	387,465	467,051
Office supplies	156,004	706,829
Car rentals	-	429,000
Office rent	1,530,650	1,302,058
Printing & stationary	659,144	290,702
Legal & professional	493,508	1,174,595
Hajj expense	457,000	393,050
Depreciation	6,927,955	5,222,997
Repairs of IT's equipments	15,990	-
Audit fee	250,000	250,000
Training and development	26,220	-
Bank charges	4,700	4,320
Miscellaneous	250,428	445,654
	<b>56,633,561</b>	<b>46,142,867</b>



**13. FINANCIAL RISK MANAGEMENT**

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:

- Performance risk
- Credit risk
- Budgetary control risk
- Liquidity risk

**13.1 Performance risk**

Performance risk represents the financial loss to Company that would occur due to non-compliance of the key performance indicators or conditions associated with the financing agreements between the Company and sponsoring government entities.

**13.2 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 exposure is categorized under the following heading:

**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 can limit credit risk by limiting loans up to a maximum amount, and continuing to evaluate the credit risk worthiness of its borrowers, after transactions have been initiated.

**13.3 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.

**13.4 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. SL

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14. RELATED PARTY TRANSACTIONS

Related parties comprises subsidiary, associated companies, companies where directors also hold directorship, retirement benefits fund and key management personnel. Significant transactions with related parties during the year are as under:

	2019 <i>Pak Rupees</i>	2018 <i>Pak Rupees</i>
Salaries, benefits & allowances of CEO	7,098,624	6,685,692
Loan to TMA Kohat (associated undertaking)	10,000,000	10,000,000

15. COMMITMENTS & CONTINGENCIES

During the financial year 2018-19, the company has received an order U/S 122(5A) of the Income Tax Ordinance, 2001 creating an alleged demand of Rs.2.98 million for T.Y 2018 and Rs. 32.30 million for T.Y 2017 by disallowing tax credit under U/S 100C of the Income Tax Ordinance 2001.

During the year, the Company had filed an appeal against the alleged demand before Commissioner (IR) Appeal, which was decided against the Company in August 2019. The company has filed second appeal before the Income Tax Appellate Tribunal Islamabad Bench, challenging the alleged demand as the same has been levied contrary to settled history of the company. The management is confident of a favorable outcome as the company is a not for profit entity registered under section 42 of the Companies Ordinance, 1984 (repealed with the enactment of Companies Act, 2017) and fulfills all the conditions mandatory U/S 100C of the Income Tax Ordinance, 2001. Therefore, no provision against such demand raised by the additional commissioner, has been made in the accounts.

There is no commitment outstanding at the year end.

16. NUMBER OF EMPLOYEES

Total number of employees as on June 30, 2019:  
 Employees deputed on secondment from TMA & KDA  
 Regular employees


Average number of employees during the year

461	495
20	21
482	516
503	474

17. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors after approval thereof on 03 OCT 2019.

  
 DIRECTOR

  
 CHIEF EXECUTIVE