

KARACHI WATER AND SEWERAGE BOARD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2011

KARACHI WATER AND SEWERAGE BOARD



Auditors' Report

Report on the Financial Statements

We have audited the annexed balance sheet of Karachi Water and Sewerage Board (the Board) as at June 30, 2011 and the related income and expenditure account and the cash flow statement together with the notes forming part thereof (herein after referred to as the "financial statements") for the year then ended.

Management's Responsibility for the Financial Statements

It is the responsibility of the Board's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on the audit conducted in accordance with International Standards on Auditing. Because of the matters described in the 'Basis for Disclaimer' of Opinion paragraph, we were unable to obtain sufficient appropriate audit evidences to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. No Proper documentation is maintained against the receipt of funds released by the Provincial and Federal Government during the year. The amount of Rs. 1,048,775,729/- credited during the year to the Fund Account represents the releases made against the funds for the execution of various projects. Therefore, in the absence of any documentation or correspondence by the Board, we were unable to verify the completeness of the receipts made against the funds released by the Government.
2. We have not been provided documentation relating to Long term loan from international lending agencies, Karachi Development Authority and Government of Sindh amounting to Rs. 20,681,858,666/- Rs. 103,116,647/- and Rs. 57,977,000 /-respectively as shown in notes no. 6.1, 6.2 and 6.3 to the financial statements, as a result we were unable to determine whether any adjustments might have been found necessary in respect of the said loans and the related elements making up the income and expenditure account. Further, in the absence of any documentation regarding foreign loans, we are unable to determine the appropriateness of the foreign exchange currency rates at the reporting date. Consequently, we could not ascertain the amount of foreign exchange gain or loss.
3. Proper record / documentation for long term deposits amounting to Rs. 356,566,876/- stated in the Balance Sheet which represents security deposits received from consumers against water supplies and sewerage services is not maintained, thus we are unable to verify the completeness of the deposits made during the year. However, the receipts vouchers against such deposits provided by the management did not reconcile with the aggregate deposits made in such respect during the year.
4. Accrued expenses, as disclosed in note 9.1 to the financial statements, include an amount of Rs. 54,261,450 which represents interest on loan provided by Provincial Government to Karachi Development Authority in 1987 which was subsequently transferred to the Board. However, no documentation has been provided to us to determine the provision for any interest charges subsequent to June 30, 1993 which was required to be made in these financial statements.

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5. As disclosed in note 9.1 to the financial statements, an amount of Rs. 4,235,226,168/- represents dues outstanding payable to Karachi Electric Supply Corporation (KESC) on account of electricity charges. The accuracy of the amount could not be ascertained in the absence of related documentation consequently; we are unable to ascertain the amount due.
6. As disclosed in note 9.1.1 to the financial statements, an amount of Rs. 1,879,613,096/- has been shown as payable to employees on account of staff retirement benefits. It includes amount outstanding in lieu of general provident fund of the employees. As per the Sindh General Provident Fund Rules 1938, Government shall pay interest to the credit of the account of an employee subscribed at such rate, as may be prescribed by the Government of Sindh annually. However, the information and amount in respect of opening balances and contribution made to the fund differs from the information provided by the Fund department. Further, no provision of interest has been accounted for in these financial statements; thus, we are unable to assess the adequacy and appropriateness of the amount disclosed in these financial statement in this respect.
7. We were not provided consolidated division-wise fixed assets register as required under Rules nor any details or breakup of Property, Plant and Equipment amounting to Rs. 14,365,203,586/- as stated in Balance Sheet were provided, thus in the absence of such record, we are unable to verify the valuation and physical existence of fixed assets.
8. We were not provided the project completion reports relating to Capital Work in Progress amounting to Rs. 18,737,374,586/- with respect to various projects in progress as such completion reports are not maintained by the Board. Consequently, we are unable to determine whether the projects have been completed and those are correctly classified and stated in the Balance Sheet. Hence, no impact of depreciation is accounted for in these financial statements.
9. As disclosed in note No. 15.1 to the financial statements, an amount of Rs. 9,310,868,751/- represents receivable against water and sewerage charges from consumers of bulk sector. The consumer wise breakup provided by the billing department did not reconcile with the month wise breakup provided by the I.T department. We are thus unable to verify the accuracy of the consumers' billing during the year.
10. Trade debtors amounting to Rs. 7,778,342,414/- represents amounts receivable against water and sewerage charges from the retail consumers, which due to transition of the data transmission from the I.T department to the Billing department has resulted in numerous errors. As a result, we have not been able to verify the existence and accuracy of the amount of retail consumers shown in the Financial Statements. Moreover, the Board has made a provision of Trade Debts amounting to Rs. 4,428,936,872/- for which no basis is shared with us hence we are unable to determine the accuracy of provision against doubtful debts.
11. As disclosed in Note 17 to the financial statements, the amount of Rs. 304,793,307 represents receivable from Karachi Development Authority and Karachi Metropolitan Corporation appearing in the books since the time of forming a separate body corporate under Government of Sindh. However, the management is of the view that the balance will remain constant and there is no subsequent change in the balance. However, the nature of such receivable could not be ascertained and the management could not provide proper documentation in this regard. Therefore, the amount outstanding against Karachi Development Authority and Karachi Metropolitan Corporation remains unconfirmed by the concerned authorities.
12. No breakup and details of the Revenue from Water and Sewerage as shown in the Income and expenditure account has been provided to us and in the absence of any supporting document, we are unable to verify the accuracy of the amount of revenue generated against water and sewerage sources.

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13. The Board does not recognize late payment surcharge as an income on accrual basis in these financial statements. However, it directly credits the trade debtors as and when surcharge on late payment is received, instead of recognizing it as an income. Consequently, the amount outstanding against trade debtors and revenue of the board are materially understated in these financial statements in respect of surcharge.
14. As disclosed in note 21 to the financial statements, cost of revenue includes expenditure incurred on account of repair and maintenance on the projects once those are completed. As mentioned in the manual for Project development, the project proforma (PC-V) is required to be furnished on an annual basis for a period of five years by the agencies responsible for the operation and maintenance of the projects. However, in the absence of PC (V), the actual amount of capital and revenue expenditure incurred on the projects during the year could not be bifurcated. Therefore, we could not determine the adequacy of the amount representing revenue expenditure on the projects.
15. The Board in its annual budget allocates significant amount of funds for carrying out development works. However, no formalized capitalization policy is maintained to distinguish between capital and revenue expenditure.
16. Confirmations from legal advisors dealing with significant cases have not been received, due to which we have not been able to verify the existence of any legal disputes which may require disclosures of contingencies or which may have a material impact on the financial statements at the reporting date.

Disclaimer of Opinion

Because of the significance of the matters described above in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

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Naveed Zafar Ashfaq Jaffery
Chartered Accountants

Karachi

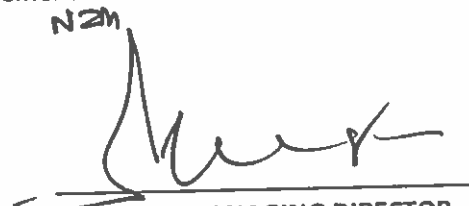
Dated 27 JAN 2022

KARACHI WATER AND SEWERAGE BOARD
BALANCE SHEET
AS AT JUNE 30, 2011

		2011	2010
	Note	Rupees	
RESERVES			
Capital Reserves	4	3,770,914,241	3,770,914,242
Accumulated Deficit		(20,926,512,300)	(20,541,613,812)
FUND ACCOUNT	5	20,639,854,689	19,591,078,960
NON CURRENT LIABILITIES			
Long term loans	6	20,842,952,313	22,359,298,313
Long term deposits	7	356,566,876	330,806,706
		<u>21,199,519,189</u>	<u>22,690,105,019</u>
CURRENT LIABILITIES			
Trade creditors	8	1,663,945,220	2,184,720,368
Accrued and other liabilities	9	7,069,818,633	6,712,907,714
Short term deposits	10	893,442,261	912,286,760
Current maturity of long term loans	11	11,931,644,747	10,415,298,747
		<u>21,558,850,861</u>	<u>20,225,213,589</u>
		<u>46,242,626,680</u>	<u>45,735,697,998</u>
CONTINGENCIES AND COMMITMENTS	12		
NON CURRENT ASSETS			
Property, plant and equipments	13	14,365,203,586	15,006,499,685
Capital work in progress	14	18,737,374,586	18,054,847,019
		<u>33,102,578,172</u>	<u>33,061,346,704</u>
CURRENT ASSETS			
Trade debtors	15	12,660,274,293	11,832,700,649
Loans and advances	16	30,595,942	24,465,852
Other receivables	17	304,793,307	304,793,307
Cash and bank balances	18	144,384,966	512,391,486
		<u>13,140,048,508</u>	<u>12,674,351,294</u>
		<u>46,242,626,680</u>	<u>45,735,697,998</u>

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


MANAGING DIRECTOR

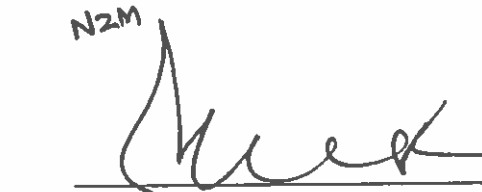

DEPUTY MANAGING DIRECTOR
(FINANCE)

**KARACHI WATER AND SEWERAGE BOARD
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	2011 Rupees	2010
<i>Revenue from water and sewerage</i>	19	6,038,067,833	5,750,540,793
<i>Cost of revenue</i>	20	(3,365,232,064)	(4,824,821,239)
Gross profit		<u>2,672,835,769</u>	<u>925,719,554</u>
<i>Administrative expenses</i>	21	(1,153,767,262)	(724,081,929)
Operating profit		<u>1,519,068,507</u>	<u>201,637,625</u>
<i>Other income</i>	23	65,991,957	96,445,741
<i>Other expenses</i>	22	(937,288,038)	(955,954,168)
<i>Financial charges</i>	24	(1,032,670,913)	(1,070,211,000)
Deficit for the year		<u>(384,898,488)</u>	<u>(1,728,081,802)</u>
Accumulated deficit brought forward		<u>(20,541,613,812)</u>	<u>(18,813,532,010)</u>
Accumulated deficit carried forward		<u><u>(20,926,512,300)</u></u>	<u><u>(20,541,613,812)</u></u>

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


MANAGING DIRECTOR


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DEPUTY MANAGING DIRECTOR
(FINANCE)

KARACHI WATER AND SEWERAGE BOARD
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Deficit for the year	(384,898,488)	(1,728,081,802)
Adjustment for :		
Depreciation	646,681,176	667,147,128
Operating surplus / (deficit) before working capital changes	261,782,688	(1,060,934,674)
Working capital changes:		
(Increase) / decrease in current assets		
Trade debtors	(827,573,644)	(467,549,687)
Loans and advances	(6,130,090)	(8,270,207)
	(833,703,734)	(475,819,894)
Increase / (decrease) in current liabilities		
Trade creditors	(520,775,148)	788,052,739
Accrued and other liabilities	356,910,919	1,804,020,898
Short term deposits	(18,844,499)	(213,983,863)
Current maturity of long term loans	1,516,346,000	1,516,346,000
	1,333,637,272	3,894,435,774
Net cash generated from operations	761,716,226	2,357,681,206
CASH FLOW FROM INVESTING ACTIVITIES		
Addition in property, plant and equipment	(5,385,077)	(8,618,112)
Capital work in progress	(682,527,567)	(574,679,722)
Net cash outflow from investing activities	(687,912,644)	(583,297,834)
CASH FLOW FROM FINANCING ACTIVITIES		
Grants	1,048,775,729	155,732,520
Long term loans	(1,516,346,000)	(1,516,346,000)
Long term deposits	25,760,170	31,530,567
Net cash outflow from financing activities	(441,810,101)	(1,329,082,913)
Net (decrease) / increase in cash and cash equivalents	(368,006,519)	445,300,459
Cash and cash equivalents at the beginning of the year	512,391,486	67,091,027
Cash and cash equivalents at the end of the year	144,384,967	512,391,486

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


MANAGING DIRECTOR

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DEPUTY MANAGING DIRECTOR
(FINANCE)

**KARACHI WATER AND SEWERAGE BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

1 LEGAL STATUS AND NATURE OF BUSINESS

Karachi Water & Sewerage Board (KW&SB) is a body corporate, established on 21st February 1983 as a Board within the Karachi Metropolitan Corporation (KMC) under Chapter XVI Section 121 of the Sindh Local Government (Amendment) Ordinance, 1983 (the Ordinance).

From that date it took over the water¹ distribution system from Karachi Water Management Board (KWMB), Bulk Water Transmission from Karachi Development Authority (KDA) and sewerage system from Karachi Metropolitan Corporation, in all the districts of Karachi. The KW&SB has been separated from KMC and formed as a body corporate under the direct control of the Government of Sindh (GOS) vide Karachi Water and Sewerage Board Act, 1996 assented, by the Provincial Assembly of Sindh on 15th April, 1996.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the Sindh Local Government (Amendment) Ordinance, 1983 (the Ordinance), the Sindh Council (Budget) Rules 1985, the Karachi Water and Sewerage Board Act, 1996 and the generally accepted accounting principles as applicable in Pakistan.

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except, for sewerage assets transferred from Karachi Metropolitan Corporation in 1983 and accounted for in the books of accounts in the year 1995-96, on the basis of valuation done by the Board's consultant at the replacement and current market values.

Accrual concepts

These accounts have been prepared on accrual basis, except certain employees benefits expenditure, which are recognized on payment basis. This practice is in accordance with the provision of section 74 sub section (1) and (2) of the Sindh Council (Budget) Rules 1985.

Presentation of Financial Statements

The form of presentation of these financial statements accord generally with the need of major International Lending Agencies.

2.3 Functional and presentation currency

These financial statements have been presented in Pakistan Rupees, which is the functional currency of the Company and rounded off to the nearest rupee.

3 Significant Accounting Policies

The principal accounting policies adopted are set out below:

3.1 Government grants

Assets-related to grant received from government are initially recognized in grant as deferred credit and carried to balance sheet and upon completion of the project, are appropriated as income by setting off against the charge of depreciation as given in note 13.1 on a systematic basis over the useful life of the related assets.

3.2 Loan from international lending agencies

Transactions denominated in foreign currencies are translated to Pak Rupees at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the closing rate of exchange prevailing at the balance sheet date. Exchange gains and losses are taken to the income and expenditure account except for certain exchange differences on balances with the international Monetary Fund which are transferred to the Government of Pakistan account.

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3.3 Creditors, accrued and other liabilities

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

3.4 Short-term deposits

These represent work executed on the authorization / approval of GOS and, other agencies through contractors and excess of work done over payments to contractors on account of specific work is classified as short-term deposits

3.5 Staff retirement benefits

According to the Ordinance, the Pension, Gratuity and other service benefits admissible to employees of Karachi Development Authority, Karachi Metropolitan Corporation and Karachi Water Management Board, who retired or died while serving in Water Supply and Sewerage Services before the commencement of the Ordinance shall be the responsibility of the Board. Payment in respect of all staff retirement benefits whenever due are being made by the Board and duly accounted for in the books of accounts, annual provisions are made to meet the obligation of pension and other employees benefits.

3.6 Property, Plant and equipment

Fixed assets are stated at cost less accumulated depreciation. Depreciation on fixed assets except land is charged to income applying the reducing balance method at the rate specified in the Income Tax Ordinance, 1979 except in the case of motor vehicles which are depreciated @ 10% per annum.

In respect of additions, depreciation is charged for the full year and no depreciation is charged on deletions in the year of disposal. Gains and losses, if any, on disposal of assets during the year are taken to income and expenditure account.

The assets shown under 'schemes' represents capital expenditure incurred on the specific Schemes and Projects. These include cost of pipelines, civil works, equipment's, furniture and establishment expenditure. Expenses on minor repairs, improvement and development of pipelines etc., are charged to income and expenditure account as and when incurred.

Assets taken over from KMC in 1983 were incorporated in these accounts as fixed assets during the year 1995-96 on the basis of a valuation placed by Board's consultants. The related credit has been accounted for as capital reserve. Depreciation is being charged from the date of incorporation of these assets in the books of accounts of the Board.

Sewerage assets generally include mains, sewers, impounding and pumped raw water storage reservoirs and sludge pipelines and plants and machinery

Expenditure relating to increase in capacity or enhancement of the network is treated as additions to the sewerage assets. Expenditure on maintaining the operating capabilities of network is charged as operating costs.

Sewerage assets are depreciated over their estimated operational economic lives. Assets in the course of construction are not depreciated until commissioned.

3.7 Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment, if any, and consists of expenditure incurred and advances made in respect of property, plant and equipment in the course of the acquisition, erection, construction and installation, including salaries and wages and any other costs directly attributable to capital work-in-progress. The assets are transferred to relevant category of operating fixed assets when those are available for use. Spare parts, standby equipment and servicing equipment are recognized as property plant and equipment when these meet the conditions to be classified as such.

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3.8 Stores and spares

Stores and spares are valued on average cost. Stores and spares purchased for projects are charged off to relevant projects irrespective of their physical consumption/usage. Other direct purchases of stores and spares are charged to relevant budget grants. The applicability of the provision of Para 115 (b) Section II of Sindh Financial Rules relating to the valuation of the inventories in hand at the end of the year are not considered due to their insignificant value at the close of the year.

3.9 Trade debts

Trade and other receivables are recognized at fair value and subsequently measured at amortized cost less impairment losses, if any. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

3.10 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include current and deposit accounts held with banks. A Treasury Single Account (TSA) is a unified structure of government bank accounts that gives a consolidated view of government cash resources. Based on the principle of unity of cash and the unity of treasury, a TSA is a bank account or a set of linked accounts through which the government transacts all its receipts and payments.

3.11 Provision for doubtful debts

The Boards policy for provision for doubtful debts is made as per the following estimates.

Debtors outstanding for the period:

1-2 Years	5%
2-3 Years	10%
3-4 Years	15%
4-5 Years	50%
5 Years and above	100%

3.12 Revenue recognition

Income on account of water and sewerage charges is recognized on accrual basis.

Interest income from banks is accounted for on the basis of actual receipts net of withholding tax.

3.13 Expenses

All expenses are recognized in the profit and loss account on an accrual basis.

3.14 Provisions

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

		2011	2010
		Rupees	
4 Capital Reserves			
<i>Excess of assets over liabilities transferred from KDA</i>	4.1	950,718,551	950,718,551
<i>Excess of liabilities over assets transferred from KWMB</i>		(110,298,456)	(110,298,456)
<i>Bulk water cost payable to KDA by KMC on behalf of KWMB</i>		144,229,751	144,229,751
		33,931,295	33,931,295
<i>Assets transferred from KMC</i>	4.2	2,763,163,938	2,763,163,938
<i>Debtors balances</i>	4.3	23,100,457	23,100,458
		<u>3,770,914,241</u>	<u>3,770,914,242</u>
4.1 These represents:			
<i>Debentures treated as grant to be settled under terms of memorandum of understanding</i>	4.1.1	1,109,787,500	1,109,787,500
<i>Purchase creditors</i>		1,214,866	1,214,866
<i>Deposits and other liabilities</i>		35,081,135	35,081,135
<i>Employees contribution funds net of investments</i>		32,202,632	32,202,632
<i>Long term loans due for repayment</i>		105,369,074	105,369,074
<i>Debit balance of reserves</i>		(259,932,201)	(259,932,201)
<i>Water charges receivable - net</i>		(63,962,051)	(63,962,051)
<i>Other receivables and dues</i>		(9,042,404)	(9,042,404)
		<u>(332,936,656)</u>	<u>(332,936,656)</u>
		<u>950,718,551</u>	<u>950,718,551</u>

These are incorporated in the books of account of the Board on the basis of consultant's reports. Such reports were approved by the Board in its meeting held on April 17, 1986.

- 4.1.1 These debentures were issued by the KDA and at the time of taking over of assets and liabilities these were incorporated as capital reserves and hence no interest has been charged in accounts since 1983.
- 4.2 This represents assets transferred from KMC in 1983. Due to non-availability of proper record, these were not taken into account in earlier years upon the transfer. A consultant was appointed to carry out the valuation of these assets. The consultant's report was considered by the Board and value assigned to these assets by the consultant were incorporated in these financial statements.
- 4.3 This represents the net effect of restatement of consumers receivable on account of balance outstanding against water bills abstained from input into the computer system.

5 FUND ACCOUNT

Funds released by Federal and Provincial Government for:

<i>The Greater 100 MGD Water Supply (K-III) Project</i>	5.2	7,110,480,739	7,110,480,739
<i>Tameer-e-Karachi Programme</i>	5.3	3,542,040,659	3,542,040,659
<i>Foreign aided projects</i>	5.1	3,991,728,491	3,991,728,491
		<u>14,644,249,889</u>	<u>14,644,249,889</u>
<i>Grant from Government of Sindh</i>	5.4	5,995,604,800	4,946,829,071
		<u>20,639,854,689</u>	<u>19,591,078,960</u>

5.1 Foreign aided projects

<i>Counter part funding by international lending agencies</i>	3,664,377,664	3,664,377,664
<i>Counter part funding by Overseas Development Association</i>	327,350,827	327,350,827
	<u>3,991,728,491</u>	<u>3,991,728,491</u>

- 5.2 This represents fund released by the Federal Government as *Grant in Aid* ,for the execution of the Greater 100 MGD Water Supply (K-III) Project. The Board undertakes its execution through local contractors for all civil, electrical and mechanical works.

- 5.3 This represents release of fund from Provincial Government and City District Government Karachi (CDGK) , as the program is envisaged to be carried out through their concerted efforts . It is to facilitate the construction and rehabilitation of roads, bridges and flyovers, rehabilitation of rivers and nullahs , removal of transport bottlenecks, expansion and improvement of water supply, drainage and sewerage services.

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- 5.4 This represents the amount adjusted by the Federal Adjuster Government of Pakistan (G.O.P) out of monthly releases of Government of Sindh (G.O.S) on account of Karachi Electric Supply Corporation (K.E.S.C), dues payable by the Board vide Government of Sindh (G.O.S) letter No. FD (W&M -I) 14(16)/95, dated April 23,1996 and further confirmation by Chief Controller Billing (K.E.S.C). Previously, this amount was treated as liability, now the management of the board is of the view that this amount will not be demanded by the Government of Sindh (G.O.S) thus it is no longer considered as liability and is transferred to fund account in the respective year.

	2011	2010
	Rupees	
6 LONG TERM LOANS		
Loan from International lending agencies	6.1 20,681,858,666	22,198,204,666
Provincial government loan transferred from KDA	6.2 103,116,647	103,116,647
Loan from Government of Sindh	6.3 57,977,000	57,977,000
	<u>20,842,952,313</u>	<u>22,359,298,313</u>
6.1 International Lending Agencies		
International Development Association (IDA)		
-1374 PAK		
Principal	178,480,000	218,103,000
Financial charges	41,527,430	64,457,430
	<u>220,007,430</u>	<u>282,560,430</u>
-1652 PAK		
Principal	410,068,922	456,548,922
Financial charges	160,254,078	209,231,078
	<u>570,323,000</u>	<u>665,780,000</u>
-1987 PAK		
Principal	5,931,778,905	6,162,282,992
Financial charges	4,891,343,095	5,563,025,008
	<u>10,823,122,000</u>	<u>11,725,308,000</u>
	<u>11,613,452,430</u>	<u>12,673,648,430</u>
Asian Development Bank (ADB)		
-SF-793 PAK		
Principal	575,382,566	617,745,566
Financial charges	174,645,434	225,796,434
	<u>750,028,000</u>	<u>843,542,000</u>
-SF-1001 PAK / 1002 PAK		
Principal	2,286,827,422	2,340,677,422
Financial charges	1,938,683,578	2,101,605,578
	<u>4,225,511,000</u>	<u>4,442,283,000</u>
	<u>4,975,539,000</u>	<u>5,285,825,000</u>
Commonwealth Development Corporation (CDC)		
-L-2747-01		
Principal	628,815,306	699,670,306
Financial charges	246,368,694	321,377,694
	<u>875,184,000</u>	<u>1,021,048,000</u>
Overseas Economic Co-operation Fund (OECF)		
-PK-P40		
Principal	3,003,964,764	3,003,964,764
Financial charges	213,718,472	213,718,472
	<u>3,217,683,236</u>	<u>3,217,683,236</u>
	<u>20,681,858,666</u>	<u>22,198,204,666</u>

Represent loans and related financial charges made available to Karachi Water and Sewerage Board by Federal Government through Government of Sindh and Karachi Metropolitan Corporation. The loan-wise summary of covenants is as follows:

6.1.1	Loan Number	1374-Pak	1652-Pak	1987-Pak	SF-793 Pak	SF-1001 Pak	SF-1002 Pak	L-2747-01	PK-P40
	Date of main agreement	30-06-83	24-02-86	19-05-93	-	19-03-90	19-03-90	25-02-90	-
	Lending Agency	IDA	IDA	IDA	ADB	ADB	ADB	CDC	OECF
	Agreed amount of loan (in SDR million)	23.00	19.45	163.50	17.89	39.91	26.61	25.00	V10.300M
	Financial charges annually (%)	11.00	11.00	11.00	7.00	7.00	7.00	11.00	3.00
	Other charges								
	Commitment Charges annually (%)	0.50	0.50	0.50	-	0.75	0.75	0.75	0.10
	Service Charges annually (%)	0.75	0.75	0.75	-	0.10	0.10	-	0.10
	Repayment period in Years	25	25	25	25	35	25	13	21
	Grace period in years	5	6	6	5	10	10	5	5
	No of biannual installments	40	38	40	40	50	40	26	41
	Prepayment date each year	01-Mar & 01 Sept	15 May & 15 Nov	15 Mar & 01 Sept	15 Mar & 15 Nov	15 June & 15 Dec	15 June & 15 Dec	15 Apr & 15 Oct	20 May & 20 Nov
	Repayment starting date	9-Jan-96	15-May-00	1-Sep-04	15-May-01	15-Dec-07	15-Dec-07	15-Oct-02	6-Aug-06
	Representing share of agency % against major works	75	78	80	78	80	80	100	92
	Date of financial closure	31-Oct-91	30-Dec-93	30-Jun-98	31-Dec-95	30-Sep-97	30-Sep-97	-	30-Sep-99

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6.1.2 Other charges represent commitment and service charges payable semi annually to the Provincial Government by the Karachi Metropolitan Corporation on behalf of the Board.

6.2 This represent loans transferred from Karachi Development Authority in 1986-87 and accordingly accounted for in these accounts at the principal amount thereof. No provision for interest subsequent to June 30, 1993 has been made in these accounts as the management of the Board considers that such provision is not required.

6.3 It includes loan of Rs.10,000,000/- transferred from Karachi Water and Management Board at the time of taken over its assets and liabilities. This loan was provided for installation of community tap system at Orangi. The balance represents funds released by Government of Sindh for the execution of various development schemes.

	2011	2010
	Rupees	
7 Long term Deposits		
Consumers security deposits		
7.1	<u>356,566,876</u>	<u>330,806,706</u>
7.1 Movement in deposits		
Balance as at July 01, 2008	330,806,707	299,276,139
Add: Deposits made during the year	7.1.1 <u>25,760,169</u>	<u>31,530,567</u>
Balance as at June 30, 2009	<u>356,566,876</u>	<u>330,806,706</u>
7.1.1 These represents deposits from consumers which are repayable at the time when meter connection of consumer is permanently disconnected after adjustment thereof against any amount receivable.		
8 Trade Creditors		
Payable to contractors for work executed	<u>1,663,945,220</u>	<u>2,184,720,368</u>
9 Accrued and other liabilities		
Accrued expenses	9.1 <u>7,042,720,664</u>	<u>6,691,275,844</u>
Other liabilities	9.2 <u>27,097,969</u>	<u>21,631,870</u>
	<u>7,069,818,633</u>	<u>6,712,907,714</u>
9.1 Accrued expenses		
Payable to Karachi Electric Supply Corporation	4,235,226,168	4,235,212,849
Payable against medical facilities	2,678,711	28,798,570
Payable to employees	1,879,613,096	1,635,075,793
Payable against share of fire and conservancy	9.1.1 <u>859,976,049</u>	<u>728,241,992</u>
Payable against gas charges	2,235,190	2,235,190
Interest payable on loans transferred from KDA and KWMB	9.1.2 <u>54,261,450</u>	<u>54,261,450</u>
Audit Remuneration	<u>8,730,000</u>	<u>7,450,000</u>
	<u>7,042,720,664</u>	<u>6,691,275,844</u>
9.1.1 This represent share of fire and conservancy charges payable to City District Government Karachi in conjunction with the water and sewerage bill, an invoice is rendered by the Board on behalf of CDGK to recover 25% of water bill in lieu of conservancy charges in order to meet the cost of solid waste services and 10% of water bill against meeting the cost of fire fighting department.		
9.1.2 This represents interest payable against loan incorporated in 1986-87 from Karachi Development Authority and Karachi Water & Management Board. However no provision of interest has been made in these financial statements.		
9.2 Other liabilities		
Unpaid wages	9.2.1 <u>4,848,719</u>	<u>3,091,941</u>
Withholding tax payable	<u>22,249,250</u>	<u>18,539,929</u>
	<u>27,097,969</u>	<u>21,631,870</u>
9.2.1 This represents the amount on account of wages, to labor staff allotted to the projects or schemes, that remains unclaimed at the time of payment.		

		2011	2010
		Rupees	
10 SHORT TERM DEPOSITS			
Security deposit from contractor	10.1	893,442,261	912,286,760
10.1 This represents refundable earnest money received from contractors in connection with award of contracts for the execution of work on projects or schemes by the Board.			
11 Current maturity of long term loans			
International Lending Agencies	11.1	11,899,321,347	10,382,975,347
Loan by Provincial Government transferred from KDA		32,323,400	32,323,400
		<u>11,931,644,747</u>	<u>10,415,298,747</u>
11.1 International Lending Agencies			
International Development Association (IDA)			
-1374 PAK			
Principal		283,912,979	244,289,979
Financial charges		708,104,163	685,174,163
		<u>992,017,142</u>	<u>929,464,142</u>
-1652 PAK			
Principal		303,501,452	257,021,452
Financial charges		897,420,547	848,443,547
		<u>1,200,921,999</u>	<u>1,105,464,999</u>
		<u>2,192,939,141</u>	<u>2,034,929,141</u>
Payment made against loan:			
Year 1999-2000		(40,000,000)	(40,000,000)
Year 2000-2001		(40,000,000)	(40,000,000)
		<u>(80,000,000)</u>	<u>(80,000,000)</u>
		<u>2,112,939,141</u>	<u>1,954,929,141</u>
-1987 PAK			
Principal		1,270,186,418	1,039,682,331
Financial charges		5,021,899,787	4,350,217,874
		<u>6,292,086,205</u>	<u>5,389,900,205</u>
Asian Development Bank (ADB)			
-SF-793 PAK			
Principal		444,793,158	402,430,158
Financial charges		677,394,843	626,243,843
		<u>1,122,188,001</u>	<u>1,028,674,001</u>
-SF-1001 PAK / 1002 PAK			
Principal		255,166,000	201,316,000
Financial charges		937,090,000	774,168,000
		<u>1,192,256,000</u>	<u>975,484,000</u>
		<u>2,314,444,001</u>	<u>2,004,158,001</u>
Commonwealth Development Corporation (CDC)			
-L-2747-01			
Principal		394,692,698	323,837,698
Financial charges		850,159,302	775,150,302
		<u>1,244,852,000</u>	<u>1,098,988,000</u>
Payment made against loan:			
Year 2001-2002		(65,000,000)	(65,000,000)
		<u>1,179,852,000</u>	<u>1,033,988,000</u>
		<u>11,899,321,347</u>	<u>10,382,975,347</u>
12 CONTINGENCIES AND COMMITMENTS			
12.1 There were no contingencies and commitments as at 30 June 2011 (2010: Nil)			

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		2011	2010
		Rupees	
13	PROPERTY, PLANT AND EQUIPMENT		
13.1	<i>The property, plant and equipment scheduled is attached</i>	13.1	14,365,203,586
14	CAPITAL WORK IN PROGRESS		
	Movement for capital work in progress is as follows		
	<i>Opening balance</i>		18,054,847,019
	<i>Additions during the year</i>		682,527,567
	<i>Transfers during the year</i>		-
	<i>Closing balance</i>		18,737,374,586
	Foreign Aided Projects		
	<i>Karachi Water Supply and Sanitation Project under Commonwealth Development Corporation (CDC)</i>		3,349,239,116
	<i>Improvement Project under Overseas Economic Co-operation Fund (OECE)- PK-P40 Japan</i>		3,720,572,260
		14.1	7,069,811,376
	<i>Bank balances with Foreign aided projects</i>	14.2	8,479,429
			7,078,290,805
	Government Aided Projects		
	<i>Pumping Conveyance Improvement System</i>	14.3	639,328,761
	<i>The Greater 100 MGD water supply (K-III)</i>	14.4	7,186,510,735
	<i>Tameer-e-Karachi programme</i>	14.5	3,833,244,285
			11,659,083,781
			18,737,374,586
14.1	This represents projects executed by KW&SB funded by Federal and Provincial Governments as counter part funding by the international lending agencies. The proceeds of loan under Commonwealth Development Corporation (C.D.C) and Overseas Co-operation Fund (O.E.C.F) PK-P40 Japan are channeled through the Government of Sindh (G.O.S) which, in turn, lend it to the Karachi Metropolitan Corporation (KMC) at an annual interest rate of 11% . However it further lend the proceeds to the executing agency, Karachi Water and Sewerage Board (KW&SB) on the same terms . The projects aim to increase the quality, reliability, and coverage of water supply, waste water and solid waste management services in participating towns.		
14.2	This represents balances in the banks associated with projects which are still outstanding.		
14.3	The Board undertakes various schemes from the allocation of fund by the Government of Sindh (G.O.S) and other agencies. The Board is benefited from the ultimate use of such assets and the revenue generated there from. A review of such schemes was carried out based on the book value.		
14.4	This represents capital expenditure on <i>Greater 100 MGD water supply (K-III)</i> to increase potable bulk water supply and further augment water availability by introducing water loss reduction measures. It is financed through Government of Pakistan (G.O.P) as Grant in Aid for water supply sector. The Project is the part and parcel of K-III Scheme to provide an additional 100MGD water to the city of Karachi		
14.5	This represents capital expenditure on the Tameer-e-Karachi Programme (TKP), geared specifically towards rebuilding Karachi (and to some extent, Sindh) by providing vital physical infrastructure and other civic amenities in key target locations, particularly in the Industrial areas through the concerted efforts of the CDGK, and the Provincial government.		
15	Trade debtors		
15.1	<i>Receivable from Bulk Consumers against</i>		
	- Water charges		5,149,384,013
	- Sewerage services		4,161,484,738
			9,310,868,751
15.2	<i>Receivable from Retail Consumers against</i>		
	- Water charges		4,048,208,170
	- Sewerage services		3,730,134,244
			7,778,342,414
	<i>Less: Provision for doubtful debts</i>		(4,428,936,872)
			12,660,274,293
			11,832,700,649

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		2011	2010
		Rupees	
16 Loans and advances			
Advances to employees - unsecured			
House Building	16.1	23,225,197	18,972,438
Motor Cycle		4,671,465	3,428,143
Marriage		2,699,280	2,065,271
		<u>30,595,942</u>	<u>24,465,852</u>
16.1	This represents advance to employees in order to facilitate in the construction of their house. The amount shall be granted to employees who have completed their probationary period and are subscribed to General Provident Fund of KW&SB. Furthermore, the amount so granted is interest free for the employees below the BPS 16. However, the interest on house building loan of officers BPS 16 and above, is payable at such rates as may be fixed by the Government of Sindh.		
17 Other Receivables			
Receivable against subsidy from:			
- Karachi Development Authority (KDA)		98,306,126	98,306,126
- Karachi Metropolitan Corporation (KMC)	17.1	206,487,181	206,487,181
		<u>304,793,307</u>	<u>304,793,307</u>
17.1 Receivable from Karachi Metropolitan Corporation (KMC)			
Balance as at July 01 2009		408,199,380	408,199,380
Share of fire and conservancy payable		-	(201,712,199)
Subsidy receivable from Karachi Metropolitan Corporation-KMC		<u>408,199,380</u>	<u>206,487,181</u>
17.1	The balance remain static and reported accordingly during the year.		
18 Cash at banks -			
Current Accounts		33,889,548	297,159,497
Deposit accounts	18.1	110,495,418	165,231,989
Term deposit receipts		-	50,000,000
		<u>144,384,966</u>	<u>512,391,486</u>
18.1	It carries profit ranging from 1 % to 3% (2010: 1% to 2%) per annum.		
19 Revenue from Water & Sewerage			
Income from water			
Bulk consumers		3,940,478,838	3,752,836,989
Retail consumers		<u>1,020,164,790</u>	<u>971,585,515</u>
		<u>4,960,643,629</u>	<u>4,724,422,504</u>
Income from Sewerage			
Bulk consumers		750,567,398	714,826,093
Retail consumers		<u>326,856,806</u>	<u>311,292,196</u>
		<u>1,077,424,204</u>	<u>1,026,118,289</u>
19.1	The KW&SB revenue is generated by the supply of water and sewerage services to all the consumers in Karachi. The consumers are divided into two broad categories - Bulk and Retail. Bulk consumers mainly comprises of large customers such as organizations and departments, they are billed according to the meter readings on a monthly basis, However, retail consumers are classified into residential, commercial, industrial, religious and educational sectors and are billed on annual basis at the Tariff rates as applicable.		
20 Cost of Revenue			
Salaries and other benefits	20.1	2,046,902,478	1,969,403,249
Repair and maintenance		817,921,174	1,706,676,113
Service charges against cost of raw water		11,545,943	5,880,622
Chemicals consumed		30,068,698	86,129,550
Fuel for pumping stations		169,659,606	207,455,696
Electricity and gas charges		<u>289,134,165</u>	<u>849,316,009</u>
		<u>3,365,232,064</u>	<u>4,824,821,239</u>
20.1	Salaries and other benefits include Rs. 176,523,161 for the year ended June 30, 2011 (2010: Rs. 117,778,519) in respect of staff medical facilities.		

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13.1	Particulars	COST			DEPRECIATION			Book value as at 30 June 2011	Rate %		
		As on 01 July 2010	Addition	(Deletion)	As at 30 June 2011	As on 01 July 2010	On Disposal			Charge For The Year	As at 30 June 2011
Amount in Rupees											
SCHEMES											
	Renovation of sewerage in P.E.C.H.S	61,675,178	-	-	61,675,178	44,038,002	-	881,559	44,919,861	16,755,317	5%
	Left Sewerage Scheme	149,622,108	-	-	149,622,108	105,165,370	-	2,222,837	107,388,207	47,233,901	5%
	Renovation of Water Supply NN and FB area	72,005,309	-	-	72,005,309	50,020,783	-	1,099,226	51,120,009	20,885,300	5%
	Foreign & Govt aided Projects	737,449,268	-	-	737,449,268	300,523,439	-	21,846,391	322,369,731	415,079,537	5%
	KCH water supply projects 1374 PAK	824,770,622	-	-	824,770,622	410,667,481	-	20,705,157	431,377,638	393,397,984	5%
	KSDP-IDA 1652 PAK	1,185,261,942	-	-	1,185,262,942	662,685,701	-	26,128,862	688,814,563	496,448,379	5%
	KSDP - ADP 793 PAK	1,377,733,977	-	-	1,377,733,977	705,847,567	-	33,594,321	739,441,887	638,292,090	5%
	KSDP - ADP 1001/1002 PAK (SF)	3,464,437,398	-	-	3,464,437,398	1,493,388,834	-	98,557,428	1,591,941,262	1,872,496,136	5%
	KCH water supply project IDA 1987 - PAK	13,658,633,237	-	-	13,658,633,237	5,480,704,981	-	408,896,413	5,889,601,394	7,769,031,843	5%
		21,531,590,039	-	-	21,531,590,039	9,253,042,157	-	613,927,394	9,866,969,552	11,664,620,487	
TRANSFERRED / SCHEMES ASSETS											
	Schemes from KVMNB	4,680,897	-	-	4,680,897	3,446,602	-	61,715	3,408,317	1,172,580	5%
	Schemes from KDA	1,170,475,891	-	-	1,170,475,891	902,245,077	-	13,411,541	915,656,618	254,819,273	5%
		1,175,156,788	-	-	1,175,156,788	905,691,679	-	13,473,255	919,164,935	255,991,553	
SEWERAGE ASSETS TRANSFERRED FROM KMC											
	Land	2,137,384,485	-	-	2,137,384,485	-	-	-	-	2,137,384,485	
	Building	192,635,209	-	-	192,635,209	103,389,007	-	4,462,310	107,851,317	84,783,892	5%
	Plant & Machinery	49,452,017	-	-	49,452,017	39,270,286	-	1,018,173	40,288,459	9,163,558	10%
	Underground Pipelines	383,692,227	-	-	383,692,227	205,930,983	-	8,888,062	214,819,045	168,873,182	5%
		2,763,163,938	-	-	2,763,163,938	348,590,276	-	14,368,545	362,958,421	2,400,205,117	
OTHER ASSETS											
	Office building	945,000	-	-	945,000	588,400	-	17,830	606,230	338,770	5%
	Vehicles	51,536,570	3,860,500	-	55,397,070	41,631,327	-	1,376,574	43,007,901	12,389,169	10%
	Office equipment and furniture	34,169,141	1,524,577	-	35,693,718	20,523,263	-	1,517,046	22,040,308	13,653,410	10%
	Machinery and equipments	131,132,453	-	-	131,132,453	118,948,557	-	1,218,390	120,166,947	10,965,506	10%
	Sewerage cleaning machines	35,439,740	-	-	35,439,740	27,621,350	-	781,839	28,403,189	7,036,551	10%
	Other minor fixed assets	5,019,129	-	-	5,019,129	5,016,104	-	303	5,016,406	2,773	10%
		258,242,033	5,385,077	-	263,627,110	214,329,001	-	4,911,981	219,240,982	44,386,128	
	As at 30 June, 2011	25,728,152,798	5,385,077	-	25,733,537,875	10,721,653,113	-	646,681,176	11,368,334,289	14,365,203,586	
	As at 30 June, 2010	25,719,534,686	8,618,112	-	25,728,152,798	8,644,882,023	-	680,464,435	10,721,653,113	15,006,499,685	