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REPORT

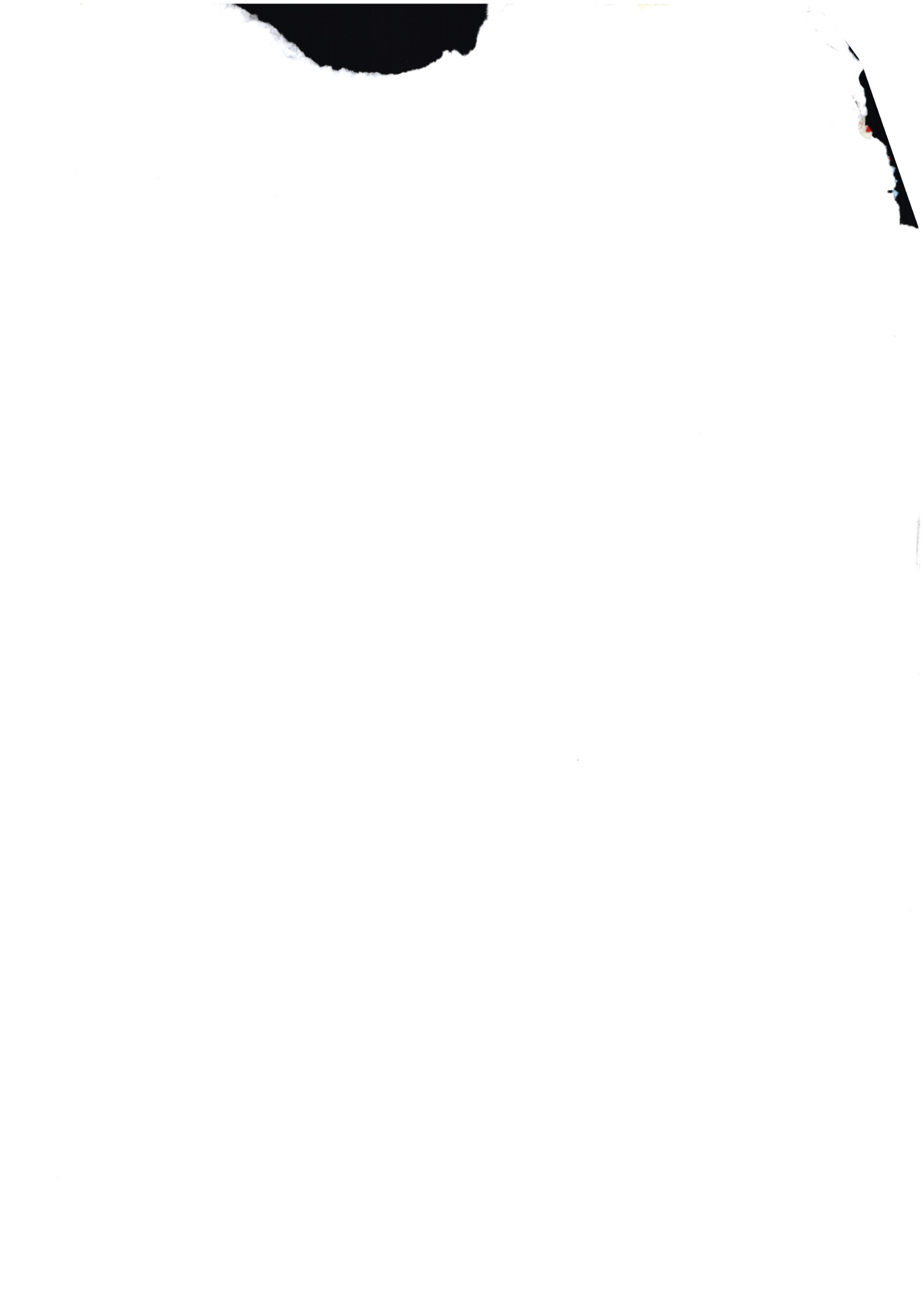
OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2014**





GITHUNGURI WATER AND SANITATION CO. LTD

Within Githunguri Police compound, opp. Family Bank , P.O Box 823 Githunguri 00216
Kenya Tel:0700484034,E-Mail githunguriwater@yahoo.com

FINANCIAL STATEMENTS FOR GITHUNGURI WATER AND SANITATION COMPANY LTD FOR THE YEAR ENDED 30TH JUNE 2014

COMPANY INFORMATION

Githunguri Water and Sanitation Limited is a company formed by Athi Water Services Board and given the mandate of providing water and sanitation services within Githunguri District and lower part of Lari District. The County Council of Kiambu is the shareholder of the Company.

REGISTERED OFFICE Githunguri Water & Sanitation Company Ltd

Githunguri Town Next to Police Station
P.O.Box 823 - 00216,
Githunguri

AUDITORS Auditor General
P.O.Box 30084-00100
NAIROBI.

BANKERS Kenya Commercial Bank
Githunguri

DOMICILE The Company is incorporated in Kenya and is domiciled in the republic of Kenya.



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SENIOR MANAGERS

- | | |
|-----------------------|-------------------------|
| 1. Moses Ndwiga Munyi | Managing Director |
| 2. Beatrice Muiruri | Commercial Manager |
| 3. Joseph King'ori | Ag. Technical Manager |
| 4. Phyllis Wanyoike | Human Resources Manager |
| 5. Lydia Nyamweru | Finance Manager |

BOARD OF DIRECTORS

The Board of Directors who held office during the year ended 30th June 2014 comprised of the following:

- | | | |
|-------------------------|---|-------------------|
| 1. Mr. Dominic Waithuki | - | 1/10/2012 |
| 2. Mrs. Dorcas Gachoka | - | 1/11/ 2011 |
| 3. Mrs. Esther Njuguna | - | 1/11/2013 |
| 4. Mr.John Njoroge | - | 1/11/2013 |
| 5. Ms.Joyce Gathuku | - | 1/11/2013 |
| 6. Mr Moses N. Munyi | - | Managing Director |



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DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE, 2014.

The directors submit their report together with the audited financial statements for the financial year ended 30th June 2012 which discloses the state of affairs of the company.

INCORPORATION

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

PRINCIPAL ACTIVITIES

The principal activity of the company is that of offering Water and Sanitation Services to the residents of Githunguri District, lower part of Lari District and their environs.

Githunguri Water and Sanitation Company (GIWASCO) is a water service provider operating under a service provision agreement granted by Athi Water Services Board (AWSB) to provide water and sanitation services in Githunguri district and lower part of Lari district and their environs. The company was incorporated on 24th April 2007 and started operating on 1st October 2007 after constitution of the board of directors. The company took over the assets formerly operated by the ministry of water and irrigation at Githunguri town and Komothai rural water supply located in Gatamaiyu location of Lari district. A sustainable and efficient water supply and sewerage system is a priority to GIWASCO.

The company covers two (2) schemes namely Komothai rural Water scheme and Githunguri Urban Water supply. Komothai rural Water Scheme supplies water to residents of Gatamaiyu and Nyanduma locations of Lari district. Githunguri Urban water supply serves residents of Githunguri Town and neighboring areas. Other areas in Githunguri are served through bulk connections from Nairobi water Sasumua and Ngethu pipelines as well as boreholes located at Gathaithi, Giathieko. Mihuko, Kiratina, Thuita and Kiaria. Upper Githiga water project serves upper part of Githiga location. Recently developed Matimbei and Kagaa water supply serves residents of Matimbei sub-location although 2nd phase will cover Kamburu sub-location as well. Areas not currently served are covered under development plans for funding by Athi Water Services Board, County government, C.D.F, WSTF and development partners.

GOVERNANCE

In October 2013, we amended our Memos & Articles of Association to reflect the new changes that had taken place following the passage of the Constitution of Kenya 2010 and setting up of County Governments following the elections of March 2013. Water Service provision had become a devolved function hence the Company had to be fully owned by the County Government of Kiambu.

The previous Board Directors were retired and a new team of Directors reflecting the new changes (representatives of County Government of Kiambu) was put in place. Two Directors were retained from the earlier set-up for institutional memory.

Advertisement for Directors to fill the remaining slots as per the Memos and Articles of Association was carried out in February 2014 by the County Government, the new Directors were to assume office at the beginning of the next financial year.



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DIRECTORS' REPORT FOR THE YEAR ENDED 30TH JUNE, 2014

RESULTS AND DIVIDEND

The company made a loss of Kshs.9, 977,091/=.

The directors do not recommend the payment of a dividend for the year.

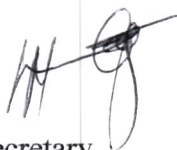
DIRECTORS

The directors who held office during the year and to the date of this report are as listed on Page 2.

AUDITORS

The Auditor General have been appointed auditor of the company as per the provisions of Section 29 of the Exchequer and Audit Act, Cap 412 and sections 14 and 15 of the Public Audit Act 2003.

Signed for the board


for Secretary



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STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30TH JUNE, 2014


The companies act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose with reasonable accuracy the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept the responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the affairs of the company and of its profits/losses. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate 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 twelve months from the date of this statement.


.....
Managing Director

Date ..28/08/15


.....
Board Chairman

Date ..31/8/2015



MANAGING DIRECTORS REPORT FOR THE YEAR ENDED 30TH JUNE 2014

The focus during the year was maintaining the existing service levels and acquisition of a new realistic water tariff. The company was already experiencing serious financial constraints and its sustainability and viability was under a serious threat. This was to be done through:

- ❖ Ensuring at least an average collection efficiency of 90% of the billed amount.
- ❖ Working with Athi Water Services Board and the regulator-Water services Regulatory Board to develop a new water tariff structure.
- ❖ Ensuring availability of quality and affordable water for 15hours a day.
- ❖ Ensuring that the staffing costs and power costs are met on time.

A number of achievements have been realized by the Company during this period. These include:

a) Maintenance of water services

The company underwent a transition at the beginning of the year with departure of the Managing Director and recruitment of another one, water service provision was maintained. This was done through ensuring that production of water from boreholes was maintained, bulk water purchases from Nairobi Water systems was also maintained and the distribution and regular operation and maintenance of the infrastructure carried out.

b) Takeover of Seconded G.O.K Staff

The Company managed to successfully take over and absorb the Ministry of Water Staff previously seconded to the organization by the Government of Kenya through Athi Water Services Board. Previously the Ministry was covering their staffing costs but within the year we managed to take up all their staffing needs.

c) Corporate Governance

The company successfully managed to change the Memos and Articles of Association to conform to the Constitution of Kenya 2010 that devolved water service provision. The County Government of Kiambu becomes the new shareholder of the company. A new set of directors were competitively appointed and the board properly constituted.

d) Mobilization of Resources

In liaison with the County Government of Kiambu and area political leadership, we revived Upper Githiga Water Project. Athi Water Services Board mobilized resources towards construction of Mukuyu II and Matimbei dams to be constructed within financial year 2014-15. The company also secured pipes and fittings for rehabilitation of Komothai Water Supply scheme worth about Ksh 89,000,000/=

e) Stakeholders Participation in water services management

For the first time since inception, the company held an open public sensitization forum on tariff review. Members of the public and all stakeholders willingly shared on progress made by the company, challenges and shortcomings and areas to be improved on. We are currently implementing the resolutions made.



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f) Sales versus Expenditure for the year

Sales for the 12 months period ended 30th June 2014 was Kshs. 31,442,907/= compared to Kshs. 29,789,615/= for the twelve months period ended 30th June 2013. This represents a 5% growth.

The small growth is attributable to increased revenue collection efficiency.

During the financial year the Non-revenue water still remained a challenge, most of it being attributable to commercial losses caused by over registering Nairobi water bulk meters. During the financial year the company made losses of Ksh.9, 977,091/= .The sales increased by a small margin while expenditure remained relatively high. The high expenditure was as a result of the following factors:

- i) The cost of bulk water purchases remained relatively high at Kshs.9, 069,920/= the actual bills from Nairobi Water Company
- ii) The cost of electricity increased from Kshs.5, 126,651 to Kshs.7, 527,308/=
- iii) WARMA abstraction charges increased from Kshs.369, 730/= to Kshs.1, 248,609/=

g) Current challenges that cross-over to the next financial year

As we cross over to a new financial year, few challenges still persist.

- The organization is still financially unstable and relies heavily on the goodwill of suppliers and government institutions.
- The company relies heavily on pumping systems, the area is well resourced with rivers and streams that if tapped would provide alternative cost effective sources of water.
- The Water infrastructure is dilapidated due to age and as a result, supply in some areas is unreliable
- High levels of non revenue water (UFW) resulting in revenue loss. Water theft by consumers through illegal connections has remained a challenge.
- The borehole sources lack official borehole abstraction permits hence higher water use charges.
- High commercial losses from the Nairobi water mains.
- Very high cost of producing water mainly due to the ever rising cost of power.
- Insufficient financial resources to fund rehabilitation and expansion of water services infrastructure.
- The many community water projects if all managed under the company would enhance better services across our area of supply, ensure fair application of standards/tariffs and better manage the limited water resources.
- Debt collection remained a challenge. We have since undertaken the exercise of visiting our debtors with the intention of determining debts that will never be recovered. We will be recommending specific debtors to the board of directors for write off during the current financial year.

Signed for the company

.....
Managing Director

Chairman: Mr. Dominic Waithuki | Directors: Mr. Stephen .T. Mwangi, Mrs Esther W.Njuguna, Mrs Dorcas Gachoka, Mr, Stephen .N. Kiiru, Mr Solomon .Waweru & Mr. Laban Mbugua.

REPUBLIC OF KENYA

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Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON GITHUNGURI 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 Githunguri Water and Sanitation Company set out on pages 8 to 19, which comprise the statement of financial position as at 30 June, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit

Management's Responsibility for the Financial Statements

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 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of 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 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. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.3,122,974 as at 30 June 2014. However, the Company did not provide a Board of Survey certificate to confirm the cash in hand balance of Kshs.6,577 and Mpesa account number 51596 included in the balance. Further, a cashbook was not provided to confirm the accuracy of bank balances totalling Kshs.2,128,171.

Consequently, the accuracy and completeness of the cash and cash equivalent balances of Kshs.3,122,974 as at 30 June 2014, could not be confirmed

2. Trade and Other Receivables

The statement of financial position reflect debtors as at 30 June 2014 amounting to Kshs.12,393,138 net of provision for bad debts of Kshs.18,734,253. However, no ageing analysis was provided to ascertain the validity of the provisions made. Further, the balance as at 30 June 2014 includes uncleared suspense balance amounting to Kshs.3,486,621 despite the availability of the customers details in the ledger.

Consequently, the accuracy of the debtors balance of Kshs.12,393,138 as at 30 June 2014 could not 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 the Company as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2002 and the Companies Act, Cap 486 of the Laws of Kenya.

Other Matters

1. Sustainability of Service

During the year under review, the company recorded a deficit of Kshs.10,282,397 (2012/2013 – deficit Kshs.12,308,905) which increased accumulated loss from Kshs.19,380,904 to Kshs.29,663,301. Further, the current liabilities balance of

Kshs.35,057,219 as at 30 June 2014, exceeded the current assets balance of Kshs.16,996,485 resulting in a negative working capital of Kshs.18,060,734, an indication that the company may be experiencing difficulties in settling 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 its creditors.

2. Un-accounted for Water


During the year, the company produced 927,293 cubic meters (m³) of water, and out of this, only 475,269m³ were billed to customers. The balance of 425,024m³ or approximately 47% of total volume represented unaccounted for water (UFW). The UFW is 22% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines. The UFW of 47% may have resulted in loss of sales estimated at Kshs.26,790,398. 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 Companies Act, Cap 486 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.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

21 September 2015




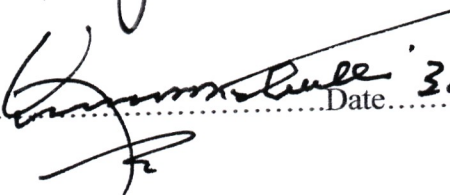
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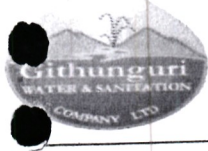
STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2014			
ASSETS		2013/2014	2012/2013
	Notes	KSHS	KSHS
NON- CURRENT ASSETS			
Property, Plant & Equipment	10	10,062,609	10,638,016
Total Non current assets		<u>10,062,609</u>	<u>10,638,016</u>
CURRENT ASSETS			
Inventories	11	1,372,863	883,945
Deposits	17	107,480	57,480
Share Capital	16	40	40
Trade Debtors and other receivables	12	12,393,138	13,376,242
Cash & Cash Equivalents	13	<u>3,162,904</u>	<u>3,176,246</u>
CURRENT LIABILITIES		<u>17,036,425</u>	<u>17,493,943</u>
Customer Deposits	20	2,119,608	2,856,973
Trade and other payables	14	31,353,500	21,839,032
Corporate Tax (Provision)		<u>1,815,157</u>	<u>1,815,144</u>
		<u>35,288,265</u>	<u>26,511,149</u>
NET CURRENT ASSETS/W.C		(18,251,840)	(9,017,206)
		<u>(8,189,231)</u>	<u>1,620,810</u>
Net Assets			
FINANCED BY:			
Share Capital	16	40	40
Capital Reserves	15	11,509,082	11,509,082
Revenue Reserves		(29,190,945)	(19,380,904)
Capital grant		9,492,592	9,492,592
		<u>(8,189,231)</u>	<u>1,620,810</u>

The accounts on pages 8 to 10 were approved by the Board of Directors on

Managing Director..... Date..... 28/08/15

Board Chairman..... Date..... 31/8/2015

Chairman: Mr. Dominic Waithuki | Directors: Mr. Stephen T. Mwangi, Mrs Esther W.Njuguna, Mrs Dorcas Gachoka, Mr, Stephen N. Kiiru, Mr Solomon Waweru & Mr. Laban Mbugua.




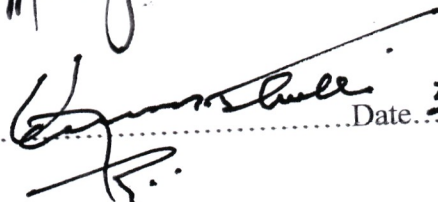
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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2014

		2013/2014	2012/2013
	Notes	Kshs.	Kshs.
Sales & Other Incomes	19	31,442,907	29,789,615
Grants	21)	<u>1,864,175</u> <u>33,307,082</u>	<u>2,987,738</u> <u>32,777,353</u>
Less: production costs	2	<u>(16,701,678)</u>	<u>(16,246,999)</u>
Gross profit		<u>16,605,404</u>	<u>16,530,354</u>
Administrative & Other Expenses	3	1,386,567	2,073,295
Operational Expenses	4	5,487,596	3,655,123
Board Expenses	5	460,000	594,286
Staff Expenses	6	12,890,868	14,031,143
Provision for Audit fee		232,000	232,000
Lease Fee	7	2,262,800	2,022,929
Depreciation	10	809,941	378,501
General expenses	8	468,885	784,595
Provision for bad debt	18	2,231,450	4,881,561
Total expenses		<u>26,230,107</u>	<u>28,653,433</u>
Operating profit/loss		<u>(9,624,703)</u>	<u>(12,123,079)</u>
Finance cost	9	(352,388)	(185,826)
Profit after Finance cost		<u>(9,977,091)</u>	<u>(12,308,905)</u>
Provision for corporate tax		<u>(9,977,091)</u>	<u>(12,308,905)</u>
Profit /Loss After tax		<u>(9,977,091)</u>	<u>(12,308,905)</u>

Managing Director...  Date... 28/8/15

Board Chairman...  Date... 31/8/2015

Chairman: Mr. Dominic Waithuki | Directors: Mr. Stephen T. Mwangi, Mrs Esther W.Njuguna, Mrs Dorcas Gachoka, Mr, Stephen .N. Kiiru, Mr Solomon Waweru & Mr. Laban Mbugua.



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

	Notes	2013/2014	2012/2013
		Kshs.	Kshs.
Cash flows from operating activities			
Profit/ (loss) before tax		(9,977,091)	(12,308,905)
Adjustment for:			
Depreciation on property, plant and equipment	10	809,941	378,501
Increase/Decrease in Inventories	11	(488,918)	(695,374)
Decrease in Trade and other receivables	12	865,623	3,899,301
Increase in Trade and other payables	14	9,514,468	7,955,272
Decrease/Increase in Customer Deposits	20	(737,342)	684,000
Net cash from operating activities		(13,342)	(87205)
Investing activities			
Purchases of Assets			(4,880,210)
Net cash flow from investing activities			(4,880,210)
Financing Activities			
Deferred Grant Income			949,254
Cash flow from financing activities		0	949,254
Net Cash flows		(13,342)	(4,018,161)
At start of the year		<u>3,176,246</u>	<u>7,194,407</u>
At the end of the year		<u>3,162,904</u>	<u>3,176,246</u>

Managing Director.....

Date.....

28/08/15

Board Chairman.....

Date.....

31/8/2015

Chairman: Mr. Dominic Waithuki | Directors: Mr. Stephen .T. Mwangi, Mrs Esther W.Njuguna, Mrs Dorcas Gachoka, Mr, Stephen .N. Kiiru, Mr Solomon .Waweru & Mr. Laban Mbugua.



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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH JUNE 2014

PERIOD	Share Capital Kshs.	Capital Reserve Kshs.	Revenue Reserve Kshs.(restated)	Total Kshs.
Balance as at 1/7/10	40	11,509,082	3,423,797	14,932,919
Surplus / (Loss)	-	-	2,782,148	2,782,147
Balance as at 30/6/11	40	11,509,082	6,205,944	17,715,066
Balance as at 1/7/11	40	11,509,082	6,205,944	17,715,066
Profit/Loss	-	-	(13,277,943)	(13,277,943)
Balance as 30/6/2012	40	11,509,082	(7,071,999)	4,437,123
Balance as at 1/7/2012	40	11,509,082	(7,071,999)	4,437,123
Profit/Loss			(12,308,905)	(12,308,905)
Balance as at 1/7/2013	40	11,509,082	(19,380,904)	(7,871,782)
Add Over stated computers Previous year adjustment			167,050	
Profit/Loss			(9,977,091)	(9,977,091)
Balance as at 1/7/2014	40	11,509,082	(29,190,945)	(17,848,913)

Chairman: Mr. Dominic Waithuki | Directors: Mr. Stephen .T. Mwangi, Mrs Esther W.Njuguna, Mrs Dorcas Gachoka, Mr, Stephen .N. Kiiru, Mr Solomon .Waweru & Mr. Laban Mbugua.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

1. Accounting policies

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

a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standard (IFRS). The financial statements are presented in Kenya Shillings (Kshs) and prepared under historical convention.

b) Revenue recognition

Revenue is recognized when the product is supplied and the consumer billed for the supply.

c) Property plant and equipment

Items of property plant and equipment are stated at the historical cost less accumulated depreciation and impairment

The treatment plant and any other assets apart from the ones specifically in the financial statements are owned by Athi Water Services Board.

The assets in the financial statements were bought by the company after its formation. Assets inherited are as stated in the Service Provision Agreement.

d) Depreciation

Depreciation is charged on a straight-line basis over the estimated useful life of the assets

The annual rate of depreciation used is as follows

- Office Equipment 12.5%
- Furniture & Fittings 12.5%
- Computers and Accessories 33%
- Motor Vehicles 25%
- Building 2.5%
- Plant & Equipment 12.5%

e) Impairment

The carrying amount of the company's assets shall be reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount shall be estimated and an impairment loss recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

f) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimate of the selling prices in the ordinary course of business, less the cost of completion and selling expenses.



Notes to the financial statements for year ended 30/06/14

g) Trade receivables

Debtors and other receivables are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts.

h) Currency

The financial statements are presented in Kenya shillings.

i) Creditors and Other Payables

Creditors and other payables are stated at cost

j) Provisions

Provisions will be recognized when the company has present or constructive obligations as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount of the obligation can be made

k) Reserves

Surplus / (deficits) from statement of comprehensive income are accumulated in the retained earnings account.

l) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in Presentation in the current financial statement

m) Related Party Disclosures

- **AWSB** - WSP's are required to remit 9% of monthly revenue from both Gravity and Borehole sources to Athi Water Service Board. Amount Payable to AWSB amounted to Ksh 5,297,736.98 as at end of the financial year 2013/2014
- **WASREB** - WSP's are required to remit 1% of monthly water sales from both Gravity and Borehole sources to WASREB. Amount Payable to WASREB amounted to Ksh 85,769.01 as at end of the financial year 2013/2014
- **WARMA** - WSP's are required to remit Ksh 0.5/m³ of water abstracted from legalized sources and Ksh 1/m³ of water abstracted from sources that are yet to be formalized (we lack borehole completion reports as the boreholes were drilled by other parties mainly MWI, AWSB or CDF).



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Amount Payable to WARMA amounted to Ksh 1,298,558 as at end of the financial year 2013/2014

Notes to the financial statements for year ended 30/06/14

	2013/2014	2012/2013
2. Production cost	Kshs.	Kshs.
Chemicals	104,450	285,320
Bulk water purchases	9,069,920	10,835,028
Electricity	7,527,308	5,126,651
	<u>16,701,578</u>	<u>16,246,999</u>
3. Administrative & other expenses		
Lunches	67,920	112,435
Telephone	92,423	200,276
Email & postage	140,960	199,120
Stationery	52,375	84,508
WASPA subscription	50,000	50,000
Printing	81,712	106,131
Newspaper	32,380	24,800
Computer Expenses	65,900	105,330
Office running expenses	107,021	81,069
Billing costs	156,472	75,200
Audit fee	232,000	232,000
Rent	54,000	60,000
Corporate social responsibility	136,355	139,730
Legal fees	81,195	45,000
Travelling & Accommodation	32,110	251,258
Advertisement	3,744	306,439
	<u>1,386,567</u>	<u>2,073,295</u>



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Notes to the financial statements for year ended 30/06/14

	2013/2014	2012/2013
	Kshs.	Kshs.
4. Operational expenses		
Maintenance Water system	2,058,341	1,478,487
B.H Services	1,352,623	534,379
Transport operations& Maintenance	765,261	1,024,352
Maintenance of office equipment	52,200	52,200
Insurance	10,562	45,975
WARMA Levy	1,248,609	369,730
Mukuyu survey		150,000
	<u>5,487,596</u>	<u>3,655,123</u>
5. Board Expenses		
Directors allowances	<u>460,000</u>	<u>594,286</u>
6. Staff Expenses		
Casual wages	2,014,597	2,247,167
Salaries	10,272,059	8,010,033
Student allowance	17,250	49,250
Statutory contribution	65,600	80,400
Pension	521,362	241,740
Staff uniforms	-	68,445
Salaries for seconded staff	-	2,647,737
Medical	-	686,371
	<u>12,890,868</u>	<u>14,031,143</u>
7. Lease fee		
AWSB Lease fee	2,024,391	1,808,341
Water levy-WASREB	238,409	214,588
	<u>2,262,800</u>	<u>2,022,929</u>
8. General expenses		
Education & Training	12,375	79,380
Security	426,960	600,560
Entertainment	29,550	104,655
	<u>468,885</u>	<u>784,595</u>
9. Finance cost		
Bank charges	352,388	185,826
	<u>352,388</u>	<u>185,826</u>



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Notes to the financial statements for Year ended 30/06/14

11. Inventories	2013/2014 Kshs.	2012/2013 Kshs.
Stock as at 30 th June 2012 - Chemicals	201,390	177,840
R & M Items	1,126,428	650,188
Stationery	45,045	55,917
	<u>1,372,863</u>	<u>883,945</u>

12. Trade debtors and other receivables		
Trade Debtors	30,786,638	29,420,831
Provision for bad debts	(18,734,253)	(16,502,823)
AWSB - Ciiko Toilet Project & Mihuko	180,316	180,316
British American	11,350	11,350
KCB – Loan Over recovery	-	-
Insurance Prepayment	23,289	23,289
Staff Debtors	125,798	125,798
Directors		
	<u>12,393,138</u>	<u>13,258,761</u>
13. Cash and cash equivalents		
- KCB – 043255603611/1105027023	754,798	10,117
- Equity - 0930293233664	437,228	278,081
- KCB – 043255603628/1105027333	(399,537)	2,525
- KCB – 043255603634/1105027597	2,119,608	1,937,923
- Dairy SACCO	8,563	7,223
- Kiambu Unity Finance	15,076	42,383
-KCB-Ngewa Sanitation	-	780,349
- Cash in Hand	6,577	23,000
KCB-1134860803	168,995	27,414
- Mpesa	51,596	67,231
	<u>3,162,904</u>	<u>3,176,246</u>



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Notes to the financial statements for Year ended 30/06/14

14. Trade and other payables	2013/2014	2012/2013
	Kshs.	Kshs.
K.P.L.C	1,724,814.98	67,614
AWSB	5,297,736.42	3,273,345
WASREB	85,769.01	277,358
Amua Water system	82,000	82,000
Equity Insurance	202,103	352,103
Ministry of Water & Irrigation	89,500	89,500
KATRA Service Station	39,260.06	72,867
Sulis E. Africa	52,200	-
Water Resources Mgt Authority	1,298,558	651,444
Kenya National Audit	696,000	464,000
Techlink Hydro System	399,803	172,000
Directorate of I.Training	44,250	17,250
Thames Electrical	12,591	12,591
Nairobi Water Company	20,734,865.30	15,184,093
Shephard Company Ltd	20,700	41,560
Ground Watermax Ltd	35,000	35,000
Bricon Hardware Ltd	30,250	30,250
Delnet	1,397.45	-
Tusqee	71,752	=
Polypipes	15,000	-
Eslon	7,049.78	-
Thika Water	39,000	39,000
NSSF	-	193,091
MFI	-	23,444
Kinetic Engineering	192,890	218,410
Rongai Supermarket	1,300	-
Babs security	76,000	83,920
Quality assurance	5,800	5,800
Wilcess investment	-	16,000
Gatere & company	45,000	45,000
Waspa	-	25,000
Prynt hub	27,800	40,600
Bromak	25,110	26,650
Supply solution	-	8,585
Jamas stationers	-	12,310



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Kings herbal	-	65,400
City general	-	24,680
Quick solution	-	14,500
Uniform distributors	-	68,445
Khoyasu General	-	41,222
Pan Africa insurance	-	64,000
	<u>31,353,500</u>	<u>21,839,032</u>

15. Capital Reserves

The initial capital as shown is equal to the debtors inherited during the formation of the Company is 11,509,082.

16. Share Capital

Authorized share capital, 5,000 ordinary shares of 20/= each. Value of authorized share capital Kshs.100, 000. Issued Share capital is 2 ordinary shares of 20/= each. Value of Issued Share capital is Kshs. 40/=.

17. Deposit.

The figure of Deposit in the Balance Sheet is the amounts paid in deposit for electricity and Kagwe office.

	<u>2013/2014</u>	<u>2012/2013</u>
Office Deposit	11,500	11,500
Electricity	35,980	35,980
Telephone	10,000	10,000
Fuel	50,000	
	<u>107,480</u>	<u>57,480</u>

18. Provision for Bad debts.

The company has provided bad debt of Ksh. 2,231,430/=.



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Notes to the financial statements for year ended 30/06/14

19. Sales & Other Incomes

These include Water sales, Sale of tender documents and miscellaneous incomes from reconnection fees and change of name.

	2013/2014	2012/2013
Water Sales	29,957,475	28,273,525
Sale of Tender Documents	-	150,000
Miscellaneous Incomes	1,485,432	1,366,090
	31,442,907	29,789,615

20. Customer deposits

	2013/2014	2012/2013
Opening balance	2,856,973	2,172,973
Additions	441,725	684,000
Less	(1,179,090)	
Closing balance	2,119,608	2,856,973

21. Grants

The Company received grants from Athi water services board (AWSB) and County government. The County Government grants were in form of pipes & fittings and casual labour whereas AWSB facilitated consultative forum on tariff review. This have been recognized as income and expensed under the respective heads.

	2013/2014	2012/2013
	Kshs.	Kshs.
Ministry of water & Irrigation Grants		
Pipes & Fittings	1,493,850	
Casual labour	221,025	
AWSB- consultative forum on tariff review	149,300	
Chemicals	-	190,000
Salaries for Seconded Staff	-	2,647,738
AWSB Grant – Mukuyu survey	-	150,000
	1,864,175	2,987,738

22. Subsequent Events

A legal case was ruled against us by the court of which the company is required to deposit a sum of Kshs.1, 168,000 in a joint interest account awaiting appeal. The money is to be borrowed from Customer Deposit account since the company is not in a financial position to settle the charges.

Further, a former employee of the company Mr. Robert Njenga sued the organization in 2012 seeking Compensation of about Kshs. 765,599.25/= for unlawful dismissal. The matter is still unresolved.