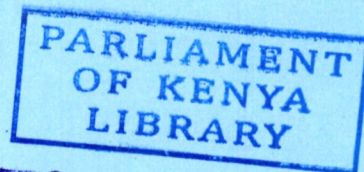


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NAIVASHA WATER AND SEWERAGE
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE 2014**



[23/09/2014

NAIVASHA WATER SEWERAGE AND SANITATION COMPANY LTD
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)**

NAIVASHA WATER SEWERAGE AND SANITATION COMPANY LTD
REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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KEY ENTITY INFORMATION

Background information

Naivasha Water Sewerage and Sanitation Company Ltd (NAIVAWASS) was established by the Water Act of Parliament on (2002). At cabinet level, NAIVAWASS is represented by the Cabinet Secretary for Environment, Water and Natural Resources who is responsible for the general policy and strategic direction of the NAIVAWASS.

Principal Activities

The principal activity of NAIVAWASS is to supply affordable, clean water and sewerage services to Naivasha Town and its environs.

Directors

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

1.	Catherine Wanjohi	- Chairman	- Appointed on May 2012
2.	Joseph Theuri	- Managing Director	- Appointed on Feb 2014
3.	James Gichana	-Fmr Managing Director	-Left on February 2014
4.	Catherine Gachara	-Member	- Appointed on May 2012
5.	Daniel Ole Pareiyio	-Member	- Appointed on May 2012
6.	Samson Njiri	-Member	-Appointed on May 2012
7.	Richard Fox	-Member	-Appointed on May 2012
8.	Felix Olwero	-Member	-Appointed on May 2012
9.	Japheth Mutai	CEO RVWSB	-Appointed on Sept 2008
10.	Richard Rop	CEC MOW	-Appointed on March 2013
11.	Joseph Motari	CS	-Appointed on March 2013

Senior Corporate Management team consists of;-

Doughlas Bosire	Acting Technical Manager
Sarah Wanjiru	Acting Finance Manager
Florence Mwendu	Acting Commercial Manager

Registered Officer

Jonka Building
Biashara Street
P.O. Box 321
Naivasha, KENYA

Corporate Headquarters

NAIVASHA WATER SEWERAGE & SANITATION COMPANY LTD
REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30JUNE 2014

P.O. Box 321-20117
Jonka Building
Biashara Street
Naivasha, KENYA

Corporate Contacts

Telephone: (254) 0705877770 or 020234807
E-mail: info@naivashawater.go.ke
Website: www.naivashawater.go.ke

Corporate Bankers

1. Kenya Commercial Bank
Kenyatta Avenue
P.O. Box 130-20117
Naivasha, Kenya

Independent Auditors

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

CHAIRPERSON'S STATEMENT

Dear Shareholders

I am glad to present the annual report and financial statements of your company, Naivasha water, Sewerage and Sanitation Company limited (NAIVAWASS) for the year ended 30th June 2014.

Human Resource

During the year the company had a change of leadership where a new Managing Director, Joseph Maina joined the company to replace James Gichana. The staff were trained internally and externally on best work practices and the Company performance system is under implementation.

Under the support of VEI 7 (Seven) new staff were recruited as part of the company forward strategy.

Customer service and social responsibility

Satisfying our customers and creating stakeholder value remain our core goal. As we look into the future, our priority is to remain focused to achieve these goals through securing safe and adequate water supply, distribution capacity, reducing losses and expansion of our customer base.

We are also expanding our social responsibility by providing our services to the low income areas through construction of water kiosks and sanitation facilities where water is affordable to all residents of those areas.

Future Outlook

Our new constitution places the water and sanitation services under the county government and also declares access to clean water as a human right. This, together with the new Water Act which is under review will present some changes in the sector. Naivasha town is expected to witness increased economic activities and therefore demand for water and sanitation services is expected to continue growing. My board is formulating a comprehensive blueprint to spearhead the provision and improvement of the services to all the citizens of Naivasha Sub-County.

In regard to the above we are looking forward to provide adequate water to our customers by providing surface water that will enhance our service delivery. Design and feasibility study have already been done on Kitiri Dam project.

I therefore wish to state that with continued support from the County Government of Nakuru, Rift Valley Water Services Board, business partners and commitment of our staff, the company is poised for sustained success.

I wish also to urge our stakeholders to support every effort being put forward by the company for the benefit of all.

Appreciation

Finally, I pay tribute to my colleagues in the NAIVAWASS Board of Directors, Rift Valley Water Services Board, the County Government of Nakuru and our customers for their support, and to all staff of NAIVAWASS for their relentless efforts in ensuring the success of the company.

I also take this opportunity to thank our Partners: Vitens Evides, WSUP and SNV for their continued support both financially and expert knowledge in their capacity building and smart investment programmes.

Sign. .....
Board Chair

REPORT OF THE CHIEF EXECUTIVE OFFICER

General Overview

During the year under review; 2013/14, strategies aimed at securing adequate water supply, expanding water access to the residents, improving the quality of supply and service to our customers, as well as the financial performance took the centre stage of our operations. Accordingly, the company embarked on negotiations with donors and other financiers to source for funds for investment in infrastructure expansion and rehabilitation.

The company attracted funding from Viten Evides and WSUP through the stronger Service Providers, better services for all in Naivasha initiative. Under this programme the following has been achieved:

- Non Revenue Water(NRW) reduction/management that has boosted revenue, reduced costs and made water available to consumers leading to increased access to sustainable and affordable water in Naivasha town.
- Improved on collection and discharge of sewage and increase sewered areas in Naivasha town.
- Provided ICT software to improve on capture of data, billing and revenue collection.
- Developed smart investments in production/distribution and consumer metering and production/distribution network expansion.
- Up-scaled Karagita model to Mirera/kwa muhia.
- Supported Naivasha Water sector governance.

In this regard the company completed and commissioned two projects that were funded by Water Services Trust Fund namely:

- Kabati/Mithuri Water Project a total cost of Kshs.11, 545,792.
- Jua-Kali Market area Public Sanitation Facility a total cost of Kshs.4,512,995

Financial Performance.

The company reported an increase in income by nearly kshs 34 million compared to previous year this is due to increase in water billed to customers. Grants increased by kshs 0.5 million. Cost of sales increased by Kshs 6 Million due to increase in operational activities e.g electricity due to increase in number of pumping hours. Administrative Expenditure increased by nearly Kshs 22 million this is attributed to increase in salaries and wages by Kshs. 6 million, General Office Expenses by Kshs.2.9 million and Board Expenses by Kshs.1.8 million.

Summary of the major cost is as follows:

Electricity	17,937,381
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NAIVASHA WATER SEWERAGE & SANITATION COMPANY LTD
REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30JUNE 2014

Salaries & Wages	19,621,600
Operations & Maintenance	11,873,427
Regulatory Levy & Subscription	6,345,714
Travel & Accommodation	1,196,715
Board Expenses	2,665,115
General Office Expenses	4,541,093
Audit Fees	250,000

Total expenditure including cost of sales is Kshs 79,346,336. This is mainly due to increased operation & maintenance cost that has been funded by VITENS and also Electricity cost due to increased pumping hours to Keroche Breweries and increased tariff.

The company reported a Surplus of Kshs 5,903,550 this is an increase compared to previous year of Kshs.830,300 due to increased company turnover.

Receivables increased by Kshs.14 Million.

Payables increased by Kshs.5.4 million. In addition customer deposits rose from kshs 1,078,726 to 1,851,176 due to increase in new connections.

Total Equity increased by 13 Million and this is partly attributable to funding from WSTF and VITENS EVIDES.



Joseph Theuri
Managing Director

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure used to direct and manage business affairs of the company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing stockholder's long term value.

The company conducts its operations in accordance with the principles of good corporate governance as provided in the Water Services Regulatory Board (WASREB) guidelines and Water Act 2002 provisions.

Board of Directors

The composition of the Board is compliant with good corporate governance practices and WASREB regulations. The role of the chairman and the Managing Director are segregated. The Managing Director is in charge of the day to day running of the business of the company. A non-executive director acts as the chairman of the Board.

The current Board is composed of Managing Director, the C.E.O Rift Valley Water Services Board and nine other directors drawn from various stakeholders. The Board is therefore composed of committed individuals with diverse and complementary skills to ensure that there is sufficient wealth of experience at Board level.

Board meetings

Board Meetings are held every quarter and in exceptional circumstances as dictated by demand exigencies of company operations.

Board committees

The Board has approved the delegation of certain authorities to the Board sub committees where applicable, and to the management.

The Board has three committees which are guided by clear terms of reference. The Committees are instrumental in monitoring the company operations, systems and Internal controls. The committees are as follows:

Audit committee

The members of this committee are all non-executive directors. All the members meet minimum financial literacy standards. The committee meets four times in a year and the managing Director and the internal auditor attend most meetings of the committee.

The committee is responsible for ensuring that the Company's internal controls are

adequate and that the assets at the disposal of the company are safe-guarded. It ensures that proper polices and internal control procedures are in place and also helps to ensures that the set policies and procedures are adhered to and advices on improvements and introduction of new control procedures.

Finance and administration committee.

The committee comprises of three non executive directors and C.E.O Rift Valley water services Board. The committee is chaired by a non-executive director and meets four times a year.

The role of the committee is to monitor and review the operational and financial performance of the company against key performance indicators, identifying shortcomings and ensuring corrective measures and action are taken. The committee also reviews the company's investment plans in capital expenditure and recommends to the board for approval. The committee has also the responsibility of ensuring that the systems of financial controls are effectively administered.

This committee as well has the responsibility of ensuring the company has the right staff, at the right place and doing the right thing. More so, the committee will ensure that staff welfare is guaranteed. Their terms of reference includes but not confined to human resource planning, employee welfare, recruitment, training, performance appraisal, discipline, health and safety and HIV/ AIDS.

Technical committee

The committee comprises of three non executive directors. The committee is chaired by a non-executive director and meets four times a year.

This committee oversees planning, coordination and execution of development and rehabilitation projects to ensure expansion of reticulation system and to improve efficiency in water production and distribution including sewerage network

Directors' Remuneration

The remuneration of non-executive directors consists of sitting allowances and travelling allowances in connection with Board and committee meetings.

Going concern

The directors confirm that the company has adequate resources to continue in business for the foreseeable future and therefore the continued use of the going concern as a basis when preparing financial statements.

SIGNED: 

Board Chair

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The company during the period did not undertake any corporate Social Responsibility Activity.

REPORT OF THE DIRECTORS

The Board of Directors have the pleasure in submitting their annual Report and Financial Statements for the Period ended 30 JUNE 2014.

PRINCIPAL ACTIVITY

The company's main activity is the provision of affordable clean water and sanitation services to the residents of Naivasha Sub-County and its environs.

Results

The results of activities for the year show a surplus of KShs. 5,903,550 as set out on page fourteen of the accounts.

Directors

The board members who held office during the year were as indicated on page four of the accounts.

Auditors

The Auditor General was appointed as auditor and has expressed willingness to Continue in office in accordance with the public Audit Act 2003.



By Order of the Board
Board Chair

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81(1) of the Public Finance Management Act, 2012 and section 14(7) of the State Corporations Act, require the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of the company at the end

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81(1) of the Public Finance Management Act, 2012 and section 14(7) of the State Corporations Act, require the Directors to prepare financial statements in respect of the 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.

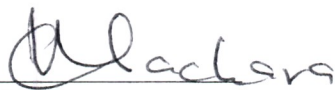
The Directors are responsible for the preparation and presentation of the NAIVAWASS financial statements, which give a true and fair view of the state of affairs of the NAIVAWASS for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility includes: (i) maintaining 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 NAIVAWASS; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for NAIVAWASS 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 PFM Act and the State Corporations Act. The Directors are of the opinion that NAIVAWASS'S financial statements give a true and fair view of the state of NAIVAWASS'S transactions during the financial year ended June 30, 2014, and of NAIVAWASS'S financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for NAIVAWASS, which have been relied upon in the preparation of NAIVAWASS'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 NAIVAWASS will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

NAIVAWASS financial statements were approved by the Board on 29/9/14 2014 and signed on its behalf by:


Director


Director

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: 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 NAIVASHA WATER, SEWERAGE AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Naivasha Water, Sewerage and Sanitation Company Limited set out on pages 14 to 27, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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

Directors of Naivasha Water, Sewerage and Sanitation Company Limited are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The directors are 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 the provisions of 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 risk assessment, 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 by the directors, 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. Property plant and equipment

The property, plant and equipment balance of Kshs.32,392,265 includes Buildings, Water & Sewer Works, Water meters, Computers and tool and equipment. However the Company did not maintain asset register and no valuation report was presented for audit verification. It was therefore not possible to confirm the existence and valuation of the non-current assets balance as at 30 June 2015.

2. Receivables

The Current Assets balance of Kshs. 83,138,663 includes an amount of Kshs. 80,447,900 in respect of Trade Receivables. Among the trade debtors is a balance of Kshs.10,408,510 owed by various water consumers, with some outstanding since 2008. It was noted that the Company has not developed a credit policy to address overdue debtors as required by clause 13.1.5 of its Financial Regulation Policies & Procedurals Manual of July, 2009.

3. Current Liabilities

The Current Liabilities balance of Kshs.34,590,113 includes payables totaling to Kshs.32,210,141. Out of this amount, there is unremitted statutory deductions of Kshs.3,580,181 which is likely to increase the liability of the Company through penalties and interest.

4. Untraceable Accounts

Included in the income for water and sewer charge is Kshs.3,719,730, which could not be traced to any individual customer. As a result the income balance of Kshs.80,095,614 for the year ended 30 June 2014 could not be confirmed as fairly stated.

5. Unsupported Payments for Legal Fees

The Company paid a creditor, for legal fees an amount of Kshs.5,000,000 during the year. However, there were no details of the services rendered and how the figure was computed. It is therefore not possible to confirm if the Company received value for the money spent.

6. Unaccounted for Water

During the year under review the company produced 970,778 cubic meters (m³) of water. However, only 580,196 m³ were billed to customers at Kshs. 73,268,551. The balance of 390,581m³ or approximately 40% of the total volume represented Unaccounted for Water (UFW). According to the Water Services Regulatory Board guidelines, this quantity is 15% above the allowable loss of 25%. The abnormal loss of 15% of the water produced resulted in loss of sales estimated at Kshs.18,317,137. The significant level of UFW may negatively impact on the company's profitability and long term sustainability.

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 of its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with both the Water Act, 2002 and the Companies Act, Cap 486 of the Laws of Kenya.

Other Matter

1. Operations and Maintenance

The Operations and Maintenance figure of Kshs.11,878,427 includes an expenditure of Kshs.2,906,672 in respect of procurement of various goods and services as shown below:

Date	Cheque No.	Payee	Amount (Kshs)	Details
07.02.14	25	Calmex Construction	150,000	Renovations of water Kiosks
26.02.14	26	Calmex Construction	220,172	Renovations of water Kiosks
24.01.14	23	Nairobi Genmongers	814,500	Water meters and accessories
11.11.13	RTGS	Stanic Electricals	800,000	Electrical services for repair of pumps
21.01.14	1677	Summit General Supplies	880,000	Repairs and maintenance
21.01.14	1676	Summit General Supplies	842,000	Repairs and maintenance
Total			2,906,672	

No evidence was presented to prove that competitive bidding was used to identify the suppliers in accordance with section 26 (3) (b) of the Public Procurement and Disposal Act 2005. Therefore, it was not possible to confirm if the Company obtained value for the funds used.

2. Company Shareholding

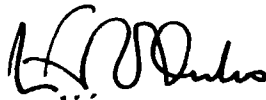
The Memorandum of Association of Naivasha Water, Sewerage and Sanitation Company Limited indicates that 4,997 shares are held by Municipal Council of Naivasha which is now defunct. Other shareholders are three officials of the defunct local authority who hold a share each.

It was noted that under the new Government structure, the County Government of Nakuru is the successor of Municipal Council of Naivasha and major shareholder of the Company. As at the time of audit, the Company had amended the instruments of incorporation but had not registered them with the Registrar of Companies in accordance with section 15 of the Companies Act Cap 486. This may give undue advantage to the officers who were holding shares in trust before transition.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Companies Act, I report based on my 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 and statement of comprehensive income are in agreement with the books of account.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

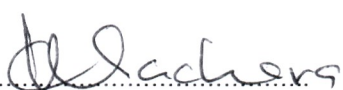
Nairobi

21 September 2015

NAIVASHA WATER, SEWERAGE & SANITATION COMPANY LTD
 REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Statement of Comprehensive Income for the year ended 30 June 2014

		2014 Shs	2013 Shs
Income	2a	80,095,614	45,104,816
Cost of Sales			
Electricity		17,937,381	13,805,149
Operations & Maintenance		11,873,427	8,462,311
		29,810,808	22,267,460
Gross Profit		50,284,806	22,837,356
Grants	2b	5,291,490	4,752,564
		55,576,296	27,589,920
Expenditure:			
Administration Costs	3	45,772,235	25,195,416
Audit Fees		250,000	250,000
Depreciation		1,802,651	407,259
Board Expenses		2,665,115	906,945
Total Expenditure		50,490,001	26,759,620
Surplus/(Deficit)		5,086,295	830,300

Sign..... 

Director

Date..... 29/9/14

Sign..... 

Managing Director

Date..... 29/9/14

**NAIVASHA WATER,SEWERAGE & SANITATION COMPANY LTD
REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

Statement of Financial Position as at 30 June 2014

		2014 Shs	2013 Shs
Assets			
Property ,Plant & Equipment	4	32,392,265	27,336,153
Current Assets			
Receivables	5	80,447,900	65,559,012
Deposit		573,000	573,000
Cash & Bank	6	2,117,764	4,883,162
Total Current Assets		83,138,663	71,015,174
Current Liabilities			
Payables	7	32,210,141	26,769,371
Customer Deposit		1,870,176	1,078,726
Customer Prepayments		509,822	-
Total Current Liabilities		34,590,139	27,848,097
Net Current Assets		48,548,524	43,167,076
Net Assets		80,940,789	70,503,229
Financed By:			
Authorised Capital	8	100,000	100,000
Owners Fund			
Capital Funds	9	42,356,158	37,004,866
Capital Reserves	10	59,296,102	59,296,102
Revenue Reserves	11	(20,811,444)	(25,897,739)
Total Equity		80,940,815	70,503,229

The financial statements on pages 7, 8,9 &10 were approved by the Board of Directors on 13 and signed on its behalf by ;

Sign.....

Director

Date.....29/9/2014

Sign.....

Managing Director

Date.....29/9/14

**NAIVASHA WATER, SEWERAGE & SANITATION COMPANY LTD
REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

STATEMENT OF CHANGES IN EQUITY

	Revenue Reserves Kshs	Share Capital Kshs	Capital Reserves Kshs	Capital Funds Kshs	Total Kshs
At the start of the year 30/06/13:	(26,728,039)	100,000	13,014,100	18,691,350	5,077,411
Additions during the year	830,300	-	46,282,002	18,313,516	65,425,818
At the end of the Year 30/06/14:	(25,897,739)	100,000	59,296,102	37,004,866	70,503,229
At the start of the year 01/07/2013:	(25,897,739)	100,000	59,296,102	37,004,866	70,503,229
Additions during the year	5,086,295	-	-	5,351,292	10,437,586
At the end of the Year 30/06/14:	(20,811,444)	100,000	59,296,102	42,356,158	80,940,815

**NAIVASHA WATER,SEWERAGE & SANITATION COMPANY LTD
REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

Statement of Cashflows for the year ended 30th June 2014

	2014 Shs	2013 Shs
A Operating Activities		
Surplus/(Deficit) for the year	5,086,295	830,300
Adjustment for:		
Depreciation	1,802,651	407,259
Changes in working capital:		
(Increase)Decrease in Receivables	(14,888,888)	(44,948,998)
Increase in Deposits-Rent & Electricity	-	(445,000)
Increase/(Decrease in Payables	5,440,768	649,515
Increase in Customer Deposits	791,450	252,000
Increase /Decrease Customer prepayment	509,822	-
Increase /Decrease in Capital Reserve	-	46,282,003
Net Cash From Operating Activities	(1,257,901)	1,789,520
B Financing Activities		
Increase/(Decrease in Capital Fund	5,351,292	18,313,516
Net Cash From Financing Activities		
C Investing Activities		
Increase in Investing Activities	(6,858,762)	(16,696,612)
D Movement in Cash & Cash Equivalent		
Cash and Cash equivalent for the year	(2,765,372)	4,643,984
Cash and Cash Equivalent B/Fwd	4,883,162	239,178
Actual Balance	2,117,790	4,883,162

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 except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. 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 entity's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Kshs'000).

The financial statements have been prepared in accordance with the PFM 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 recognised to the extent that it is probable that future economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the company's activities as described below.

- i) **Revenue from the sale of water and sewerage services** is recognised in the year in which the company delivers water and sewerage services to the customers.
- ii) **Revenue Grants from Donors** are recognised in the year in which the company actually receives such grants. Grants for capital items are capitalized.

- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Other income** is recognised as it accrues.

3. **Property, plant and equipment**

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

4. **Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Land	Nil
Buildings and civil works	2.5%
Plant, Equipment, Furniture & Fittings	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%

Office equipment, furniture and fittings 12.5%

Depreciation is charged on additions from the year following that in which the asset concerned is brought into use or purchased.

5 Depreciation and impairment of property, plant and equipment (Continued)

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

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 .Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

7 .Inventories

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

8. Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

9.Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank, in hand and bank deposits.

10. Taxation

Current income Tax assets and Liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities.

Income tax for the period is nil amount though the company made a net income of kshs.5,903,550 it is recouped back to the accumulated loss of Kshs.25, 897,739 giving a net revenue reserve of loss of Kshs.19, 994,189.

11. Accounting estimates and Judgements.

The company during the period had not achieved 100% metering on all its consumers and therefore there was estimation to some customers on the water consumed.

The process of estimation ranges from one zone to another depending on the water supplied at the zonal level and average of no of connections.

12. Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, 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, less any payments made to the suppliers.

13. Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from November 2012. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The employee contributes 12% and the company contributes 15%. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act.

14. Provision for Bad Debts

Provision for bad debts relates to all the customers in our customer database that have not be traced until now that were inherited from the defunct Municipal Council of Naivasha and Ministry of Water (District Water Office)

15. Related Party Disclosure

National Government

The National Government through the Ministry of Water, regulates the company through Water Services Regulatory Board and the company is charged 1% of its income by WASREB.

County Government of Nakuru

The county Government of Nakuru is the majority shareholder of the company, holding 59.4% of the company's equity. The office of the Governor holds 0.02% of the shares of the Company, Office of the County Secretary holds 0.02% of the shares, Office of the Town Administrator, Naivasha Sub-county also holds 0.02% of the shares of the company.

Governor, County of Nakuru

The office of the Governor, County of Nakuru holds 0.02% of the shares of the Company.

Rift Valley Water Services Board

Rift Valley Water Services Board holds 40% of the shares of the Company. In addition the company submits 9% of its revenue to the Board.

16. Financial Risk Management.

The company generates income by billing its services to its consumers for water and sewer. As indicated there before the company has estimated some of the consumers' consumption because of non-metering and this exposes the company to credit risk due to doubtful debts if the estimated consumption is more than the actual consumption.

Credit Risk.

The Board of directors through the management allows for provision for doubtful debts that helps in curbing the company from credit risk.

Liquidity Risk.

The company is required to settle its obligations as and when they fall due to its suppliers and other payables. The company negotiates on extension of credit period and maintains a payment schedule that will accommodate its revenue.

17. Currency

The reporting currency is Kenya Shillings (Kshs) rounded up to the nearest one shilling.

18. Comparative figures

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

19. Contingent Assets and Liabilities

During the period there were no contingent Assets or Liabilities.

20. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year.

NAIVASHA WATER, SEWERAGE & SANITATION COMPANY LTD
 REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4		Buildings, Water & Sewer Works		Water Meters		Computers		Furniture & Fittings		Tools & Equipments		Resource Billing Pro		Total
		Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	shs	Shs	
	Cost as at 01/07/2013	22,147,358	4,978,120	992,037	213,482	511,000	638,000	29,479,997						
	Additions during the year	2,885,209	814,500	549,311	1,100,925	1,508,818	-	6,858,762						
	Totals as at 30/06/2014	25,032,567	5,792,620	1,541,348	1,314,407	2,019,818	638,000	36,338,759						
	Accumulated Depreciation	1,471,605	312,500	156,630	186,796	16,313	-	2,143,844						
	Charge for the Year	553,684	622,265	297,611	137,616	63,875	127,600	1,802,651						
	Net Book Value as at 30/06/2014	23,007,278	4,857,855	1,087,107	989,995	1,939,630	510,400	32,392,265						
	Net Book Value as at 30/06/2013	20,675,753	4,665,620	835,407	26,686	494,687	638,000	27,336,153						

NAIVASHA WATER,SEWERAGE & SANITATION COMPANY LTD
REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Notes

2	2014	2013
a Income	Shs	Shs
Water and Sewer charge	78,979,849	42,241,116
New Connection	520,660	331,500
Exhauster Fees	534,800	835,800
Miscellaneous Incomes	60,305	1,612,400
Tender	-	84,000
	80,095,614	45,104,816
 b Revenue Grants	 5,291,490	 4,752,564
WSTF	957,077	567,550
VITENS	4,334,413	4,185,014
 3 Administrative Cost		
Salaries & Wages	19,621,600	13,888,015
General Office Expenses	4,541,093	1,645,257
Telephone & Postage	951,284	500,654
Transport	592,889	281,443
Regulatory Levy Subscription	6,395,714	4,682,692
Training & Entertainment	568,391	147,518
Travel & Accommodation	1,196,715	1,337,896
Rent	560,000	293,375
Advertisement	436,340	263,423
Bank Charges	161,873	143,661
Legal/Conculty/Professional Fees	337,826	-
Doubtful Debts	10,408,510	2,011,482
	45,772,235	25,195,416

NAIVASHA WATER, SEWERAGE & SANITATION COMPANY LTD
REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

5 Receivables	2014	2013
	Shs	Shs
Due from Customers	78,301,484	63,436,478
Salary advances and Imprests	272,216	248,334
Due from Ministry of Special Programmers	1,874,200	1,874,200
	80,447,900	65,559,012
6 Cash & Bank		
Bank Balances(KCB 1104269716)	1,319,135	458,348
Bank Balances(KCB 111396416)	154,548	2,764,386
Bank Balances(KCB 1116375060)	509,709	21,459
Bank Balance(KCB 1136984186)	-	460,052
Bank Balance(KCB 1136984526)	-	1,161,852
Cash in Hand	134,372	17,065
	2,117,764	4,883,162
7 Payables		
KPLC	4,663,332	2,608,248
Staff Top up allowance	437,162	437,162
RVWSB	4,249,661	4,188,767
WARMA	341,678	370,611
WASREB	692,982	558,046
WASPA	225,000	175,000
Microtech Ltd	2,000	2,000
Labelle-inn	12,454	106,355
Bethway Stationers	5,100	5,100
Casual Wages	4,700	4,700
Genesis Glassmatt	65,516	1,207,606
Dr Ngatiri	20,000	20,000
Gearr Consultants	5,200	5,200
Penibrah K Ltd	9,350	9,350
Rodi Orege & Company Advocates	96,280	96,280
Standard Group	225,040	-
Starvic Electricals	23,200	4,000
Telkom Kenya Ltd.	10,302	10,302
Nakuru Water and Sanitation Services Ltd	92,920	5,600
Amua Water Systems	60,564	-
Davis and Shirtlift	162,875	-
Fixit Fundi	977,500	-
Isama Hardware	7,950	-
JG Kaniu	140,000	-
Jostas Building	5,800	-
Josmart Auto Garage	5,950	-
Kinetic Engineering ltd	281,100	-
Kwirera Hardware	52,055	-
Netspace	152,930	-
Patmat Bookshop	58,965	-
Three Electricals	-	300,000
Nyakundi & Associate	-	5,000,000
JB Drilling	-	371,510
Power Plant Ltd	-	400,000
Queens Valley Stationeries	-	1,854
Ranny Hardware	-	19,500
Provisions and Accruals	14,506,192	5,571,673

N.S.S.F	256,400	541,800
N.H.I.F	88,610	87,110
P.A.Y.E	3,113,641	3,509,748
NET PAY	1,036,176	983,127
LAPTRUST	110,184	168,723
CIC INSURANCE	2,500	-
HELB	8,846	-
	32,210,141	26,769,371
8 Share Capital		
Authorised		
5000 Ordinary Shares of Kshs 20 each	100,000	100,000
9 Capital Fund		
Funding from Ministry of Water & Irrigation	12,283,073	12,283,073
Funding from GTZ	5,878,877	5,878,877
Funding from WSUP	529,400	529,400
Funding from WSTF	14,534,159	11,991,409
Funding from VITENS EVIDES	9,130,648	6,322,107
	42,356,158	37,004,866
10 Capital Reserves		
Balance B/Fwd	59,296,102	13,014,000
Adjusted Receivable Balance	-	46,282,102
	59,296,102	59,296,102
11 Revenue Reserves		
Surplus/(Deficit) B/Fwd	(25,897,739)	(26,728,039)
Surplus/(Deficit) for the year	5,086,295	830,300
	(20,811,444)	(25,897,739)