WATER AND SANITATION SERVICES PESHAWAR
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

INDEPENDENT AUDITORS' 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 comprises the statement of financial position as at 30 June 2023, 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 material 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 purpose 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, 2023 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.

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Responsibilities of Management and Those Charged with Governance 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, 20 I 7(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 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 financial reporting process.

Auditor's Responsibilities for the Audit of 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 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 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 those charged with governance 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 changes in fund and statement of cash flows 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 accounts 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 Usher Ordinance, 1980 (XVIII of 1980).

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

Zahid Jamil & Co. PESHAWAR CHARTERED ACCOUNTANTS

ZAHID JAMIL & CO
CHARTERED ACCOUNTANTS
PLACE: PESHAWAR
Date: 18-Oct-2024
UDIN: AR202310291QqSmRlsxu

WATER AND SANITATION SERVICES PESHAWAR
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees	1-Jul-21 Rupees
			(Restated)	*(Restated)*
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	4	**848,186,793**	468,164,240	411,523,639
Right of use assets	5	**10,430,612**	21,834,814	11,164,306
Intangible assets	6	**6,838**	10,257	15,385
Long-term advances and deposits	7	**2,758,783**	5,106,864	4,383,859
		861,383,026	495,116,175	427,087,189
CURRENT ASSETS				
Accounts receivables	8	**2,041,578,666**	1,693,629,825	1,405,781,654
Income tax refund due from government		**31,463,762**	31,381,769	31,090,802
Advances, prepayments and other receivables	9	**13,633,591**	12,207,589	5,923,136
Cash and bank balances	10	**520,297,302**	696,376,163	545,712,661
		2,606,973,321	2,433,595,346	1,988,508,253
TOTAL ASSETS		**3,468,356,347**	2,928,711,521	2,415,595,442
FUNDS & LIABILITIES				
FUNDS				
Accumulated surplus		**569,890,800**	443,572,130	360,738,353
NON-CURRENT LIABILITIES				
Deferred development grant	11	**856,648,157**	1,097,384,564	772,372,746
Deferred grant in aid for operations	12	**289,224,472**	351,500,935	408,698,637
Deferred capital grant for fixed assets	13	**848,193,630**	468,174,496	411,539,023
Staff retirement benefits	14	**488,475,840**	170,805,627	136,922,997
Lease liabilities against right of use assets	15	**2,782,614**	11,549,667	4,246,220
		2,485,324,713	2,099,415,289	1,733,779,623
CURRENT LIABILITIES				
Restricted donor grant	16	**5,746,839**	22,620,602	55,056,845
Accrued and other payables	17	**398,565,800**	351,693,933	258,115,065
Current portion of lease liabilities against right of use assets	15	**8,828,195**	11,409,567	7,905,556
		413,140,834	385,724,102	321,077,466
TOTAL FUNDS & LIABILITIES		**3,468,356,347**	2,928,711,521	2,415,595,442
CONTINGENCIES AND COMMITMENTS	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, 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
INCOME:			
OPERATIONAL & OTHER INCOME			
Revenue from services	19	193,793,671	365,537,955
Other income	20	126,318,670	82,833,776
INCOME PERTAINING TO GRANT			
Grants	21	4,547,438,254	3,889,511,243
Amortization of deferred capital grant for fixed assets	13	145,060,002	74,784,371
TOTAL INCOME		5,012,610,597	4,412,667,345
EXPENDITURE			
OPERATING EXPENSES			
Operational expenses	22	(4,034,087,931)	(3,289,422,209)
General and administrative expenses	23	(431,871,752)	(462,633,380)
Finance cost	24	(2,886,783)	(2,753,934)
		(4,468,846,466)	(3,754,809,523)
EXPENSES PERTAINING TO GRANT			
Development grants	25.1	(372,748,990)	(457,773,023)
Restricted grants	25.2	(46,193,963)	(127,719,831)
		(418,942,953)	(585,492,854)
TOTAL EXPENDITURES		(4,887,789,419)	(4,340,302,377)
SURPLUS BEFORE TAXATION		124,821,178	72,364,968
Provision for taxation	26	-	-
SURPLUS AFTER TAXATION		124,821,178	72,364,968
OTHER COMPREHENSIVE INCOME			
Item that will not be subsequently reclassified to income and expenditure			
Gain on re-measurment of staff retirement benefit plans		1,497,492	10,468,808
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		126,318,670	82,833,776

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, 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus before taxation		126,318,670	82,833,776
Adjustments for non-cash items:			
Depreciation and amortization	4.1 & 6	156,464,204	87,394,969
Loss allowance on receivables	8.1.3	1,376,795	141,864,066
Provision for staff retirement gratuity	14.1	198,952,220	47,777,866
Provision for Leave enchasement	14.2	124,457,429	-
Gain on re-measurement of staff retirement benefits	14.1	(1,497,492)	(10,468,808)
Gain on sale of fixed assets		-	(2,563,539)
Deferred capital grant write back		-	(2,423,161)
Return on deposit accounts	20	(76,458,516)	-
Adjustment / Transfer against lease liability		61,142	(720,483)
Finance cost on lease liability	24	1,981,633	2,010,522
Restricted grants income	16	(46,193,963)	(127,719,831)
Development grant income	11	(372,748,990)	(457,773,023)
Amortization of deferred capital grant	13	(145,060,002)	(74,784,371)
Grant for operation income	12	(4,133,596,544)	(3,305,428,789)
Operating deficit before working capital changes		(4,165,943,414)	(3,620,000,806)
(Increase)/ decrease in current assets			
Accounts receivables		(349,325,636)	(429,712,237)
Advances, prepayments and other receivables		5,268,712	(6,284,453)
Increase/ (decrease) in current liabilities			
Restricted donor grant		-	-
Accrued and other payables		46,871,867	93,578,869
Financial charges paid	24	(1,981,633)	(2,010,522)
Return on deposits received	20	69,763,802	
Tax paid		(81,993)	(290,967)
Gratuity paid	14.1	(3,404,227)	(3,426,428)
Leave enchashment paid	14.2	(837,716)	-
Net cash used in operating activities		(233,726,825)	(3,968,146,544)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of operating assets	4.1	(525,079,136)	(133,843,005)
Proceeds from sale of fixed assets		-	4,986,700
Long-term advances and deposits		2,348,081	(723,005)
Net cash generated from investing activities		(522,731,055)	(129,579,310)
CASH FLOW FROM FINANCING ACTIVITIES			
Deferred development grant receipt	11	132,012,583	782,784,841
Deferred grant in aid for operations receipt	12	4,071,320,081	3,248,231,087
Deferred capital grant receipt	13	525,079,136	133,843,005
Restricted grants receipt - net of refund	16	29,320,200	95,283,588
Lease payments against right of use assets		(11,409,567)	(11,753,164)
Net cash generated from financing activities		4,746,322,433	4,248,389,357
Net increase/(decrease) in cash and cash equivalents		(176,078,861)	150,663,502
Cash and cash equivalents at the beginning of the year		696,376,163	545,712,661
Cash and cash equivalents at the end of the year		520,297,302	696,376,163

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, 2023

	Accumulated Surplus Rupees	Total Rupees
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**
Total comprehensive surplus for the year	126,318,670	126,318,670
Balance as at 30 June 2023	**569,890,800**	**569,890,800**

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

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 estimates.

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

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, 2023
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 & 16)	Annual improvements to IFRS Standards 2018-2020	January 1, 2022
IFRS 10 & IAS 28	Sale or contribution of assets between an investor and its associate or joint venture – Amendments	'n/a*

* 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 MATERIAL POLICY INFORMATION

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 recognised 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.

(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 capitalised and the carrying value of asset so replaced is written off. Other subsequent expenditure is capitalised 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 recognised in the statement of income and expenditure as an expense when it is incurred.

(d) Depreciation

Depreciation is charged on reducing balance method at the rates stated in note 4. Depreciation on additions is charged from the month on which the asset become available for use and on disposals, up to the preceding month the asset is in use. The policy is not in line with the requirement of the standard which require the assets to be depreciated from the date the asset is available till the date of disposal.

(e) Gains and losses on disposal

Disposal of assets is recognised when significant risks and rewards incidental to the ownership have been transferred to buyer. 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 Intangible assets

(a) Recognition and measurement

Intangible assets that have finite useful life are measured at cost less accumulated amortization and any accumulated amortization and any accumulated impairment losses.

(b) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(c) Amortization

Amortisation is calculated using the reducing balance method and is recognised in profit or loss. Amortisation rates for current and comparatives are disclosed in note 6.1 to these financial statements.

Amortisation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate

3.3 Financial assets

(a) Initial measurement

A financial asset is initially measured at fair value plus, for an item not at 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.

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 recognised from initial recognition of the receivables.

The Company recognises 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 of 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.

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.

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 unconsolidated statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of income and expenditure and other comprehensive income.

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.

3.4 Staff retirement benefits

(a) **Gratuity**

The Company operates a defined benefit plan - an unfunded gratuity scheme for all permanent employees. Provision is made annually based on actuarial recommendations using the Projected Unit Credit Method. Cumulative unrecognized net actuarial gains and losses exceeding 10% of the present value of the defined benefit obligation are amortized over the expected average remaining working lives of the employees. The normal retirement age is 60 years, and no benefit is paid for service less than one year. Gratuity is payable upon retirement, resignation, or termination (except for misconduct).The amount of gratuity is dependent on years of service and salary. The valuation is subject to Discount rate risk, salary increase risk, mortality risk and withdrawal risk. Any change in the above factor would affect the valuation of defined benefit obligations.

(b) **Leave encashment**

The Company has approved the accumulation of annual leaves up to a maximum of 75 days for all serving employees with retrospective effect, regardless of any previous refusal by the HOD. Employees can avail up to 30 days of leave at once or separately (minimum of 5 days) during the year, except in the case of performing Hajj, where up to 45 days of leave can be availed. Employees can encash up to 60 days of earned/annual leave during the final settlement. Additionally, up to 15 days of the cashable annual/earned leave balance can be adjusted against the notice period. Unutilized earned leave balances since the date of appointment will be accumulated and updated up to a maximum of 75 days. The amended annual leave accumulation and encashment policy does not apply to resigned staff of the Company.

3.5 Accounts receivables

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.

3.6 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.

3.7 Government grants

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

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 written off against the depreciation charge of the contributed asset.

3.8 Right of use assets

(a) Measurement

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.

(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.

3.9 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 and interest thereon 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 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.

(b) 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.

3.10 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.

3.11 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.

3.12 Provision

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

3.13 Foreign Currency Translation

Transactions in currencies other than Pak Rupee are recorded at the rates of exchange prevailing on the date of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the statement of financial position date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Exchange differences are included in current income. All non-monetary items are translated into Pak Rupee at exchange rates prevailing on the date of transaction.

3.14 Exemptions from applicability of accounting and reporting requirements

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(1)/2023, has further extended the exemption till 31 December 2024.

4 PROPERTY AND EQUIPMENT

4.1 Operating fixed assets

Reconciliation of carrying amounts

2023										
	Cost					Depreciation				Carrying value
Particulars	As on 1-Jul-22	Additions	Disposals	As at 30-Jun-23	Rate %	As on 1-Jul-22	For the year	Adjustment on disposal	As at 30-Jun-23	As at 30-Jun-23
Freehold land	95,536,000	-	-	95,536,000	0%	-	-	-	-	**95,536,000**
Vehicles	550,463,973	430,509,422	-	980,973,395	20%	264,671,601	110,467,466	-	375,139,067	**605,834,328**
Operational machinery and equipment	98,588,475	88,351,000	-	186,939,475	20%	46,316,196	24,745,824	-	71,062,020	**115,877,455**
IT equipment	83,416,826	1,511,350	-	84,928,176	33%	62,309,542	7,206,664	-	69,516,206	**15,411,970**
Electrical equipment	5,190,712	1,905,064	-	7,095,776	15%	3,136,447	593,900	-	3,730,347	**3,365,429**
Office equipment	17,167,081	992,300	-	18,159,381	15%	10,756,942	1,067,695	-	11,824,637	**6,334,744**
Furniture and fixtures	11,948,763	1,810,000	-	13,758,763	15%	6,956,862	975,034	-	7,931,896	**5,826,867**
Total June 30, 2023 (Rupees)	**862,311,830**	**525,079,136**	-	**1,387,390,966**		**394,147,590**	**145,056,583**	-	**539,204,173**	**848,186,793**

2022										
	Cost					Depreciation				Carrying value
Particulars	As on 1-Jul-21	Additions	Disposals	As at 30-Jun-22	Rate %	As on 1-Jul-21	For the year	Adjustment on disposal	As at 30-Jun-22	As at 30-Jun-22
Freehold land	95,536,000	-	-	95,536,000	0%	-	-	-	-	**95,536,000**
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	**285,792,372**
Operational machinery and equipment	71,978,439	26,610,036	-	98,588,475	20%	36,903,521	9,412,675	-	46,316,196	**52,272,279**
IT equipment	82,658,446	758,380	-	83,416,826	33%	51,969,781	10,339,761	-	62,309,542	**21,107,284**
Electrical equipment	4,774,510	416,202	-	5,190,712	15%	2,700,726	435,721	-	3,136,447	**2,054,265**
Office equipment	16,301,081	866,000	-	17,167,081	15%	9,651,212	1,105,730	-	10,756,942	**6,410,139**
Furniture and fixtures	11,850,863	97,900	-	11,948,763	15%	6,086,016	870,846	-	6,956,862	**4,991,901**
Total June 30, 2022 (Rupees)	**731,352,825**	**133,843,005**	**(2,884,000)**	**862,311,830**		**319,829,186**	**74,779,243**	**(460,839)**	**394,147,590**	**468,164,240**

4.2 Depreciation is allocated as follows:

	2023	2022
	-----------------Rupees-----------------	
General and administrative expenses	**29,011,317**	14,955,849
Operational expenses	**116,045,266**	59,823,394
	145,056,583	74,779,243

Depreciation is allocated as follows:

**In the distribution of total depreciation, 20% is allocated to "General and Administrative expenses" while the remaining 80% is allocated to "Operational expenses".*

***Depreciation related to right of use assets allocated to "General and Administrative expenses"*

		30-Jun-23 Rupees	30-Jun-22 Rupees (Restated)
5 RIGHT OF USE ASSETS			
Cost			
Balance at 01 July		52,774,274	29,493,168
Addition during the year		-	23,467,066
Transfer/ Disposal		-	(185,960)
Balance at 30 June		52,774,274	52,774,274
Depreciation			
Balance at 01 July		30,939,460	18,328,862
Charge for the year		11,404,202	12,610,598
Balance at 30 June		42,343,662	30,939,460
Carrying amount		10,430,612	21,834,814

5.1 Depreciation charge has been allocated as follow:

	Note	30-Jun-23	30-Jun-22
Operational expenses	22	-	-
General and administrative expenses	23	11,404,202	12,610,598
		11,404,202	12,610,598

5.2 The right-of-use assets comprise rented office premises, parking yards, and dumping yards acquired on lease by the Company for its operations. The buildings are depreciated over a range of 3 to 5 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 and disclosed the rental separately in administration expenses.

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees (Restated)
6 INTANGIBLE ASSETS			
Cost			
Balance at 01 July		88,600	88,600
Balance at 30 June		88,600	88,600
Accumulated amortization			
Balance at 01 July		78,343	73,215
Amortization		3,419	5,128
Balance at 30 June		81,762	78,343
Carrying value		6,838	10,257
6.1 Rate of amortization per annum		33.33%	33.33%

6.2 Amortization charge for the year has been allocated to general and administrative expenses.

	Note	2023 Rupees	2022 Rupees (Restated)
7 LONG-TERM ADVANCES AND DEPOSITS			
Deposits with filling stations	7.1	500,000	500,000
Other security deposits	7.2	1,135,400	1,555,400
Advances to employees	7.3 & 7.4	1,123,383	3,051,464
		2,758,783	5,106,864

7.1 These represents deposits with filling stations. There are unsecured, Interest free and refundable on termination of services.

7.2 These represents deposits with owners of rented office premises / parking yards / dumping yards acquired on lease by the Company for its operations. There are unsecured, Interest free and refundable on termination of services.

	2023	2022
7.3 Advances to employees		
Opening balance	9,202,309	5,609,527
Addition during the year	4,254,248	9,739,730
	13,456,557	15,349,257
Less: received during the year	(7,401,154)	(6,146,948)
	6,055,403	9,202,309
Less: current portion of advances to employees	(4,932,020)	(6,150,845)
Closing balance	1,123,383	3,051,464

7.4 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 provided free of interest as benefit to the employees for their services. These loans have been carried at cost as the effect of carrying these balances at amortized cost would not be material.

		Note	30-Jun-23 Rupees	30-Jun-22 Rupees
8	**ACCOUNTS RECEIVABLES**			*(Restated)*
	Budgetary support - Secured, Considered good			
	Tehsil Municipal Administration (formerly known as Municipal Corporation Peshawar)	8.1	1,454,872,239	1,178,965,018
	University Town Committee		51,750,000	51,750,000
	Peshawar Development Authority		32,666,666	32,666,666
	Other receivables - Secured, Considered good			
	University Town Committee		2,172,500	2,172,500
	Peshawar Development Authority	8.2	81,280,952	81,280,952
			1,622,742,357	1,346,835,136
	Receivable from customers - unsecured		1,446,776,097	1,373,357,682
	Allowance for expected credit loss		(1,027,939,788)	(1,026,562,993)
			418,836,309	346,794,689
			2,041,578,666	1,693,629,825

8.1

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.

8.1.1 Movement of accounts receivables from related parties is as follows:

	30-Jun-23	30-Jun-22
Balance at beginning of the year	1,346,835,136	1,094,882,118
Receivable recorded during the year	300,000,000	300,000,000
Received during the year	-	(48,046,982)
Reclassification during the year	(24,092,779)	-
Balance at end of the year	1,622,742,357	1,346,835,136

8.1.2 Age analysis of amounts receivable for related parties:

	30-Jun-23	30-Jun-22
Up to 1 year	300,000,000	251,940,000
1 to 3 years	300,090,000	279,250,000
More than 3 years	1,022,652,357	815,645,136
	1,622,742,357	1,346,835,136

8.1.3 **Allowance for expected credit loss**

	30-Jun-23	30-Jun-22
Opening balance	1,026,562,993	-
Created during the year	1,376,795	1,026,562,993
Closing balance	1,027,939,788	1,026,562,993

8.2 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 May-2017.

8.3 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.

		Note	2023 Rupees	2022 Rupees
9	**ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**			*(Restated)*
	Current portion of long term advances	7.3	4,932,020	6,150,845
	Prepayments		2,006,857	6,056,744
	Accrued return on deposit Account		6,694,714	-
			13,633,591	12,207,589

		Note	2023 Rupees	2022 Rupees
10	**CASH AND BANK BALANCES**			*(Restated)*
	Cash at bank	10.1	**519,816,050**	695,914,379
	Cash in hand		**481,252**	461,784
			520,297,302	696,376,163
10.1	**Cash at bank**			
	Current accounts		**4,624,084**	3,509,916
	Saving accounts	10.1.1	**515,191,966**	692,404,463
			519,816,050	695,914,379

10.1.1 These carry profit at the rates of 12% to 19.5% per annum (2022: 3.1% to 14% per annum).

10.1.2 Cash and Cash Equivalent consists of this Cash and Bank Balance only.

		Note	2023 Rupees	2022 Rupees
11	**DEFERRED DEVELOPMENT GRANT**			*(Restated)*
	Balance at 01 July		**1,097,384,564**	772,372,746
	Received/adjustment during the year	11.1	**132,012,583**	782,784,841
	Grant income recognised	25.1	**(372,748,990)**	(457,773,023)
	Balance at 30 June		**856,648,157**	1,097,384,564

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.

		Note	2023 Rupees	2022 Rupees
12	**DEFERRED GRANT IN AID FOR OPERATIONS**			*(Restated)*
	Balance at 01 July		**351,500,935**	408,698,637
	Receivable during the year	12.2	**4,071,320,081**	3,248,231,087
	Grant in aid utilized for fixed assets during the year		**(5,101,243)**	(1,410,400)
	Utilized during the year	12.1	**(4,128,495,301)**	(3,304,018,389)
	Balance at 30 June		**289,224,472**	351,500,935
12.1	**UTILIZED DURING THE YEAR**			
	Operational expenses		**4,034,087,931**	3,289,422,209
	General and administrative expenses		**431,871,752**	462,633,380
	Finance cost		**2,886,783**	2,753,934
	Less:			
	Revenue from services		**(193,793,671)**	(365,537,955)
	Amortization of deferred capital grant for fixed assets		**(145,060,002)**	(74,784,371)
	Remeasurement of defined benefit obligation		**(1,497,492)**	(10,468,808)
			4,128,495,301	3,304,018,389

12.2 The deferred grant in aid is received from the government to meet the operational expenditure, salaries, electricity, POL and other operational and admin expenses. Income has been recognised to the extent of operational expenses.

		Note	2023 Rupees	2022 Rupees
13	**DEFERRED CAPITAL GRANT FOR FIXED ASSETS**			*(Restated)*
	Balance at 01 July		**468,174,496**	411,539,023
	Addition / utilized during the year		**525,079,136**	133,843,005
	Amount amortized against depreciation for the year		**(145,060,002)**	(74,784,371)
	Net book value of disposed fixed assets		**-**	(2,423,161)
	Balance at 30 June		**848,193,630**	468,174,496

13.1 This represents the movement in deferred capital grant provided by the provincial government to WSSP for the purchase of operating fixed assets. As per "IAS 20" (Government grants), the resulting grant has been amortized over the useful life of the assets.

		Note	2023 Rupees	2022 Rupees
14	**STAFF RETIREMENT BENEFITS**			*(Restated)*
	Gratuity payable	14.1	**364,856,127**	170,805,627
	Leave encashment payable	14.2	**123,619,713**	-
			488,475,840	170,805,627

	Note	2023 Rupees	2022 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		**364,856,127**	170,805,627
Fair value of plan assets		**-**	-
Liability / (Asset)		**364,856,127**	170,805,627
14.1.2 Amounts recognized in the statement of income and expenditure are as follows:			
Current service cost		**38,878,195**	34,253,916
Past service cost		**136,822,291**	-
Net interest cost		**23,251,733**	13,523,950
		198,952,219	47,777,866

14.1.3 The estimated contribution to the defined benefit plan for the year ending 30 June 2024 is Rs. 82.43 Millions.

14.1.4 The movements in the present value of defined benefit obligation is as follows:

	2023	2022
Present value of defined benefit obligation at beginning of the year	**170,805,627**	136,922,997
Current service cost	**38,878,195**	34,253,916
Past service cost	**136,822,291**	-
Interest cost	**23,251,733**	13,523,950
Benefits paid	**(3,404,227)**	(3,426,428)
Re-measurement of defined benefit obligation	**(1,497,492)**	(10,468,808)
Present value of defined benefit obligation at end of the year	**364,856,127**	170,805,627

- 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, 2023.

- **Principal actuarial assumptions**

	2023	2022
Discount factor used	**15.75% per annum**	13.75% per annum
Expected rate of increase in salaries	**14.75 % per annum**	12.75 % per annum

14.1.5 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.

	2023		2022	
	Defined benefit obligation		Defined benefit obligation	
	Effect of 1% increase	**Effect of 1% decrease**	Effect of 1% increase	Effect of 1% decrease
Discount rate	324,740,718	414,450,169	(22,638,600)	28,308,334
Salary increase rate	415,219,861	323,295,437	28,646,405	(23,354,620)

- The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.
- Maturity analysis of obligation was not provided by client and hence could not be disclosed.

	2023	2022
14.2 Leave encashment payable		
14.2.1 The amounts recognized in the statement of financial position are as follows:		
Present value of defined benefit obligation	**123,619,713**	-
Fair value of plan assets	**-**	-
Liability / (Asset)	**123,619,713**	-
14.2.2 Amounts recognized in the statement of income and expenditure are as follows:		
Past service cost	**124,457,429**	-
Net interest cost	**-**	-
	124,457,429	-

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	Note	2023 Rupees	2022 Rupees (Restated)
14.2.3 The movements in the present value of defined benefit obligation is as follows:			
Present value of defined benefit obligation at beginning of the year		-	-
Past service cost		124,457,429	-
Interest cost		-	-
Benefits paid		(837,716)	-
Re-measurement of defined benefit obligation		-	-
Present value of defined benefit obligation at end of the year		123,619,713	-

- 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, 2023.
- **Principal actuarial assumptions**

	2023	2022
Discount factor used	15.75% per annum	-
Expected rate of increase in salaries	14.75 % 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 leave encashment.

14.2.4 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:

	2023 Defined benefit obligation		2022 Defined benefit obligation	
	Effect of 1% increase	Effect of 1% decrease	Effect of 1% increase	Effect of 1% decrease
Discount rate	110,428,917	139,539,673	-	-
Salary increase rate	139,277,144	110,465,845	-	-

- The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.
- Maturity analysis of obligation was not provided by client and hence could not be disclosed.

	Note	2023 Rupees	2022 Rupees (Restated)
15 LEASE LIABILITIES AGAINST RIGHT OF USE ASSETS			
Lease liabilities		11,610,809	22,959,234
Less current portion		(8,828,195)	(11,409,567)
Non current portion of lease liabilities		2,782,614	11,549,667

15.1 Movement of lease liabilities are as follow:

	2023	2022
Balance at 01 July	22,959,234	12,151,776
Addition during the year	-	23,467,066
Payments during the year	(13,391,200)	(13,763,686)
Interest expense	1,981,633	2,010,521
Adjustment during the year	61,142	(906,443)
Balance at 30 June	11,610,809	22,959,234

15.2 Maturity analysis of undiscounted lease payments that will be paid after the reporting date is as follow:

	2023	2022
Less than one year	9,730,368	13,391,200
More than 1 year but less than five years	2,878,675	12,609,043
More than five years	-	-
	12,609,043	26,000,243

	Note	2023	2022
16 RESTRICTED GRANTS			
UNICEF	16.1	5,746,839	22,620,602
		5,746,839	22,620,602

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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 July 2023.

	Note	2023 Rupees	2022 Rupees (Restated)
Opening grant balance		22,620,602	55,056,845
Grants received during the year		29,320,200	95,283,588
Total grant		51,940,802	150,340,433
Less:			
Refund		-	-
Utilization		(46,193,963)	(127,719,831)
Closing balance		5,746,839	22,620,602

17 ACCRUED AND OTHER PAYABLES

	Note	2023 Rupees	2022 Rupees (Restated)
Security from contractors	17.1	121,181,715	127,892,549
Employees' deductions payable		26,366,174	21,862,196
Withholding tax payable		31,332,468	21,668,563
Payable to contractors		-	3,587,924
Unallocated revenue		9,438,390	9,265,536
Accrued expenses	17.2	210,247,053	167,417,165
		398,565,800	351,693,933

17.1 These are securities withheld from the contractor against the development works of water and sanitation, electrical and mechanical works, and hiring of vehicle services.

17.2 Accrued expenses:

	2023	2022
Operational expenses	148,796,321	113,835,927
Salaries and allowances	61,050,732	53,481,238
Others	400,000	100,000
	210,247,053	167,417,165

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	2023 Rupees	2022 Rupees
Water tankers		138,600	109,100
Residential water supply		154,923,492	286,914,625
Solid waste collection fee		35,363,854	75,767,710
New connection		3,367,725	2,746,520
		193,793,671	365,537,955

20 OTHER INCOME	Note	2023 Rupees	2022 Rupees
Return on deposit accounts		76,458,516	48,535,936
Tender fee		307,000	899,888
Gain on sale of fixed assets		-	2,563,539
Deferred capital grant written back		-	2,423,161
Auction fee		31,084,000	-
Penalties and others		4,170,129	3,069,026
Late payment surcharge		14,299,025	25,342,226
		126,318,670	82,833,776

21 INCOME PERTAINING TO GRANT:	Note	2023 Rupees	2022 Rupees
Grant from Government of Khyber Pakhtunkhwa for:			
Operations	12	4,128,495,301	3,304,018,389
Annual development programme and others	25.1	372,748,990	457,773,023
		4,501,244,291	3,761,791,412
Donors:			
United Nations International Children's Emergency Fund	25.2	46,193,963	127,719,831
		4,547,438,254	3,889,511,243

22 OPERATIONAL EXPENSES	Note	2023 Rupees	2022 Rupees
Salaries, benefits and allowances		1,978,655,521	1,882,917,420
EOBI expenses		21,315,000	16,412,400
ESSI expenses		21,218,400	8,814,960
Provision for gratuity		153,536,108	36,311,178
Leave enchasement		92,255,809	-
Electricity charges		1,066,301,728	842,054,308
Repair and maintenance		115,897,266	137,823,287
POL for operational vehicles		259,674,441	158,897,260
Hiring of solid waste vehicles		172,327,175	116,730,247
Hiring of man power		12,464,444	-
Entertainment charges		1,988,715	1,873,476
Hajj expenses		2,250,000	3,599,161
Health and safety charges		547,310	1,606,918
Security services		12,817,416	8,900,061
Solid waste management supplies		3,781,157	11,238,613
Printing and distribution of bills		2,844,001	2,122,212
Depreciation		116,045,266	59,823,394
Miscellaneous		168,174	297,314
		4,034,087,931	3,289,422,209

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23 GENERAL AND ADMINISTRATIVE EXPENSES	Note	2023 Rupees	2022 Rupees
Salaries, benefits and allowances		253,730,878	236,669,815
EOBI expenses		1,677,000	1,226,900
Provision for gratuity		45,416,112	11,466,688
Provision for leave enchasement		32,201,620	-
Loss allowance on receivables		1,376,795	141,864,066
Rent for Head & Zonal Offices		11,227,078	8,377,667
Utilities		7,757,873	5,570,361
Printing and stationary		7,628,022	3,942,097
Travelling and transportation		2,275,202	329,678
Legal and professional charges		5,465,600	3,518,845
Internet and broadband charges		3,764,376	2,169,600
Repair and maintenance		3,354,053	2,945,259
Advertisement and awareness campaigns		2,745,114	2,345,956
Vehicle running expenses		886,450	417,750
COVID-19 related expenditure		-	59,100
Auditor's remuneration	23.1	400,000	350,000
Office supplies		1,252,049	2,802,829
Depreciation		29,011,317	14,955,849
Depreciation - right of use assets		11,404,202	12,610,598
Amortization of intangible assets		3,419	5,128
Security services		1,774,250	1,523,500
Insurance charges		7,243,532	8,761,004
Miscellaneous		1,276,810	720,690
		431,871,752	462,633,380

23.1 Auditor's remuneration		
Statutory Audit fee	350,000	300,000
Review report on statement of compliance	50,000	50,000
	400,000	350,000

24 FINANCE COST	Note	2023 Rupees	2022 Rupees
Markup on lease liabilities		1,981,633	2,010,522
Bank charges		905,150	743,412
		2,886,783	2,753,934

25 EXPENSES PERTAINING TO GRANT:	Note	2023 Rupees	2022 Rupees
25.1 DEVELOPMENT GRANTS			
Funding by city district government		-	56,723,047
Drinking water supply scheme		70,102,122	1,475,154
Development grant		29,524,826	44,428,306
Expansion program		273,122,042	151,635,000
Diversion of canal effluent and feasibility studies		-	203,511,516
		372,748,990	457,773,023
25.2 RESTRICTED GRANTS			
Project administrative cost		9,525,644	7,333,947
Staff salaries and other expenses		14,822,742	12,356,967
Mass media & awareness campaigns		3,494,102	8,645,704
Rehabilitation of water supply and sanitation schemes		18,351,475	97,695,333
Capacity building management staff		-	918,640
COVID-19		-	769,240
		46,193,963	127,719,831

26 PROVISION FOR TAXATION

The Company has received a Provisional Certificate of Compliance (PCP Certificate) and has not yet received tax exemption under the applicable laws and regulations. However, management is confident that the tax exemption certificate will be granted based on legal opinions and the merits of the application.

27 RELATED PARTY TRANSACTIONS

Related parties include associated organisations, 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	2023	2022
TMA	Associated entity	Common directorship	Funds received	-	48,046,982
Local Government Elections & Rural Development Department	Associated entity	Governing body	Funds received	**3,771,320,081**	3,248,231,087
City District Government	Associated entity	Common directorship	Funds received	-	89,657,000
				3,771,320,081	3,385,935,069

28 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:

2023	**Chief Executive**	**Directors**	Executives
	-------------------------'Rs.-	-------------------------	
Remuneration and bonus	**5,292,190**	-	71,419,791
Housing and utilities	**3,175,315**	-	42,851,904
Gratuity	-	-	-
Medical	-	-	-
Meeting fee	-	**900,000**	-
	8,467,505	**900,000**	114,271,695
No of person(s)	**1**	**13**	35

2022	Chief Executive	Directors	Executives
	------------------------'Rs.-	-----------------------	
Remuneration and bonus	8,330,022	-	106,465,803
Housing and utilities	-	-	-
Gratuity	-	-	-
Medical	96,000	-	-
Meeting fee	-	730,000	-
	8,426,022	730,000	106,465,803
No of person(s)	1	14	34

28.1 Executive means an employee, other than chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

28.2 The Chief Executive Officer is provided a company maintained car and the running and maintenance expenses of the vehicle were Rs.464,288 (2022:118,723).

29 FINANCIAL INSTRUMENTS, FAIR VALUE AND RISK MANAGEMENT

29.1 Financial Instrument classification:

	2023	2022
Financial assets:	**Rupees**	**Rupees**
Financial assets at amortized cost:		
Long term advances and deposits	**2,758,783**	5,106,864
Accounts receivables	**2,041,578,666**	1,693,629,825
Advance and other receivables	**11,626,734**	6,150,845
Bank	**520,297,302**	696,376,163
	2,576,261,485	2,401,263,697
Financial liabilities		
Staff retirement benefits	**488,475,840**	170,805,627
Lease liabilities against right of use assets	**11,610,809**	22,959,234
Accrued and other payables	**210,247,053**	167,417,165
	710,333,702	361,182,026

29.2 Financial risk management

The company has exposure to the following risks from the use of its financial instruments:
- Credit risk and concentration of credit risk
- Liquidity risk
- Market risk
- Budgetary control risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

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

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

29.3 Credit risk and concentration of credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if a counterparty fails to perform as contracted. The company consider its receivable from consumer to be highly exposed to credit risk and create appropriate provision for the receivables past due for three years. The Company's credit risk exposures are categorised 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 of the banks having good credit rating. 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) The maximum amount exposed to credit risk at the reporting date is as follows:

	30-Jun-23	30-Jun-22
	Rupees	**Rupees**
Trade receivables	**2,041,578,666**	1,693,629,825
Advances and other receivables	**11,626,734**	6,150,845
Bank balances	**519,816,050**	695,914,379
	531,442,784	702,065,224

The major portion of trade receivables consist of those receivable from government agencies under agreement so there is no significant risk involved in those receivables. However, receivables from consumers has been assessed for credit risk and provision for life time expected credit loss has been recognised.

The credit quality of company's bank balances can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate.

Bank Name	Rating				
	Short term	Long term	Rating Agency	2023	2022
Bank of Khyber	A1	A+	PACRA/VIS	506,319,484	688,870,658
Mobilink Microfinance Bank	A1	A	VIS	6,444,976	4,146,933
MCB	A1+	AAA	PACRA	2,156,785	1,366,911
UBL	A1+	AAA	VIS	1,654,054	562,371
ABL	A1+	AAA	PACRA/VIS	1,629,136	454,620
HBL	A1+	AAA	PACRA/VIS	1,176,560	363,917
Collection Account				-	(204,823)
Jazz cash Account				433,943	69,873
Nadra e Sahulat				1,112	-
Funds in transit				-	283,644
SME				-	275
Total Rs.				**519,816,050**	**695,914,379**

(iv) 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 is exposed to the concentration of credit risk but the the source of credit i.e, government is quite secured so the company believes that it will not be affected due to major concentration of credit risk.

29.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table analyzes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the undiscounted cash flows.

Particulars	Carrying value	Contractual cash flow	Less than 1 year	With in 2-5 years	Over 5 year
30-Jun-23	Amount in Rupees				
Lease liabilities against right of use assets	11,610,809	12,609,043	9,730,368	2,878,675	-
Accrued and other payables	351,693,933	351,693,933	351,693,933	-	-
Total Rs.	**363,304,742**	**364,302,976**	**361,424,301**	**2,878,675**	-

Particulars	Carrying value	Contractual cash flow	Less than 1 year	With in 2-5 years	Over 5 year
30-Jun-22	Amount in Rupees				
Lease liabilities against right of use assets	22,959,234	26,000,243	13,391,200	12,609,043	-
Accrued and other payables	351,693,933	351,693,933	351,693,933	-	-
Total Rs.	**374,653,167**	**377,694,176**	**365,085,133**	**12,609,043**	-

29.5 Market risk

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rates and foreign exchange rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company's market risk comprises of two types of risk: interest rate risk and foreign currency risk. The market risks associated with the Company's business activities are discussed as under:

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 arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company is not exposed to any significant interest rate except as disclosed in the respective notes. The rate of financing and their maturities are disclosed in the respective notes.

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

Floating rate instruments	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
Bank balance		515,191,966	692,404,463
Lease liability		11,610,809	22,959,234
		526,802,775	715,363,697

Cash flow sensitivity analysis for floating rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit before taxation for the year would have been changed as following:

		Change in interest Rate	Effects on profit before Tax
Floating-rate instruments	2023	+1%	764,585
Floating-rate instruments		-1%	(764,585)
Floating-rate instruments	2022	+1%	485,359
Floating-rate instruments		-1%	(485,359)

29.6 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.

29.7 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. The carrying values of all the financial assets and financial liabilities reported in the financial statements approximate their fair values.

30 NUMBER OF EMPLOYEES

	2023	2022
Number of employees as at June 30,	4,243	4,405
Average number of employees during the year	4,327	4,585

31 NON ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There are no significant activities since June 30, 2023 causing any adjustment or disclosure in the financial statements.

32 CORRECTION OF ERROR

Prior to June 30, 2023, an amount of PKR 65,128,880 was inaccurately recorded as employees' deductions payable to TMA staff which was not allowed as an expense as per SAMA agreement. This error resulted in an overstatement of liabilities and understatement of deffered grant. This error is corrected during the year and have no impact on comparative statement of comprehensive income and retained earning.

Effect on Financial Statements (Extracts)	As previously reported on 30 June 2021	Increase / Decrease	As restated on 01/July 2021
Statement of financial position			
Accrued and other payable	323,243,945	(65,128,880)	258,115,065
Statement of changes in funds			
Deferred grant in aid for operations	343,569,757	65,128,880	408,698,637

Effect on Financial Statements (Extracts)	As previously reported on 30 June 2022	Increase / Decrease	As restated on 30/July 2022
Statement of financial position			
Accrued and other payable	416,822,813	(65,128,880)	351,693,933
Statement of changes in funds			
Deferred grant in aid for operations	416,629,815	65,128,880	351,500,935

33 GENERAL

33.1 The figures have been rounded to nearest rupee.

33.2 Change in nomenclature

Nomenclature of the following head of account changed for better presentation.

	Previous nomenclature	Current nomenclature
In Statement of Income and Expenditures:		
	Income & Fund	Income
	Income	Operational & other income
	Fund	Income pertaining to grant
	Development & restricted	Expenses pertaining to grant
In Note to the accounts:		
	Profit on deposit accounts	Return on deposit accounts
	Prepaid rent and utilities	Prepayments
	Prepaid general insurance and others	Prepayments
	Refurbished trucks	Operational machinery and equipments

33.3 Change in classification

The company has been charging solid waste collection fee to the residential water supply bill and the total amount was being classified as residential water supply fee. The amount reclassified is as under:

	2023	2022
Reclassification from residential water supply fee to solid waste management fee	**27,612,520**	71,154,240

33.4 These financial statements have been authorized for issue on 08/10/24 by the Board of Directors of the Company.

CHIEF EXECUTIVE OFFICER

DIRECTOR