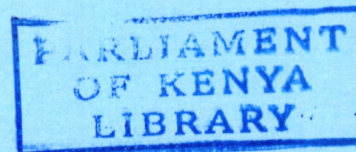


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2014**



KARIMENU WATER & SANITATION CO. LTD

REPORTS AND FINANCIAL STATEMENTS

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

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

Karimenu Water and Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs)

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KEY ENTITY INFORMATION

Background information

Karimenu Water and Sanitation Company Limited was incorporated on 3rd April 2006 under the Companies Act of Parliament Cap 486. At county level, the company is represented by the County executive member water environment and natural resources that is responsible for the general policy and strategic direction of the company.

Principal Activities

The principal activity of the company is to ensure efficient and effective provision of water and sanitation Services in its area of jurisdiction. The mandate and objectives of KARIWASCO are enshrined in the Memorandum and articles of association. The principal object of the company is to carry out the business of water and Sanitation services provision within the area under its jurisdiction as provided for in the SPA. Managing the assets leased to the company by the athi Water Services Board AWSB) and now owned by Kiambu County Government.

VISION

“To be the best in provision of potable water and sanitation services in the region and beyond”.

Mission

“To promote good health standards and raise the economic level of our community through provision of quality, reliable, adequate and affordable water and sanitation services through well managed, internally delegated area management contracts (IDA MC)”.

Directors

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

- | | | | |
|-----|-------------------------|--------------------|---------------------|
| 1. | Daniel Kamanu | - Chairman | - Appointed on 2011 |
| 2. | Raphael Njau | | - Appointed on 2011 |
| 3. | Peter Kamau | | - Appointed on 2011 |
| 4. | Jacinta Waweru | | |
| 5. | Miriam Mbugua | | |
| 6. | Joseph Njui Mungai | | |
| 7. | Joseph N Kiburu | | |
| 8. | Clerk to the Council | | |
| 9. | Chairman to the council | | |
| 10. | Patrick N. Mwangi | -Managing Director | |

Karimenu Water and Sanitation Company Limited
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County Executive

Mrs Esther Njuguna
P.O. Box 2344-00900
Kiambu

Registered office

Kairi Arcade Building
Thika Mangu Road
P.O. Box 170
Gatukuyu, KENYA

Company Contacts

Telephone: (254)
E-mail: kariwasco@gmail.com
Website: www.kariwasco.co.ke

Company Bankers

1. Co-operative Bank of Kenya
P.O. Box 1815,
Thika Branch.


Independent Auditors

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





THE BOARD OF DIRECTORS

Name	Key Qualifications
<p>1. Daniel Kamanu</p>	<p><u>Chairman to the Board</u> Date of Birth: 1958 Professional Qualifications: Marketer MBA Work Experience Worked at KTDA Over 20yrs experience</p>
<p>2. Raphael Njau</p> 	<p>Date of Birth: 1952 Professional Qualifications: Social Worker O Level Work Experience Over 30yrs experience in social services</p>
<p>3. Jacinta Waweru</p>	<p>Date of Birth: 1964 Professional Qualifications: Teaching MBA Work Experience Over 25yrs in education sector-Principal St Francis girls' sec school.</p>
<p>4. Miriam Mbugua</p> 	<p>Date of Birth: 1960 Professional Qualifications: Social Worker O Level Work Experience Over 20yrs experience in social services</p>
<p>5. Joseph Njui Mungai</p> 	<p>Date of Birth: 1959 Professional Qualifications: Contractor Certificate in building and construction Work Experience Works at construction industry over 20yrs experience</p>
<p>6. Joseph N Kiburu</p> 	<p>Date of Birth: 1940 Professional Qualifications: Retired Teacher P 1 Level Work Experience Over 30yrs in education sector</p>
<p>7. Peter Kamau</p> 	<p>Date of Birth: 1986 Professional Qualifications: Teacher and community mobilize A Level Work Experience 5yrs experience</p>

Karimenu Water and Sanitation Company Limited
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<p>8. Patrick Muro</p>	<p>Professional Qualifications: Accountancy Key Qualifications: CPA</p>
<p>9. Patrick N. Mwangi</p> 	<p><u>Managing Director</u> Professional Qualifications: Higher Diploma Water Engineering Experience : 28yrs experience in water sector i.e. Ministry of water & Karimenu Water</p>

MANAGEMENT TEAM

Name	Area of responsibility
<p>1. Patrick N. Mwangi.</p> 	<p><u>Managing Director</u> Professional Qualifications: Higher Diploma Water Engineering Experience : 28yrs experience in water sector i.e. Ministry of water & Karimenu Water</p>
<p>2. Emmah W. Chege</p> 	<p><u>Accountant</u> Professional Qualifications: Accountancy Academic Qualifications: CPA K, Bachelors of commerce Experience : 7yrs experience in water sector Karimenu Water</p>
<p>3. Stephen T. Mburu</p> 	<p><u>Operations Manager</u> Professional Qualifications: Water Engineering Academic Qualifications: Diploma in Water Engineering Experience : 9yrs experience in water sector Thika water, ministry of water & Karimenu water</p>
<p>4. Joseph K. Kariuki</p> 	<p><u>Technical Manager</u> Professional Qualifications: Water Engineering Academic Qualifications: Diploma in Water Engineering Experience : 26yrs experience in water sector ministry of water & Karimenu Water</p>

CHAIRMAN'S STATEMENT

Future plans

The company intends to expand its outreach by establishing additional water zones in 2014/2015. We will also explore the possibilities of introducing other value adding services to our customers. This will not only improve efficiency and customer service but also enable us introduce new products and services.

Conclusion

The successful conversion from a ministry of water to a water and sanitation company has indeed been a turning point of this great institution and will open new opportunities in terms of products and service offering to our customers. This is the fifth year that we are publishing the Annual Report and financial statement as a water provision institution. Indeed, we are all delighted. We shall remain focused towards the continued achievement of our mission and vision.

I take this opportunity to thank our customers, the Board, staff, our regulators and all other stakeholders for the continued support, goodwill and for making year 2013/2014 a big success. It is also my sincere hope that with your continued support, we shall continue to grow this water provision company and make year 2014/2015 even better. To you all, I say a big thank you and God bless.

REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present to you the annual report and financial statements for the financial year ended 30th June 2014.

A) Intake works

i) Gakoe Intake;

This intake is approximately 1.8 km from the forest edge. It has a production capacity of 9000m³/day.

ii) Ndekei intake

This is the intake that serves Mangu, Gatukuyu, Kairi and Galilee. It has a production capacity of 2000m³/day

b) Treatment works

i) Kairi treatment works

Soils in these particular sites are more stable but the heavy rains eroded our sludge lagoon. The management was able to reinstate the eroded sections but was forced to pump the backwash water since the piece of land that the treatment works sits on is rather small. The management is working closely with the board to secure some extra space.

C) Distribution network

The company serves its customers through three main distribution networks, also called schemes.

- i) Gakoe-Gatunguru-Gituamba-Ngorongo network,**
- ii) Gakoe-Ndiko-Kamwangi network, and**
- iii) Kairi-Gatukuyu-Mangu network.**

The first two schemes distribute water from Gakoe treatment works.

Before water gets to the consumers, the main lines pass through 5.6Km of farm lands.

The other networks distribute water from Kairi to Gatukuyu. In total we managed to extend more than 20km of pipeline ranging from 4" to 3/4" diameter in a bid to reach our customers.

D) Revenue

The company has increased revenue collection by 20%. This was realised through strict monitoring and improved service delivery. Customers are also getting sensitized on the need to pay for the services.

E) Non revenue water (NRW)

Non revenue water has continued to be a major challenge to water utilities in developing countries.

Key among other reasons being: -

- Dilapidated infrastructure,
- Lack of modern leak detecting devices, and
- Water theft from some of our customers.

Despite all these, we are able to reduce levels of non revenue water by 2%. We shall continue to fix measuring and control devices to reduce levels on NRW to a bearable minimum.

F) Supplementary projects

i) Mukurwe

The company was able to solicit (through a proposal to WSTF) for funding for Mukurwe Water project. The scope of works for the project comprised:-

- constructing an intake weir along Ndarugu River,
- Laying 150mmΦ upvc raw water mains,
- Treatment works involving CFU of average production of 20m³/Hr of treated water, a chemical dosing platform/store and backwash water tower including a tank,
- Laying of main distribution network,
- and constructing a water kiosk at Mukurwe shopping center.

The contract was completed in may2014 and the project implemented so far over 400 customers are registered with the company and connected with water.

G) New proposals

The company has come up with the following proposals for the next year: -

- a) Mataara Water Project** – even though the scheme is being operated by the community, it was realized that the group is struggling to repay a loan that was secured from K-Rep Bank. One of the main bottlenecks is poor flow from its 8inchΦ main. The company has embarked on ground survey of their raw water main in a bid to redesign the system. We shall come up with the recommendations on how best to improve service delivery from Mataara water scheme. The company has also negotiated for a pilot water treatment system for the project with the Japanese Government through a private company called Wealthy.
- b) Gakoe Water project** – the heavy rains that rocked the countryside in May last year eroded the intake and part of the raw water mains for Gakoe water project. Some of the members of that community have approached the company to evaluate and solicit for funding to reinstate the destroyed works. Earlier engagement revealed that Gakoe opinion leaders have not really embraced the water sector reforms. We shall however engage them again so that we can approach the issue from a common point of view for the benefit of the common mwananchi.
- c) Karimenu Dam** –the said dam shall be built across Karimenu River at Kiriko. The project is in its final design stage. It is to be funded through the World Bank.

Conclusion

The excellent performance of the company during the year has been due to the support we continue to receive from all our esteemed stakeholders. We thank them for this support and look forward to working closely with them in future.

I would also like to express my gratitude to the management Team and staff for their hard work, dedication and commitment to the company during the year. This commitment has gone a long way in ensuring that the company continues to prosper for the benefit of all our stakeholders.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

During the 2013/2014 financial year, the company collaborated with locals and the institutions within the area of jurisdiction to plant 5,000 trees in schools and water catchment areas as a measure of environmental conservation.

The company continues to give free metered water to a customer in Kanyoni with disability.

The Company was able to clean old intake works and developed an access to the new intake which residents use to access the main road.

We managed to mobilize the youth in a cleanup exercise in Kamwangi and Gatukuyu market.

The company still intends to build at least two eco-friendly toilets in schools in the next financial year.

Karimenu Water and Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs)

REPORT OF THE DIRECTORS

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

Principal activities

The principal activity of the company is to ensure efficient and effective provision of water and sanitation Services in its area of jurisdiction

Results

The results of the company for the year ended June 30, 2014 are set out in pages 13 to 16.

Directors

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

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with the Section 15 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 15 of the Public Finance Management Act, 2012, require the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the company for that year. 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.

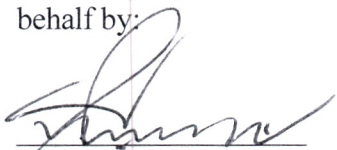
The Directors are responsible for the preparation and presentation of Karimenu water and Sanitation Company financial statements which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Company financial statements give a true and fair view of the state of company transactions during the financial year ended June 30, 2014, and of the company 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 financial statements as well as the adequacy of the systems of internal financial control.

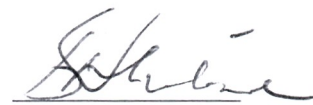
Nothing has come to the attention of the directors to indicate that the Karimenu Water and Sanitation Company Ltd will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company financial statements were approved by the Board on 30th June 2014 and signed on its behalf by:



PATRICK N. MWANGI
MANAGING DIRECTOR



DIRECTOR

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KARIMENU 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 Karimenu Water and Sanitation Company Limited set out on pages 13 to 23 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 of Auditing (ISA). 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 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 entity'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

Property, Plant and Equipment

The statement of financial position reflect property plant and equipment balance of Kshs.5,733,751 as at 30 June 2014. However, the fixed asset register provided was not properly updated. Further, ownership documents were not provided for the audit review. Consequently, it has not been possible to confirm the existence, accuracy and ownership of property, plant and equipment balance of Kshs.5,881,383 as at 30 June 2014.

Qualified Opinion

In my opinion, except for effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Karimenu Water and Sewerage Company Limited as at 30 June, 2014 and its 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 Matters

1. Taxation Disclosures

The financial statements for the year ended 30 June 2014 does not include disclosures on taxation as per IAS 12 (Income taxes). Consequently, we could not determine the tax status of the Company as at 30 June 2014.

2. Unaccounted for water (UFW)

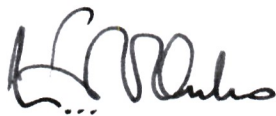
During the year under review, the Company produced 1,508,122 cubic meters (m³) of water, and out of this volume, only 885,004 cubic meters (m³) were billed to customers. The balance of 623,118 cubic meters (m³) or approximately 41% of the total volume, represented unaccounted for water (UFW). The UFW is 16% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board (WASREB) guidelines. The UFW of 623,118.00 m³ (41%) may have resulted in loss of sales estimated at Kshs.20,749,829. 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 these matters.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit; and,
- 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

Karimenu Water and Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs)

STATEMENT OF COMPREHENSIVE INCOME

		2013/2014	2012/2013
		Kshs	Kshs
	Note		
REVENUES			
Water Sales	1	30,714,025	25,606,169
Grants	2	10,216,652	
Miscellaneous Incomes	3	1,807,539	1,962,855
TOTAL REVENUES		42,738,216	27,569,024
OPERATING EXPENSES			
Staff Cost	4	16,926,117	12,467,488
Operation Cost	5	16,522,733	4,697,809
Administrative Cost	6	3,310,978	2,636,153
Board Expenses	7	468,339	407,645
General Expenses	8	2,227,376	2,739,485
Lease fee	9	2,964,131	2,446,489
TOTAL OPERATING EXPENSES		42,419,674	25,395,070
OPERATING PROFIT/(LOSS)		318,542	2,173,954

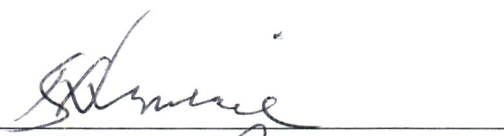
Karimenu Water and Sanitation Company Limited
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For the year ended June 30, 2014 (Kshs)

STATEMENT OF FINANCIAL POSITION

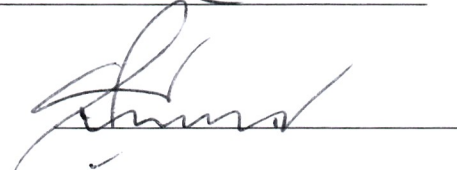
	Note	2013/2014 Kshs	2012/2013 Kshs
ASSETS			
Non-Current Assets			
Property Plant and Equipment	10	5,733,751	1,912,347
Total Non-Current Assets		5,733,751	1,912,347
Current Assets			
Inventories	11	906,523	846,777
Trade and other receivables	12	7,387,389	7,238,039
Bank and cash balances	13	7,530,237	9,001,084
Total Current Assets		15,824,149	17,085,900
TOTAL ASSETS		21,557,900	18,998,247
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital	14	40	40
Capital reserve	15	3,488,789	3,488,789
Revenue reserve	16	7,887,889	7,569,346
Capital and Reserves		11,376,718	11,058,175
Current Liabilities			
Customer Deposit	17	8,237,251	6,824,251
Trade and other payables	18	1,943,931	1,115,821
Total Current Liabilities		10,181,182	7,940,072
TOTAL EQUITY AND LIABILITIES		21,557,900	18,998,247

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

DIRECTOR



MANAGING DIRECTOR
PATRICK N. MWANGI



Marimenu Water and Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Capital reserve	Revenue Reserve	Total
At July 1, 2011	40	3,488,789	5,978,332	9,467,161
Profit for the year	-	-	(582,940)	9582,940)
At June 30, 2012	40	3,488,789	5,395,392	8,884,221
At July 1, 2012	40	3,488,789	5,395,392	8,884,221
Profit for the year	-	-	2 ,173,954	2,173,954
At June 30, 2013	40	3,488,789	7,569,346	11,058,175
At July 1, 2013	40	3,488,789	7,569,346	11,058,175
Profit for the year			318,542	318,542
At June 30, 2014	40	3,488,789	7,887,889	11,376,717

Marimenu Water and Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs)

STATEMENT OF CASH FLOWS

	Note	2013/2014 Kshs	2012/2013 Kshs
OPERATING ACTIVITIES			
Cash generated from operations	18	2,917,734	3,625,517
Net cash generated from operating activities		<u>2,917,734</u>	<u>3,625,517</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(4,388,581)	(1,158,812)
Net cash generated from investing activities		<u>4,388,581</u>	<u>1,158,812</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,470,847)	2,466,705
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		9,001,084	6,534,379
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u><u>7,530,237</u></u>	<u><u>9,001,084</u></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. 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

Income and expenses are recognised on accrual basis.

3. In-kind contributions

The company received Ksh 9.2Million from WSTF through Upc Project for Intake works, Pipeline works, Composite filtration unit, Backwash water tower, Chemical store, Water Kiosk and 100pcs consumer meter. The improved assets belong to AWSB. 962pipes ranging from 32mm-110mm from DWO offices, Laboratory equipments, Old assorted office equipments, Reagents and glassware from AWSB their value cannot be reasonably determine. The improved assets belong to AWSB.

4. Property, plant and equipment

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

5. Depreciation and impairment of property, plant and equipment

Freehold land are not depreciated.

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

Urimenu Water and Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2013 (Kshs)

Water Infrastructure	8 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment,	3 Years

Furniture and fittings 8 years

Depreciation charge is calculated on pro rate basis in the year of asset purchase.

6. Inventories

The cost of inventories comprises purchase price, 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. The management has made a provision for doubtful debts at 10% for general debtors at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

8. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank accounted for at the end of the financial year.

9. 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.

10. Comparative figures

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

11. 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.

Arimenu Water and Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2013 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS

	2013/2014	2012/2013
	Kshs	Kshs
1. SALES		
Water Sale	30,714,025	25,606,169
	<u>30,714,025</u>	<u>25,606,169</u>
	=====	=====
2. MISCELLANEOUS INCOME		
Connection fee	993,538	667,646
Reconnection fee	358,700	429,000
Others	253,360	803,900
Decrease in general provision for doubtful debts	-	18,602
Profit on Sale of non current asset	150,000	-
Interest	51,951	43,707
	<u>1,807,549</u>	<u>1,962,855</u>
	=====	=====
3. GRANTS		
Ministry of Water & Irrigation	946,469	
Water Services Trust Fund	<u>9,270,183</u>	
	<u>10,216,652</u>	
	=====	
4. STAFF COSTS		
Casual Wages	2,914,430	2,524,850
Salaries	10,075,793	7,753,591
Salaries – Ministry of Water& Irrigation	946,469	
Statutory deductions	1,956,130	1,387,563
Staff Pension Contribution	767,775	624,914
Staff welfare	137,000	176,570
Uniform & Games Item	128,520	-
	<u>16,926,117</u>	<u>12,467,488</u>
	=====	=====
5. OPERATIONS COSTS		
Chemicals	1,704,099	1,445,969
Electricity	829,710	136,434
Maintanance of W & S system	1,071,141	774,860
Maintanance of Building	-	13,492
Planning and design	53,570	31,400
Water Quality test	19,000	1,950
Compensation	22,290	561,488
Fuel Cost	1,215,845	1,019,123
Maintanance of Motor vehicle & Cycles	461,895	668,093
Licence fee	1,874,999	45,000
WSTF grant	<u>9,270,183</u>	
	<u>16,522,733</u>	<u>4,697,809</u>
	=====	=====

Urimenu Water and Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2013 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. ADMINISTRATION COSTS

Office Electricity	73,555	57,338
Telephone	108,800	101,160
Stationery	68,393	109,161
Postage & Courier	6,860	8,630
Computer & stationery	18,400	43,200
printing, and photocopying	193,787	205,181
Office tea & entertainment	45,521	85,954
Billing fees & Expenses	60,000	60,000
Rent	360,000	360,000
Audit & Management fees	813,862	545,386
Security services	383,960	354,960
Travel & Accommodation	539,330	374,050
General Office expenses	39,452	52,158
Maintenance of office equipment	44,510	33,720
Membership to professional associations	10,000	10,001
Bank charges	39,887	45,254
Subscription fees	100,000	100,000
Payroll	10,000	10,001
Advertising expense	5,500	79,999
Conferences & Workshops	389,160	-
	<u>3,310,977</u>	<u>2,636,153</u>

7. BOARD EXPENSES

Board Allowances	365,289	407,645
Board other expenses	103,050	-
	<u>468,339</u>	<u>407,645</u>

8. GENERAL EXPENSES

Insurance	23,013	31,969
Education & Training	25,550	37,300
Donation	5,000	8,000
Increase in specific provision for doubtful debts	1,593,370	2,303,240
Increase in general provision for doubtful debts	7,265	
Depreciation charge	567,177	358,976
Hire of plant & Equipment	6,000	
	<u>2,227,375</u>	<u>2,739,485</u>

9. LEASE FEE

Athi water service board	2,667,717	2,201,840
Water services regulatory board	296,414	244,649
	<u>2,964,131</u>	<u>2,446,489</u>

Marimenu Water and Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2013 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. PROPERTY, PLANT AND EQUIPMENT

2013	Freehold land	Office equipment	Motor vehicles, including, motor cycles	Water Infrastructure	furniture & fittings	Water Meters	Total
COST OR VALUATION							
At July 1, 2013	-	702,745	445,500	361,360	473,885	1,079,322	3,062,812
Additions	3,450,000	63,000		189,740	124,500	1,811,341	5,638,581
Transfers	-	-	-	-	-	(-)	-
Disposals	(1,250,00)	(-)	(-)	(-)	(-)	(-)	(1,250,00)
At June 30, 2014	2,200,000	765,745	445,500	551,100	598,385	2,890,663	7,451,393
DEPRECIATION							
At July 1, 2013		582,669	153,141	82,330	197,409	134,915	1,150,464
Charge for the year	-	42,322	73,089	58,596	48,700	344,468	567,177
Eliminated on disposal	(1,250,00)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2014	0	624,991	226,230	140,926	246,109	479,383	1,717,641
NET BOOK VALUE							
As at June 30 2013	-	120,076	292,359	279,030	276,475	944,407	1,912,347
As at June 30 2014	2,200,000	140,753	219,269	410,173	352,275	2,411,279	5,733,751

Karimenu Water and Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2013 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. INVENTORIES

Stationery	123,728	110,795
Chemicals	480,171	250,065
Upvc Pipes	45,600	-
Fittings	257,024	246,988
Meters	-	207,679
	<u>906,523</u>	<u>846,777</u>

12. TRADE AND OTHER RECEIVABLES

Customer Debtors gross	19,257,154	17,591,132
Specific provision for doubtful debts-Inherited	(3,488,789)	(3,488,789)
Specific provision for doubtful debts-Dormant	(7,722,575)	(6,129,205)
General provision for doubtful debts	<u>(804,579)</u>	<u>(797,314)</u>
Customer debts Net	7,241,211	7,175,824
Prepayments	141,678	54,215
Staff receivables	4,500	8,000
	<u>7,387,389</u>	<u>7,238,039</u>

13. BANK AND CASH BALANCES

Expenditure Act	467,721	1,750,466
Revenue Act	405,558	314,566
Customer deposit Act	6,591,293	6,907,161
Cash in hand	65,605	28,800
Petty Cash	60	90
	<u>7,530,237</u>	<u>9,001,084</u>

14. ORDINARY SHARE CAPITAL

Authorised:

5,000 Ordinary Shares at Ksh 20.00par value each	100,000	100,000
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Issued and fully paid:

2 Ordinary Shares of Kshs 20.00par value each	40	40
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15. CAPITAL RESERVE

	<u>3,488,789</u>	<u>3,488,789</u>
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16. REVENUE RESERVE

Bal Bf	7,569,346	5,395,392
Profit for the year	<u>318,542</u>	<u>2,173,954</u>
	<u>7,887,889</u>	<u>7,569,346</u>

Karimenu Water and Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2013 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

17. CUSTOMER DEPOSIT

Bal Bf	6,824,251	5,395,251
Deposits this year	1,416,000	951,000
Customer Refund	<u>(3,000)</u>	<u>(3,000)</u>
	<u>8,237,251</u>	<u>6,824,251</u>

18. TRADE AND OTHER PAYABLES

WSB and WASREB Fees	206,474	610,000
Suppliers Creditors	113,461	32,000
Trade Creditors	1,067,333	157,286
Other Creditors and accruals	220,263	316,140
Provision for Audit fees	<u>336,400</u>	<u>-</u>
	<u>1,943,931</u>	<u>1,115,821</u>

19. NOTES TO THE STATEMENT OF CASH FLOWS

**Reconciliation of operating profit to
Cash generated from operations**

Operating profit	318,542	2,173,954
Depreciation	567,177	358,977
Operating profit before working capital changes	<u>885,720</u>	<u>2,532,932</u>
Increase in inventories	(59,746)	(203,805)
Increase in trade and other receivables	(149,350)	190,056
Increase in trade and other payables	828,110	158,334
Increase in borrowings	1,413,000	948,000
Cash generated from operations	<u>2,917,734</u>	<u>1,092,584</u>

20. RELATED PARTY DISCLOSURES

Government of Kenya

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

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

21. INCOPORATION

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