

KARACHI WATER AND SEWERAGE BOARD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2019

Auditors' Report

Report on the Financial Statements

We have audited the annexed statement of financial position of Karachi Water and Sewerage Board (the Board) as at June 30, 2019 and the related statement of income and expenditure and the statement of cash flow 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. An amount of Rs. 27,046,324/- has been credited during the year to the Fund Account which represents the releases made by the Provincial and Federal Governments for the execution of various projects. However, proper documentation is not maintained in respect of receipt of such funds. Therefore, in the absence of any documentation or correspondence, we were unable to verify the completeness of such receipts. Furthermore, in the absence of any supporting documents, the expenditure incurred on the execution of projects against Annual Development Programme could not be verified.
2. As disclosed in note 10.1 to the financial statements, an amount of Rs. 1,049,152,823 /- has been shown as payable to employees on account of staff retirement benefits. This includes amount outstanding for 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 for 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 statement in this respect.
3. As disclosed in note 10.1.2 to the financial statements, accrued expenses 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 determine the provision for any interest charges subsequent to June 30, 1993 which would have been required to be made in these financial statements.

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4. We were not provided consolidated division-wise fixed assets register as required under the Rules of the Board nor were we provided any details or breakup of Property, Plant and Equipment amounting to Rs. 10,265,822,948/- as stated in the notes to the financial statements. Therefore, in the absence of such record, we were unable to verify the valuation and physical existence of fixed assets under various categories.
5. We were not provided the project completion reports relating to as disclosed in 14 to the financial statements, Capital Work in Progress amounts to Rs. 30,191,030,642/- with respect to various projects in progress. However, no such completion reports are maintained by the Board. Consequently, we were unable to determine whether or not the projects have been completed and are appropriately classified and reflected in the statement of financial position. Further, no impact of depreciation has been accounted for in these financial statements.
6. As disclosed in note No. 15.1 to the financial statements, an amount of Rs. 21,853,908,869/- represents receivable from bulk consumers of water and sewerage facilities. The consumer wise breakup provided by the billings 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 raised through the consumers' billings during the year.
7. Trade debtors amounting to Rs. 16,730,978,431/- represent receivables from retail consumers of water and sewerage facilities, which during the data transmission process from 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 an arbitrary provision for bad debts amounting to Rs. 8,439,233,947/- for which no basis has been shared with us; hence we were unable to determine the accuracy of provision against doubtful debts.
8. As disclosed in Note 17 to the financial statements, an 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. The management is of the view that the balance will remain constant and so far, there has been no subsequent change in the balance. The nature of such receivable, however, could not be ascertained and the management could not provide proper documentation in this regard. Further, the amount outstanding against Karachi Development Authority and Karachi Metropolitan Corporation remains unconfirmed by the concerned authorities.
9. As disclosed in note 20 to the financial statements, cost of revenue includes expenditure incurred on account of repair and maintenance on the projects that 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 have not been able to determine the adequacy of the amount representing revenue expenditure on the projects.

10. 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 the financial statements.

Chartered Accountants

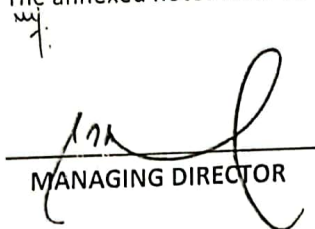
Karachi:

Dated:

KARACHI WATER AND SEWERAGE BOARD
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

		2019	2018
	Note	Rupees	
RESERVES			
Capital reserves	4	3,770,914,241	3,770,914,241
Accumulated deficit		(9,446,714,233)	(9,735,711,421)
FUND ACCOUNT	5	33,205,376,398	33,178,330,074
NON CURRENT LIABILITIES			
Long term loans	6	9,842,409,547	10,961,369,547
Long term deposits	7	903,617,155	862,883,268
		<u>10,746,026,702</u>	<u>11,824,252,815</u>
CURRENT LIABILITIES			
Current maturity of long term loans	8	23,907,713,400	22,693,337,400
Trade creditors	9	991,789,819	1,042,847,294
Accrued and other liabilities	10	7,523,899,986	7,379,077,180
Short term deposits	11	808,843,739	939,451,972
		<u>33,232,246,944</u>	<u>32,054,713,846</u>
		<u>71,507,850,052</u>	<u>71,092,499,555</u>
CONTINGENCIES AND COMMITMENTS	12		
NON CURRENT ASSETS			
Property, plant and equipments	13	10,265,822,948	10,684,946,600
Capital work in progress	14	30,191,030,642	30,139,981,873
		<u>40,456,853,590</u>	<u>40,824,928,473</u>
CURRENT ASSETS			
Trade debtors	15	30,145,653,353	27,330,581,924
Loans and advances	16	144,488,839	130,814,500
Other receivables	17	304,793,307	304,793,307
Cash and bank balances	18	456,060,963	2,501,381,351
		<u>31,050,996,462</u>	<u>30,267,571,082</u>
		<u>71,507,850,052</u>	<u>71,092,499,555</u>

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


MANAGING DIRECTOR


DEPUTY MANAGING DIRECTOR
(FINANCE)

**KARACHI WATER AND SEWERAGE BOARD
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019	2018
			Rupees
Revenue	19	11,088,004,903	11,653,321,694
Cost of revenue	20	(8,234,566,811)	(7,198,625,499)
Gross profit		<u>2,853,438,092</u>	<u>4,454,696,195</u>
Administrative expenses	21	(1,675,368,097)	(1,537,846,426)
Operating profit		<u>1,178,069,995</u>	<u>2,916,849,769</u>
Other income	22	21,924,992	21,405,050
Other expenses	23	(423,499,799)	(443,253,181)
Financial charges	24	(487,498,000)	(586,103,233)
Surplus for the year		<u>288,997,187</u>	<u>1,908,898,405</u>
Accumulated (deficit) brought forward		(9,735,711,421)	(11,644,609,826)
Accumulated (deficit) carried forward		<u>(9,446,714,233)</u>	<u>(9,735,711,421)</u>

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

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MANAGING DIRECTOR


DEPUTY MANAGING DIRECTOR
(FINANCE)

KARACHI WATER AND SEWERAGE BOARD
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	288,997,187	1,908,898,405
Adjustment for :		
Depreciation	430,309,495	441,637,081
Operating surplus before working capital changes	<u>719,306,682</u>	<u>2,350,535,486</u>
Working capital changes:		
(Increase) / Decrease in current assets		
Trade debtors	(2,815,071,430)	1,813,719,268
Loans and advances	(13,674,339)	(15,720,918)
	<u>(2,828,745,769)</u>	<u>1,797,998,350</u>
Increase / (Decrease) in current liabilities		
Current maturity of long term loans	1,214,376,000	1,243,841,233
Trade creditors	(51,057,475)	(1,020,506,344)
Accrued and other liabilities	144,822,806	(618,285,552)
Short term deposits	(130,608,233)	(199,374,333)
	<u>1,177,533,098</u>	<u>(594,324,996)</u>
Net cash (used in) / generated from operations	<u>(931,905,989)</u>	<u>3,554,208,840</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Addition in property, plant and equipment	(11,185,843)	(3,674,689)
Capital work in progress	(51,048,769)	(952,975,058)
Net cash (used in) investing activities	<u>(62,234,612)</u>	<u>(956,649,747)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Grants	27,046,324	812,668,471
Long term loans	(1,118,960,000)	(1,212,472,000)
Long term deposits	40,733,888	29,179,067
Net cash (used in) financing activities	<u>(1,051,179,788)</u>	<u>(370,624,462)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(2,045,320,388)</u>	<u>2,226,934,630</u>
Cash and cash equivalents at the beginning of the year	<u>2,501,381,351</u>	<u>274,446,721</u>
Cash and cash equivalents at the end of the year	<u><u>456,060,963</u></u>	<u><u>2,501,381,351</u></u>

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, 2019**

1 LEGAL STATUS AND NATURE OF BUSINESS

Karachi Water and 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.

Subsequently on 26 June 2023, the Karachi Water and Sewerage Corporation Act, 2023 came into effect by virtue of which, Karachi Water and Sewerage Corporation (KW&SC) was established to take over the entire business of KW&SB. According to section 49 of this Act, all assests, receivables, liabilities, payables and all other obligations have been passed on to the newly established Corporation. Similarly all the employees of KW&SB alongwith all their obligations have also been taken over by the Corporation.

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 Board's 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, 2019

	2019	2018
	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
	984,649,846	984,649,846
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 represent:		
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 3,541,041,059	3,541,041,059
Schemes under Annual Development Program	5.4 12,336,566,562	12,309,520,238
	27,209,771,598	27,182,725,274
Grant from Government of Sindh	5.5 5,995,604,800	5,995,604,800
	33,205,376,398	33,178,330,074

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.

	2019	2018
	Rupees	
6 LONG TERM LOANS		
Loan from International lending agencies	6.1 9,681,315,900	10,800,275,900
Provincial Government loan transferred from KDA	6.2 103,116,647	103,116,647
Loan from Government of Sindh	6.3 57,977,000	57,977,000
	<u>9,842,409,547</u>	<u>10,961,369,547</u>
6.1 International Lending Agencies		
International Development Association (IDA)		
-1374 PAK	30,658,000	30,658,000
Principal	1,687,430	1,687,430
Financial charges	32,345,430	32,345,430
-1652 PAK	85,958,922	85,958,922
Principal	7,091,312	7,091,312
Financial charges	93,050,234	93,050,234
-1987 PAK	2,855,450,905	3,398,348,905
Principal	750,183,095	1,109,471,095
Financial charges	3,605,634,000	4,507,820,000
	<u>3,731,029,664</u>	<u>4,633,215,664</u>
Asian Development Bank (ADB)		
-SF-793 PAK	90,600,000	90,600,000
Principal	4,817,000	4,817,000
Financial charges	95,417,000	95,417,000
-SF-1001 PAK / 1002 PAK	1,692,337,422	1,785,717,422
Principal	798,984,578	922,378,578
Financial charges	2,491,322,000	2,708,096,000
	<u>2,586,739,000</u>	<u>2,803,513,000</u>
Commonwealth Development Corporation (CDC)		
-L-2747-01	134,709,306	134,709,306
Principal	11,154,694	11,154,694
Financial charges	145,864,000	145,864,000
Overseas Economic Co-operation Fund (OECF)		
-PK-P40	3,003,964,764	3,003,964,764
Principal	213,718,472	213,718,472
Financial charges	3,217,683,236	3,217,683,236
	<u>9,681,315,900</u>	<u>10,800,275,900</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:

Loan Number	1374-Pak	1652-Pak	1987-Pak	SF-793 Pak	SF-1001 Pak	SF-1002 Pak	L-2747-01	PK-P40
Date of main agreement	30-06-83	24-02-86	19-05-93	-	19-03-90	19-03-90	25-02-90	OECF
Lending Agency	IDA	IDA	IDA	ADB	ADB	ADB	CDC	OECF
Agreed amount of loan (in SDR million)	23.00	19.45	163.50	17.89	39.91	26.61	25.00	V10 300M
Financial charges annually (%)	11.00	11.00	11.00	7.00	7.00	7.00	11.00	3.00
Other charges								
Commitment Charges annually (%)	0.50	0.50	0.50	-	0.75	0.75	0.75	0.10
Service Charges annually (%)	0.75	0.75	0.75	-	0.10	0.10	-	0.10
Repayment period in Years	25	25	25	25	35	25	13	21
Grace period in Years	5	6	6	5	10	10	5	5
No of biannual installments	40	38	40	40	50	40	26	41
Prepayment date each year	01-Mar & 01 Sept	15 May & 15 Nov	15 Mar & 01 Sept	15 Mar & 15 Nov	15 June & 15 Dec	15 June & 15 Dec	15 Apr & 15 Oct	20 May & 20 Nov
Repayment starting date	9-Jan-96	15-May-00	1-Sep-04	15-May-01	15-Dec-07	15-Dec-07	15-Oct-02	8-Aug-08
Representing share of agency % against major works	75	78	80	78	80	80	100	92
Date of financial closure	31-Oct-91	30-Dec-93	30-Jun-98	31-Dec-95	30-Sep-97	30-Sep-97	-	30-Sep-99

- 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.

		2019	2018
		Rupees	
7 Long term Deposits	7.1	903,617,155	862,883,268
Consumers security deposits			
7.1 Movement in deposits		862,883,268	833,704,201
Opening balance	7.1.1	40,733,887	29,179,067
Add: Deposits during the year		903,617,155	862,883,268
Closing balance			
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	8.1	23,875,390,000	22,661,014,000
International Lending Agencies		32,323,400	32,323,400
Loan by Provincial Government, transferred from KDA		23,907,713,400	22,693,337,400
8.1 International Lending Agencies			
International Development Association (IDA)			
-1374 PAK		502,001,000	502,001,000
Principal		750,146,000	750,146,000
Financial charges		1,252,147,000	1,252,147,000
-1652 PAK		754,000,000	754,000,000
Principal		1,057,234,000	1,057,234,000
Financial charges		1,811,234,000	1,811,234,000
		3,063,381,000	3,063,381,000
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)
		2,983,381,000	2,983,381,000
-1987 PAK		4,273,549,000	3,730,651,000
Principal		9,259,241,000	8,899,953,000
Financial charges		13,532,790,000	12,630,604,000
Asian Development Bank (ADB)			
-SF-793 PAK		999,010,000	908,410,000
Principal		873,218,000	868,402,000
Financial charges		1,872,228,000	1,776,812,000
-SF-1001 PAK / 1002 PAK		849,660,000	756,280,000
Principal		2,076,779,000	1,953,385,000
Financial charges		2,926,439,000	2,709,665,000
		4,798,667,000	4,486,477,000
Commonwealth Development Corporation (CDC)			
-L-2747-01		1,133,527,000	1,133,527,000
Principal		1,492,025,000	1,492,025,000
Financial charges		2,625,552,000	2,625,552,000
Payment made against loan:			
Year 2001-2002		(65,000,000)	(65,000,000)
		2,560,552,000	2,560,552,000
		23,875,390,000	22,661,014,000

	2019	2018
	Rupees	
9 Trade Creditors		
Payable to contractors for work executed	991,789,819	1,042,847,294
10 Accrued and other liabilities		
Accrued expenses	10.1 7,505,978,141	7,346,925,681
Other liabilities	10.2 17,921,845	32,151,499
	<u>7,523,899,986</u>	<u>7,379,077,180</u>
10.1 Accrued expenses		
Payable to K- Electric	5,303,608,649	5,257,776,850
Payable against medical facilities	85,035,207	78,584,467
Payable to employees	1,049,152,823	831,314,742
Payable against share of fire and conservancy	10.1.1 993,899,944	1,106,168,104
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	17,784,878	16,584,878
	<u>7,505,978,141</u>	<u>7,346,925,681</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 9,273,009	25,663,997
Withholding tax payable	8,648,836	6,487,502
	<u>17,921,845</u>	<u>32,151,499</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	11.1 808,843,739	939,451,972
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 2019 (2018: Nil)		
13 PROPERTY, PLANT AND EQUIPMENT		
13.1 The property, plant and equipment scheduled is attached	13.1 10,265,822,948	10,684,946,600
14 CAPITAL WORK IN PROGRESS		
Movement of capital work in progress is as follows:		
Opening balance	30,139,981,873	29,187,006,815
Additions during the year	51,048,769	952,975,058
Closing balance	<u>30,191,030,642</u>	<u>30,139,981,873</u>
Foreign Aided Projects		
Karachi Water Supply and Sanitation Project under Commonwealth Development Corporation (CDC)	3,349,366,276	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 7,069,938,536	7,069,938,536	7,069,811,376
14.2 8,479,429	8,479,429	8,479,429
Bank balances with Foreign aided projects	<u>7,078,417,965</u>	<u>7,078,290,805</u>
Government Aided Projects		
Pumping Conveyance Improvement System	14.3 640,481,817	639,549,051
The Greater 100 MGD water supply (K-III)	14.4 7,329,646,443	7,329,646,443
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	10,925,319,734	10,875,330,892
	<u>23,112,612,677</u>	<u>23,061,691,068</u>
	<u>30,191,030,642</u>	<u>30,139,981,873</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.

	2019	2018
	Rupees	
15 Trade debtors		
15.1 Receivable from Bulk Consumers against	18,656,050,654	16,872,664,621
- Water charges	3,197,858,215	3,197,858,215
- Sewerage services	21,853,908,869	20,070,522,836
15.2 Receivable from Retail Consumers against	13,921,048,140	12,334,962,498
- Water charges	2,809,930,292	2,809,930,292
- Sewerage services	16,730,978,431	15,144,892,789
	(8,439,233,947)	(7,884,833,702)
Less: Provision for doubtful debts	30,145,653,353	27,330,581,924
16 Loans and advances		
Advances to employees - unsecured	16.1 111,336,775	102,096,389
House Building	23,857,836	21,563,571
Motor Cycle	9,294,228	7,154,540
Marriage	144,488,839	130,814,500
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:	98,306,126	98,306,126
- Karachi Development Authority (KDA)	206,487,181	206,487,181
- Karachi Metropolitan Corporation (KMC)	304,793,307	304,793,307
17.1 Receivable from Karachi Metropolitan Corporation (KMC)	408,199,380	408,199,380
Balance as at July 01, 2018	(201,712,199)	(201,712,199)
Share of fire and conservancy payable on behalf of CDGK	206,487,181	206,487,181
Subsidy receivable from Karachi Metropolitan Corporation-KMC as at June 30, 2019.		
17.1 The balance remain static and reported accordingly during the year.		

		2019	2018
		Rupees	
18	Cash at banks -		
	Current Accounts	422,332,982	2,475,377,814
	Deposit accounts	33,727,981	26,003,538
18.1		<u>456,060,963</u>	<u>2,501,381,351</u>
18.1	It carries profit ranging from 5 % to 7% (2018: 4% to 6%) per annum.		
19	Revenue		
	Supply of water and sewerage facilities to:		
	Bulk consumers	6,887,105,416	7,103,521,687
	Retail consumers	4,200,899,487	4,549,800,007
		<u>11,088,004,903</u>	<u>11,653,321,694</u>
19.1	The KW&SB revenue is generated by the supply of water and sewerage services to all the consumers in Karachi. The consumers are divided into two broad categories - Bulk and Retail. Bulk consumers mainly comprises of large customers such as organizations and departments, they are billed according to the meter readings on a monthly basis. However, retail consumers are classified into residential, commercial, industrial, religious and educational sectors and are billed on annual basis as applicable from time to time at the fixed tariff rates.		
20	Cost of Revenue		
	Salaries and other benefits	6,077,790,573	5,165,883,176
	Repair and maintenance	1,871,684,508	1,710,819,624
	Service charges against cost of raw water	24,238,025	23,292,363
	Chemicals consumed	92,007,519	91,822,480
	Fuel for pumping stations	173,014,387	154,137,163
	Electricity and gas charges	45,831,799	52,670,693
		<u>8,234,566,811</u>	<u>7,198,625,499</u>
20.1	Salaries and other benefits include Rs. 309,088,358 (2018: Rs.281,844,707) in respect of staff medical facilities.		
21	Administrative expenses		
	Salaries and other benefits	645,390,504	586,013,695
	Repair and maintenance	44,701,201	36,219,165
	Utilities	4,348,963	4,045,339
	Vehicle running expense	270,427,045	190,446,168
	Automation of billing	68,922,747	56,481,604
	Legal and professional charges	11,277,606	20,963,811
	Entertainment	495,231	1,141,064
	Printing and stationery	8,713,721	4,484,004
	Advertisement	24,102,375	24,340,991
	Books and periodicals	263,185	284,504
	Water tanker supply	5,732,778	-
	Auditors' remuneration	1,200,000	1,200,000
	Provision for doubtful debts	554,400,245	582,666,085
	Miscellaneous	35,392,496	29,559,996
		<u>1,675,368,097</u>	<u>1,537,846,426</u>
22	OTHER INCOME		
	Profit from bank	8,837,770	5,190,012
	Receipts against water surcharge	9,476,248	16,215,038
	Late payment surcharge	3,610,974	-
		<u>21,924,992</u>	<u>21,405,050</u>
22.1	This represents profit / mark up net of withholding tax earned on PLS bank accounts.		
22.2	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.		
23	OTHER EXPENSES		
	Depreciation	423,499,799	443,253,181
23.1	Depreciation		
	Expense for the year	430,309,495	451,991,930
	less: Amortization of grant	(6,809,695)	(8,738,749)
		<u>423,499,799</u>	<u>443,253,181</u>

2019

2018

Rupees

24 FINANCIAL CHARGES**International Development Association (IDA)**

-1652 PAK

-1987 PAK

-	31,369,233
359,288,000	414,418,000
359,288,000	445,787,233

Asian Development Bank (ADB)

-SF-793 PAK

-SF-1001 PAK / 1002 PAK

4,816,000	10,714,000
123,394,000	129,602,000
128,210,000	140,316,000
487,498,000	586,103,233

- 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 Number of Employees

Total number of employees for the year ended

15,913	16,421
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26 General

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.

27 Date of issue

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



 MANAGING DIRECTOR



 DEPUTY MANAGING DIRECTOR
 (FINANCE)

13.1	Particulars	COST			DEPRECIATION				Book value as at June 30, 2019	Rate %	
		As on 01 July 2018	Addition	(Deletion)	As at June 30, 2019	As on 01 July 2018	On Disposal	Charge For	As at June 30, 2019		
											Amount in Rupees
	Renovation of sewerage in P.E.C.H.S	61,675,178	-	-	61,675,178	49,974,315	-	585,043	50,559,358	11,115,820	5%
	Lyari Sewerage Scheme	149,622,108	-	-	149,622,108	120,128,599	-	1,474,675	121,603,275	26,016,833	5%
	Renovation of Water Supply NN and FB area	72,005,309	-	-	72,005,309	57,420,325	-	779,249	58,149,574	13,855,735	5%
	Foreign & Govt. aided Projects	737,449,268	-	-	737,449,268	447,583,746	-	14,493,276	462,077,022	275,372,246	5%
	KCH water supply projects 1374 PAK	824,770,622	-	-	824,770,622	550,046,137	-	13,736,224	563,782,362	260,988,260	5%
	KSDP-IDA 1652 PAK	1,185,262,942	-	-	1,185,262,942	838,574,523	-	17,314,421	855,908,944	323,353,998	5%
	KSDP - ADB 793 PAK	1,377,733,977	-	-	1,377,733,977	931,990,805	-	22,287,159	954,277,964	423,456,013	5%
	KSDP - ADB 11001/1002 PAK (SF)	3,464,437,398	-	-	3,464,437,398	2,156,803,510	-	65,331,691	2,222,185,204	1,242,252,194	5%
	KCH water supply project IDA 1987 - PAK	13,658,633,237	-	-	13,658,633,237	8,233,228,547	-	271,270,235	8,504,498,781	5,154,134,456	5%
		21,531,590,039	-	-	21,531,590,039	13,385,750,508	-	407,291,977	13,793,042,484	7,738,547,555	
	TRANSFERRED / SCHEMES ASSETS										
	Schemes from KWMIB	4,680,897	-	-	4,680,897	3,862,041	-	40,943	3,902,984	777,913	5%
	Schemes from KDA	1,170,475,891	-	-	1,170,475,891	992,526,089	-	8,197,490	1,001,423,579	169,052,312	5%
		1,175,156,788	-	-	1,175,156,788	996,388,129	-	8,938,433	1,005,326,562	169,830,226	
	SEWERAGE ASSETS TRANSFERRED FROM KMIC										
	Land	2,137,384,485	-	-	2,137,384,485	-	-	3,116,198	133,427,455	59,207,754	5%
	Building	192,635,209	-	-	192,635,209	130,311,257	-	486,989	45,069,116	4,382,901	10%
	Plant & Machinery	49,452,017	-	-	49,452,017	44,582,127	-	6,206,865	265,71,786	117,930,441	5%
	Underground Pipelines	383,692,227	-	-	383,692,227	259,554,921	-	9,810,052	444,258,357	2,318,905,581	
		2,763,163,938	-	-	2,763,163,938	434,448,305	-				
	OTHER ASSETS										
	Office building	945,000	-	-	945,000	708,424	-	11,829	720,253	224,747	5%
	Vehicles	55,516,534	-	-	55,516,534	49,527,345	-	598,919	50,126,264	5,390,270	10%
	Office equipment and furniture	49,928,167	-	-	49,928,167	33,142,785	-	2,797,122	35,939,908	25,174,102	10%
	Machinery and equipments	131,132,453	-	-	131,132,453	125,887,685	-	524,477	126,412,162	4,720,291	10%
	Sewerage cleaning machines	35,439,740	-	-	35,439,740	32,074,179	-	336,556	32,410,735	3,029,005	10%
	Other minor fixed assets	5,019,129	-	-	5,019,129	5,017,827	-	130	5,017,957	1,172	10%
		277,981,023	-	-	277,981,023	246,358,246	-	4,269,033	250,627,279	38,539,587	
	As at 30 June, 2019	25,747,891,788	11,185,843	-	25,759,077,631	15,062,945,188	-	4,10,305,495	15,493,254,683	10,265,822,948	
	As at 30 June, 2018	25,744,217,099	3,674,689	-	25,747,891,788	14,610,953,258	-	41,199,930	15,062,945,188	10,684,946,600	