KARACHI WATER AND SEWERAGE BOARD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2015

KARACHI WATER AND SEWERAGE BOARD

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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, 2015** 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. 2,976,535,598/- 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 in lieu of funds released by the Government. Furthermore, in the absence of any supporting documents the expenditure incurred on the execution of projects against Annual Development Programme –ADP could not be verified.

2. Proper record / documentation for long term deposits amounting to Rs. 44,593,206/- 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.

3. As disclosed in note 9.1 to the financial statements, an amount of Rs. 5,423,187,923 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.

4. As disclosed in note 9.1 to the financial statements, an amount of Rs. 2,055,960,578/- 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.

5. Accrued expenses, as disclosed in note 9.1.2 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.

6. We were not provided consolidated division-wise fixed assets register as required under the Rules of the Board nor any details or breakup of Property, Plant and Equipment amounting to Rs. 12,094,272,500/- as stated in the notes to the financial statements. Therefore, in the absence of such record, we are unable to verify the valuation and physical existence of fixed assets.

7. We were not provided the project completion reports relating to Capital Work in Progress amounting to Rs. 27,397,148,969/- 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.

8. As disclosed in note No. 15.1 to the financial statements, an amount of Rs. 17,110,078,993/- 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. Thus we are unable to verify the accuracy of the demand generated against the consumers' billing during the year.

9. Trade debtors amounting to Rs. 11,377,252,684/- 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. 6,208,140,307/- for which no basis is shared with us; hence we are unable to determine the accuracy of provision against doubtful debts.

10. 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.

11. 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 the 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.

12. 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.

13. 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.

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.

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

Karachi:
Dated:

KARACHI WATER AND SEWERAGE BOARD
BALANCE SHEET
AS AT JUNE 30, 2015

	Note	2015	2014
		Rupees	
RESERVES			
Capital Reserves	4	3,770,914,241	3,770,914,241
Accumulated Deficit		(17,083,033,695)	(18,689,524,462)
FUND ACCOUNT	5	30,564,475,444	27,587,939,846
NON CURRENT LIABILITIES			
Long term loans	6	14,840,117,313	16,293,910,313
Long term deposits	7	599,073,598	554,480,392
		15,439,190,911	16,848,390,705
CURRENT LIABILITIES			
Trade creditors	8	1,393,297,111	1,145,848,510
Accrued and other liabilities	9	8,870,266,896	7,608,955,374
Short term deposits	10	1,077,901,727	1,123,120,381
Current maturity of long term loans	11	18,544,294,400	17,058,157,400
		29,885,760,134	26,936,081,665
		62,577,307,035	56,453,801,994
CONTINGENCIES AND COMMITMENTS	12		
NON CURRENT ASSETS			
Property, plant and equipments	13	12,094,272,500	12,617,971,169
Capital work in progress	14	27,397,148,969	24,346,346,355
		39,491,421,469	36,964,317,524
CURRENT ASSETS			
Trade debtors	15	22,279,191,370	19,031,613,445
Loans and advances	16	87,809,938	73,171,998
Other receivables	17	304,793,307	304,793,307
Cash and bank balances	18	414,090,951	79,905,719
		23,085,885,566	19,489,484,469
		62,577,307,035	56,453,801,994

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

MANAGING DIRECTOR

DEPUTY MANAGING DIRECTOR

KARACHI WATER AND SEWERAGE BOARD
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		Rupees	
Revenue from water	19	9,772,426,123	9,025,281,931
Cost of revenue	20	(6,185,588,547)	(6,441,396,476)
Gross profit		3,586,837,576	2,583,885,455
Administrative expenses	21	(1,034,576,499)	(951,119,821)
Operating profit		2,552,261,077	1,632,765,634
Other income	23	355,067,024	46,007,342
Other expenses	22	(517,450,334)	(544,058,243)
Financial charges	24	(783,387,000)	(862,935,000)
Surplus for the year		1,606,490,767	271,779,734
Accumulated deficit brought forward		(18,689,524,462)	(18,961,304,196)
Accumulated deficit carried forward		(17,083,033,695)	(18,689,524,462)

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

MANAGING DIRECTOR

DEPUTY MANAGING DIRECTOR

KARACHI WATER AND SEWERAGE BOARD
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	1,606,490,767	271,779,734
Adjustment for :		
Depreciation	526,420,630	554,088,305
Operating surplus before working capital changes	2,132,911,397	825,868,038
Working capital changes:		
(Increase) / decrease in current assets		
Trade debtors	(3,247,577,925)	(1,454,868,216)
Loans and advances	(14,637,940)	(13,837,363)
	(3,262,215,965)	(1,468,705,579)
Increase / (decrease) in current liabilities		
Trade creditors	247,448,601	234,519,957
Accrued and other liabilities	1,261,311,522	(36,061,485)
Short term deposits	(45,218,654)	150,532,943
Current maturity of long term loans	1,486,137,000	2,093,807,653
	2,949,678,469	2,442,799,068
Net cash generated from operations	1,820,374,001	1,799,961,527
CASH FLOW FROM INVESTING ACTIVITIES		
Addition in property, plant and equipment	(2,721,960)	(1,904,231)
Capital work in progress	(3,050,802,614)	(1,171,092,092)
Net cash outflow from investing activities	(3,053,524,574)	(1,172,996,323)
CASH FLOW FROM FINANCING ACTIVITIES		
Grants	2,976,535,598	828,228,840
Long term loans	(1,453,793,000)	(1,516,344,000)
Long term deposits	44,593,206	53,043,188
Net cash inflow / (outflow) from financing activities	1,567,335,804	(635,071,972)
Net increase / (decrease) in cash and cash equivalents	334,185,232	(8,106,768)
Cash and cash equivalents at the beginning of the year	79,905,719	88,012,487
Cash and cash equivalents at the end of the year	414,090,951	79,905,719

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

MANAGING DIRECTOR

DEPUTY MANAGING DIRECTOR

KARACHI WATER AND SEWERAGE BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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 water 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.

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 on the basis of the sindh general provident fund rules , 1938 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.

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.

			2015	2014
			Rupees	
4	**Capital Reserves**			
	Excess of assets over liabilities transferred from KDA	4.1	950,718,551	950,718,551
	Excess of liabilities over assets transferred from KWMB		(110,298,456)	(110,298,456)
	Bulk water cost payable to KDA by KMC on behalf of KWMB		144,229,751	144,229,751
			33,931,295	33,931,295
	Assets transferred from KMC	4.2	2,763,163,938	2,763,163,938
	Debtors balances	4.3	23,100,457	23,100,457
			3,770,914,241	3,770,914,241
4.1	**These represents:**			
	Debentures treated as grant to be settled under terms of memorandum of understanding	4.1.1	1,109,787,500	1,109,787,500
	Purchase creditors		1,214,866	1,214,866
	Deposits and other liabilities		35,081,135	35,081,135
	Employees contribution funds net of investments		32,202,632	32,202,632
	Long term loans due for repayment		105,369,074	105,369,074
	Debit balance of reserves		(259,932,201)	(259,932,201)
	Water charges receivable - net		(63,962,051)	(63,962,051)
	Other receivables and dues		(9,042,404)	(9,042,404)
			(332,936,656)	(332,936,656)
			950,718,551	950,718,551

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:

Foreign aided projects	5.1	3,991,728,491	3,991,728,491
The Greater 100 MGD Water Supply (K-III) Project	5.2	7,340,435,486	7,340,435,486
Tameer-e-Karachi Programme	5.3	3,542,040,659	3,542,040,659
Schemes under Annual Development Program	5.4	9,694,666,008	6,718,130,410
		24,568,870,644	21,592,335,046
Grant from Government of Sindh	5.5	5,995,604,800	5,995,604,800
		30,564,475,444	27,587,939,846

5.1 ***Foreign aided projects***

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

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.

5.4 This represents funds released by Federal Government against annual development program (ADP), prepared in line with the prevalent economic policies, strategies of the government. It emphasizes on the rehabilitation of the community infrastructure i.e. roads, buildings particularly of education &health facilities, water supply &sanitation, housing crop & livestock and irrigation & drainage which have been damaged by the heavy rains and floods.

5.5 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.

		2015	2014
		Rupees	
6 LONG TERM LOANS			
Loan from International lending agencies	6.1	14,679,023,666	16,132,816,666
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
		14,840,117,313	16,293,910,313

6.1 International Lending Agencies

	2015	2014
International Development Association (IDA)		
-1374 PAK		
Principal	30,658,000	30,658,000
Financial charges	1,687,430	1,687,430
	32,345,430	32,345,430
-1652 PAK		
Principal	165,348,922	236,678,922
Financial charges	23,156,078	47,283,078
	188,505,000	283,962,000
-1987 PAK		
Principal	4,718,086,905	5,071,838,905
Financial charges	2,496,291,095	3,044,725,095
	7,214,378,000	8,116,564,000
	7,435,228,430	8,432,871,430
Asian Development Bank (ADB)		
-SF-793 PAK		
Principal	322,860,000	390,220,000
Financial charges	53,109,000	79,265,000
	375,969,000	469,485,000
-SF-1001 PAK / 1002 PAK		
Principal	2,030,227,422	2,101,137,422
Financial charges	1,328,187,578	1,474,047,578
	3,358,415,000	3,575,185,000
	3,734,384,000	4,044,670,000
Commonwealth Development Corporation (CDC)		
-L-2747-01		
Principal	255,739,306	364,479,306
Financial charges	35,988,694	73,112,694
	291,728,000	437,592,000
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
	3,217,683,236	3,217,683,236
	14,679,023,666	16,132,816,666

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	-	10-03-90	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	[illegible]
Financial charges annually (%)	11.00	11.00	11.00	7.00	7.00	7.00	11.00	[illegible]
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-[illegible]

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.

			2015	2014
			Rupees	
7	**Long term Deposits**			
	Consumers security deposits	7.1	599,073,598	554,480,392
7.1	**Movement in deposits**			
	Opening balance		554,480,392	501,437,204
	Add: Deposits made during the year	7.1.1	44,593,206	53,043,188
	Closing balance		599,073,598	554,480,392

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		1,393,297,111	1,145,848,510
9	**Accrued and other liabilities**			
	Accrued expenses	9.1	8,772,357,400	7,548,257,043
	Other liabilities	9.2	97,909,496	60,698,331
			8,870,266,896	7,608,955,374
9.1	**Accrued expenses**			
	Payable to Karachi Electric Supply Corporation		5,423,187,923	3,819,544,924
	Payable against medical facilities		61,480,290	61,487,064
	Payable to employees		2,055,960,578	2,488,283,999
	Payable against share of fire and conservancy	9.1.1	1,162,247,091	1,110,659,538
	Payable against gas charges		2,235,190	2,235,190
	Interest payable on loans transferred from KDA and KWMB	9.1.2	54,261,450	54,261,450
	Audit Remuneration		12,984,878	11,784,878
			8,772,357,400	7,548,257,043

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	78,731,887	39,097,307
	Withholding tax payable		19,177,609	21,601,024
			97,909,496	60,698,331

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.

	Note	2015	2014
		Rupees	
10 SHORT TERM DEPOSITS			
Security deposit from contractor	10.1	1,077,901,727	1,123,120,381

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.

	Note	2015	2014
11 Current maturity of long term loans			
International Lending Agencies	11.1	18,511,971,000	17,025,834,000
Loan by Provincial Government transferred from KDA		32,323,400	32,323,400
		18,544,294,400	17,058,157,400

11.1 International Lending Agencies

	2015	2014
International Development Association (IDA)		
-1374 PAK		
Principal	502,001,000	471,343,000
Financial charges	750,146,000	748,460,000
	1,252,147,000	1,219,803,000
-1652 PAK		
Principal	588,640,000	517,310,000
Financial charges	1,002,708,000	978,581,000
	1,591,348,000	1,495,891,000
	2,843,495,000	2,715,694,000
Payment made against loan:		
Year 1999-2000	(40,000,000)	(40,000,000)
Year 2000-2001	(40,000,000)	(40,000,000)
	(80,000,000)	(80 000,000)
	2,763,495,000	2,635,694,000
-1987 PAK		
Principal	2,410,913,000	2,057,161,000
Financial charges	7,513,133,000	6,964,699,000
	9,924,046,000	9,021,860,000
Asian Development Bank (ADB)		
-SF-793 PAK		
Principal	676,150,000	608,790,000
Financial charges	820,110,000	793,954,000
	1,496,260,000	1,402,744,000
-SF-1001 PAK / 1002 PAK		
Principal	511,770,000	440,860,000
Financial charges	1,547,576,000	1,401,716,000
	2,059,346,000	1,842,576,000
	3,555,606,000	3,245,320,000
Commonwealth Development Corporation (CDC)		
-L-2747-01		
Principal	877,788,000	769,048,000
Financial charges	1,456,036,000	1,418,912,000
	2,333,824,000	2,187,960,000
Payment made against loan:		
Year 2001-2002	(65,000,000)	(65,000,000)
	2,268,824,000	2,122,960,000
	18,511,971,000	17,025,834,000

12 CONTINGENCIES AND COMMITMENTS

12.1 There were no contingencies and commitments as at 30 June 2015 (2014: Nil)

		Note	2015	2014
			Rupees	
13	**PROPERTY, PLANT AND EQUIPMENT**			
13.1	*The property ,plant and equipment scheduled is attached*	13.1	12,094,272,500	12,617,971,169
14	**CAPITAL WORK IN PROGRESS**			
	Movement for capital work in progress is as follows:			
	Opening balance		24,346,346,355	22,539,443,193
	Additions during the year		3,050,802,614	1,806,903,162
	Transfers during the year		-	-
	Closing balance		27,397,148,969	24,346,346,355
	Foreign Aided Projects			
	Karachi Water Supply and Sanitation Project under Commonwealth Development Corporation (CDC)		3,349,239,116	3,349,239,116
	Improvement Project under Overseas Economic Co-operation Fund (OECF)- PK-P40 Japan		3,720,572,260	3,720,572,260
		14.1	7,069,811,376	7,069,811,376
	Bank balances with Foreign aided projects	14.2	8,479,429	8,479,429
			7,078,290,805	7,078,290,805
	Government Aided Projects			
	Pumping Conveyance Improvement System	14.3	639,478,761	639,478,761
	The Greater 100 MGD water supply (K-III)	14.4	7,319,070,496	7,310,078,768
	Tameer-e-Karachi programme	14.5	3,980,241,514	3,980,241,514
	The Greater Karachi Sewerage Plan (S-III)	14.6	236,923,168	36,046,441
	Schemes under Annual Development Programme		8,143,144,225	5,302,210,066
			20,318,858,164	17,268,055,550
			27,397,148,969	24,346,346,355

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 *Greater 100 MGD water supply (K-III)* 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.

14.6 Greater Karachi Sewerage Project (S-III) is aimed towards improving environmental & sanitation conditions of Karachi through a well integrated system of collection, treatment and disposal of sewage. The existing sewage disposal system lacks treatment, facilities and requires conveyance network for the sewage to divert it to the treatment plants which are currently being disposed off into sea.

		2015	2014
15	**Trade debtors**		
15.1	***Receivable from Bulk Consumers against***		
	- Water charges	13,912,220,778	11,432,697,553
	- Sewerage services	3,197,858,215	3,197,858,215
		17,110,078,993	14,630,555,768
15.2	***Receivable from Retail Consumers against***		
	- Water charges	8,567,322,393	7,310,646,387
	- Sewerage services	2,809,930,292	2,809,930,292
		11,377,252,684	10,120,576,678
	Less: Provision for doubtful debts	(6,208,140,307)	(5,719,519,001)
		22,279,191,370	19,031,613,445

		Note	2015	2014
			Rupees	
16	**Loans and advances**			
	Advances to employees - unsecured			
	House Building	16.1	77,407,614	65,542,347
	Motor Cycle		6,329,765	4,580,195
	Marriage		4,072,559	3,049,456
			87,809,938	73,171,998

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,through the notification, by the Government of Sindh.

		Note	2015	2014
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
			304,793,307	304,793,307
17.1	***Receivable from Karachi Metropolitan Corporation (KMC)***			
	Balance as at July 01, 2014		408,199,380	408,199,380
	Share of fire and conservancy payable on behalf of CDGK		(201,712,199)	(201,712,199)
	Subsidy receivable from Karachi Metropolitan Corporation-KMC as at June 30, 2015.		206,487,181	206,487,181

17.1 The balance remain static and reported accordingly during the year.

		Note	2015	2014
18	**Cash at banks -**			
	Current Accounts		402,953,860	68,644,457
	Deposit accounts	18.1	11,137,092	11,261,262
			414,090,951	79,905,719

18.1 It carries profit ranging from 4 % to 6% (2014: 4% to 6%) per annum.

		Note	2015	2014
19	**Revenue from Water**			
	Income from water against:			
	Bulk consumers		6,561,148,085	6,109,612,075
	Retail consumers		3,211,278,038	2,915,669,856
			9,772,426,123	9,025,281,931

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 as applicable from time to time at the fixed tariff rates .

		Note	2015	2014
20	**Cost of Revenue**			
	Salaries and other benefits	20.1	4,396,960,651	4,342,740,844
	Repair and maintenance		1,342,639,226	1,621,323,739
	Service charges against cost of raw water		12,300,000	6,592,010
	Chemicals consumed		75,544,755	74,777,760
	Fuel for pumping stations		266,179,644	274,187,030
	Electricity and gas charges		91,964,271	121,775,093
			6,185,588,547	6,441,396,476

20.1 Salaries and other benefits include Rs. 264,429,764 for the year ended June 30, 2015 (2014: Rs. 213,383,522) in respect of staff medical facilities.

		Note	2015	2014
			Rupees	
21	**Administrative expenses**			
	Salaries and other benefits		226,881,546	188,638,567
	Repair and maintenance		27,118,401	17,033,940
	Utilities		4,844,760	5,121,538
	Vehicle running expense		172,943,428	194,882,874
	Automation of Billing		48,740,406	40,933,415
	Legal and professional charges		8,107,119	5,514,443
	Entertainment		717,180	159,600
	Printing and stationery		4,515,428	5,058,242
	Advertisement		12,615,686	9,943,020
	Books and periodicals		307,554	54,100
	Auditors' remuneration		1,200,000	1,137,333
	Provision for doubtful debts		488,621,306	451,264,097
	Miscellaneous		37,963,685	31,378,652
			1,034,576,499	951,119,821
22	**OTHER EXPENSES**			
	Depreciation	22.1	517,450,334	544,058,243
			517,450,334	544,058,243
22.1	**Depreciation**			
	Expense for the year		526,420,630	554,088,305
	less: Amortization of grant	22.1.1	(8,970,296)	(10,030,062)
			517,450,334	544,058,243

22.1.1 This represents such portion of the grant as is recognized in income upon capitalization of related assets.

		Note	2015	2014
23	**OTHER INCOME**			
	Profit from bank	23.1	7,607,473	29,315,227
	Receipts against water surcharge	23.2	347,459,551	16,692,115
			355,067,024	46,007,342

23.1 This represents profit / mark up net of withholding tax earned on PLS bank accounts.

23.2 This represents receipts against water supply allowed to the contractors for the work carried out on the projects or schemes. These charges are deducted against the bill at the rate of 0.5% of the total cost of work for drinking purposes and 1% of total cost of work for construction purposes.

		2015	2014
24	**FINANCIAL CHARGES**		
	International Development Association (IDA)		
	-1374 PAK	1,686,000	7,920,000
	-1652 PAK	24,127,000	31,370,000
	-1987 PAK	548,434,000	584,357,000
		574,247,000	623,647,000
	Asian Development Bank (ADB)		
	-SF-793 PAK	26,156,000	30,635,000
	-SF-1001 PAK / 1002 PAK	145,860,000	150,565,000
		172,016,000	181,200,000
	Commonwealth Development Corporation (CDC)		
	-L-2747-01	37,124,000	58,088,000
		783,387,000	862,935,000

24.1 Financial charges are inclusive of exchange risks charges on the principal amount of the loan withdrawn by the Karachi Metropolitan Corporation through the provincial government.

25 **General**

	2015	2014
Total number of employees for the year ended	14,161	13,986

The figures have been rounded off to the nearest rupees. Corresponding figures have been rearranged/ reclassified for comparison, there is no material impact of such reclassifications.

26 **Date of issue**

25 SEP 2023

These financial statements have been authorized for issue on ____________ by the Board.

MANAGING DIRECTOR

DEPUTY MANAGING DIRECTOR

13.1 Particulars	COST				DEPRECIATION				Book value as at 30 June 2015	Rate %
	As on 01 July 2014	Addition	(Deletion)	As at 30 June 2015	As on 01 July 2014	On Disposal	Charge For The Year	As at 30 June 2015		
	Amount in Rupees									
SCHEMES										
Renovation of sewerage in P.E.C.H.S	61,675,178	-	-	61,675,178	47,309,588	-	718,279	48,027,868	13,647,310	5%
Lyari Sewerage Scheme	149,622,108	-	-	149,622,108	113,411,817	-	1,810,515	115,222,331	34,399,777	5%
Renovation of Water Supply NN and FB area	72,005,309	-	-	72,005,309	54,098,775	-	895,327	54,994,102	17,011,207	5%
Foreign & Govt aided Projects	737,449,268	-	-	737,449,268	381,570,450	-	17,793,941	399,364,391	338,084,877	5%
KCH water supply projects 1374 PAK	824,770,622	-	-	824,770,622	487,481,025	-	16,864,480	504,345,505	320,425,117	5%
KSDP-IDA 1652 PAK	1,185,262,942	-	-	1,185,262,942	759,620,513	-	21,282,121	780,902,634	404,360,308	5%
KSDP - ADB 793 PAK	1,377,733,977	-	-	1,377,733,977	830,478,297	-	27,362,784	857,841,081	519,892,896	5%
KSDP - ADB 1001/1002 PAK (SF)	3,464,437,398	-	-	3,464,437,398	1,859,006,024	-	80,271,569	1,939,277,592	1,525,159,806	5%
KCH water supply project IDA 1987 - PAK	13,658,633,237	-	-	13,658,633,237	6,997,659,561	-	333,048,684	7,330,708,245	6,327,924,992	5%
	21,531,590,039	-	-	21,531,590,039	11,530,636,049	-	500,047,700	12,030,683,748	9,500,906,291	
TRANSFERRED / SCHEMES ASSETS										
Schemes from KWMB	4,680,897	-	-	4,680,897	3,675,556	-	50,267	3,725,823	955,074	5%
Schemes from KDA	1,170,475,891	-	-	1,170,475,891	952,000,216	-	10,923,784	962,924,000	207,551,891	5%
	1,175,156,788	-	-	1,175,156,788	955,675,773	-	10,974,051	966,649,823	208,506,965	
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	119,943,619	-	3,634,579	123,578,199	69,057,010	5%
Plant & Machinery	49,452,017	-	-	49,452,017	42,771,783	-	668,023	43,439,807	6,012,210	10%
Underground Pipelines	383,692,227	-	-	383,692,227	238,904,583	-	7,239,382	246,143,965	137,548,262	5%
	2,763,163,938	-	-	2,763,163,938	401,619,985	-	11,541,985	413,161,971	2,350,001,967	
OTHER ASSETS										
Office building	945,000	-	-	945,000	654,547	-	14,523	669,070	275,930	5%
Vehicles	55,516,534	-	-	55,516,534	46,388,064	-	912,847	47,300,911	8,215,623	10%
Office equipment and furniture	39,851,847	2,721,960	-	42,573,807	26,404,043	-	1,616,976	28,021,019	14,552,788	10%
Machinery and equipments	131,132,453	-	-	131,132,453	123,138,599	-	799,385	123,937,984	7,194,469	10%
Sewerage cleaning machines	35,439,740	-	-	35,439,740	30,310,094	-	512,965	30,823,059	4,616,681	10%
Other minor fixed assets	5,019,129	-	-	5,019,129	5,017,144	-	198	5,017,343	1,786	10%
	267,904,703	2,721,960	-	270,626,663	231,912,492	-	3,856,894	235,769,386	34,857,277	
As at 30 June, 2015	25,737,815,468	2,721,960	-	25,740,537,428	13,119,844,299	-	526,420,630	13,646,264,928	12,094,272,500	
As at 30 June, 2014	25,735,911,237	1,904,231	-	25,737,815,468	12,565,755,994	-	554,088,305	13,119,844,299	12,617,971,169	