

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

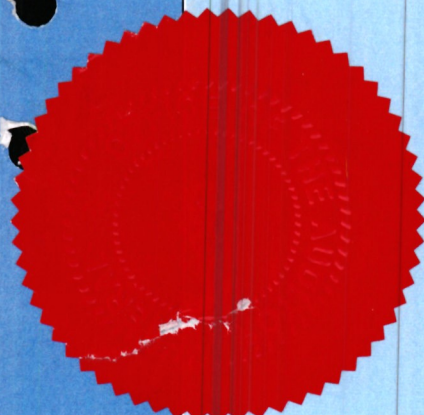
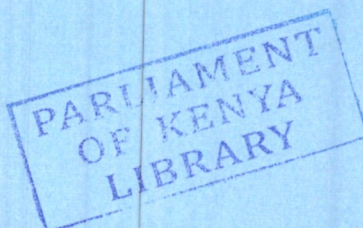
OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2015**





GATAMATHI WATER AND SANITATION COMPANY

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2015**

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

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KEY COMPANY INFORMATION

BACKGROUND

Gatamathi Water and Sanitation Company was incorporated as a limited Company by Guarantee (No shareholding) on 23rd March, 2006 through Water Act 2002. It has nine Board of directors who are elected annually during an Annual General Meeting. The Board is elected by stakeholders who come from Kangema, Mathioya Sub-Counties and Gaturi ward in Kiharu Sub-County.

The company provides water and sanitation services through Service **Provision Agreement (SPA)** which was renewed in December 2012. The area contracted are in Mathioya Sub-County, Rwathia ward in Kangema Sub-County and Gathuki-Ini location in Gaturi ward of Kiharu Sub-County.

The supply area covers 219.47Km² with a population of 114,406 people. The WSP manages Gatango and Mathioya supplies.

Total active connections are 6,361 with an actual served population of 57,780 Dormant connections are 3,325.

GATANGO WATER SUPPLY

The scheme was started in 1968 and commissioned in 1972. The source of water is North Mathioya River 3.5km inside the forest. The level of service was by communal water points (**CWP**) which were 72 CWP's in number. The scheme covered Kiru and Kamacharia Wards in Mathioya Sub-County, and some parts of Gaturi ward.

Area covered during commissioning was 85.47km².

Later, the residents opted for individual connections.

The design period was from 1972- 1982. Augmentation report by AB Brokonsult which was to cover a period of 20 years from 1984-2004 was not implemented. There are 2,460 active connections serving a population of 23,229 against a population of 54,683.

By the time the company took over the management of the scheme in May 2006, water was not reaching Kamacharia, Kanjama and Kagumo-Ini.

The scheme has a potential to serve Gaturi, ward if the proposed funding by Athi Water Services Board is realized.

MATHIOYA WATER SUPPLY

The scheme was started as a self help project in the late 1970's. The source of water is Hembe River, a tributary of Githugi River of North Mathioya River. The Government later took over and engaged Bish & Partners Ilaco Consulting Engineers who come up with a design report. The scheme was commissioned in 1984.

The service level was by individual connections.

The area covered was Njumbi and Gitugi locations in Mathioya Sub-County, Rwathia location in Kangema Sub-County.

MEASURES TO IMPROVE SERVICE DELIVERY

i) Gatango Water Supply

Athi Water Services Board is only funding a new intake, mainline from the intake in the forest to the proposed Kairo Tank, a distance of 8.9km. Then a new line for Gaturi ward for a distance of 21.6km. The existing Kairo- Kiriaini-Kamacharia and Kairo-Kiambuthia-Kagumoini lines are not covered in the funding. Therefore, other sources of funding for the rehabilitation of the above mainlines will be required. The estimated cost for the above works is Ksh 180 million.

ii) Mathioya Water Supply

Mathioya requires funding for gravity main to serve people at Kiamuturi, Kagongo Ruiru and Miro in Mathioya Sub-County and Wanjerere , Nyagatugu and Tuthu in Kangema Sub-County in order to phase out pumping which proved to be uneconomical The estimated cost for the above works is Kshs 120 Million .

The existing gravity mainlines also requires rehabilitation at a cost Kshs 100 Million including improvement of treatment works.

Principal Activities

The principal activities of the company are to manage water facilities and provide water and sanitation services on behalf of Tana Water Services Board in line with Water Act 2002 and Service Provision Agreement between the Board and the Company.

Directors

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

- | | | |
|--------------------------------|---|----------|
| 1. Mr. Washington M. Mwangi | - | Chairman |
| 2. Mr. Isaac K. Kamwitha | - | Member |
| 3. Ms. Joyce K. Wachira | - | “ |
| 4. Ms. Edith W.King’ori | - | “ |
| 5. Mr. Geoffrey W. Warui | - | “ |
| 6. Ms. Magdalene M. Kiriko | - | “ |
| 7. Ms. Serah Wambui Gichuku | - | “ |
| 8. Mr. Patrick Gachini Wambura | - | “ |
| 9. Mr. Willy Jeremiah Ndirangu | - | “ |

Corporate Secretary

Cs Gikuhi Kiana
P.O. Box 1271-10100

NYERI

Registered Office

Gatamathi Water and sanitation Company Limited
Nyakianga next to DO’s Office – Mathioya
Off Kangema Othaya Road
P.O. Box 93 -10204

KIRIA-INI.

Corporate Headquarters

Gatamathi Water and sanitation Company Limited
Nyakianga next to DO’s Office – Mathioya
Off Kangema Othaya Road
P.O. Box 93 -10204

KIRIA-INI.

Corporate Contacts

Telephone: (254) 020-2032602
E-mail: gatamathiwsp@gmail.com
Website: gatamathiwsp.co.ke

Corporate Bankers

Equity Bank Ltd
Kiria-ini branch
P.O BOX 217-10204

Kiria-ini.

Family bank Ltd
Kiria-ini branch
P.O BOX 82-10204

KIRIA-INI

Kenya Commercial Bank Ltd
Kiriaini branch
P.O BOX 42-10204

KIRIA-INI

4. AUDITORS

Kariru & Associates,
On behalf of:
The Auditor-General
P.O. Box 30084-00100

NAIROBI

Independent Auditors







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




NAIROBI, KENYA

Lawyer




Tana Water Services Board lawyer

THE BOARD OF DIRECTORS

NAME	POSITION	EXPERIENCE AND POSITION IN THE SOCIETY
 Washington M. Mwangi	Chairman	Born 1961, Former Vice Chairman Murang'a County Council. Prominent farmer and businessman
 Joyce K. Wachira	Board Member	Born 1981, Nurse, Nyakianga Health Centre
 Isaac K. Kamwitha	Board Member	Born 1946, Retired teacher, member of BoG Kiriti Sec School, Member of land dispute tribunal-Mathioya district
 Magdalene M. Kiriko	Board Member	Born 1958, Service Corp, Chairperson BoG-Gikoe Sec School, Chairperson- Gikoe Primary. Businesswoman.
 Edith King'ori	Board Member	Born 1968, Civil Servant
 Geoffrey W. Wanyeki	Board Member	Born 1972, community mobilizer, representative of people with disabilities

 Serah W. Gichuku	Board Member	Born 1969,Rwathia Girls
 Patrick G. Wambura	Board Member	Born 1952, Former employee of Gatunguru Tea Factory and Catholic leader- Diocese of Murang'a.
 Willy Jeremiah Ndirangu	Board Member	Born 1958, Businessman Retired civil servant

MANAGEMENT TEAM

 <p>1. Charles M. Muriuki</p>	<p>General Manager</p>	<p>Date of Birth - 1959</p> <p>Education – Higher National Diploma - Water Engineering. Pursuing Executive Master of Business Administration degree</p> <p>Area of responsibility - Implementation of the company’s board policies in line with Tana Water Services Boards performance contract and targets as contained in the service provision agreement (SPA).</p> <p>Work experience - 8 years’ work experience at Gatamathi Water and sanitation company</p>
 <p>2. Sammy Njoroge Michuki</p>	<p>Technical Manager</p>	<p>Date of Birth - 1956</p> <p>Education -3 Year Technical course- KEWI</p> <p>Area of responsibility - Operation and Maintenance, Capital works rehabilitation and ensuring good quality water is availed all the time</p> <p>Work experience - 6 years’ work experience at Gatamathi Water and sanitation company</p>
 <p>3. Joseph N. Wanyoike</p>	<p>Commercial Manager</p>	<p>Date of Birth - 1973</p> <p>Education - Bachelor of Commerce Management science. Pursuing MBA</p> <p>Area of responsibility - Running of company’s commercial department in the following field: accounts, procurement, personnel, information technology, meter reading and billing sections.</p> <p>Work experience - 8 years’ work experience at Gatamathi Water and sanitation company</p>

CHAIRMAN'S REPORT FOR THE YEAR ENDING 30TH JUNE 2015

I have the pleasure to present to you the annual report for your company for the year 2014/2015.

ACHIEVEMENTS

During the year under review, the company undertook several improvements and projects that were geared to towards performance improvement as listed below.

1. The Company fabricated screens towards the end of financial year for Kairo and Gatundu tanks for Gatango Water Supply in order to improve on water quality.
2. The company started re-routing and laying 16" pipeline from 14" in Mathioya Water Supply at Mioro. This will improve the flow both in Gitugi and Rwathia.
3. Re-routing at Mioro was not possible due lack of a reducer and a bend from 14" to 16" which required a skilled person to go to the site and take measurements and then fabricate the fitting.
4. The coverage area increased from 56% to 60%. This is as a result of extension of service lines in Kanjama, Kagumo-ini, Kora and Kamune in Gatango Water Supply.
5. To improve mobility in our operations in the field, the company purchased 5 motor cycle of Yamaha type through asset financing by Kenya Commercial Bank. This has brought the total number to 12 motor cycles.
6. Revenue improved from 36.0 million to 42.0 million.
7. Non-revenue water was reduced from 72% to 68% and hence the increase in revenue collection.

CHALLENGES

The Company's revenue collection target for this year is 50.82 million according to the strategic plan. To realize this, the following measures have been taken.

1. A monitoring team of five members headed by the Internal Auditor is in place. Its main task is to monitor field activities carried out by the field officers.
2. The screens will be installed by end September, 2014. This was delayed because the materials required were not available.
3. On non-revenue water, the company intends to lower it to between 20%-25% by the year 2020 as agreed with Water Services Regulatory Board. Therefore, Ngutu zone was identified as a pilot project which will be given the necessary support for the next one

year. After analyzing the outcome, the same will be replicated to other zones. However, the project requires 4.0 million from the internally generated funds.

FUTURE OUTLOOK

Over the last eight years, the company has demonstrated an impressive trend in growth and services to the community. Our annual revenue target by 2017 will be 67 million. By this time we shall have 100% coverage by way of rehabilitation of Gatango and Mathioya Water Supplies.

The company is anticipating funding from Athi Water Services Board to rehabilitate and augment Gatango Water Supply. A new line meant for Gaturi will be extended from the proposed Kairo tank to Gakurwe.

Also the County Government has promised to fund Merere-ini project which will eliminate pumping and serve Wanjerere, Kiamuturi and Kagongo, Nyagatugu and Tuthu.

You are aware that water is now a devolved function and thus to be line with the Constitution and various Acts of Parliament that followed the promulgation of the Constitution, the current strategic plan, business plan and service charter will be reviewed in 2014/2015 financial year.

All this has been achieved through support from our customers, stakeholders, Tana Water Services Board and Murang'a County Government.

Finally I wish to re-assure all stakeholders on our commitment towards availing clean, safe and affordable water to all residents within our area of jurisdiction in an efficient and effective manner. To achieve this, we will continue upholding our core values which serve as a guide in our endeavours as listed below:-

1. Quality customer services
2. Transparency
3. Competency
4. Teamwork
5. Innovation
6. Reliability
7. Efficiency
8. Consistency

9. Corporate Communication

Washington M. Mwangi

15th March 2017

Chairman



Gatamathi Water and Sanitation Company.

GENERAL MANAGER'S REPORT FOR THE YEAR ENDING 30TH JUNE 2015

I take this opportunity to report to you the Company's performance for the period ended 30th June 2015.

The Company operates under two departments namely Commercial and Technical. Commercial Department has three sections namely Accounts, Information Communication Technology (ICT) and Procurement.

Technical Department has three sections which are Water Quality, Non-Revenue Water and Field Operations.

General Manager's Office

There are three sections that are directly under the office of the General Manager. These are Public Relations, Human Resource and Monitoring and Evaluation. A fourth one, Internal Audit is administratively under the GM but answerable to the Board of Directors.

Let me highlight some of the achievements of the Company.

Information Communication Technology

The section had the following achievements

1. Design of the Company's website (www.gatamathiwsp.co.ke). This gives a chance to our stakeholders to air their views through facebook and YouTube.
2. Upgrading of SMS bills incorporating previous and current meter readings.

However, the section could not integrate its billing programme to other outstations due to lack of power. However Kiria-ini outstation will have power installed before December 2015 and thereafter install the programme.

Procurement

After the website was installed the, tender documents for the financial year 2014/2015 were uploaded through website hence meeting the procurement and disposal regulations of 2013.

The company will also empower youth, women and people with disability by giving them special privilege of allocating them 30% value of all the tenders advertised.

Challenges encountered was

1. Capacity in meeting the requirements for the group to qualification to supply various company needs is wanting.

To overcome this drawback, the company will work together with special groups that are within the supply area of the company and educate them.

Human Resource

The section carried out employee satisfaction survey towards the end of the financial year. The finding and recommendations shown below will be implemented in the financial year 2014/2015.

On training needs, the company through Kenya Water Institute trained its junior staff on non-revenue water. Also in partnership with two students from Dedan Kimathi University of Technology, trained our staff on geographical information system (GIS). This is in preparation of

making Ngutu zone as the pilot project for non-revenue water as was reported in the Chairman's report.

The section has put "*staff appraisal mechanisms*" in place where performing employees will be rewarded and those who do not will be sanctioned.

Public Relations

The section carried out customer satisfaction survey towards the end of the financial year. The finding and recommendations from the survey will be implemented in the following financial year 2015/2016.

The section has also integrated the billing system. This reduced the movement of both the customers and customer care desk from the office to ICT section.

The company donated a 6000 litre plastic tank to Ruiru Primary School through its corporate social responsibility.

To protect the catchment, the company planted, 500 trees in Mioro

A customer care desk was created at Kiriaini outstation in order to handle customer complaints there.

Challenges encountered in the section are

1. Communication with customers

The challenge will be overcome by:-

1. By holding barazas in the whole supply area.
2. Create customer care desks in all outstations.

Monitoring and Evaluation

These have managed to reduce the time of reporting of monthly reports to Tana Water Services Board and the County from 15th of every month to 10th of every month.

APPRECIATION

Once again, the above mentioned performance would not have been made possible without the continued commitment, dedication and support from the Board of Directors, Management and staff of Gatamathi Water and Sanitation Company and the Customer who is the "King"

Thank you all.



C.M. Muriuki
General Manager

15th March 2017

Gatamathi Water and Sanitation Company

CORPORATE GOVERNANCE STATEMENT

The Company is incorporated as a limited company by guarantee. It has nine members of board of directors who represent various stakeholders as explained below:-

- i. One member from the local authority covered by the WSP who shall be the chief executive of the local authority or any other professional officer appointed by the local authority.
- ii. Two members from the business and manufacturing community nominated by their bodies.
 - a) Farmers organizations
 - b) Chamber of Commerce & Industry
- iii. One local professional nominated by their professional bodies.
 - a) Education Institutions
 - b) Professional bodies
- iv. Two representatives from resident organizations
 - a) Youth & People with disabilities
 - b) Water Resource Users Association
 - c) Health Institutions
- v. Mathioya Self Help Group
- vi. One member from a women organization – Maendeleo Ya Wanawake Organisation – Mathioya
- vii. One member representing all religious organizations

The board of Directors holds four full board and four sub-committee meetings and about two special meetings where circumstances calls for.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of the *Company's* affairs.

Principal activities

The principal activities of the company are to manage water facilities and provide water and sanitation services on behalf of Tana Water Services Board in line with Water Act 2002 and Service Provision Agreement between the Board and the Company.

Results

The results of the Company for the year ended June 30, 2015 are set out on page 17

Dividends

The company does not declare any dividend since it is limited by guarantee and therefore does not have a share capital.

Directors

The members of the Board of Directors who served during the year are shown on page 5&6

Auditors

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

Kariru & Associates, Certified Public Accountants were nominated by the Auditor General to carry out the audit of the Company for the year/period ended June 30, 2015.

By Order of the Board

Cs Gikuhi Kiana
Corporate Secretary
Po Box, 1271-10100

KIRIAINI

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 83 of the Public Finance Management Act, 2012 and section 123 of the Water Act, require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2015. 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 Company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2015, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

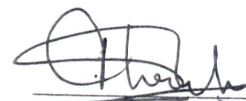
The Company's financial statements were approved by the Board on 15/3/ 2017 and signed on its behalf by:



Director



Director



Director



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON GATAMATHI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

The financial statements of Gatamathi Water and Sanitation Company Limited set out on pages 18 to 32, which comprise the statement of financial position as at 30 June 2015, 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 have been audited on my behalf by Kariru and Associates, auditors appointed under Section 23 of the Public Audit Act, 2015. The audit was carried out in accordance with provisions of Article 229 of the Constitution and Section 35 of the Public Audit Act 2015. The auditors have duly reported to me the results of their audit on the basis of their report, I am satisfied all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

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 financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Auditor-General's Responsibility

My responsibility is to express an independent opinion on the financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions. 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 control relevant to the entity's preparation and fair presentation of the

Report of the Auditor-General on the Financial Statements of Gatamathi Water and Sanitation Company Limited for the year ended 30 June 2015

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. Errors in Financial Statements

The following errors were noted in relation to the financial statements presented for audit:

i. Statement of comprehensive income reflects other income balance of Kshs.2,135,848 for the year ended 30 June 2015, as further disclosed in Note 3 to the financial statements. However, recasting of Note 3 resulted to a balance of Kshs.2,125,848, resulting to a variance of Kshs.10,000 which however was not explained or reconciled.

Consequently, the accuracy of other income balance of Kshs.2,135,848 for the year ended 30 June 2015 cannot be confirmed.

ii. Statement of financial position reflects trade and other payables balance of Kshs.30,633,392 as at 30 June 2015, while Note 12 to the financial statements reflects a balance of Kshs.31,224,469, resulting to a variance of 591,077 which however has not been explained. In the circumstance, the accuracy of trade and other payables balance of Kshs.30,633,392 as at 30 June 2015 cannot be confirmed.

iii. Statement of financial position reflects provision for leave-pay balance of Kshs.591,077 as at 30 June 2015 while Note 14 to the financial statements reflects Kshs.1,209,098 in relation to the amount thus resulting to a variance of Kshs.618,021 that has not been explained. Consequently, the accuracy of provision for leave pay balance of Kshs.591,077 as at 30 June 2015 cannot be confirmed.

iv. The statement of cash flows for the year ended 30 June 2015 reflects net cash flow from financing activities of Kshs.6,740,820 which includes cash flow from government grants balance of Kshs.6,845,301, while the statement of comprehensive income reflects government grants balance of Kshs.4,971,136 resulting to an unexplained difference of Kshs.1,874,165. It appears therefore that the figure was used as a balancing figure in the statements of cash flows. Consequently, the accuracy of the statement of cash flows as at 30 June 2015 cannot be confirmed.

2. Current Liabilities – Inherited Receivables

The current liabilities balance of Kshs.31,224,469 as at 30 June 2015, excludes a balance of Kshs.6,845,302 reflected in 2013/2014 financial statements, described as inherited receivables but written-off during the year under review. However, no explanation or approval for the write-off was presented for audit review and it was not clear where these liabilities were taken thereafter. Consequently, the current liabilities balance of Kshs.31,224,469 as at 30 June 2015 cannot be confirmed.

3. Trade Receivables

Statement of financial position as at 30 June 2015 reflects trade and other receivables balance of Kshs.14,514,769, net of provision for bad debts of Kshs.15,601,644. However, no ageing analysis or supporting documents for the receivables balance were availed for audit verification. Consequently, the accuracy and recoverability of the trade and other receivables balance of Kshs.14,514,769 as at 30 June 2015 cannot be confirmed.

4. Customers' Deposits

As previously reported, the trade and other payables balance of Kshs.30,633,392 as at 30 June 2015 includes an undisclosed amount relating to customers' deposits. Further, documents availed for audit reflected customer deposits of Kshs.5,015,455 as at 30 June 2015 while the corresponding bank account reflected a balance of Kshs.160,801 on the same date thus resulting to unexplained and unreconciled variance of Kshs.4,854,656. Consequently, the accuracy of the trade and other payables balance of Kshs.30,633,392 as at 30 June 2015 cannot be ascertained.

5. Bank and Cash Balances

Note 9 to the financial statements, bank and cash balances, includes cash-in-hand balance of Kshs.130,180 as at 30 June 2015. However, imprest accounting forms(board of survey) presented for audit reflected a balance of Kshs.107,495 resulting to unexplained difference of Kshs.22,685. Consequently, the accuracy of bank and cash balances of Kshs.525,294 as at 30 June 2015 cannot be confirmed.

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 Gatamathi Water and Sanitation Company Limited as at 30 June 2015, 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 Kenyan Companies Act.

Other Matter

1. Sustainability of Services

During the year under review, the Company recorded a deficit of Kshs.10,751,797 (2013-2014 loss of Kshs.6,733,587), which increased accumulated loss from Kshs.19,654,874 to Kshs.30,633,392 as at 30 June 2015. Further, the current liabilities balance of Kshs.31,224,469 as at 30 June 2015 exceeded the current assets balance of Kshs.16,864,789, resulting in a negative working capital of Kshs.14,359,680, indication that the company may be experiencing difficulties in meeting its obligations as and when they fall due.

The Company's financial position is therefore precarious, and its continued existence as a going-concern is dependent upon continued support from the Government and creditors.

2. Non-revenue Water

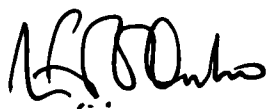
During the year under review, the Company produced 1,678,356 cubic meters (m³) of water. However, out of this volume, only 826,035m³ were billed to customers. The balance of 852,321 m³ or approximately 51% of the total water produced represented unaccounted for water (UFW) which ratio was 203% of the allowable loss of 419,589 m³ deduced from guidelines issued by the Water Services Regulation Board which prescribe allowable loss equivalent to 25% of the total volume of water produced.

The UFW of 51% may have resulted in loss of sales estimated at Kshs.43,831,811. The significantly high level of UFW has impacted the Company's profitability and is a major threat to sustainability of its operations.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan 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; and
- 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

18 September 2017

REPORT OF THE INDEPENDENT AUDITORS

STATEMENT OF COMPREHENSIVE INCOME

	Note	2015 Kshs	2014 Kshs
REVENUES			
Sales	1	42,610,210	41,790,521
Grants from National borrowings	2	4,971,136	4,572,248
Other Income	3	2,135,848	2,301,118
TOTAL REVENUES		<u>49,707,194</u>	<u>48,663,887</u>
OPERATING EXPENSES			
Administration Costs	4	56,614,214	51,317,558
Depreciation of property, plant and equipment	6	3,844,777	4,079,916
TOTAL OPERATING EXPENSES		<u>60,458,991</u>	<u>55,397,474</u>
OPERATING PROFIT/ (LOSS)		(10,751,797)	(6,733,587)
PROFIT/ (LOSS) BEFORE TAXATION		(10,751,797)	(6,733,587)
PROFIT/ (LOSS) AFTER TAXATION		<u>(10,751,797)</u>	<u>(6,733,587)</u>

Gatamathi water and sanitation limited financial statement year 2014-2015

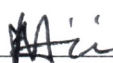
STATEMENT OF FINANCIAL POSITION

	Note	2015 Kshs	2014 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	6	25,069,818	27,666,785
Total Non-current Assets		<u>25,069,818</u>	<u>27,666,785</u>
Current Assets			
Inventories	7	1,824,726	2,731,159
Trade and other receivables	8(a)	14,514,769	14,468,654
Bank and cash balances	9	525,294	1,463,694
Total Non-Current Assets		<u>16,864,789</u>	<u>18,663,507</u>
TOTAL ASSETS		<u>41,934,607</u>	<u>46,330,292</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Retained earnings	11	(30,406,671)	(19,654,874)
Government Grants		41,116,809	34,271,508
Capital and Reserves		<u>10,710,138</u>	<u>14,616,634</u>
Current Liabilities			
Trade and other payables	12	30,633,392	24,250,335
Provision for leave pay	14	591,077	618,021
Inherited receivables			6,845,302
Total Current Liabilities		<u>31,224,469</u>	<u>31,713,658</u>
TOTAL EQUITY AND LIABILITIES		<u>41,934,607</u>	<u>46,330,292</u>

The financial statements were approved by the Board on 15/3/ 2017 and signed on its behalf by:



Chairman



Director



Director

STATEMENT OF CHANGES IN EQUITY

	Government grants	Retained earnings	Total
BAL B/D	29,699,260	(12,921,287)	16,777,973
Total comprehensive income		(6,733,587)	(6,733,587)
Additions during the year	4,572,248		4,572,248
At June 30,2014	<u>34,271,508</u>	<u>(19,654,874)</u>	<u>14,616,634</u>
BAL B/D	34,271,508	(19,654,874)	14,616,634
Total comprehensive income		(10,751,797)	(10,751,797)
Additions during the year	6,845,301		6,845,301
At June 30,2015	<u>41,116,809</u>	<u>(30,406,671)</u>	<u>10,710,138</u>

Reports and Financial Statements
For the year ended June 30, 2015

STATEMENT OF CASH FLOWS

	Note	2015 Kshs	2014 Kshs
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	(15)	(6,431,409)	(3,734,471)
Net cash generated from/(used in) operating activities		<u>(6,431,409)</u>	<u>(3,734,471)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(6)	(1,247,810)	(249,140)
Net cash generated from/(used in) investing activities		<u>(1,247,810)</u>	<u>(249,140)</u>
FINANCING ACTIVITIES			
Interest paid		(104,481)	
Government grants	(2)	6,845,301	4,572,248
Net cash generated from/(used in) financing activities		<u>6,740,820</u>	<u>4,572,248</u>
INCREASED/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(938,399)</u>	<u>588,637</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(9)	<u>1,463,694</u>	<u>875,057</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>525,295</u>	<u>1,463,694</u>

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 *Company's* accounting policies.

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

The financial statements have been prepared in accordance with the 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 goods and services is recognised in the year in which the *Company* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government are recognised in the year in which the *Company* actually receives such grants.
- 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 comprises of sale of tenders and is recognised as it accrues.

3. **In-kind contributions**

In-kind contributions are donations that are made to the *Company* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *Company* includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. **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.

5. **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 reducing balance method.

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

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

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.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

6. **Inventories**

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

7. **Trade and other receivables**

Trade and other receivables are recognised at 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.

8. **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. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

9. **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of 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 Equity, Family Finance and Kenya commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

10. **Trade and other payables**

Trade and other payables are non-interest bearing and are carried at 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, whether billed to the Company or not, less any payments made to the suppliers.

11. **Retirement benefit obligations**

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200.00 per employee per month.

12. **Provision for staff leave pay**

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

13. **Comparative figures**

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

14. **Subsequent events**

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

15. Public Sector Accounting Standards Board (PSASB) Gazettement

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the entity has adopted the pronouncements made by the IPSAS board in preparation of its current year financial statements.

16. Financial Risk Management

The company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Fully performing Sh '000'	Past due Sh '000'	Impaired Sh '000'
At 30 June 2015			
Trade receivables	9,785,077	6,952,771	6,288,506
Bank balances	525,990	-	-
	=====	=====	=====
At 30 June 2014			

Trade receivables	13,307,409	3,820,860	6,354,638
Bank balances	1,238,698	-	-
	<u> </u>	<u> </u>	<u> </u>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the company directors, who have built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month Sh '000'	Between 1- 3 months Sh '000'	Over 5 months Sh '000'	Total Sh '000'
At 30 June 2015				
Trade payables	494,940	355,635	3,379,635	4,230,200
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 2014				
Trade payables	330,686	610,131	2,887,089	3,827,906
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17. Accounting policies

i) Early adoption of standards

The Company did not early-adopt any new or amended standards in the year 2015

NOTES TO THE FINANCIAL STATEMENTS

	2015	2014
	Kshs	Kshs
1 SALES		
Gross sales of services	42,610,210	41,790,521
	<u>42,610,210</u>	<u>41,790,521</u>
	=====	=====
2 GRANTS FROM NATIONAL GOVERNMENT		
Current grants received	4,971,136	4,572,248
	<u>4,971,136</u>	<u>4,572,248</u>
	=====	=====
3 OTHER INCOME		
Interest income	1,238	2,458
Other miscellaneous receipts	2,124,610	2,298,660
	<u>2,135,848</u>	<u>2,301,118</u>
	=====	=====
4(a) ADMINISTRATION COSTS		
Directors' emoluments	1,623,328	1,576,730
Electricity and water	73,248	154,684
Communication services and supplies	688,728	698,388
Transportation, travelling and subsistence	3,472,955	1,785,470
Advertising, printing, stationery and photocopying	1,233,232	1,462,104
Rent expenses	7,300	16,910
Staff training expenses	721,608	991,301
Hospitality supplies and services	114,005	167,665
Insurance costs	658,197	497,492
Bank charges and commissions	201,423	58,554
Auditors' remuneration	319,000	261,250
Legal fees	196,631	4,900
Consultancy fees	1,572,900	250,000
Repairs and maintenance	10,453,325	9,013,638
Other operating expenses	6,214,286	6,268,007
	<u>27,550,166</u>	<u>23,207,093</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015 Kshs	2014 Kshs
4(b) STAFF COSTS		
Salaries and allowances of permanent employees	22,418,196	21,440,363
Wages of temporary employees	1,243,110	1,713,750
Compulsory national health insurance schemes	248,520	171,320
Compulsory national social security schemes	117,600	104,800
Other pension contributions	83,496	82,556
Leave pay and gratuity provisions	4,953,126	4,577,677
Staff welfare	-	20,000
	<u>29,064,048</u>	<u>28,110,465</u>
TOTAL ADMINISTRATION EXPENSES	<u>56,614,234</u>	<u>51,317,559</u>
The average number of employees at the end of the year was:		
Permanent employees – Management	2	2
Permanent employees – Unionisable	2	2
Temporary and contract employees	<u>53</u>	<u>51</u>
	<u>57</u>	<u>55</u>
	===	===
4(c) REPAIR AND MAINTENANCE –		
- Computer repairs	50,450	163,120
- Fixtures repairs	13,190	54,150
- General repairs	-	14,480
- Motor cycle repairs	67,770	95,400
- Motor Vehicle repairs	2,386,252	816,600
- Water supply	6,152,222	6,445,126
- Chemicals	527,268	293,836
- Security	4,000	2,750
- Fuel and Oils	1,162,213	1,128,176
- Licences	<u>89,960</u>	<u>3,400</u>
TOTAL	<u>10,453,325</u>	<u>9,017,038</u>
OTHER OPERATING EXPENSES		
- provision for bad debts	1,414,611	1,760,178
- TWSB	3,908,157	3,796,249
- WARMA	234,000	234,000
- WASPA	50,000	50,000
- WASREB	424,800	417,480
- Donations	-	8,000
- Uniform	<u>182,718</u>	<u>2,100</u>
TOTAL	<u>6,214,286</u>	<u>6,268,007</u>
5 OPERATING PROFIT/(LOSS)		
The operating profit/(loss) is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	3,844,777	4,079,916
Directors' emoluments - fees	1,010,750	1,441,380
- Other	612,578	135,350
Auditors' remuneration - prior year under-provision	-	261,250

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 PROPERTY, PLANT AND EQUIPMENT

2015	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Total
COST OR VALUATION					
At July 1, 2014	970,731	41,784,844	2,421,400	4,676,887	49,853,862
Additions	-	-	1,174,150	73,660	1,247,810
At June 30, 2015	970,731	41,784,844	3,595,550	4,750,547	51,101,672
DEPRECIATION					
At June 30, 2014	301,192	17,658,293	1,751,931	2,475,661	22,187,077
Charge for the year	83,692	3,015,819	460,905	284,361	3,844,777
At June 30, 2015	384,884	20,674,112	2,212,836	2,760,022	26,031,854
NET BOOK VALUE					
At June 30, 2015	<u>585,847</u>	<u>21,110,732</u>	<u>1,382,714</u>	<u>1,990,525</u>	<u>25,069,818</u>
NET BOOK VALUE					
At June 30, 2014	669,539	24,126,551	669,469	2,201,226	27,666,785
2014					
COST OR VALUATION					
At July 1, 2013	803,951	41,784,844	2,421,400	4,594,527	49,604,722
Additions	166,780	-	-	82,360	249,140
At June 30, 2014	970,731	41,784,844	2,421,400	4,676,887	49,853,862
DEPRECIATION					
At June 30, 2013	205,543	14,211,643	1,528,775	2,161,200	18,107,161
Charge for the year	95,649	3,446,650	223,156	314,461	4,079,916
At June 30, 2014	301,192	17,658,293	1,751,931	2,475,661	22,187,077
NET BOOK VALUE					
At June 30, 2014	669,539	24,126,551	669,469	2,201,226	27,666,785
NET BOOK VALUE					
At June 30, 2013	598,408	27,357,201	892,625	2,433,327	31,497,561

Reports and Financial Statements
For the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015	2014
	Kshs	Kshs
7 INVENTORIES		
Stationery and general stores	1,723,526	2,647,639
Chemicals	101,200	83,520
	<u>1,824,726</u>	<u>2,731,159</u>
8(a) TRADE AND OTHER RECEIVABLES		
Trade receivables	29,985,810	13,772,532
Deposits and prepayments	<u>130,603</u>	<u>696,122</u>
Net trade and other receivables	<u>30,116,413</u>	<u>14,468,654</u>
8(b) TRADE RECEIVABLES		
Gross trade receivables	30,116,413	27,959,565
Provision for doubtful receivables	(15,601,644)	(14,187,033)
	<u>14,514,769</u>	<u>13,772,532</u>
9 BANK AND CASH BALANCES		
Cash at bank		
Equity Bank Current Account	110,335	48,969
Equity Bank Savings Account	160,801	499,759
Family Bank Savings Account	13,653	234,332
Family Bank Current Account	70,180	5,781
Kenya Commercial Bank Account	40,447	460,688
Cash in hand	130,180	213,783
	<u>525,295</u>	<u>1,463,694</u>

The bulk of the cash at bank was held at Equity Bank of Kenya and Kenya Commercial Bank, the Company's main bankers.

11 RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the Company's shareholders. Undistributed retained earnings are utilised to finance the Company's business activities.

2015
Kshs

2014
Kshs

12 TRADE AND OTHER PAYABLES

Trade payables	4,717,480	3,827,906
Accrued expenses	10,848,835	14,122,135
Other payables	15,658,154	6,918,315
	<u>31,224,469</u>	<u>24,868,356</u>
	=====	=====

13 RETIREMENT BENEFIT OBLIGATIONS

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. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

	2015	2014
	Kshs	Kshs
14 PROVISION FOR LEAVE PAY		
Balance at beginning of the year	618,021	541,747
Additional provision at end of year	597,077	618,021
Leave paid out or utilised during the year	-	(541,747)
Balance at end of the year	<u>1,209,098</u>	<u>618,021</u>
	=====	=====

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

15 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit/(loss) to Cash generated from/(used in) operations

Operating profit/(loss)	(10,751,797)	(6,733,587)
Interest paid	104,481	
Depreciation	3,844,777	4,079,916
Operating profit/(loss) before working capital changes	<u>(6,802,539)</u>	<u>(2,653,671)</u>
(Increase) / decrease in inventories	906,432	338,133
(Increase) / decrease in trade and other receivables	(46,114)	(6,338,457)
Increase / (decrease) in trade and other payables	6,356,114	5,410,189
Increase in inherited receivables	(6,845,302)	(490,664)
Cash generated from/ (used in) operations	<u>(6,431,409)</u>	<u>(3,734,470)</u>
	=====	=====

		2015 Kshs	2014 Kshs
16	NOTES TO THE STATEMENT OF CASH FLOWS (Continued)		
	(a) Analysis of cash and cash equivalents		
	Cash at bank	395,115	1,249,912
	Cash in hand	130,180	213,783
	Balance at end of the year	<u>525,295</u>	<u>1,463,695</u>

17 RELATED PARTY DISCLOSURES

(a) Government of Kenya

The Government of Kenya is the principal shareholder of the Company, holding 100% of the Company's equity interest.

There were no other Company transactions involving the Government of Kenya.

Other disclosure includes payments to the following parties:-

	2015	2014
TWSB Levy fees –	3,908,157.00	3,796,249.00
Board members allowances –	1,623,328.00	1,576,730.00
Top Management salaries -	3,233,520.00	3,233,520.00

18 CAPITAL COMMITMENT

	2015	2014
	Kshs	Kshs
Capital works investments	3,685,000	1,174,150

20 INCORPORATION

The Company is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.