

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

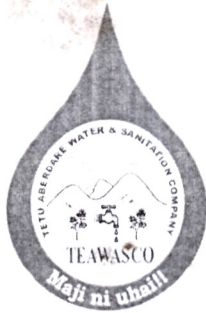
THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
TETU ABERDARE WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE 2014**

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014



TETU ABERDARE WATER & SANITATION COMPANY

P. O. Box 1089 - 10100, NYERI

Telephone: 061 2034164

Fax: 061 2032830

E-Mail: teawasco@yahoo.com

TEAWASCO

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE, 2014

TABLE OF CONTENTS

| | PAGE |
|---|-------------|
| Corporate Information | 2-3 |
| Board of Directors | 4-7 |
| Management Team | 8-9 |
| Chairman's Statement | 10 |
| Report of the General Manager | 11-12 |
| Corporate Governance Statement | 13 |
| Corporate Social Responsibility Statement | 14 |
| Report of the Directors | 15 |
| Statement of Directors' Responsibilities | 16 |
| Report of the Independent Auditor/Auditor General | 17 |
| Statement of Comprehensive Income | 18 |
| Statement of Financial Position | 19 |
| Statement of Changes in Equity | 20 |
| Statement of Cash Flows | 21 |
| Summary of Significant Accounting Policies | 22-24 |
| Explanatory Notes to the Financial Statements | 25-31 |

CORPORATE INFORMATION

BACKGROUND INFORMATION

The Company was incorporated under the Companies Act (Cap.486) and that the Company is limited by Guarantee on 13th April 2006 (Certificate of Incorporation for the Company No.C.124262). The Company's mandate is to provide Water and Sanitation Services in Tetu and parts of Nyeri Central sub-counties in Nyeri County in accordance with section 113 of the Water Act 2002 by Tana Water Services Board.

PRINCIPAL ACTIVITY

The principal activity of the Company is to provide water and sanitation services to residents Tetu and parts of Nyeri Central sub-counties in Nyeri County.

VISION

It reflects our main role and function which is:-

"To be the most Efficient and Effective Water Service Provider in Rural Kenya"

MISSION

It is inclined towards serving the expectation of the Company's stakeholders which is:

"To ensure provision of affordable, Reliable and Sustainable Water and Sanitation Services by operating and maintaining Water and Sanitation facilities"

CORE VALUES

To achieve our mission and vision, the following core values will be our guiding principles:

- Customer focus
- Accountability
- Transparency
- Integrity
- Commitment to teamwork
- Inclusivity

REGISTERED OFFICE

Kamakwa Nyeri Central Sub-County Water Office

P. O. Box 1089-10100

Nyeri.

KENYA.

E-mail: teawasco@gmail.com

BANKERS

Kenya Commercial Bank Ltd Nyeri Branch

P. O. BOX 215 -10100

Nyeri.

KENYA

Tel: 061 2030613/203

Fax: 2030073

INDEPENDENT AUDITORS

Auditor General

Kenya National Audit Office

P.O. Box 30084 - 00100

Nairobi.

KENYA.

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30JUNE 2014

BOARD OF DIRECTORS

| <u>NAME</u> | <u>STATUS</u> | <u>DATE OF APPOINTMENT</u> |
|----------------------------|-------------------|-----------------------------------|
| 1. George S. GitongaWahome | - Chairman | - 13 th April 2006 |
| 2. Felix Mugo Matu | - Director | - 17 th June 2010 |
| 3. Lydiah Kagema | - Director | - 17 th June 2010 |
| 4. John A.P. Muthui | - Director | - 13 th April 2006 |
| 5. PeninahWangariKirehu | - Director | - 13 th April 2006 |
| 6. Lucy Ndung`u | - Director | - 17 th June 2010 |
| 7. Erastus Mathenge | - Director | - 30 th September 2012 |
| 8. Amos Githaiga | - Director | - 30 th September 2012 |
| 9. Eng` T. G. Ngunyangi | - Director | - 13 th January 2014 |
| 10. Dancun MainaMathenge | - Director | - 13 th January 2014 |
| 11. Willie M. Kamwaro | - General Manager | |

Tetu Aberdare Water and Sanitation Company (TEAWASCO) has a Corporate Governance structure which consists of a Board of Directors appointed from a cross section of stakeholder interests and professional background resident in Company's Service area.

The Board of Directors consists of the chairman, who has non-executive responsibilities and nine others who are also non-executive.

The board meets at least four times a year and continues to maintain effective control over strategic, financial operational and policy issues.

The Directors have the obligation to manage the affairs of the Company in accordance with the provisions of the Company's Act and any other statute relevant to its operations especially the Water Act 2002. The relationship between the Company and Directors is based on the provisions contained in the articles of association of the Company. In order to ensure prudent utilization and management of resources and proper running of the Company affairs, the Company has put in place a Code of Ethics of which the Board members have signed. The current Board of Directors was constituted on 13th January 2014 comprising of ten members including the chairman whose names, qualifications and occupation are listed in table below:

Details of Board Members:



Mr. George S.G. Wahome-Chairman

A-level, Retired Inspector of school , trainer of ECD teachers, holder of a Diploma & an Advanced Diploma in Theology and a founder member of TEAWASCO. He has been a treasurer Tetu Constituency Ministry of Education, Chairman of Njogu-ini Secondary School and Dedan Kimathi Memorial High School.A Member of Tetu Tribunal Board, Author and Chairman of River Tana Basin Catchment Area Advisory Committee. He is representing Major Religious Organization.



Mr. Felix MugoMatu

Trained Motor Vehicle Inspector. Worked as a Motor Vehicle Inspector in Nyeri and Muranga, Instructor at the Mechanics Training School and In-charge Provincial Workshops at Provincial Works Office. He has been the chairman Wandumbi special school and the B.O.G chair Wandumbi Secondary School. He is the chairperson of Finance, Administration & Technical Sub Committee of the Board. He represents institutions of people with disability.



Mrs. Peninah Wangari Kirehu






A-level, Retired Deputy Headmistress and an official of KNUT, holds a Diploma in Theological Education by extension. She was a nominated Member Nyeri County Council, an Active Vice Chairman of Tetu KARO Sub Branch, a B.O.G member of Ithite Technical. She is a founder member of TEAWASCO representing Non-Governmental Organization (NGO).





Mr. John A.P. Muthui

A-level, Retired Inspector of Schools. He has worked for the Government in the Ministry of Education as a Teacher, a Head Teacher, Tutor and Retired Inspector of Schools. He is a founder member of TEAWASCO and served as first chairman of the company for four years. He represents tea farmers and has been a Director at Gathuthi Tea Factory.

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30JUNE 2014

| | |
|---|--|
|  | <p>Mrs. Lucy W. Ndung'u Trained Kenya Enrolled Community Nurse, Maternal and child Health Planning, Micro Credit Management, Business Development & Marketing, HIV/AIDS Awareness & Control, BOG member of Mathakwa-ini and Ithethe Secondary Schools, Chairperson of Tetu Sub-County Poverty Eradication Committee. She was member of CACC for two terms and currently the Vice Secretary Maendeleo ya Wanawake Nyeri County. She Represents Women's Organization.</p> |
|  | <p>Mrs. Lydia Nyokabi Kagema Retired Head teacher she is the Chairperson of the Audit Sub Committee of the Board and the Chairperson of New United Tetu Dairy. She has been a B.O.G member F.T Nyamu Secondary, chairperson location Development Committee Gaaki and Sub-locational Development Committee Gathaithi. She is representing Farmers organization.</p> |
|  | <p>Amos Githaiga Mururi Graduate with Bachelor of Science Agricultural Education and Extension, Diploma in Agricultural Education and Extension. He has been the H.O.D of Science at Huho-ini Secondary school through his experience in biology and agriculture. He represents Water Resources Users Association (WRUA)</p> |
|  | <p>Erastus Mathenge Ndung'u A-level. Retired Branch Manager of Co-operative Bank. He has chaired Thiriku Coffee Growers Cooperative Society Ltd for more than six years. He represents Coffee Factories</p> |
|  | <p>Eng' T. G. Ngonyangi He is the County Executive Secretary, Water, Environment, Natural Resources & Irrigation. He holds a Masters of Science and Bachelor of Science Degree from University Of Nairobi, has 25 Years experience in the Water Sector rising from District Water Engineer to Project Engineer, Superintending Engineer, General Manager, City Council of Nairobi, Regional Manager, Nairobi Water & Sewerage Co.</p> |

| | |
|---|---|
|  | <p>Dancun Maina Mathenge He holds a Diploma in Dental Technology from College of Health Professions Nairobi. He is the chairman of Kenya Dental Technologists Association and a Director of Unodent Dental Laboratory. He is the Political Advisor to the Nyeri County Governor. Representing Nyeri County Government</p> |
|  | <p>Willie M. Kamwaro A-Level, he holds Higher National Diploma in Water Engineering and Ordinary Diploma in Water Engineering from Kenya Polytechnic and certificate in Water Technology from Kenya Water Institute (KEWI). He is registered by Kenya Engineers' Registration Board as Graduate Technician Engineer and computer packages. He has attended several management courses including Project Management at Kenya Institute of Administration (KIA), Management Skills Development and Performance Management among others. He has 30 years working experience in the Water Sector working in the Ministry of Water in Surveying and Design of Projects and in National Water Conservation & Pipeline Corporation as an Area Manager and Implementation Manager/Supervisor of several Government Contracted Projects. Also in Tana Water Services Board working in Asset Development Department, Co-ordinating Capital Works Implementation within the Board Area. He joined TEAWASCO Company in the year 2007 as the Technical Manager and later became the General Manager in the year 2008.</p> |

FINANCE, ADMINISTRATION AND TECHNICAL COMMITTEE

- Mr. Felix Mugo Matu - Chairman
- Mrs. Peninah Wangari Kirehu - Member
- Mr. John A. P. Muthui - Member
- Eng' T. G. Ngunyangi - Member

AUDIT COMMITTEE

- Mrs. Lydia Nyokabi Kagema - Chair Person
- Mr. Erastus Mathenge - Member
- Mrs. Lucy W Ndung'u - Member
- Dancun Maina Mathenge - Member

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30JUNE 2014

MANAGEMENT TEAM

QUALIFICATIONS AND MAIN AREA OF RESPONSIBILITY



1. Willie M. Kamwaro – General Manager

A-Level, he holds Higher National Diploma in Water Engineering and Ordinary Diploma in Water Engineering from Kenya Polytechnic and certificate in Water Technology from Kenya Water Institute (KEWI). He is registered by Kenya Engineers' Registration Board as Graduate Technician Engineer and computer packages.

He is responsible for Planning, Directing, Coordinating and Controlling the Operations of the Company.

Effective management of the Company so as to ensure achievement of its set goals and objectives.



2. Symon W. Wanjau- Commercial Manager

K.C.S.E, Master of Business Administration, Bachelor's degree in Business Administration Finance/Accounting, CPA (K), CPS Finalist, Part II of Certified Securities and Investment Analyst(CSIA), Registered with ICPAK.

He Ensures that all the financial resources of the company are well managed, prudently invested, fully accounted for and reported efficiently. Continuous improvement of

Administration and Accounting systems in the company



3. Mary W. Mwangi- Technical Manager

K.C.S.E, Master of Project Management, Bachelor of Science in Water and Environmental Engineering, Computer packages Effective and efficient utilization of resources through development of production methods, ensure that the entire infrastructure is well maintained and operated for quality water and sanitation services in order to meet customer demand/needs.



Elizabeth W. Mathenge- Human Resource & Adm. Manager

K.C.S.E. Bachelor's degree in Business Administration (HR) Diploma & Advanced Diploma in Human Resource Management, Secretarial Course stages I, II & III, Certificate in Public Relation & Computer, pursuing (MHRM), Registered with the Institute of Human Resource.

Responsible for the management of Human Resources function & Administration of the company; including formulation, periodic review and implementation of HR policies; coordination of the recruitment processes; compensation and benefits; staff training and development & employee industrial relations.



Christine Wairimu (Internal Auditor)

K.C.S.E Bachelor of commerce (Accounting)

C.P.A part three (sec 5) and computer packages. She ensures the Internal Controls Systems of the company are strong and adhered to. She ensures the company assets are safeguarded and resources efficiently utilize adding value to the company. She also liaises with the External Auditor facilitating the process for ease of flow and successful completion.

TETU ABERDARE WATER AND SANITATION COMPANY LIMITED

CHAIRMAN'S REPORT

The year 2013/2014 was a year with a difference, a year in which we were confronted by many challenges, but emerged more resilient and successful.

The macroeconomic landscape in the year was challenging characterized by depressed economies, disposable incomes in the whole world continued to decline resulting to reduced consumers spending. This greatly constrained our volumes and hindered growth in turnover during the year under review. However, despite the very difficult economic conditions, we are proud of the results we achieved. The Company water billing increased from Kshs40, 881,041 to Kshs49, 176,789,. for the financial years 2012/2013 and 2013/2014 respectively.

The company too undertook sponsorship of public health projects with Nyeri Hospice. This is targeted to terminally ill Cancer Patients and focuses on quality of life thereby turning the end of life into an important time of living.

For the purpose of improving our service delivery the Company working with our development partners through Water Services Trust Fund (WSTF) solicited for funds amounting to Ksh. 18 Million in augmenting Titie Water Scheme by expanding the raw water main from 6'' to 10'' diameter covering a length of 5.4Km aimed at attaining 24/7 service for our esteemed customers residing in the upper zone who have been getting water on rationing basis and now the Company has been able to achieve this noble objective.

The company will strive to offer 24 hours water service provision and I believe this position shall be achieved in our expansion programs.

Our effort to grow and improve as a company would not have been possible without the leadership of our talented Board of Directors, our employees, our customers, Tetu Constituency Development Fund, Tana Water Services Board, Tetu Sub-County Water Officer, Nyeri County Government and other potential development partners also deserve commendation for their hard work and loyalty.

The results presented today would not have been achieved without the support of the directors and for this I wish to thank my colleagues in the board.

On behalf of the board, I wish to record our gratitude to our consumers for their continued loyalty and support and to all our employees in the company for their dedication and exemplary service without which the results would not have been achieved.



DAVID K. NJOGU
CHAIRMAN –TEAWASCO.

GENERAL MANAGER'S REPORT

WATER SECTOR REFORMS

One of the main principles of the Water Act 2002 was that water services were to be managed at the lowest level possible. In line with this principle the Ministry of Water and Irrigation transferred the provision of water services to Water Services Board with effect from July 2005. The Water Act 2002 stipulates that the Service Boards shall contract agents, known as water service providers, for provision of water services.

HISTORY AND LEGAL ESTABLISHMENT

TEAWASCO as a Company has been given the responsibility to take charge of the Management of all the assets that were previously under the Management of both Ministry of Water and Irrigation as Tetu Thegenge and Titie Water Schemes and National Water Conservation and Pipeline Corporation as Aguthi Water Scheme. Over the years all the existing water systems handed over to the Company have passed their ultimate design period, and in the process they have been dilapidated and outlived their economic life. Hence, they need to be rehabilitated and augmented.

However, in order to be able to achieve sustainability there is need to develop and implement the infrastructure involving various components. However, these undertakings requires huge amount of money which is beyond the capability of the Company to generate internally, therefore demanding external funding.

In addition, it is important to note that according to the new dispensation the water and sanitation services are devolved functions under the County Government, and this being the case the Water Act 2002 is being amended in order to accommodate these constitutional changes among other regulations awaiting enactment by Parliament.

In view of the above, the company is working closely with Tana Water Services Board, Tetu – CDF Committee, District Water Office and Nyeri County Government in fulfilling our core mandate.

INFRASTRUCTURE DEVELOPMENT

For the purpose of improving our service delivery the Company working with our development partners through Water Services Trust Fund (WSTF) solicited for funds amounting to Ksh. 18 Million in augmenting Titie Water Scheme by expanding the raw water main from 6" to 10" diameter covering a length of 5.4Km aimed at attaining 24/7 service for our esteemed customers residing in the upper zone who have been getting water on rationing basis and now the Company has been able to achieve this noble objective. However, plans are underway to improve on water quality by provision of water treatment equipment and facilities.

FUTURE DEVELOPMENT PLANS

The Company has earmarked to undertake the following activities in our future development programmes.

- √ Development of Bulk Water Supply by constructing reservoirs on Gura, Chania and Kagumo rivers including rehabilitation and augmentation of existing water systems.
- √ Improvement and development of sanitation services in our rural households and market centres.
- √ Water Catchment conservation and protection programmes.

PROJECT PROPOSAL

For the purpose of improving service delivery and at the same time, achieve sustainability there is an urgent need to augment the existing systems through development of the infrastructure by implementing the activities outlined in the company's project proposal documents.

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30JUNE 2014

FINANCIAL STATUS.

In the financial year 2013/2014 the total turnover for water sales was Kshs 49, 176, 789, other incomes totaling to Kshs. 2,953,148. The total operating expenses was Kshs. 49,969,010 resulting to an operating surplus Kshs 2,064,878.

The company was also able to get grants of Kshs1, 284,480 from the Ministry of Water as part of the government employees' salary and Kshs. 18,504,192 in form of funding towards Titie Water Project from Water Services Trust Fund.

STAFF

The company has 76 employees. The company aims to develop policies to enable it recruit its own staff guided by the company's human resource management policy. The ultimate goal is to make the company an enterprising Tetu Aberdare Water and Sanitation Co Ltd... In this regard the company has in place human resource polices that includes health and safety, work injury benefits HIV/Aids awareness to enable staff deliver services.

CONCLUSION

With the implementation of Vision 2030 strategy and The Constitution of Kenya 2010, there is great demand for clean, safe and adequate water supply in all sectors contributing to economic development. This is a great opportunity for the company to exploit enabling it achieve its objectives and the ever growing water service demand.

GRATITUDE

I would like to take this opportunity to thank Tana Water Services Board, County Government of Nyeri, District Water Office Tetu District, Tetu-CDF,WSTF and TEAWASCO Board of Directors for their support during the year, also our esteemed customers and our suppliers who were all instrumental to our success this year. I am also grateful to our staff for their commitment and effort in striving to ensure the company meets its noble objectives and also in fulfilling our core mandate.



W. M. KAMWARO
GENERAL MANAGER

STATEMENT OF CORPORATE GOVERNANCE

TEAWASCO is committed to operating under a clear governance framework and strongly adheres to sound management and control practices.

TEAWASCO is committed to ensuring compliance with the provisions of Water Act 2002 and Service provision agreement granted by Tana Water Services Board among other regulatory and supervisory corporate governance requirements.

In ensuring that corporate governance is enhanced and that the power of TEAWASCO is exercised in the stewardship of the company total portfolio of assets and resources with the objective of maintaining stakeholder's value, the Boards of Directors have constituted the following committees:

1. FINANCE, ADMINISTRATION AND TECHNICAL COMMITTEE

The Finance, Administration and Technical Committee is the overseer of the financial reporting process and sourcing of funds for Company's capital works.

TEAWASCO makes cognizance of the fact that Human resources is one single asset in achieving the goals of the Company. It's the duty of the Finance, Administration and Technical Committee to ensure that TEAWASCO has the right staff, at the right place and doing the right thing. More so, the Committee will ensure that staff welfare is guaranteed.

The Committee is the overseer of the technical reporting process.


It shall ensure that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water infrastructures.

2. AUDIT COMMITTEE

In order to promote good corporate governance, TEAWASCO has constituted an Audit Committee with the following functions;

- Safeguarding of the assets.
- Scope and effectiveness of the internal controls.
- Audit of the Annual financial statements.
- Compliance with all applicable regulatory requirements and accounting standards.

By order of the Board
For and on its behalf



.....
General Manager

Date 26/09/2014.....

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The company has joined hands with other stakeholders concerned in planting indigenous trees in the Aberdare forest water Catchment area bearing in mind that the sustainability of our water sources wholly depends on Aberdare water tower which we desperately need to protect and preserve.

The company planted over three thousand trees at Aberdare forest to conserve the water catchment areas and look forward to conserve all catchments that are the sources of our water intake.

The company too undertook sponsorship of public health projects with Nyeri Hospice. This is targeted to terminally ill Cancer Patients and focuses on quality of life thereby turning the end of life into an important time of living.

REPORT OF THE DIRECTORS

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

Principal activity

To provide water and sanitation services to residents of Tetu and parts of Nyeri Central sub-counties in Nyeri County.

Results

The results of the Tetu Aberdare Water and Sanitation Co Ltd.. for the year ended June 30, 2014 are set out on pages 18-31

Dividends

The company is limited by guarantee and does not pay dividends. Any surplus realised is ploughed back to finance capital expenditure.

Directors

The members of the Board of Directors who served during the year are shown on page four. In accordance with Regulation of the company's Articles of Association, XXX and XXX retire by rotation and, being eligible offer themselves for re-election.

Auditors

The Auditor General is responsible for the statutory audit of the company's in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board

Company Secretary
Nyeri
Date:.....

STATEMENT OF BOARD OF DIRECTORS RESPONSIBILITY ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

Section ... of the Public Finance Management Act, require the Directors to prepare financial statements of Tetu Aberdare Water and Sanitation Co Ltd. which give a true and fair view of the state of affairs of the Tetu Aberdare Water and Sanitation Co Ltd. at the end of the financial year 2013/2014 and the operating results of the Tetu Aberdare Water and Sanitation Co Ltd. for year 2013/2014. The Directors are also required to ensure that the Tetu Aberdare Water and Sanitation Co Ltd. keeps proper accounting records which disclose with reasonable accuracy the financial position of the Tetu Aberdare Water and Sanitation Co Ltd. The Directors are also responsible for safeguarding the assets of the Tetu Aberdare Water and Sanitation Co Ltd...

The Directors are responsible for the preparation and presentation of the Tetu Aberdare Water and Sanitation Co Ltd.'s financial statements, which give a true and fair view of the state of affairs of the Tetu Aberdare Water and Sanitation Co Ltd.. 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 Tetu Aberdare Water and Sanitation Co Ltd..
- (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 Tetu Aberdare Water and Sanitation Co Ltd.;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.


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

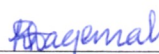
Nothing has come to the attention of the Directors to indicate that the Tetu Aberdare Water and Sanitation Co Ltd.. will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Tetu Aberdare Water and Sanitation Co Ltd.'s financial statements were approved by the Board on 26/09/ 2014 and signed on its behalf by:


Director


Director


Director

REPORT OF THE INDEPENDENT AUDITOR

TETU ABERDARE WATER AND SANITATION COMPANY LIMITED

We have audited the accompanying (consolidated) financial statements of Tetu Aberdare Water and Sanitation Company Limited for the year ended June 30, 2014, which comprise: (i) a statement of comprehensive income; (ii) a statement of financial position as at June 30, 2014; (iii) a statement of cash flows; (iv) a summary of significant accounting policies; (v) Statement of Changes in Equity and (vi) other explanatory notes.

Management's responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements which give a true and fair view of the Tetu Aberdare Water and Sanitation Co Ltd.'s state of affairs and its operating results in accordance with International Financial Reporting Standards, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the *Tetu Aberdare Water and Sanitation Co Ltd.*'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 Tetu Aberdare Water and Sanitation Co Ltd.'s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the *Tetu Aberdare Water and Sanitation Co Ltd.* as at June 30, 2014, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards, the Public Finance Management Act, and the Companies Act.

Auditor General

Date

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 TETU ABERDARE WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Tetu Aberdare Water and Sanitation Company Limited set out on pages 19 to 31 which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, the statement of the changes in equity, 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

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 the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Provisions of 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 assessments, the auditor considers internal controls relevant to the Company'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 management, 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

As previously reported, the property, plant and equipment balance of Kshs.37,136,338 as at 30 June 2014 includes Kshs.24,149,010 and Kshs.10,484,362 for pipes and pipelines extensions, and plant and machinery respectively all in respect of water sewer networks extensions carried out over the years since inception. However, as per the vesting agreement, these assets belong to Tana Water Services Board and the company can only incur capital expenditure with prior approval of the Board and may then place a reimbursement claim of the expenditure incurred with the Board. Further, the fixed asset register maintained by the Company was not updated.

In the circumstances, the accuracy and ownership of the property, plant and equipment balance of Kshs. 37,136,338 as at 30 June 2014 could not be confirmed.

2. Trade Receivables

As previously reported, the trade receivables balance of Kshs.10,066,771 as at 30 June 2014 include debts totalling Kshs.3,706,857 inherited from the Ministry of Water and Irrigation at the formation of the Company and has remained outstanding for a considerably long period of time. However, the Company did not avail ledgers to support the outstanding balance. Further, the monthly monitoring returns sent to Tana Water Services Board as at 30 June 2014 indicated total revenue arrears amounting Kshs.36,101,006, resulting to unexplained variance of Kshs.26,034,235.

In the circumstances, the accuracy of trade receivables of Kshs.10,066,771 could not be confirmed.

Qualified Opinion

In my opinion, except for 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 Tetu Aberdare Water and Sanitation Company Limited 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 the Water Act 2002, and the Companies Act, Cap 486 of the Laws of Kenya.

Other Matter

Unaccounted for Water (UFW)

During the financial year the company produced 1,921,392 cubic meters(m³) of water. However out of this volume only 1,201,543m³ was billed to customers. The balance of 719,849m³ or approximately 37.5% of water produced represented Unaccounted for Water (UFW). The UFW is 12.5% over and above the allowable loss of 25% accordance with the Water Services Regulatory Board guidelines. The UFW of 37.5% may have resulted in loss of sales estimated at Kshs.30,563,708. The significant level of UFW may negatively impact on the company's profitability and its long term sustainability. My opinion is not qualified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, I report, based on my audit, that:

- i. I have obtained all 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 accounts 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

15 September 2015



1000



TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2014

| | Notes | 2013/2014 Kshs | 2012/2013 kshs |
|---|-------|-------------------|-------------------|
| INCOME | 1a | 49,176,789 | 49,717,500 |
| OTHER INCOMES | 2 | 2,953,148 | 2,458,193 |
| TOTAL | | 52,129,937 | 52,175,693 |
| OPERATING EXPENSES | | | |
| Personnel & Administration Costs | 3 | 37,695,302 | 34,446,699 |
| Distribution, Operating & Maintenance costs | 4 | 9,033,652 | 15,651,980 |
| Products Costs | 5 | 3,240,056 | 2,594,071 |
| Sub -total | | 49,969,010 | 52,692,750 |
| OPERATING SURPLUS | | 2,160,927 | -517,057 |
| Finance Charges | 6 | 25,839 | 21,643 |
| SURPLUS/DEFICIT | | 2,135,088 | -538,700 |
| Taxation | | 70,210 | 0 |
| Net surplus | | 2,064,878 | -538,700 |

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2014

| | | 2013/2014 KSHS | 2012/2013 KSHS |
|-------------------------------------|-----|-------------------|-------------------|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| PROPERTY, PLANT & EQUIPMENT | 13 | 37,136,338 | 18,770,798 |
| Deferred tax | 14a | 80,630 | 0 |
| | | 37,216,968 | 18,770,798 |
| Current Assets | | | |
| Trade receivables | 7 | 10,066,771 | 8,844,896 |
| Cash & cash equivalent | 8 | 15,674,974 | 9,707,727 |
| Inventories | 12 | 5,384,934 | 5,005,724 |
| TOTAL CURRENT ASSETS | | 31,126,679 | 23,558,347 |
| TOTAL ASSETS | | 68,343,647 | 42,329,145 |
| EQUITY AND LIABILITIES | | | |
| Reserves and | | | |
| Retained Earnings | 9 | 19,077,584 | 15,380,150 |
| NON CURRENT LIABILITIES | | | |
| Deferred Income | | 31,105,406 | 13,508,064 |
| EQUITY AND LIABILITIES | | 50,182,990 | 28,888,214 |
| CURRENT LIABILITIES | | | |
| Consumer Deposits | 11 | 6,791,677 | 5,895,177 |
| Trade Payables | 10 | 11,218,140 | 7,545,754 |
| Tax Payable | | 150,840 | 0 |
| | | 18,160,657 | 13,440,931 |
| TOTAL EQUITY AND LIABILITIES | | 68,343,647 | 42,329,145 |

The financial statements were approved by the Board on 26/09/14 2014 and signed on its behalf by:

Chairman  Director  Director 

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30JUNE 2014

STATEMENT OF CHARGES IN EQUITY FOR THE YEAR ENDED 2012/2013

| DETAILS | RETAINED EARNINGS KSHS | GRANTS KSHS | TOTAL KSHS |
|-------------------------------|---------------------------------------|------------------------|-----------------------|
| At the start of the year | 23,302,543 | 0 | 23,302,543 |
| Deficit for the year | -538,700 | 0 | -538,700 |
| Prior Year Adjustments | -8,785,749 | 0 | -8,785,749 |
| Amortization | 1,402,056 | 0 | 14,910,120 |
| Grants | | 14,910,120 | |
| Amortization | | (1,402,056) | |
| At the end of the year | 15,380,150 | 13,508,064 | 28,888,214 |

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 2013/2014

| DETAILS | RETAINED EARNINGS KSHS | TOTAL KSHS |
|-------------------------------|---------------------------------------|-----------------------|
| At the start of the year | 15,380,150 | 15,380,150 |
| Salary Fund Account | -107,040 | -107,040 |
| Accum. Depreciation | 68,639 | 68,639 |
| Surplus for the year | 2,064,878 | 2,064,878 |
| Amortization | 1,670,957 | 1,670,957 |
| At the end of the year | 19,077,584 | 19,077,584 |

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2014

| | Notes | 2013/2014 | 2012/2013 |
|---|-------|-------------------|-------------------|
| Net surplus for the year | 9 | 2,064,878 | -538,700 |
| Adjustments for depreciation | | 2,941,368 | 2,601,107 |
| Provisions | | 850,000 | 600,000 |
| Decrease in prov. For Audit fee | | -18,000 | 0 |
| Provision for doubts debts | | 23,269 | -353,905 |
| Loss on disposal | | 21,609 | -320 |
| Tax Expense | | 70,210 | 0 |
| Investments Interest Earned | | -450,535 | -58,409 |
| Investments surplus before working capital adjustments | | 5,502,799 | 2,249,773 |
| Working capital adjustments | | | |
| Increase in inventory | 12 | -379,210 | -1,368,802 |
| Increase in receivables | 7 | -1,245,144 | 3,515,243 |
| Increase in payables | 10 | 3,672,386 | 729,999 |
| Deposits | | 896,500 | 750,400 |
| Disposal of assets | | 108,000 | 54,000 |
| Tax Paid | | 0 | -5,585,749 |
| Net Operating surplus after Adjustment | | 3,052,532 | -1,904,909 |
| | | 8,555,330 | 344,864 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Interest earned | | 450,535 | 58,409 |
| Purchase of assets | 13 | -2,931,578 | 0 |
| Grants | | -18,504,192 | -4,506,400 |
| Salary Fund Account | | -107,040 | 0 |
| Grants | | 18,504,192 | 4,506,400 |
| | | -2,588,083 | 58,409 |
| CASHFLOW FROM FINANCING ACTIVITIES | | | |
| Net increase in cash and cash equivalent | | 5,967,247 | 403,273 |
| Cash and cash equivalents at the beginning of the year | | 9,707,727 | 9,304,454 |
| Cash and cash equivalents at the end of the year | 8 | 15,674,974 | 9,707,727 |

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) 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, impaired assets at their estimated recoverable amounts and 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 judgment in the process of applying the Tetu Aberdare Water and Sanitation Co Ltd.'s accounting policies.

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

b). REVENUE RECOGNITION

Revenue is recognized when earned to Tetu Aberdare Water and Sanitation Co Ltd. and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of Tetu Aberdare Water and Sanitation Co Ltd.'s activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Tetu Aberdare Water and Sanitation Co Ltd.'s activities as described below.

- i) **Revenue from the provision of Water** is recognized in the year in which Tetu Aberdare Water and Sanitation Co Ltd. Provides water and the customer has accepted the commodity and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized in the year in which the Tetu Aberdare Water and Sanitation Co Ltd. actually receives such grants.
- iii) **Finance income** comprises interest receivable from bank deposit invested and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Rental income** is recognized in the income statement as it accrues using the effective rental agreements.
- v) **Other income** is recognized as it accrues.

c). PROPERTY PLANT AND EQUIPMENT

Property plant and equipment are stated at cost less the accumulated depreciation charged. 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 as profit or loss in the income statement.

d). DEPRECIATION

Depreciation on property, plant and equipment is recognised in the income statement on a reducing balance 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:

Depreciation is charged on reducing balance method using the following rates

| | |
|------------------------------|-------|
| Pipes | 2.5% |
| Telephone & computers | 30% |
| Office furniture & equipment | 12.5% |
| Plant and equipment | 12.5% |
| Motor bikes and vehicles | 25% |

A full year's depreciation charge is recognised in the year of asset purchase.

e). INVENTORIES

Inventories are valued at the lower of cost and net realizable value. The cost of inventories comprises purchase price, transportation and handling charges, and is determined on the weighted average price method.

f). SURPLUS

The Board of Directors doesn't recommend distribution of dividends and surplus is ploughed back to finance company capital works.

g). TRADE RECEIVABLES

They are recognized and carried at the realizable value less the provision for risk allowance, at currently 10% .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.

h). EMPLOYEE BENEFITS

The company operates a defined contribution retirement benefits scheme for its employees (Standard Chartered Bank 1987) and Water Sector Institution Pension Scheme (WSI).

The company also contributes to National Social Security Fund (NSSF) which is a defined contribution scheme. Contributors are determined by local statute as legislated. The company's contributions to the defined contribution schemes are charged to the income and expenditure account in the year to which they relate.

i) CURRENCY

These financial statements are prepared in Kenya Shillings (Kshs.)

j) DEFERRED INCOME

Grants received for the purchase of fixed assets or donated assets are recognized as deferred income and transferred to the surplus or deficit over the expected useful lives of the respective assets.

The company received grants from the Ministry of Water in form of salary for the staff under the company and capital grants which have been amortized as per IAS 20

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30JUNE 2014

k) 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 three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Kenya Commercial Bank at the end of the financial year.

l) TRADE AND OTHER PAYABLES

Trade and other payables are non-interest bearing and are carried at their value cost, which is measured at the fair value of invoiced value of the consideration to be paid in future in respect of goods and services supplied, whether billed to Tetu Aberdare Water and Sanitation Co Ltd. or not, less any payments made to the suppliers.

m) COMPARATIVE FIGURES

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

n) PROVISION FOR STAFF LEAVE PAY

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the

EXPLANATION NOTES TO THE FINANCIAL STATEMENTS

1a. INCOME

| | 2013/2014 | 2012/2013 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| Billing for the year | 49,176,789 | 40,881,041 |
| Re-routing fund | 0 | 8,836,459 |
| | 49,176,789 | 49,717,500 |
| 2. OTHER INCOMES | | |
| Accrued income | 0 | 48,069 |
| New connection fee | 916,300 | 807,500 |
| Sale of jerician | 20,600 | 26,600 |
| Interest | 450,535 | 58,409 |
| Gain on Disposal | 0 | 320 |
| Insurance Compensation | 145,433 | 0 |
| Sale of News paper | 0 | 270 |
| Decrease in provision for doubtful debts | 0 | 353,905 |
| Decrease in provision for Audit fee | 18,000 | 0 |
| House rent | 52,800 | 52,800 |
| Sale of tenders | 65,000 | 246,000 |
| G.O.K Grants 2013/2014 | 1,284,480 | 864,320 |
| Sub-total | 2,953,148 | 2,458,193 |
| TOTAL | 52,129,937 | 52,175,693 |

3 PERSONNEL AND ADMINISTRATION COSTS

3a. PERSONNEL

| | | |
|------------------------|-------------------|-------------------|
| Salaries | 20,228,612 | 16,676,797 |
| Wages | 4,409,425 | 5,333,329 |
| G.O.K grants 2013/2014 | 1,284,480 | 864,320 |
| Training | 421,880 | 386,010 |
| Leave pay | 247,166 | 199,574 |
| Sub total | 26,591,563 | 23,460,030 |

3b. OFFICE ADMINISTRATION EXPENSES

| | | |
|-------------------------------|------------------|------------------|
| Printing & stationary | 308,210 | 401,576 |
| Office expenses | 219,568 | 217,956 |
| Telephone | 332,059 | 320,792 |
| Postage | 33,275 | 31,745 |
| Travelling & subsistence | 636,670 | 739,550 |
| Electricity | 233,606 | 236,950 |
| Advertisement | 126,282 | 155,034 |
| News paper | 43,760 | 38,850 |
| Computer & copier expenses | 301,540 | 292,097 |
| Celebrations | 60,000 | 268,880 |
| Transport (public) | 127,570 | 130,230 |
| Copier & computer Maintenance | 48,300 | 155,744 |
| Hall hire | 0 | 5,000 |
| First aid kit | 6,785 | 2,592 |
| Sub total | 2,477,625 | 2,996,996 |

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3c .PROFESSIONAL CHARGES

| | | |
|--------------------------------------|-------------------|-------------------|
| 9% T.W.S.B | 4,393,157 | 3,835,973 |
| 1% WASREB | 488,131 | 428,403 |
| WARMA | 403,494 | 403,494 |
| Security | 715,500 | 634,400 |
| Board Seminars | 0 | 354,700 |
| Director Allowances | 1,058,179 | 727,510 |
| Professional Fee; Consultation | 39,800 | 427,798 |
| Provision for Annual General Meeting | 450,000 | 350,000 |
| Audit fee | 232,000 | 64,000 |
| Annual General Meeting | 13,754 | 18,163 |
| Provision of Audit fee | 300,000 | 250,000 |
| Land Rent & Rates | 246,300 | 405,400 |
| Legal fee | 121,800 | 29,832 |
| Members subscription | 64,000 | 60,000 |
| Provision of Tax | 100,000 | 0 |
| Sub total | 8,626,115 | 7,989,673 |
| | 37,695,302 | 34,446,699 |

4. DISTRIBUTION, OPERATION & MAINTENANCE COSTS

| | | |
|------------------------------------|------------------|-------------------|
| Motor vehicle repair | 907,251 | 933,807 |
| Motor Bike Repair | 144,970 | 85,815 |
| Pipes & Fittings | 1,278,160 | 7,456,509 |
| Meter Fittings | 447,879 | 787,001 |
| General Maintenance | 302,288 | 170,087 |
| Building materials | 16,000 | 45,562 |
| Depreciation | 2,941,368 | 2,601,107 |
| Fuel & oil | 1,421,340 | 1,393,240 |
| Catchment CSR | 4,800 | 7,000 |
| Insurance | 1,313,513 | 425,022 |
| Lister Engine | 176,210 | 131,500 |
| Filter Media | 0 | 1,564,080 |
| Loss on Disposal | 21,609 | 0 |
| Loose tools & Equipment | 34,995 | 51,250 |
| Provision for doubtful & bad debts | 23,269 | 0 |
| Sub total | 9,033,652 | 15,651,980 |

5.PRODUCTION COSTS

| | | |
|----------------------|------------------|------------------|
| Chemicals | 2,706,652 | 2,157,250 |
| Production Milk | 72,315 | 55,590 |
| Uniforms | 337,095 | 268,468 |
| Sundry | 9,810 | 1,710 |
| Laundry & Sanitation | 40,431 | 68,867 |
| Crop Compensation | 49,000 | 34,827 |
| Cleaning Materials | 24,753 | 7,359 |
| Sub total | 3,240,056 | 2,594,071 |

6.FINANCIAL CHARGES

| | | |
|--|---------------|---------------|
| | 25,839 | 21,643 |
| | 25,839 | 21,643 |

7. TRADE RECEIVABLES

| | | |
|------------------|-------------------|------------------|
| Salary Advance | 213,500 | 332,929 |
| Kenya Orient Ltd | 335,959 | 0 |
| Prepayment | 799,427 | 0 |
| Deposits | 22,000 | 25,500 |
| Customer unpaid | 9,662,095 | 9,429,408 |
| | 11,032,981 | 9,787,837 |
| Less provision | 966,210 | 942,941 |
| | 10,066,772 | 8,844,896 |

8. CASH & CASH EQUIVALENT

| | | |
|--------------------------|-------------------|------------------|
| Current Account | 2,825,719 | 1,791,593 |
| Savings Account | 194,644 | 87,271 |
| Fixed Deposit Account | 6,697,000 | 5,900,000 |
| Gratuity Account | 484,421 | 619,829 |
| Contingency Fund Account | 545,662 | 1,129,772 |
| WSTF Account | 4,777,003 | 68,313 |
| WSTF Cash | 45,745 | 110,949 |
| Development Fund Account | 104,780 | |
| | 15,674,974 | 9,707,727 |

9. RETAINED EARNINGS

| | | |
|-----------------------------|-------------------|-------------------|
| Reserves | 15,380,150 | 23,302,543 |
| Salary Fund Reserve Account | -107,040 | 0 |
| Accumulated Depreciation | 68,639 | 0 |
| Surplus for the period | 2,064,878 | -538,700 |
| Prior year Adjustments | | -8,785,749 |
| Depreciation | 1,670,957 | 1,402,056 |
| Total | 19,077,584 | 15,380,150 |

10. LIABILITIES

| | | |
|-------------------------|-------------------|------------------|
| Pipes and fittings | 305,310 | 499,413 |
| Printing and stationary | 8,550 | 50,000 |
| Uniforms | 309,795 | 0 |
| Audit Fee | 232,000 | 0 |
| Repair of Water Pump | 17,858 | 0 |
| Manhole covers | 180,000 | 0 |
| General Repair | 44,004 | 764,080 |
| Security | 174,000 | 0 |
| Monitor and laptop | 147,000 | 0 |
| Ball valves | 153,010 | 0 |
| Levies | 369,830 | 325,182 |
| Consultation fee | 30,000 | 0 |
| Computer tonner | 41,960 | 0 |
| Lister Engine | 9,110 | 0 |
| Motor Vehicle Repair | 473,521 | 0 |
| WARMA | 100,873 | 100,874 |
| WASPA | 50,000 | 0 |
| Salaries & Wages | 908,176 | 1,181,364 |
| Gratuity | 484,421 | 619,829 |
| Muthithi Contractor | 628,822 | 0 |
| Provisions | 850,000 | 600,000 |
| Motor Bike Repair | 27,700 | 25,750 |
| Server | 248,000 | 0 |
| WSTF cash | 45,745 | 0 |
| Corporation Tax | 0 | 3,200,000 |
| chemicals | 601,452 | 0 |
| Titie Water Project | 4,777,003 | 179,262 |
| | 11,218,140 | 7,545,754 |

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11. CONSUMER DEPOSITS

| | | |
|-------------|------------------|------------------|
| Balance b/f | 5,895,177 | 5,144,777 |
| Additions | 899,000 | 750,400 |
| Refunds | (2,500) | 0 |
| Balance c/d | 6,791,677 | 5,895,177 |

12. INVENTORY

| | | |
|--------------------------------|------------------|------------------|
| Pipes and other water fittings | 5,230,990 | 5,005,724 |
| Meter Fittings | 153,944 | 0 |
| | 5,384,934 | 5,005,724 |

13.a PROPERTY PLANT & EQUIPMENT SCHEDULES AS AT 30TH JUNE 2014

| DETAILS | PIPES & PIPELINE EXTENSION | TELEPHONE & COMPUTERS | OFFICE FURNITURES & EQUIPMENT | PLANT & MACHINERY | MOTOR VEHICLE & CYCLES | TOTAL |
|--|----------------------------|-----------------------|-------------------------------|---------------------|------------------------|-------------------|
| Depreciation rate | 2.5% | 30.0% | 12.5% | 12.5% | 25.0% | |
| Opening Balance at Cost as at 1/7/2013 | 5,122,337 | 1,548,975 | 539,372 | 16,104,162 | 3,957,616 | 27,272,462 |
| Additions | 19,942,370 | 793,400 | | 700,000 | | 21,435,770 |
| write off | | -197,500 | | | | -197,500 |
| Closing Balance as at 30/6/2014 | 25,064,707 | 2,144,875 | 539,372 | 16,804,162 | 3,957,616 | 48,510,732 |
| DEPRECIATION | | | | | | |
| Acculated Depreciation | 296,491.63 | 1,096,225.5 | 197,639.88 | 4,822,033.63 | 2,089,273.75 | 8,501,664 |
| Accumulated depreciation | | -68,639 | | | | -68,639 |
| | | 1,027,586.5 | | | | 8,433,025 |
| Period Charge | 619,205 | 314,594.85 | 42,716.52 | 1,497,766.05 | 467,085.56 | 2,941,367 |
| Accumulated Depreciation as at 30/06/2014 | 915,697 | 1,342,181.35 | 240,356.4 | 6,319,799.68 | 2,556,359.31 | 11,374,392 |
| N B V As At 30/6/2014 | 24,149,010 | 802,693.65 | 299,015.61 | 10,484,362.32 | 1,401,256.68 | 37,136,338 |
| N B V As At 30/6/2013 | 4,825,845.38 | 452,749.5 | 341,732.13 | 11,282,128.38 | 1,868,342.25 | 18,770,797 |

- i. Included in the plant and machinery are the meters, lab equipment and hydraulic fixtures.
- ii. Office furniture and equipment comprise of printers, binding machine and office furniture.
- iii. Included in the additions is Kshs 18,504,192 in regard to Titie Water Project from Water Services Trust Fund.

13.b PROPERTY PLANT & EQUIPMENT (PPE) SCHEDULE AS AT 30TH JUNE 2013

| DETAILS | PIPES | TELEPHONE & COMPUTERS | OFFICE FURNITURES & EQUIPMENTS | PLANT & MACHINERY | MOTOR VEHICLES & CYCLES | TOTAL |
|---|-------------------|-----------------------|--------------------------------|---------------------|-------------------------|---------------------|
| Depreciation Rate | 2.5% | 30.0% | 12.5% | 12.5% | 25.0% | |
| Opening Balance at Cost As at 1/7/2012 | 5,122,337 | 1,602,975 | 539,372 | 11,597,762 | 3,957,616 | 22,820,062 |
| Additions | | | | 4,506,400 | | 4,506,400 |
| Write Off | | -54,000 | | | | -54,000 |
| Closing Bal As At 30/6/2012 | 5,122,337 | 1,548,975 | 539,372 | 16,104,162 | 3,957,616 | 27,272,462 |
| DEPRECIATION | | | | | | |
| Opening Bal As 1/7/2012 | 172,750 | 902,190 | 148,821 | 3,210,301 | 1,466,493 | 5,900,557 |
| Period Charge | 123,739.63 | 194,035.50 | 48,818.88 | 1,611,732.63 | 622,780.75 | 2,601,107.38 |
| Total Depreciation | 296,491.63 | 1,096,225.5 | 197,639.88 | 4,822,033.63 | 2,089,273.75 | 8,501,664.38 |
| N B V As At 30/6/2013 | 4,825,845.38 | 452,749.5 | 341,732.13 | 11,282,128.38 | 1,868,342.25 | 18,770,797.63 |
| N B V As At 30/6/2012 | 4,949,585 | 700,785 | 390,551 | 8,387,461 | 2,491,123 | 16,919,505 |

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

14a. TAX LIABILITY FOR THE YEAR ENDING 30TH JUNE 2014

| Taxation | 2014 | 2013 |
|--|-----------------|-------------|
| | Kshs | Kshs |
| Current year tax charge | 150,840 | |
| Prior year adjustment | - | |
| Deferred tax | (80,630) | |
| Tax expense for period | 70,210 | |
| Reconciliation statement | | |
| Accounting profit | 2,135,088 | |
| Tax @ 30% | 640,526 | |
| Tax effect of: | | |
| Effect on Non –Allowable items | 1,150,874 | |
| Tax effect on Allowable items | (1,772,553) | |
| Deferred tax | 80,630 | |
| Losses b/forward | (1,212,516) | |
| losses carried Forward | 1,290,005 | |
| Other reversing differences | 150,840 | |
| Prior year adjustment | - | |
| | 327,806 | |
| Deferred Tax | | |
| Deferred Tax as at 1 January | - | |
| Prior year adjustment | - | |
| Charge to profit and Loss account | (80,630) | |
| Deferred Tax as at 31 December | (80,630) | |
| Statement of financial position | | |
| Opening balance | - | |
| Tax Charge for the year | 150,840 | |
| Paid during the year | - | |
| Closing Balance | 150,840 | |

14b. Corporation Tax was arrears paid through postdated cheques.

