

KARACHI WATER AND SEWERAGE BOARD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2016

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, 2016 and the related income and expenditure account and the cash flow statement together with the notes forming part thereof (hereinafter 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. Proper documentation is not maintained against the receipt of funds released by the Provincial and Federal Government during the year. The amount of Rs. 854,543,097/- 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. 191,231,090/- representing security deposits received from consumers against water supplies and sewerage services, is not maintained. Thus, we were 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. 5,508,097,333/- represents several long outstanding dues, 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 were unable to verify the amount due.
4. As disclosed in note 9.1 to the financial statements, an amount of Rs. 1,925,812,732/- has been shown as payable to employees on account of staff retirement benefits. This 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 were unable to assess the adequacy and appropriateness of the amount disclosed in these financial statements in this respect.


5. Accrued expenses, as disclosed in note 10.1.2 to the financial statements, include an amount of Rs. 54,261,450/- representing 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 make the provision for any interest charges subsequent to June 30, 1993 which would have been required to be made in these financial statements.
6. We have not been 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. 11,595,635,692/- 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 under various categories.
7. We have not been provided the project completion reports relating to Capital Work in Progress amounting to Rs. 28,262,297,713/- with respect to various projects in progress as such completion reports are not maintained by the Board. Consequently, we were unable to determine whether the projects have been completed and those are correctly classified and stated in the financial statements. Hence, no impact of depreciation has been accounted for in these financial statements.
8. As disclosed in note No. 15.1 to the financial statements, an amount of Rs. 17,482,763,024/- 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 were unable to verify the accuracy of the demand generated against the consumers' billing during the year.
9. Trade debtors amounting to Rs. 11,554,215,954/- 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 due from retail consumers shown in the Financial Statements. Moreover, the Board has made a provision of Trade Debts amounting to Rs. 6,746,001,093/- for which no basis is shared with us; hence we were 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.

- 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 were unable to assess the adequacy and appropriateness of the amount disclosed in these financial statements in this respect.
5. Accrued expenses, as disclosed in note 10.1.2 to the financial statements, include an amount of Rs. 54,261,450/- representing 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 make the provision for any interest charges subsequent to June 30, 1993 which would have been required to be made in these financial statements.
 6. We have not been 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. 11,595,635,692/- 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 under various categories.
 7. We have not been provided the project completion reports relating to Capital Work in Progress amounting to Rs. 28,262,297,713/- with respect to various projects in progress as such completion reports are not maintained by the Board. Consequently, we were unable to determine whether the projects have been completed and those are correctly classified and stated in the financial statements. Hence, no impact of depreciation has been accounted for in these financial statements.
 8. As disclosed in note No. 15.1 to the financial statements, an amount of Rs. 17,482,763,024/- 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 were unable to verify the accuracy of the demand generated against the consumers' billing during the year.
 9. Trade debtors amounting to Rs. 11,554,215,954/- 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 due from retail consumers shown in the Financial Statements. Moreover, the Board has made a provision of Trade Debts amounting to Rs. 6,746,001,093/- for which no basis is shared with us; hence we were 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 and has directly credited it to the trade debtors as and when the surcharge on late payment is received, rather than 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 and verified. 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 has been 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 these financial statements.


Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

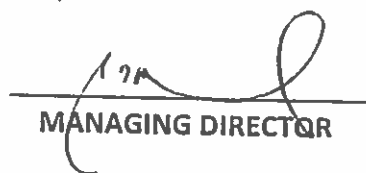
Karachi
Dated:

KARACHI WATER AND SEWERAGE BOARD

BALANCE SHEET AS AT JUNE 30, 2016

	Note	2016 Rupees	2015
RESERVES			
Capital Reserves	4	3,770,914,241	3,770,914,241
Accumulated Deficit		(15,042,321,723)	(17,083,033,695)
FUND ACCOUNT	5	31,419,018,542	30,564,475,445
NON CURRENT LIABILITIES			
Long term loans	6	13,386,324,547	14,840,117,313
Long term deposits	7	790,304,688	599,073,598
		<u>14,176,629,235</u>	<u>15,439,190,911</u>
CURRENT LIABILITIES			
Current maturity of long term loans	8	19,998,087,166	18,544,294,400
Trade creditors	9	1,460,652,521	1,393,297,111
Accrued and other liabilities	10	8,852,517,023	8,870,266,896
Short term deposits	11	1,215,656,636	1,077,901,727
		<u>31,526,913,346</u>	<u>29,885,760,134</u>
		<u>65,851,153,641</u>	<u>62,577,307,035</u>
CONTINGENCIES AND COMMITMENTS	12		
NON CURRENT ASSETS			
Property, plant and equipments	13	11,595,635,692	12,094,272,500
Capital work in progress	14	28,262,297,713	27,397,148,969
		<u>39,857,933,405</u>	<u>39,491,421,469</u>
CURRENT ASSETS			
Trade debtors	15	25,488,836,100	22,279,191,370
Loans and advances	16	103,444,447	87,809,938
Other receivables	17	304,793,307	304,793,307
Cash and bank balances	18	96,146,382	414,090,951
		<u>25,993,220,236</u>	<u>23,085,885,566</u>
		<u>65,851,153,641</u>	<u>62,577,307,035</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, 2016**

	Note	2016 Rupees	2015
Revenue from water	19	10,757,215,713	9,772,426,123
Cost of revenue	20	(6,288,631,151)	(6,185,588,547)
Gross profit		<u>4,468,584,562</u>	<u>3,586,837,576</u>
Administrative expenses	21	(1,451,903,361)	(1,034,576,499)
Operating profit		3,016,681,201	2,552,261,077
Other income	22	227,075,141	355,067,024
Other expenses	23	(491,525,603)	(517,450,334)
Financial charges	24	(711,518,767)	(783,387,000)
Surplus for the year		<u>2,040,711,972</u>	<u>1,606,490,767</u>
Accumulated deficit brought forward		(17,083,033,695)	(18,689,524,462)
Accumulated deficit carried forward		<u>(15,042,321,723)</u>	<u>(17,083,033,695)</u>

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


MANAGING DIRECTOR


DEPUTY MANAGING DIRECTOR
FINANCE

KARACHI WATER AND SEWERAGE BOARD
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year		
Adjustment for :	2,040,711,972	1,606,490,767
Depreciation		
Operating surplus before working capital changes	500,011,553	526,420,630
Working capital changes:	2,540,723,526	2,132,911,397
(Increase) in current assets		
Trade debtors	(3,209,644,730)	(3,247,577,925)
Loans and advances	(15,634,509)	(14,637,940)
Increase / (decrease) in current liabilities	(3,225,279,239)	(3,262,215,865)
Current maturity of long term loans		
Trade creditors	1,453,792,766	1,486,137,000
Accrued and other liabilities	67,355,410	247,448,601
Short term deposits	(17,749,873)	1,261,311,522
	137,754,909	(45,218,654)
Net cash generated from operations	1,641,153,212	2,949,678,469
	956,597,498	1,820,374,001
CASH FLOW FROM INVESTING ACTIVITIES		
Addition in property, plant and equipment		
Capital work in progress	(1,374,745)	(2,721,960)
Net cash (used in) from investing activities	(865,148,744)	(3,050,802,614)
	(866,523,489)	(3,053,524,574)
CASH FLOW FROM FINANCING ACTIVITIES		
Grants		
Long term loans	854,543,097	2,976,535,598
Long term deposits	(1,453,792,766)	(1,453,793,000)
Net cash (used in) / generated from financing activities	191,231,090	44,593,206
	(408,018,579)	1,567,335,804
Net (decrease) / increase in cash and cash equivalents	(317,944,569)	334,185,232
Cash and cash equivalents at the beginning of the year	414,090,951	79,905,719
Cash and cash equivalents at the end of the year	96,146,382	414,090,951

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


MANAGING DIRECTOR


DEPUTY MANAGING DIRECTOR
(FINANCE)

**KARACHI WATER AND SEWERAGE BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 was 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' represent 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

	2016	2015
	Rupees	
4 Capital Reserves		
<i>Excess of assets over liabilities transferred from KDA</i>		
<i>Excess of liabilities over assets transferred from KWMB</i>	4.1 950,718,551	950,718,551
<i>Bulk water cost payable to KDA by KMC on behalf of KWMB</i>	(110,298,456)	(110,298,456)
	<u>144,229,751</u>	<u>144,229,751</u>
<i>Assets transferred from KMC</i>	33,931,295	33,931,295
<i>Debtors balances</i>	4.2 2,763,163,938	2,763,163,938
	4.3 23,100,457	23,100,457
	<u>3,770,914,241</u>	<u>3,770,914,241</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>Foreign aided projects</i>		
<i>The Greater 100 MGD Water Supply (K-III) Project</i>	5.1 3,991,728,491	3,991,728,491
<i>Tameer-e-Karachi Programme</i>	5.2 7,340,435,486	7,340,435,486
<i>Schemes under Annual Development Program</i>	5.3 3,542,040,659	3,542,040,659
	5.4 <u>10,549,209,106</u>	<u>9,694,666,009</u>
	25,423,413,742	24,568,870,645
<i>Grant from Government of Sindh</i>	5.5 5,995,604,800	5,995,604,800
	<u>31,419,018,542</u>	<u>30,564,475,445</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>	<u>327,350,827</u>	<u>327,350,827</u>
	<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.
- 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. FO (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.

6 LONG TERM LOANS

Loan from International lending agencies
Provincial government loan transferred from KDA
Loan from Government of Sindh

2016
Rupees
2015

6.1	13,225,230,900	14,679,023,666
6.2	103,116,647	103,116,647
6.3	57,977,000	57,977,000
	<u>13,386,324,547</u>	<u>14,840,117,313</u>

6.1 International Lending Agencies International Development Association (IDA)

-1374 PAK
Principal
Financial charges

30,658,000	30,658,000
1,687,430	1,687,430
32,345,430	32,345,430

-1652 PAK
Principal
Financial charges

85,958,922	165,348,922
7,091,312	23,156,078
93,050,234	188,505,000

-1987 PAK
Principal
Financial charges

4,324,352,905	4,718,086,905
1,987,839,095	2,496,291,095
6,312,192,000	7,214,378,000
6,437,587,664	7,435,228,430

Asian Development Bank (ADB)

-SF-793 PAK
Principal
Financial charges

250,700,000	322,860,000
31,750,000	53,109,000
282,450,000	375,969,000

-SF-1001 PAK / 1002 PAK

Principal
Financial charges

1,954,267,422	2,030,227,422
1,187,378,578	1,328,187,578
3,141,646,000	3,358,415,000
3,424,096,000	3,734,384,000

Commonwealth Development Corporation (CDC)

-L-2747-01
Principal
Financial charges

134,709,306	255,739,306
11,154,694	35,988,694
145,864,000	291,728,000

Overseas Economic Co-operation Fund (OECE)

-PK-P40
Principal
Financial charges

3,003,964,764	3,003,964,764
213,718,472	213,718,472
3,217,683,236	3,217,683,236
<u>13,225,230,900</u>	<u>14,679,023,666</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	24-02-85	19-05-93	-	19-03-90	19-03-90	25-02-90	-
Lending Agency	IDA	IDA	IDA	ADB	ADB	ADB	CDC	OECE
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-90	1-Sep-94	15-May-91	15-Dec-97	15-Dec-97	15-Oct-92	6-Aug-96
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-98

- 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.

	2016	2015
	Rupees	
7 Long term Deposits		
Consumers security deposits		
7.1	790,304,688	599,073,598
7.1 Movement in deposits		
Opening balance	599,073,598	554,480,392
Add: Deposits made during the year	7.1.1 191,231,090	44,593,206
Closing balance	790,304,688	599,073,598
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 Current maturity of long term loans		
International Lending Agencies		
Loan by Provincial Government, transferred from KDA	8.1 19,965,763,766	18,511,971,000
	32,323,400	32,323,400
	19,998,087,166	18,544,294,400
8.1 International Lending Agencies		
International Development Association (IDA)		
-1374 PAK		
Principal	502,001,000	502,001,000
Financial charges	750,146,000	750,146,000
	1,252,147,000	1,252,147,000
-1652 PAK		
Principal	668,030,000	588,640,000
Financial charges	1,018,772,766	1,002,708,000
	1,686,802,766	1,591,348,000
	2,938,949,766	2,843,495,000
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)
	2,858,949,766	2,763,495,000
-1987 PAK		
Principal	2,804,647,000	2,410,913,000
Financial charges	8,021,585,000	7,513,133,000
	10,826,232,000	9,924,046,000
Asian Development Bank (ADB)		
-SF-793 PAK		
Principal	748,310,000	676,150,000
Financial charges	841,469,000	820,110,000
	1,589,779,000	1,496,260,000
-SF-1001 PAK / 1002 PAK		
Principal	587,730,000	511,770,000
Financial charges	1,688,385,000	1,547,576,000
	2,276,115,000	2,059,346,000
	3,865,894,000	3,555,606,000
Commonwealth Development Corporation (CDC)		
-L-2747-01		
Principal	998,818,000	877,788,000
Financial charges	1,480,870,000	1,456,036,000
	2,479,688,000	2,333,824,000
Payment made against loan:		
Year 2001-2002	(65,000,000)	(65,000,000)
	2,414,688,000	2,268,824,000
	19,965,763,766	18,511,971,000

		2016	2015
		Rupees	
9 Trade Creditors			
Payable to contractors for work executed		<u>1,460,652,521</u>	<u>1,393,297,111</u>
10 Accrued and other liabilities			
Accrued expenses	10.1	8,738,503,696	8,772,357,400
Other liabilities	10.2	<u>114,013,327</u>	<u>97,909,496</u>
		<u>8,852,517,023</u>	<u>8,870,266,896</u>
10.1 Accrued expenses			
Payable to K- Electric		5,508,097,333	5,423,187,924
Payable against medical facilities		36,023,472	61,480,290
Payable to employees		1,925,812,732	2,055,960,579
Payable against share of fire and conservancy	10.1.1	1,197,888,641	1,162,246,091
Payable against gas charges		2,235,190	2,235,190
Interest payable on loans transferred from KDA and KWMB	10.1.2	54,261,450	54,261,450
Audit Remuneration		14,184,878	12,985,876
		<u>8,738,503,696</u>	<u>8,772,357,400</u>
10.1.1	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.		
10.1.2	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.		
10.2 Other liabilities			
Unpaid wages	10.2.1	87,514,818	78,731,887
Withholding tax payable		<u>26,498,509</u>	<u>19,177,609</u>
		<u>114,013,327</u>	<u>97,909,496</u>
10.2.1	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.		
11 SHORT TERM DEPOSITS			
Security deposit from contractor	11.1	<u>1,215,656,636</u>	<u>1,077,901,727</u>
11.1	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.		
12 CONTINGENCIES AND COMMITMENTS			
12.1	There were no contingencies and commitments as at 30 June 2016 (2015: Nil)		
13 PROPERTY, PLANT AND EQUIPMENT			
13.1	The property, plant and equipment scheduled is attached		
	13.1	<u>11,595,635,692</u>	<u>12,094,272,500</u>
14 CAPITAL WORK IN PROGRESS			
Movement of capital work in progress is as follows:			
Opening balance		27,397,148,969	24,346,346,355
Additions during the year		865,148,744	3,050,802,614
Transfers during the year			
Closing balance		<u>28,262,297,713</u>	<u>27,397,148,969</u>
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 (OECE)- 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	<u>8,479,429</u>	<u>8,479,429</u>
		<u>7,078,290,805</u>	<u>7,078,290,805</u>
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	7,329,646,443	7,319,070,496
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	236,923,168
Schemes under Annual Development Programme		8,997,717,022	8,143,144,225
		<u>21,184,006,908</u>	<u>20,318,858,164</u>
		<u>28,262,297,713</u>	<u>27,397,148,969</u>

- 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.

	2016	2015
	Rupees	
15 Trade debtors		
15.1 Receivable from Bulk Consumers against		
- Water charges	17,482,763,024	13,912,220,778
- Sewerage services	3,197,858,215	3,197,858,215
	<u>20,680,621,239</u>	<u>17,110,078,993</u>
15.2 Receivable from Retail Consumers against		
- Water charges	8,744,285,663	8,567,322,393
- Sewerage services	2,809,930,292	2,809,930,292
	<u>11,554,215,954</u>	<u>11,377,252,684</u>
Less: Provision for doubtful debts	<u>(6,746,001,093)</u>	<u>(6,208,140,307)</u>
	<u>25,488,836,100</u>	<u>22,279,191,370</u>
16 Loans and advances		
Advances to employees - unsecured		
House Building	16.1 85,495,642	77,407,614
Motor Cycle	13,983,814	6,329,765
Marriage	3,964,991	4,072,559
	<u>103,444,447</u>	<u>87,809,938</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, through the notification, 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, 2015	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, 2016.	<u>206,487,181</u>	<u>206,487,181</u>
17.1 The balance remain static and reported accordingly during the year.		

		2016	2015
		Rupees	
18	Cash at banks -		
	Current Accounts		
	Deposit accounts		
		87,395,192	402,953,860
18.1		8,751,189	11,137,091
		96,146,382	414,090,951
18.1	It carries profit ranging from 4 % to 6% (2015: 4% to 6%) per annum.		
19	Revenue from Water		
	Income from water against:		
	Bulk consumers		
	Retail consumers		
		7,186,622,918	6,561,148,085
		3,570,592,795	3,211,278,038
		10,757,215,713	9,772,426,123
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.		
20	Cost of Revenue		
	Salaries and other benefits		
	Repair and maintenance		
	Service charges against cost of raw water		
	Chemicals consumed		
	Fuel for pumping stations		
	Electricity and gas charges		
20.1		4,845,176,969	4,396,960,651
		1,095,779,674	1,342,639,226
		8,220,000	12,300,000
		93,219,702	75,544,755
		178,399,312	266,179,644
		67,835,494	91,964,271
		6,288,631,151	6,185,588,547
20.1	Salaries and other benefits include Rs. 240,944,905 for the year ended June 30, 2016 (2015: Rs. 264,429,764) in respect of staff medical facilities.		
21	Administrative expenses		
	Salaries and other benefits		
	Repair and maintenance		
	Utilities		
	Vehicle running expense		
	Automation of billing		
	Legal and professional charges		
	Entertainment		
	Printing and stationery		
	Advertisement		
	Books and periodicals		
	Auditors' remuneration		
	Provision for doubtful debts		
	Miscellaneous		
		618,011,099	226,881,546
		26,850,949	27,118,401
		4,044,403	4,844,760
		149,682,882	172,943,428
		43,724,081	48,740,406
		18,141,043	8,107,119
		432,510	717,180
		4,496,423	4,515,428
		11,031,842	12,615,686
		259,577	307,554
		1,200,000	1,200,000
		537,860,785	488,621,306
		36,167,767	37,963,685
		1,451,903,361	1,034,576,499
22	OTHER EXPENSES		
	Depreciation		
22.1		491,525,603	517,450,334
22.1	Depreciation		
	Expense for the year		
	less: Amortization of grant		
		500,011,553	526,420,630
		(8,485,950)	(8,970,296)
		491,525,603	517,450,334
22.1.1	This represents such portion of the grant as is recognized in income upon capitalization of related assets.		
23	OTHER INCOME		
	Profit from bank		
	Receipts against water surcharge		
23.1		2,138,162	7,607,473
23.2		224,936,979	347,459,551
		227,075,141	355,067,024
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.		

2016

2015

Rupees

24 FINANCIAL CHARGES

International Development Association (IDA)

-1374 PAK

-1652 PAK

-1987 PAK

-	1,686,000
16,064,767	24,127,000
508,452,000	548,434,000
524,516,767	574,247,000

Asian Development Bank (ADB)

-SF-793 PAK

-SF-1001 PAK / 1002 PAK

21,359,000	26,156,000
140,809,000	145,860,000
162,168,000	172,016,000

Commonwealth Development Corporation (CDC)

-L-2747-01

24,834,000	37,124,000
711,518,767	783,387,000

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

Total number of employees for the year ended

16,709	14,161
--------	--------

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

2023

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



MANAGING DIRECTOR



DEPUTY MANAGING DIRECTOR
(FINANCE)

13.1	Particulars	As on 01 July 2015	Addition	(Deletion)	As at 30 June 2016	On Disposal	Charge for the Year	As at 30 June 2016	Book value as at 30 June 2016	Rate %
Amount in Rupees										

Renovation of sewerage in P.E.C.H.S	61,675,178		61,675,178	48,027,868		682,366		48,710,233	12,964,945	5%
Lyoni Sewerage Scheme	149,622,108		149,622,108	115,222,331		1,719,989		116,942,320	32,679,788	5%
Renovation of Water Supply NH and FB area	72,005,309		72,005,309	54,994,102		850,560		55,844,662	16,160,647	5%
Foreign & Govt aided Projects	737,449,268		737,449,268	399,364,391		16,904,244		416,269,634	321,180,634	5%
KCH water supply projects 1374 PAK	824,770,622		824,770,622	504,345,305		16,021,256		520,366,761	304,403,961	5%
KSDP-IDA 1652 PAK	1,185,262,942		1,185,262,942	780,902,634		20,218,015		801,120,650	384,142,392	5%
KSDP - ADB 793 PAK	1,377,733,977		1,377,733,977	867,841,081		35,994,645		883,835,726	493,898,251	5%
KSDP - ADB 1001/1002 PAK (SF)	3,464,437,398		3,464,437,398	1,939,277,592		76,257,990		2,015,535,583	2,448,901,815	5%
KCH water supply project IDA 1987 - PAK	13,658,633,237		13,658,633,237	7,330,708,245		316,396,250		7,647,104,494	6,011,528,743	5%
	21,531,590,039		21,531,590,039	12,030,683,248		475,045,315		12,505,729,063	9,025,862,976	

TRANSFERRED / SCHEMES / ASSETS										
Scheme from KVM/B	4,680,897		4,680,897	3,775,873		47,754		3,773,577	907,320	5%
Scheme from KDA	1,170,475,891		1,170,475,891	962,924,000		10,377,595		973,301,595	197,174,296	5%
	1,175,156,788		1,175,156,788	966,649,873		10,425,348		977,075,172	198,081,616	

SEWERAGE ASSETS TRANSFERRED FROM IMC										
Land	2,137,384,485		2,137,384,485						2,137,384,485	
Building	192,635,209		192,635,209	123,578,199		3,452,851		127,031,049	65,604,160	5%
Plant & Machinery	49,452,017		49,452,017	43,439,807		601,221		44,041,028	5,410,989	10%
Underground Pipelines	383,692,227		383,692,227	246,143,965		6,877,413		253,021,378	130,670,849	5%
	2,763,163,938		2,763,163,938	413,162,971		10,931,485		424,093,455	2,339,070,483	

OTHER ASSETS										
Office building	945,000		945,000	669,070		13,797		682,866	262,133,6181	5%
Vehicles	55,516,534		55,516,534	47,300,911		821,562		48,122,473	7,394,060,5759	10%
Office equipment and furniture	43,573,807		43,948,552	28,021,019		1,592,753		29,613,772	14,334,779,7000	10%
Machinery and equipments	131,132,453		131,132,453	123,937,984		719,447		124,657,431	6,475,021,7435	10%
Sewerage cleaning machines	35,439,740		35,439,740	10,823,059		461,668		31,284,727	4,155,013,0130	10%
Other minor fixed assets	5,019,129		5,019,129	5,017,343		179		5,017,521	1,607,7563	10%
	270,626,663		272,001,408	235,769,386		3,609,406		239,378,792	31,622,618	

As at 30 June, 2016	25,740,537,428	1,374,745	25,741,912,173	13,646,644,978	500,011,553	14,146,276,481	11,595,635,692
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