

WATER AND SANITATION SERVICES COMPANY KOHAT  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020



**IECnet S.K.S.S.S**

CHARTERED ACCOUNTANTS



## 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, 2020 and the statement of income & 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 & 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 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, 2020, and of the surplus, other comprehensive income, the changes in funds and its cash flows for the year then ended.

### Emphasis of Matter

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

### 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 annual report, but does not include the financial statements and our 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, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(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.

## **Auditors' 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 as at June 30, 2020, and the statement of income & 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 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 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 Savual, FCA.**

PESHAWAR

DATE: 15 SEP 2020

  
IECnet S.K.S.S.S.  
Chartered Accountants

WATER & SANITATION SERVICES COMPANY KOHAT

Statement of Financial Position

AS AT JUNE 30, 2020

	Note	2020 <i>Pak Rupees</i>	2019 <i>Pak Rupees</i>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property & equipments	5	28,294,046	26,986,139
Capital work in progress		-	7,076,129
		<u>28,294,046</u>	<u>34,062,268</u>
<b>Current Assets</b>			
Account receivable		18,813,448	15,575,478
Advances, deposits & other receivables	6	13,771,019	12,314,856
Cash and bank balances	7	97,810,411	13,385,991
		<u>130,394,878</u>	<u>41,276,325</u>
		<u>158,688,924</u>	<u>75,338,593</u>
<b>CAPITAL &amp; LIABILITIES</b>			
General fund		(38,792,675)	(38,792,675)
<b>Non-Current Liabilities</b>			
Deferred capital grant	9	28,294,046	30,809,779
Restricted grant	10	134,807,153	-
		<u>163,101,199</u>	<u>30,809,779</u>
<b>Deferred liabilities</b>			
Gratuity payable	19	7,704,227	-
<b>Current Liabilities</b>			
Accrued & other liabilities	8	26,676,173	83,321,489
Commitments & contingencies		-	-
		<u>158,688,924</u>	<u>75,338,593</u>

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


  
DIRECTOR

  
CHIEF EXECUTIVE

WATER AND SANITATION SERVICES COMPANY KOHAT  
**Statement of Income & Expenditure And Other Comprehensive Income**  
 FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 <i>Pak Rupees</i>	2019 <i>Pak Rupees</i>
<b>INCOME</b>			
Revenue from water services		34,642,233	29,803,091
Profit on PLS account		1,701,889	1,459,099
Tender fee		285,835	50,000
Amortization of deferred capital grant	9	6,054,362	6,927,955
Amortization of restricted grant	10	325,309,508	286,103,600
		<u>367,993,827</u>	<u>324,343,745</u>
<b>EXPENDITURE</b>			
Operational	11	305,455,765	306,460,359
Administrative	12	62,538,062	56,633,561
		<u>(367,993,827)</u>	<u>363,093,920</u>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>			
Other comprehensive income		-	(38,750,175)
		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			
		-	<u>(38,750,175)</u>

The annexed notes 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, 2020

	2020 <i>Pak Rupees</i>	2019 <i>Pak Rupees</i>
<b>Cash flows from operating activities</b>		
Deficit for the year	-	(38,750,175)
<i>Adjustment for:</i>		
Grants amortization	(325,309,508)	(286,103,600)
Graduity fund	7,704,227	
Operating profit before working capital changes	(317,605,281)	(324,853,775)
<i>Working capital changes:</i>		
(Increase) / decrease in current assets		
Advances, deposits & other receivables	(1,456,163)	(610,925)
Account receivable	(3,237,970)	(7,176,737)
Increase / (decrease) in current liabilities		
Accrued & other liabilities	(56,645,316)	72,629,582
	(61,339,449)	64,841,920
Net cash flows from operating activities	(378,944,730)	(260,011,855)
<b>Cash flows from investing activities</b>		
Additions in property & equipment	(7,362,269)	(4,097,321)
Capital work in progress	7,076,129	(3,823,640)
Net cash flows from investing activities	(286,140)	(7,920,961)
<b>Cash flows from financing activities</b>		
Government grants received during the year	463,655,290	193,495,158
Net cash flows from financing activities	463,655,290	193,495,158
<b>Net cash flow during the year</b>	84,424,420	(74,437,658)
Cash & cash equivalents at the beginning	13,385,991	87,823,649
Cash & cash equivalents at the end	97,810,411	13,385,991

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

  
DIRECTOR

  
CHIEF EXECUTIVE

WATER & SANITATION SERVICES COMPANY KOHAT

**Statements of Changes in Funds**

FOR THE YEAR ENDED JUNE 30, 2020

PARTICULARS	GENERAL FUND	TOTAL
	----- Pak Rupees -----	
As at July 01, 2017- Restated	(42,500)	(42,500)
Deficit for the year	-	-
Other comprehensive income	-	-
<b>As at June 30, 2018 - Restated</b>	<b>(42,500)</b>	<b>(42,500)</b>
As at July 01, 2018	(42,500)	(42,500)
Deficit for the year	(38,750,175)	(38,750,175)
Other comprehensive income	-	-
<b>As at June 30, 2019</b>	<b>(38,792,675)</b>	<b>(38,792,675)</b>
As at July 01, 2019	(38,792,675)	(38,792,675)
Surplus/(Deficit) for the year	-	-
Other comprehensive income	-	-
<b>As at June 30, 2020</b>	<b>(38,792,675)</b>	<b>(38,792,675)</b>

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

  
 DIRECTOR

  
 CHIEF EXECUTIVE



## Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

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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.

### 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 International Financial Reporting Standard (IFRS) and provisions of and directives issued under the Companies Act, 2017. In case requirement differ, the provision 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 require 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.

### 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 # 5. 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, with the donor concerned. *SK*

## Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

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### 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 banks.

### 3.5 Taxation

The Company, registered as a non-profit organization (NPO) under section 42 of the Companies Act, 2017, is subject to 100% tax credit including minimum and final tax under section 100C of Income Tax Ordinance.

### 3.6 Payables and other liabilities

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

### 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.

### 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 Capital Grant" 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 un controlled 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.

### 3.11 Staff benefit gratuity

The company has established a funded gratuity scheme effective from January 1, 2018, for its permanent employees based on the Provincial Government's gratuity rules & regulations. Employees will become eligible for gratuity subject to a qualifying period of six months of permanent service

# WATER & SANITATION SERVICES COMPANY KOHAT

## Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

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

#### 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 customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or 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 the accounting policies applied for the recognition of revenue. Accordingly, no restatement of the information presented for the prior year is required.

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. 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 value leases. IFRS 16 is effective for annual period beginning on or after January 1, 2019.

#### 4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by e company

		Effective date
IAS 1	Presentation of financial statements (Amendments)	January 1, 2020
IAS 8	Accounting policies, changes in accounting estimates and	January 1, 2020
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	January 1, 2022
IAS 39	Financial Instruments: Recognition and Measurement	January 1, 2020
IAS 41	Agriculture (Amendments)	January 1, 2020
IFRS 3	Business combinations (Amendments)	January 1, 2020
IFRS 4	Insurance contracts (Amendments)	January 1, 2023
IFRS 7	Financial instruments: disclosures (Amendments)	January 1, 2020
IFRS 9	Financial instruments (Amendments)	January 1, 2020

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

WATER & SANITATION SERVICES COMPANY KOHAT

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

4.4

	New and revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective	"Effective date (accounting period beginning on or after)"
IFRS 3	Business Combinations - The amendments narrowed and clarified the definition of a business, the amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.	January 01,2020
IFRS 9 & IAS 39	Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform	January 01,2020
IFRS 16	Leases - IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.	January 01,2019

WATER & SANITATION SERVICES COMPANY KOHAT

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

IFRS 17	Insurance Contracts - address the principles for the recognition, measurement, presentation and disclosure of Insurance contracts. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	January 01,2021
IAS 1	Presentation of Financial Statements - amendments to its definition of material to make it easier for companies to make materiality judgements. The materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.	January 01,2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - The amendments are intended to make the definition of material easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.	January 01,2020
IAS 16	Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 01 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.	January 1, 2022

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WATER & SANITATION SERVICES COMPANY KOHAT

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

IAS 19	Employee Benefits - The amendments require an entity: To use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after plan amendment, curtailment and settlement when entity measure its net defined benefit liability, and; To recognize in profit or loss as part of past service cost, or gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of impact of the asset ceiling.	January 01,2019
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 01 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendm.ents as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application	January 1, 2022
IAS 41	The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique	January 1, 2020

4.5 Further, the following new standards have 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

4.6 The following interpretation issued by the IASB has been waived off by SECP:

IFRIC 12 Service concession arrangement

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**WATER & SANITATION SERVICES COMPANY KOHAT**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**5. PROPERTY & EQUIPMENT**

**5.1 Operating fixed assets - At cost less accumulated depreciation**

PARTICULARS	C O S T		As at June 30, 2020	RATE (%)	D E P R E C I A T I O N		As at June 30, 2020	W.D.V As at June 30, 2020
	As at July 01, 2019	Addition			As at July 01, 2019	For the year		
	RUPEES				RUPEES			
Tube wells	3,973,421	7,076,129	11,049,550	10	397,342	1,065,221	1,462,563	9,586,987
Furniture & fixture	2,954,450	-	2,954,450	15	607,733	352,008	959,741	1,994,709
Equipment	3,679,457	191,640	3,871,097	15	786,773	443,466,000	1,230,239	2,640,858
Vehicles	20,141,000	-	20,141,000	20	7,138,760	2,600,448	9,739,208	10,401,792
Electric Appliances	886,000	-	886,000	15	179,969	105,905	285,874	600,126
Computer & Accessories	7,515,889	-	7,515,889	33	3,053,501	1,487,314	4,540,815	2,975,074
Software	-	94,500	94,500	33	-	-	-	94,500
<b>TOTAL</b>	<b>39,150,217</b>	<b>7,362,269</b>	<b>46,512,486</b>		<b>12,164,078</b>	<b>6,054,362</b>	<b>18,218,440</b>	<b>28,294,046</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.

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

**5.3 Operating fixed assets**

PARTICULARS	C O S T		RATE (%)	D E P R E C I A T I O N		W.D.V As at
	As at July 01, 2018	Addition June 30, 2019		As at July 01, 2018	For the year June 30, 2019	
	(-----RUPEES-----)			(-----RUPEES-----)		
Tube wells	-	3,973,421	10	-	397,342	3,576,079
Furniture & fixture	2,923,450	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	53,375	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>26,986,139</b>

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WATER AND SANITATION SERVICES COMPANY KOHAT

**Notes to the Financial Statements**

FOR THE YEAR ENDED JUNE 30, 2020

**6. ADVANCES DEPOSITS & RECIEVABLES**

*Advances:*

	2020 <i>Pak Rupees</i>	2019 <i>Pak Rupees</i>
Staff advance	270,000	270,000
Income tax	980,395	779,362
Advance rent (office)	-	379,694
Prepaid medical & life insurance	1,073,649	-
Advance for POL	160,705	-
Hajj advance	486,270	-
	<u>2,971,019</u>	<u>1,429,056</u>

*Deposits:*

Security for POL supplies	500,000	500,000
Security against office rent	300,000	300,000
	<u>800,000</u>	<u>800,000</u>

*Receivables:*

Loan to TMA	10,000,000	10,000,000
Car rental refundable	-	85,800

6.1

	<u>10,000,000</u>	<u>10,085,800</u>
	<u>13,771,019</u>	<u>12,314,856</u>

6.1 This represents payment of outstanding electricity bills for and on behalf of TMA Kohat. The aforesaid amount is adjustable in subsequent years.

**7. CASH AND BANK BALANCES**

Cash in hand

	-	16,895
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*Cash with banks - PLS Accounts:*

ABL # 60012	846,078	96,216
BOK PLS # 01033-00-0	1,584,466	672,946
BOK PLS # 0712-00-2	92,467,301	9,570,499
MCB # 1000-78-0	2,912,566	3,029,436
	<u>97,810,411</u>	<u>13,369,096</u>
	<u>97,810,411</u>	<u>13,385,991</u>

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WATER AND SANITATION SERVICES COMPANY KOHAT

**Notes to the Financial Statements**

FOR THE YEAR ENDED JUNE 30, 2020

	2020 <i>Pak Rupees</i>	2019 <i>Pak Rupees</i>
<b>8. ACCRUED &amp; OTHER LIABILITIES</b>		
<i>Accrued liabilities</i>		
Accrued - <i>auditors' remuneration</i>	503,500	435,000
Salaries payable	-	648,614
EOBI	-	47,580
Staff expenses payable	130,880	-
Utilities bills payable	45,599	31,728,432
	<u>679,979</u>	<u>32,859,626</u>
<i>Other liabilities:</i>		
Sales tax (withheld) payable	10,457,438	5,583,305
Income tax (withheld) payable	2,187,556	2,686,514
Call deposits - Contractors	2,320,859	3,507,359
Payable to contractors	6,539,900	32,541,763
Security deducted from suppliers	4,490,441	6,142,922
	<u>25,996,194</u>	<u>50,461,863</u>
	<u>26,676,173</u>	<u>83,321,489</u>
<b>9. DEFERRED CAPITAL GRANT</b>		
Opening balance as on July 01,	30,809,779	29,816,773
Fixed assets purchased	3,538,629	7,920,961
Less: Amortization representing depreciation on fixed assets	5.1 (6,054,362)	(6,927,955)
	<u>(2,515,733)</u>	<u>993,006</u>
Balance as on June 30,	<u>28,294,046</u>	<u>30,809,779</u>
<b>10 RESTRICTED GRANTS</b>		
Opening balance as on July 01,	-	100,529,403
Funds received during the year:		
KPK budget allocation	10.1 219,088,406	1,300,000
TMA / KDA / at source deduction fund of TMA	10.2 241,254,384	153,845,158
ADP / Public health funds	3,312,500	38,350,000
	<u>463,655,290</u>	<u>193,495,158</u>
Funds utilized for:		
Grant amortized during the year	12.1 (325,309,508)	(286,103,600)
Grant utilized for capital expenditure	9 (3,538,629)	(7,920,961)
	<u>(328,848,137)</u>	<u>(294,024,561)</u>
	<u>134,807,153</u>	<u>-</u>

WATER AND SANITATION SERVICES COMPANY KOHAT

**Notes to the Financial Statements**

FOR THE YEAR ENDED JUNE 30, 2020

	2020 <i>Pak Rupees</i>	2019 <i>Pak Rupees</i>
<b>10.1 FUNDS FROM GOVERNMENT OF KPK</b>	<b>219,088,406</b>	<b>1,300,000</b>
<p>This represents funds released to the Company from Finance Department through the Local Government, Election &amp; Rural Development, Government of KPK budget allocation at financial year ended June 30, 2020. The aforementioned funds are required to be utilized for expenditure in accordance with the WSSC Kohat Board approved budget.</p>		
<b>10.2 FUNDS FROM TMA/KDA</b>		
<p>This represents funds received for payment of operational expenses and salaries &amp; allowances of staff transferred from TMA and KDA as follows:</p>		
a) Tehsil Municipal Administration (TMA)	25,875,122	121,037,000
b) Kohat Development Authority (KDA)	36,998,262	32,808,158
c) At Source deduction Fund from TMA	178,381,000	-
	<b>241,254,384</b>	<b>153,845,158</b>
<b>11. OPERATIONAL</b>		
Salaries, allowances & other benefits	130,383,226	124,544,860
Solid waste management supplies	2,307,475	4,158,620
Petrol, oil & lubricants	5,680,389	5,379,253
Water supply maintenance	8,158,953	22,708,205
Repair & maintenance	9,665,005	12,064,919
Sanitation Schemes Urban III	-	1,247,688
Vehicles hired for cleaning	40,876,588	53,519,800
Utilities (Electricity bills of Tube wells)	107,984,129	82,837,014
Covid-19 expenses	400,000	-
	<b>305,455,765</b>	<b>306,460,359</b>
<b>12. ADMINISTRATIVE</b>		
Salaries, benefits and allowances	41,011,034	43,037,651
Directors' meeting fee	227,100	170,000
Utilities	643,720	537,528
Advertisement & publicity	485,304	861,908
Repair & maintenance	832,906	867,410
Entertainment	323,749	387,465
Office supplies	-	156,004
Office rent	1,670,356	1,530,650
Printing & stationary	680,906	659,144
Legal & professional	1,753,800	493,508
Hajj expense	-	457,000
Depreciation	6,054,362	6,927,955
Repairs of IT equipment	-	15,990
Audit fee	250,000	250,000
Training and development	100,000	26,220
Covid-19 discount allowed	419,985	-
Medical & life insurance	212,820	-
Gratuity	7,704,227	-
Bank charges	9,620	4,700
Miscellaneous	158,173	250,428
	<b>62,538,062</b>	<b>56,633,561</b>

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WATER AND SANITATION SERVICES COMPANY KOHAT

**Notes to the Financial Statements**

FOR THE YEAR ENDED JUNE 30, 2020

		2020 <i>Pak Rupees</i>	2019 <i>Pak Rupees</i>
<b>12.1 Operational/administrative expenditure adjusted/funded as follows:</b>			
Operational	11	305,455,765	306,460,359
Administrative	12	62,538,062	56,633,561
		<u>367,993,827</u>	<u>363,093,920</u>
<b>Adjusted against grants:</b>			
Deferred capital grant	9	(6,054,362)	(6,927,955)
Restricted grant	10	(325,309,508)	(286,103,600)
		<u>(331,363,870)</u>	<u>(293,031,555)</u>
<b>Recovered from own generated revenue:</b>			
Recovered from revenue from water rates		(34,642,233)	(29,803,091)
Interest on PLS account		(1,701,889)	(1,459,099)
Tender fee		(285,835)	(50,000)
<b>Unrecovered Amount</b>		<u>(36,629,957)</u>	<u>(31,312,190)</u>
		<u>38,750,175</u>	<u>38,750,175</u>

**13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

- 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.

**Credit risk**

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.

**13.2 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.

**13.3 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.

WATER AND SANITATION SERVICES COMPANY KOHAT

**Notes to the Financial Statements**

FOR THE YEAR ENDED JUNE 30, 2020

**16. RE-ARRANGEMENTS**

For proper presentation of unamortised governments grants amounting to Rs. 130,346,176/- as at June 30, 2018 being reported as "Deferred income" in the year 2018, have been splitted as follows:

		<b>2018</b>
		<i>Pak Rupees</i>
Deferred capital grant	Refer to Note 9	<u>29,816,773</u>
Restricted grant	Refer to Note 10	<u>100,529,403</u>
		<u><b>130,346,176</b></u>

The above balances have been accordingly recorded in the comparative figures for the year 2019.

**17. RELATED PARTY DISCLOSURE**

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:

**17.1 Key Management personnel**

The key management personnel include CEO. His salary details are as under:

Salaries, benefits & allowances of CEO

<b>2020</b>	<b>2019</b>
<i>Pak Rupees</i>	<i>Pak Rupees</i>
<u>7,263,956</u>	<u>7,098,624</u>
<u><b>7,263,956</b></u>	<u><b>7,098,624</b></u>

**18. COMMITMENTS & CONTINGENCIES**

During the financial year 2018-19, the company had 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.

**19. Gratuity Payable**

Gratuity accrued amounting to Rs. 7,704,227 has been provided in accordance with the requirements of gratuity rules for 47 permanent employee with effect from January 1, 2018.

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WATER AND SANITATION SERVICES COMPANY KOHAT  
**Notes to the Financial Statements**  
 FOR THE YEAR ENDED JUNE 30, 2020

**14. FINANCIAL INSTRUMENTS BY CATEGORY**

	2020 <i>Pak Rupees</i>	2019 <i>Pak Rupees</i>
<b>Financial assets:</b>		
<i>At amortized cost:</i>		
Account receivables	18,813,448	15,575,478
Advances, deposits & receivables	13,771,019	12,314,856
Cash in hand & bank	97,810,411	13,385,991
	<b>130,394,878</b>	<b>41,276,325</b>
<b>Financial liabilities:</b>		
<i>At amortized cost</i>		
Accrued & other liabilities	26,676,173	83,321,489
	<b>26,676,173</b>	<b>83,321,489</b>

**15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

The company finances its operations through grants provided by the provincial government and collection of water charges.

**15.1 Credit risk and concentration of credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter parties failed completely to perform as contracted. The maximum exposure to credit risk at the reporting date is as follows:

	2020 <i>Pak Rupees</i>	2019 <i>Pak Rupees</i>
Account receivables	18,813,448	15,575,478
Advances, deposits & receivables	13,771,019	12,314,856
Cash in hand & bank	97,810,411	13,385,991
	<b>130,394,878</b>	<b>41,276,325</b>

After giving due consideration, the management expects the performance by these counter parties on their obligations to the company. The credit risk exposure is limited in respect of the bank balances as these are placed with local banks having the following credit rating, rated by PACRA rating agency, as on 30th June, 2020. as follows:

Bank name	Date of rating	Rating agency	Rating	
			Short term	Long term
The Bank of Khyber	Jun-20	PACRA	A-1	A
Muslim Commercial Bank	Jun-20	PACRA	A-1+	AAA
Allied bank	Jun-20	PACRA	A-1+	AAA

The management believes that no impairment allowance is necessary in respect of these financial assets unless explicitly stated in the respective notes.

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WATER AND SANITATION SERVICES COMPANY KOHAT

**Notes to the Financial Statements**

FOR THE YEAR ENDED JUNE 30, 2020

**20. NUMBER OF EMPLOYEES**

Total number of employees as on June 30, 2020:  
Average number of employees during the year

2020	2019
473	461
471	503

**21. DATE OF AUTHORIZATION**

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

~~05 SEP 2020~~

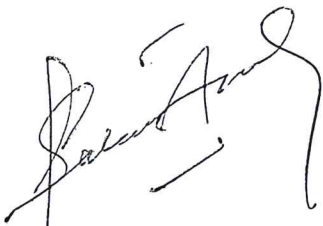
**22. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS**

There were no events and transactions that have affected the Company's financial position and performance after the year end.

**23. IMPACT OF COVID-19 ON FINANCIAL STATEMENTS**

The company's management has assessed the possible accounting implications arising from Covid-19 for these financial statements, including but not limited to impairment of financial and non-financial assets, and concluded that there has been no material accounting impact of Covid-19 on these financial statements except for the effect of discount allowed on water charges amounting to Rs.419,985/-. From the very outset of Covid-19, the management has adopted various policies and practices to minimize the adverse impact of Covid-19 on the business and is continuously monitoring the situation in order to proactively address any challenges which may arise from Covid-19.

Sh



DIRECTOR



CHIEF EXECUTIVE