

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
EMBU WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE 2014**

EMBU WATER AND SANTATION COMPANY

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

Embu water and sanitation company limited

**Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)**

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**Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)**

KEY ENTITY INFORMATION

Background information

The company was established by the company's Act 486 and fully owned by Embu County Government.

Principal Activities

The principal activities of the company are the provision of water and sanitation services within former Embu municipalities and its environs.

Directors

The Directors who served the entity during the year/period were as follows:

1.	Mr. Joel Julias Ngatiari	- Chairman	- Appointed on 21 st March 2014
2.	Mr. John Kariuki Njine	- Director	- Appointed on 21 st March 2014
3.	Mr. Damiano Muthee Njagi	-Director	- Appointed on 21 st March 2014
4.	Sheik Rhamadhan Njuguna	-Director	- Appointed on 21 st March 2014
5.	Mr. Antony Murithi Alex	-Director	-Appointed on 21 st March 2014
6.	Eng. Stephen Njiru	-Director	-Appointed on 21 st March 2014
7.	Hellen M Barine	-Director	-Appointed on 21 st March 2014
8.	Mr. James Njeru Mubothi	-Director	-Appointed on 21 st March 2014
9.	Jane Elizabeth Gitiri Waroga	-Director	-Appointed on 21 st March 2014
10.	Mary Igoki Kavinda	-Director	-Appointed on 21 st march 2014

Corporate Secretary

Mr. Gikuhi Kiana
P.O. Box ...
Nairobi

Registered Officer

EWASCO BUILDING,
Off Embu -Meru road,
P.O. Box 2142,
Embu. KENYA.

Corporate Headquarters

EWASCO BUILDING,
Off Embu -Meru road,
P.O. Box 2142,
Embu. KENYA

Embu water and sanitation company limited

**Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)**

Corporate Contacts

Telephone: 068-31156
E-mail: info@embuwater.co.ke
Website: www.embuwater.co.ke

Corporate Bankers

1. Cooperative bank of Kenya
Embu branch
P.O. Box
Embu, Kenya
2. Equity Bank
Embu Branch
P .o Box...
Embu Kenya

Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

Principal Legal Advisers

1. The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya
2. Njeru Ithiga Advocates
P.o Box
Embu

**Reports and Financial Statements
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**THE BOARD OF DIRECTORS
MANAGEMENT TEAM**

1. Eng.H.M Karugendo	Msc Engineering, Bsc Civil Engineering(UON)
2. Doris Njiru	MBA Strategic Mgt, Bcom degree
3. Chris Gitonga	Msc Civil Engineering

MANAGING DIRECTOR REPORT

1.0 INTRODUCTION

EWASCO is a result of Water Act 2002 which was a culmination of the agitation for the need to reform water services with a view to improving service delivery. The Company became operation in JULY 2005. Its shareholding through transmission from defunct Municipal Council is now 100% held by Embu County Government for the people of Embu.

MANDATE AND CORE FUNCTIONS

The mandate of EWASCO is to supply water and provide sewerage services in the Company's areas of jurisdiction. Arising from its mandate, the core functions of EWASCO are:

- a. Conservation of water resources, Water supply and Sewerage infrastructure development;
- b. Operation, maintenance and rehabilitation as well as renewal of the infrastructure;
- c. Ensuring Financial sustainability through sound Financial and Commercial Management

1.1 Vision & Mission

EWASCO's vision is to be the leading water and sanitation services provider in East and Central Africa; and the Mission is to To provide quality, adequate, affordable and sustainable water and sewerage services in the Company's mandated area, through application of environmentally friendly technologies.

1.2 Core Values include:

Good Corporate Governance: Integrity, Transparency and Accountability as well as Team Work, Commitment and Professionalism backed by Innovation and Creativity.

**Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)**

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the company's affairs.

Principal activities

The principal activities of the company are provision of water and sanitation services within former Embu municipalities and their environs.

Results

The results of the company for the year ended June 30, 2014 are set out on page 9-12

Dividends

The company does not issue dividends.

Directors

The members of the Board of Directors who served during the year are shown on page 4 In accordance with Regulation of the company's Articles of Association.

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with the Company's Act, 2005, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board



Gikuhi Kiana
Corporate Secretary

Nairobi

Date: 30.9.14

Embu water and sanitation company limited

**Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The companies Act require the Directors to prepare financial statements in respect of that company, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the company's Act and the State Corporations Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2014, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company's financial statements were approved by the Board on 22 2014 and signed on its behalf by:

Director

Director

Director

REPUBLIC OF KENYA

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Fax: +254-20-311482
Email: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON EMBU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the financial statements of Embu Water and Sanitation Company Limited (EWASCO) set out on pages 9 to 22 which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, the statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with Section 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Unaccounted for Water (UFW)

The Company produced 5,188,192 cubic meters (m³) of water during the year under review at a production cost of Kshs.7.5 per cubic meter. However, records made available for audit indicated that only 2,866,776 cubic meter of water was distributed and charged to the customers. The balance of 2,321,416 cubic meters or 44.7% (2013:42%) was not charged. However, the Water Service Regulatory Board (WASREB) guidelines allows a maximum loss of 25% for every cubic meter (m³) of water produced and hence only 1,297,048 m³ loss was allowed for the 5,188,192 cubic meter (m³) produced by the Company. The loss of 1,024,983 m³ of water produced at a cost of Kshs.7,687,373 during the year under review was therefore a non-allowable loss. Although water production increased by 868,703 cubic meters from 4,319,489 to 5,188,192 cubic meters, the company seems not able to deal with the loss of water.

The significant level of unaccounted for water may negatively impact on the Company's profitability and its long-term sustainability.

2. Trade and Other Receivables

The trade and other receivables balance of Kshs.132,468,975 as at 30 June 2014 included trade debtors of Kshs.659,225 which management did not provide supporting schedules for audit review. Further, the receivable balance of Kshs.132,468,975 included Kshs.18,682,515 and Kshs.1,968,130 relating to VAT refunds and cash loss respectively which have been outstanding for more than two (2) years.

In addition, debtors' age analysis was not done and even though a provision for bad and doubtful debts of 5% or Kshs.5,740,512 was made, the adequacy of the provision could not be ascertained in the absence of a debtors' age analysis.

Consequently, the accuracy and recoverability of the trade and other receivables balance of Kshs.132,468,971 could not be confirmed as at 30 June 2014.

3. Non-Current Assets

The non-current assets balance of Kshs.300,489,717 include land at Kangaru Water Treatment Works and sewerage treatment works near Ruvingazi Bridge valued at Kshs.3,844,345 and buildings at Kangaru Water Treatment Works valued at Kshs.1,288,686 whose ownership documents were not made available for audit review.

Further, motor vehicle registration number KBB 104M is registered as jointly owned by EWASCO Ltd and Co-operative Bank of Kenya while Motor Cycles – KMCW 322L TVS, KMCV 992S TVS and KMCV 500N TVS are registered in Car & General (Trading) Limited but the transfer forms were signed and stamped by Car and General (K) Limited while Motor Cycles – KMDH 389B TVS, KMCW 013Z YBR, KMCW 014Z YBR, KMDH 429H TVS and KMDH 719F log books were not made available for audit verification.

In addition, all motor vehicles and motor cycles owned by the Company bore private registration number plates except for Isuzu lorry GKA 116Y and an Exhauster KBT 412 which have blue number plates. The Company's fleet of motor vehicles is therefore, not subject to police check unit hence prone to misuse.

In the circumstances, the ownership, safety, utilization and accuracy of the total non-current assets balance of Kshs.300,489,717 as at 30 June 2014 could not be confirmed.

4. Trade and other payables

The trade payables and other payables balance of Kshs.59,186,718 as at 30 June 2014 include customers' deposits of Kshs.35,952,767 which was not supported fully with a schedule of account holders and deposits paid. The amount of Kshs.7,500,000 inherited from the defunct Municipal Council of Embu has not been reconciled or explained. Further, Kshs.6,714,441 of Customers' deposits in the current account had not been transferred to a separate deposit account as required.

Consequently, the accuracy and completeness of the trade and other payables balance of Kshs.59,186,244 as at 30 June 2014 could not be confirmed.

5. Financial Performance

The statement of comprehensive income reflects operating loss Kshs.16,223,596 as at 30 June 2014 compared with a loss of Kshs.6,661,601 for the year ended 30 June 2013. As a result, the company's retained earnings have declined to Kshs.834,297 from Kshs.16,401,265 the previous year.

No explanation has been provided for the declining performance of the company as at 30 June 2014.

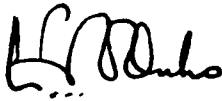
Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the company as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with both the Water Act, 2002 and the Companies Act Cap 486 of the Laws of Kenya.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Companies Act, I report based on the audit, that;

- i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii) In my opinion, proper books of account have been kept by the company, so far as appears from my examination of those books; and,
- iii) The company's statement of financial position is in agreement with the books of account.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

12 August 2015

Embu water and sanitation company limited

**Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)**

STATEMENT OF COMPREHENSIVE

	Note	2014 Kshs	2013 Kshs
REVENUES			
Sales Water and Sewage	1	208,230,398	158,685,485
Water Related Income	2	5,018,323	2,433,633
Sewerage Related Income	3	1,604,793	210,100
Other Income	4	2,233,614	6,406,765
TOTAL REVENUES		217,087,128	167,735,983
OPERATING EXPENSES			
Administration Costs	5	134,402,367	111,666,517
Maintenance and Distribution Costs	6	57,813,120	24,034,350
Depreciation of property, plant and equipment	7	41,095,237	38,696,717
TOTAL OPERATING EXPENSES		233,310,724	174,397,584
OPERATING PROFIT/(LOSS)		<u>(16,223,596)</u>	<u>(6,661,601)</u>


Reports and Financial Statements
for the year ended June 30, 2014 (Ksh)


STATEMENT OF FINANCIAL POSITION

	Note	2014 Kshs	2013 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	8	300,489,717	310,458,792
Total Non-Current Assets		300,489,717	310,458,792
Current Assets			
Inventories	9	1,570,827	6,442,522
Trade and other receivables	10	132,468,975	107,125,040
Bank and cash balances	11	30,971,311	13,946,163
Total Non-Current Assets		165,011,113	127,513,725
TOTAL NONCURRENT AND CURRENT ASSET		465,500,830	437,972,517
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	12	100,000	100,000
Revaluation reserve	13	150,665,469	150,665,469
Retained earnings	14	834,297	16,401,265
Capital and Reserves		151,599,766	167,166,689
Non-current liabilities			
Grants	15	245,349,718	197,916,432
Lease Financing	16	1,504,491	3,690,934
		246,854,209	201,607,366
Current Liabilities			
Trade and other payables	17	59,186,244	61,337,854
Taxation	18	7,860,611	7,860,611
Total Current Liabilities		67,046,855	69,198,465
TOTAL EQUITY AND LIABILITIES		465,500,830	437,972,517

The financial statements were approved by the Board on 30/09 2014 and signed on its behalf by:


Chairman


Director


Director

**Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)**

STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Revaluation reserve	Retained earnings	Total
At July 1, 2012	100,000	150,665,469	23,062,865	173,828,334
Total comprehensive income	-	-	(6,661,601)	(6,661,601)
At June 30, 2013	100,000	150,665,469	16,401,264	167,166,732
At July 1, 2013	100,000	150,665,469	16,401,264	167,166,732
Total comprehensive income	-	-	(16,223,596)	(16,223,596)
Adjustment of the year (Restated)	-	-	656,628	656,628
At June 30, 2013	100,000	150,665,469	834,297	151,599,766

**Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)**

STATEMENT OF CASH FLOWS

	2014 Kshs	2013 Kshs
Surplus /Deficit for the year	(16,223,596)	(6,661,601)
Add		
Re-instated surplus	656,628	865,590
Depreciation	<u>41,095,237</u>	<u>38,696,171</u>
Cash generated from/(used in) operations	<u>25,528,268</u>	<u>32,900,706</u>
Changes in working Capital		
Increase/Decrease in Trade and other Receivable	(25,343,930)	(29,081,902)
Increase/Decrease in Trade and other Payables	(2,151,610)	10,508,074
Increase/decrease in inventory	4,871,695	652,916
Net cash generated from/(used in) operating activities	<u>2,904,423</u>	<u>14,979,794</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(46,477,934)	(173,138,739)
Work in Progress	15,351,772	84,768,391
Net cash generated from/(used in) investing activities	<u>(31,126,162)</u>	<u>(88,370,348)</u>
FINANCING ACTIVITIES		
Proceeds from grants	47,433,286	73,007,992
Repayment of borrowings-asset financing	(2,186,443)	(1,600,039)
Net cash generated from/(used in) financing activities	<u>45,246,843</u>	<u>74,608,031</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	17,025,105	1,217,477
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,946,163	12,728,732
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>30,971,311</u></u>	<u><u>13,946,163</u></u>

**Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis .The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the company's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company

The financial statements have been prepared in accordance with the company's Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

2. Revenue recognition

Revenue is made up of total amounts billed during the year for water services .Income is recognised to the extent that it is probable that its economic benefit will flow to the company and revenue can be reliably measured.

3. Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

4. Depreciation and impairment of property, plant and equipment

land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works pipeline and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a reducing balance basis. The annual rates in use are:

Buildings and civil works	2.5 %
Plant and machinery	12.5 %
Motor vehicles, including motor cycles	25%
Computers and related equipment	30 %
Office equipment, furniture and fittings	12.5 %
Water Meters	20 %

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

6. Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

7. Trade and other receivables

Trade and other receivables are recognised at their nominal values less allowances for any uncollectible amounts..

8. Deferred Taxation

Deferred income tax is not provided as there is no timing difference.

9. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of six months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

10. Trade and other payables

Trade and other payables are non-interest bearing and are carried at their nominal value, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the company or not, less any payments made to the suppliers.

11. Retirement benefit obligations

The entity operates a defined contribution scheme for all full time employees from July 1, 2013. The scheme is funded by contributions from both the company and its employees. The company also

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Ksh.200 per employee per month.

12. Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the company operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

13. Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

14. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

Embu water and sanitation company limited

**Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)**

NOTES TO THE FINANCIAL STATEMENTS

	2014 Kshs	2013 Kshs
1 SALES		
Total turnover –Water and Sewage	208,230,398	158,685,485
	<u>208,230,398</u>	<u>158,685,485</u>
2 Water Related Income		
New connection application Fee	436,100	274,340
Meter Testing	244,885	158,846
Illegal Connection	8,940	117,000
Transfer		75,875
Termination	205,575	25,150
Reconnection	1,897,310	992,218
Labour	1,261,180	504,387
Interest on savings	491,989	79,262
Miscellaneous	472,344	206,555
	<u>5,018,323</u>	<u>2,433,633</u>
3 Sewer Related Income		
Exhauster Services	1,604,793	210,100
	<u>1,604,793</u>	<u>210,100</u>
4 Other Income		
Tender Fee	31,000	177,000
Contractual Fee	-	6,229,765
Insurance Compensation	1,109,119	-
Material Charge	<u>1,093,495</u>	-
	<u>2,233,614</u>	<u>6,406,765</u>
TOTAL REVENUE	217,087,128	167,735,983

Embu water and sanitation company limited

**Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2014 Kshs	2013 Kshs
5 ADMINISTRATION COST		
Staff cost (Note 5a)	77,856,368	68,908,537
Board Expenses(Note5b)	7,218,819	6,591,390
Consultancy fees	1,340,333	2,814,510
Company secretary services	324,068	163,900
Twsb Agency fee	6,952,906	4,659,594
Lease levy	8,691,133	6,263,503
Waspa Expenses	246,750	203,050
Subscription	256,000	231,600.
Meeting	751,600	
Software maintenance	226,540	
legal Expense	13,165	53,000
Wasreb Regulatory fee	1,738,222	1,152,619
Establishment cost (note 5c)	22,588,316	15,686,295
Operating cost (note 5d)	3,323,287	2,631,085
Finance Cost (Note 5e)	2,410,860	1,843,436
	<u>134,402,367</u>	<u>111,666,519</u>
5(a) STAFF COST		
Salaries	60,925,088	49,220,091
Casuals wages	151,292	768,440
Staff medical expenses	1,284,175	1,647,831
Staff cba Expenses	198,300	
Staff subsistence	1,351,407	2,057,923
Staff benchmarking	996,310	2,068,500
Employer pension Contribution	4,534,305	4,532,449
Staff Amenities	967,129	1,620,518
Provision for Gratuity	2,063,242	2,872,019
Staff Training	2,447,571	2,1468,05
Staff End Year Party	500,200	660,360
Staff Uniform	525,859	247,494
Staff Sport	1,911,491	1,066,107
	<u>77,856,368</u>	<u>68,908,537</u>
5(b) BOARD EXPENSES		
Directors Allowances	3,669,216	2,986,169
Other Expenses (Training, Travelling Meals)	2,724,650	1,219,327
AGM Expenses and, Shareholders forum	824,953	2,385,894
	<u>7,218,819</u>	<u>6,591,390</u>

Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2014 Kshs	2013 Kshs
5(c) ESTABLISHMENT COST		
Office Rent	1,352,086	1,233,000
Building Repair and Maintenance	426,460	427,694
Computer Expenses	1,071,859	883,206
Insurance	2,153,213	954,878
Security	1,526,894	1,202,885
Utility (water and electricity)	1,433,230	572,629
Motor vehicle/cycle repair	2,610,922	1,947,073
Fuel and Oil	3,456,439	3,687,393
Postage and Delivery	351,983	206,089
Telephone	736,681	690,271
Travelling and Accommodation	89,320	2,033,873
Printing and Stationery	774,681	690,271
Corporate responsibility	543,562	257,125
General Office Expenses	79,632	129,996
Provision for doubtful debts	5,740,512	
Transport Cost	<u>241,456</u>	<u>468,021</u>
	<u>22,588,316</u>	<u>15,686,295</u>
5(d) OPERATING EXPENSES		
Cleaning and hygiene	1,041,673	715,480
Photocopier Expenses	46,291	170,108
Advertising and Promotion	722,088	700,670
World water Day and Ask Expenses	220,524	159,080
Entertainment	1,101,671	767,497
Newspaper and Periodicals	<u>191,040</u>	<u>118,250</u>
	<u>3,323,287</u>	<u>2,631,085</u>
5(e) FINANCE COST		
HFCK Loan Expenses	894,300	-
Asset finance Interest	336,898	510,577
Interest Charges	255,588	-
Kiambi Loan Interest	599,710	1,153,644
Bank Charges	<u>324,364</u>	<u>179,215</u>
	<u>2,410,860</u>	<u>18,434,336</u>

Embu water and sanitation company limited

**Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2014 Kshs	2013 Kshs
6 MAINTAINANCE AND PRODUCTION COST		
Water Chemical Treatment	9,942,969	1,831,966
Gis Maintenance	385,642	461,780
Quality Test	13,844,58	711,308
Water Supply System Repairs	14,587,850	1,610,768
Non Revenue Water Expenses	806,252	604,447
Sewerage Expenses	1,214,442	936,635
Jica line Expenses	53131	822962
Wstf Project Administration	1,608,894	-
Safisan Subsidy and Administration	25,163,301	-
WARMA Abstraction Fee	<u>2,666,181</u>	<u>2,154,483</u>
	<u>57,813,120</u>	<u>24034349</u>
7 DEPRECIATION		
Depreciation of property, plants and Equipment	<u>41,095,237</u>	<u>38,696,717</u>

Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 PROPERTY, PLANT AND EQUIPMENT

	land	Buildings	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Fixtures and fittings	Water meters	Work in Progress	Total
At July 1, 2013	6,694,345	17,404,633	65,019,038	13,836,653	8,849,420	44,230,574	276,239,437	952,841	-	441,802,241
Additions	300,000	121,396	859,497	775,551.72	222,8420.19	2,543,797.69	32,547,706.68	7,101,563	14,753,646	479,533,579
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
At June 30, 2014	6,994,345	17526029	65,878,535	14,612,204	11,077,840	46,774,372	308787143	16,629,704	14,753,646	503,033,820
DEPRECIATION										
At July 1, 2013	-	1,574,551	36,042,923	9,902,020	6,079,194	25,280,620	82,569,559	-	-	161,448,867
Charge for the year	-	398,786	3,729,451	1,177,546	1,499,593	2,686,718	28,277,198	3,325,940	-	41,095,236
Impairment loss	-	-	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-	-	-
At June 30, 2014	-	1,973,338	39,772,374	11,079,565	7,578,787	27,967,339	110,846,757	3,325,940.95	-	202,544,103
NBV As At June 30 2014	6,994,345	15,552,691	26,106,160	3,532,638	3,499,052	18,807,032	197,940,386	13,303,763.8	14,753,646	300,489,717
At June 30, 2013	6,694,345	15,830,082	28,976,115	3,934,634	27,70,226	18,949,954	203,198,018	9,528,141	30,105,418	310,458,792

Embu water and sanitation company limited

**Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2014 Kshs	2013 Kshs
9 INVENTORY		
Pipes and fittings and Chemicals	1,570,827	6,442,522
10 TRADE AND OTHER RECEIVABLES		
Trade debtors	114,810,250	90,627,875
Less: General Provision for doubtful Debts	5,740,512	-
Net Trade Debtor	109,069,737	90,627,875
Prepaid insurance	1,289,638	392,310
Siakago project	-	1,268,964
Vat Refund	18,682,515	11,829,699
Twsb	659,225	659,225
Salary Advance and Business	324,222	13,334
Wasreb	6,225	6,225
Cash Loss	1,968,130	1,968,130
Jica Project	359,278	359,278
Embu County	<u>110,000</u>	=
	<u>132,468,971</u>	<u>107,125,040</u>
11 CASH AND CASH EQUIVALENT		
Cooperative Bank-Current	2,807,334	(2,732,352)
Co-operative Bank –Savings	7,260,598	13,905,250
Co-operative Bank –Exhauster	774,093	
Equity Bank –Current	429,881	
Equity Bank-Project	764,980	2,304,146
Equity Bank-Savings	1,477,726	
Nawiri Saving Account	531,637	189,818
M-pesa	234,541	224,335
Kenya Commercial Bank-Current	13,427,043	30,749
K-Rep-Safisan	2,364,449	
k-Rep –Murinduko	834,959	
K-Rep –Blue valley	51,708	
Cash at Hand	<u>12,363</u>	<u>24,208</u>
	<u>30,971,311</u>	<u>13,946,163</u>

Embu water and sanitation company limited

**Reports and Financial Statements
For the year ended June 30, 2014 (Ksh)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2014 Kshs	2013 Kshs
12 CAPITAL		
Authorised 5000 ordinary shares Of ksh,20 each	100,000	100,000
13 REVALUATION ACCOUNT	150,665,469	150,665,469
14 RETAINED EARNING		
Bal as at 1 st July 2013	17,057,893	23,062,865
Profit for the year	<u>(16,223,596)</u>	<u>(6,661,600)</u>
	<u>834,297</u>	<u>16,401,265</u>
15 CAPITAL GRANTS		
Bal as at 1 st July 2013	197,916,432	124,908,440
WSTF Donation	47,433,286	12,818,334
Kanyuambora CDF Project		27,000,000
Kiambi Subsidy		6,189,658
TWSB/JICA		<u>27,000,000</u>
	<u>245,349,718</u>	<u>197,916,432</u>
16 ASSET FINANCING LONG TERM	1,504,491	3,690,934
17 TRADE PAYABLES AND ACCRUALS		
Customers Deposit	35,952,767	28,664,701
Trade Payable	23,233,477	30,453,681
Tax Withholding liability	-	817
Water bills Prepayment	-	<u>2,218,655</u>
	<u>59186,244</u>	<u>61,337,855</u>
18 TAXATION		
Taxation	7,860,611	7,860,611