REPUBLIC OF KENYA

KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF EMBE WATER AND SANITATION COMPANY

FOR THE YEAR ENDED 30 JUNE 2013

EMBE WATER AND SANITATION COMPANY LIMITED
P O BOX 195-60104
SIAKAGO

ANNUAL REPORT AND FINANCIAL STATEMENTS
AS AT 30TH JUNE 2013

EMBE WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS AS AT 30TH JUNE 2013

CONTENTS	PAGE

INSTITUTIONAL INFORMATION

Registered Office

P.O.Box 195-60104
SIAKAGO

Directors

Mr Joel J Ngatiari - OGW

Mrs Grace Ita

The Clerk Mbeere County Council

Mr. Dominic Kiura

Mr. Antony muriithi Alex

Mr. Christopher ireri

Mr. Genesio Njuki Njiru

Bankers

Co-operative Bank of Kenya
Embu Branch
P.O. Box 1337 - 60100
Embu

Independent Auditors

Wamutu and Associates (On behalf of the AUDITOR GENERAL)
Embassy House 2nd Floor
P.O Box 30686-00100
NAIROBI

DIRECTOR'S REPORT

The Directors submit their report and audited financial statements for the year ended 30June 2013.

1. PRINCIPAL ACTIVITY

The principal activity of the company is provision of production and supply of water within the Mbeere districts

2. DIRECTORS

The directors who served during the year are shown on page 2

3. RESULTS

The results for the year are set out on page 7 - 10.

4. DIVIDENDS

The directors do not recommend the payment of dividends for the year ended 30 june 2013.

5. AUDITORS

Wamutu and Associates who were appointed as the Company's auditors as per the Company's Act (cap 486) have expressed their willingness to continue in the office.

Nairobi, Kenya **By Order of the Board**

Date 4/7/14 **DIRECTOR**

STATEMENT OF DIRECTORS RESPONSIBILTY

The Companies Act requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the operating results of the company that period. It also requires the directors to ensure the company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Accounting Standards and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of 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.

Director______________________________

Director______________________________

Date 4/7/14

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF
EMBE WATER AND SANITATION COMPANY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of EMBE WATER & SANITATION COMPANY LIMITED as set out on pages 6 to 16 which comprise of the balance sheet as at 30TH JUNE 2013 and the profit and loss account, statement of change of equity and cash flow statement for the year ended and a summary of significant accounting policies and explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Company's Act. This responsibility includes: designing,Implimenting and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free of material misstatement,whether due to fraud or error,selecting and applying appropriate accounting policies: and making accounting estimates that are reasonable in the circumstancies.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an independent opinion on these financial statements based on our audit.We conducted our audit in accordance with International Standards on Auditing. Those Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, proper books of account have been kept by the company and the financial statements, give a true and fair view of the state of affairs of the company at 30th June 2013 and of its results of operations and cashflows for the period then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Kenyan Company's Act, based on our audit, we report to you as follows:

(i) We have obtained all the information and explanations which to the best of our knowledge and belief are necessary for the purposes of our audit.

(ii) In our opinion proper books of account have been kept by the company so far as it appears from the examination of the books.

(iii) The Company's financial position and statement of comprehensive income are in agreement with the books of accounts

Wamutu & Associates

WAMUTU AND ASSOCIATES
P.O. Box 228
EMBU
TEL: 0722 389 5577
CERTIFIED PUBLIC ACCOUNTANTS (K)

Wamutu & Associates.

Certified Public Accountants 4/7/14 ~~2013~~

REPUBLIC OF KENYA

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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON EMBE WATER AND SANITATION COMPANY FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

The financial statements of Embe Water and Sanitation Company Limited set out on pages 7 to 17, which comprise the statement of financial position as at 30 June 2013,and the statement of comprehensive income, the statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by Wamutu & Associates, auditors appointed under Section 39 of the Public Audit Act, 2003. The audit has been carried out in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that 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 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. 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud of error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1.0 Receivables

As previously reported, the receivables balance of Kshs.16,506,440 as at 30 June 2013 includes gross trade receivables amounting to Kshs.6,490,719 inherited from the Ministry of Water and Irrigation and which has remained outstanding for a considerably long period of time. Although a general provision for bad and doubtful debts of 5% of gross trade receivables amounting to Kshs.868, 760 has been made in the financial statements, the provision appears to be inadequate. .Consequently, the accuracy and recoverability of the receivables balance of Kshs.16, 506,440 as at 30 June 2013 could not be confirmed.

2.0 Unaccounted for Water (UFW)

During the year under review, the Company produced 737,230 cubic meters (m3) of water. However, only 261,357 cubic meters was billed to consumers. The balance of 475,873 cubic meters or approximately 64.5% of the total volume represented unaccounted for Water (UFW) which is over and above the allowable loss of 25%. The significant level of UFW may negatively impact on the Company's profitability and its long-term sustainability.

3.0 Property, Plant and Equipment

3.1 Ownership

As previously reported, the property plant and equipment balance of Kshs.98,941,947 as at 30 June 2013 includes Kshs.4,850,000 and Kshs.10,556,477 for land and buildings respectively, inherited from the Ministry of Water and Irrigation and maintained by the Company but whose ownership had not been transferred to the Company as at the date of this report.

3.2 Water Distribution Infrastructure

The property, plant and equipment balance of Kshs.98,941,947 as at 30 June 2013 includes capital expenditure of Kshs.89,390,262 incurred in respect of plant and machinery which is composed of water distribution infrastructure. However, as per the vesting agreement, the ownership of water distribution infrastructure vests in Tana Water Services Board and that any capital expenditure relating to water distribution infrastructure needs prior approval of the Water Board before expenditure is incurred by the company which may then place a reimbursement claim of the expenditure with the Board. However, this prior approval was not made available for audit confirmation.

Under the circumstances, the accuracy and ownership of the property, plant and equipment balance of Kshs.98,941,947 as at 30 June 2013 could not be confirmed.

4.0 Financial Performance

As previously reported, the company recorded a loss of Kshs.9,527,255 in 2012/2013 (2011/2012 loss of Kshs.8,209,297) thereby increasing retained earnings to negative Kshs.77,262,650 as at 30 June 2013. Although the company reported a positive working capital of Kshs.16,294,093 as at 30 June 2013, it's going concern may be doubtful since it places heavy reliance on continued support from the Government and creditors.

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 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with both the Water Act, 2002 and the Companies Act, Cap 486 of the Laws of Kenya

Report on Other Legal and Regulatory Requirements

As required by Section 14 of the Public Audit Act, 2003, I report, based on the 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 were maintained; and,

(iii) The Company's financial statements are in agreement with the books of accounts.

Edward R. O. Ouko, CBS
<u>AUDITOR-GENERAL</u>

Nairobi

21 July 2014

EMBE WATER AND SANITATION COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30TH JUNE 2013

INCOME	NOTES	30.06.2013 KSHS	30.06.2012 KSHS
Water Revenue	10	17,490,884.00	15,447,596.00
Grants and subsidies	11	1,077,960.00	1,734,168.00
Miscelleneous incomes	12	398,501.00	465,512.00
TOTAL INCOMES		**18,967,345.00**	**17,647,276.00**
LESS: EXPENSES			
Other operating expenses	13	331,255.00	124,440.00
Finance costs	14	52,192.00	32,367.00
Indirect Expenses	15	1,077,960.00	3,572,958.00
Administrative expenses	16	27,033,193.90	23,401,990.00
TOTAL EXPENDITURE		**28,494,600.90**	**27,131,755.00**
Operating profit before Taxation		**(9,527,255.90)**	**(9,484,479.00)**

EMBE WATER AND SANITATION COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2013

2011/2012	CAPITAL KSHS	RETAINED EARNINGS KSHS	TOTAL KSHS
OPENING BALANCE	176,092,319	(59,526,097)	116,566,222
Additions during the year	2,606,672	(8,209,298)	(5,602,626)
TOTAL	**178,698,991**	**(67,735,395)**	**110,963,596**

2012/2013	CAPITAL KSHS	RETAINED EARNINGS KSHS	TOTAL KSHS
OPENING BALANCE	178,698,991	(67,735,395)	110,963,596
Additions during the year	13,799,699	(9,527,256)	4,272,443
TOTAL	**192,498,690**	**(77,262,651)**	**115,236,039**

EMBE WATER AND SANITATION COMPANY
STATEMENT FOR FINANCIAL POSITION
AS AT 30TH JUNE 2013

ASSETS	NOTES	30.06.2013 KSHS	30.06.2012 KSHS
NON CURRENT ASSETS			
Property, Plant and Equipments	2	98,941,947	96,982,203
CURRENT ASSETS			
Bank Guarantee	3	220,000	70,000
Stores (stock)	SCH 1	317,505	382,761
Receivables	4	16,506,440	14,263,019
Cash & Bank balances	5	2,352,856	1,647,407
TOTAL CURRENT ASSETS		**19,396,801**	**16,363,187**
CURRENT LIABILITIES			
Customer deposit	6	1,377,000	1,032,600
Bank Overdraft		-	143,590
Payables and accruals	7	1,725,708	1,205,603
		3,102,708	**2,381,793**
WORKING CAPITAL		**16,294,093**	**13,981,394**
TOTAL ASSETS		**115,236,040**	**110,963,597**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Accumulated funds	8	192,498,690	178,698,991
Retained earnings	9	(77,262,650)	(67,735,394)
TOTAL ACCUMULATED FUNDS EMPLOYED		**115,236,040**	**110,963,597**

SIGNED BY: ______________________ DATE 4/7/14

DIRECTOR

______________________ DATE 4/7/14

DIRECTOR

STATEMENT OF CASHFLOWS

	NOTES	30.06.2013 Kshs	30.06.2012 Kshs
Cash flows from operating activities			
Net surplus / (deficit) realised from operations		(9,527,256)	(8,209,297)
Adjustments:			
Depreciation		11,951,555	12,208,029
Adjustments of rounding off to the nearest shilling		1	-
Net cash from operating activities before working capital changes		**2,424,300**	**3,998,732**
working capital changes			
Increase in Bank Guarantee	3	**(150,000)**	-
Decrease (Increase) in stock		**65,256**	(157,293)
Decrease (Increase) in trade and other receivables	4	(2,243,421)	(2,769,974)
Increase/(Decrease) in customer deposits	6	344,400	241,800
Increase(Decrease)in trade payables	7	520,105	257,347
Cash flows from working capital		**(1,463,660)**	**(2,428,120)**
Net cash from operating activities after working capital changes		**960,640**	**1,570,612**
Investing Activities			
Purchase of non current assets		(111,600)	(557,500)
Cash flow generated from (used in) investing activities		(111,600)	(557,500)
Net cash generated /(used in)financing activities		-	-
Net (decrease)/increase in cash and cash equivalent		-	-
Movement in cash and cash equivalents		**849,040**	**1,013,112**
Cash and cash equivalents at start of year		1,503,816	490,704
Cash and cash equivalents at end of year		**2,352,856**	**1,503,816**

EMBE WATER AND SANITATION COMPANY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICY
FOR THE YEAR ENDED 30TH JUNE 2013

PRINCIPLES

The principle accounting policies adopted in the preparation of this financial statements are set out below.

These policies have been consistently applied to all the years presented unless otherwise stated.

a) Basis of preparation

The financial statements are prepared in compliance with the international Financial Reporting Standards (IFRSs). The financial statements are prepared under the historical basis of accounting & presented in the functional currency,Kenya Shillings (Kshs) rounded to the nearest shilling.

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions.It also requires management to exercise its judgement in the process of applying the Company's accounting policies.These are involving a higher degree of judgement and complexity, or where assumptions and estimates are significant to the financial statements are disclosed in note 3

Adoption of new and revised standards

The Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2007. These are:

- IFRS 7 Financial instruments disclosures.The impact of the new standard has been to expand the disclosures regarding the entity's financial instruments.
- IAS 1 Presentation of financial statements which requires the entity to present information regarding its objectives,policies and processes for managing capital

At the date of authorization of these financial statements the following standards and interpretations had been issued or revised.

- IASB 1 Presentation of financial statements had been issued by IASB. This will be effective for the year beginning 1 January 2009 and will affect the format presentation of financial Statements
- IFRS 14; IAS 19 The limit on a defined Benefit Asset, Minimum Funding Requirements and their interaction. This will be effective for the year beginning 1 January 2008 and will affect the determination of defined benefit obligations

b) Property, Plant, Equipments and Depreciation

Property, plant & Equipments are stated at cost, less accumulated depreciaton.
Subsequent costs are included in the assets carrying amount or recognized as a separate asset as appropriate, only where it is possible that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the profit and loss account in the financial period in which they are incurred
Increases in the carrying amount arising from revaluation are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus. All other decreases are charged to the profit and loss account.
Depreciation is calculated on the reducing balance basis, at annual rates estimated to write off Carrying values of the property, plant and equipment over their expected useful lives.

PRINCIPLES (CONT")

b) Property, plant, Equipment and Depreciation

The rates in use are :

	%
Land	-
Buildings	2.50
Furniture, Fixtures & Fittings	12.50
Motor Vehicle	25.00
Computer & Accessories	30.00
Equipment	12.50

The carrying values of property, plant and equipment are viewed for impairment when events or Changes in circumstances indicated that the carrying values may not be recoverable.
If any such indications exists and where the carrying values exceeeds the recoverable amount, Property, plant and equipment are written down to their recoverable amounts.
Gains or losses on disposal of property,plant & equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.On disposal of revalued assets, amounts in the revaluation surplus relating to the assets are transferred to the retained earnings

c) Financial Instruments

Financial instruments carried on the balance sheet include cash and bank balances,Investments trade and other receivables, borrowings and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

d) Revenue recognition

Revenue is reognized to the extent that it is probable the economics benefits will flow to the Company and the revenue can be reliably measured.The following specific recognition criteria must be met before revenue is recognized

e) Sale of agricultural produce

Sales of agricultural produce are recognized when the significant risk and reward of ownership of goods has passed to the buyer and the amonut of revenue can be measured reliably.

f) Foreign Currency Transactions

Transactions during the year are converted into Kenya shillings at prevailing rates.Assets and liabilities at the balance sheet date which are expressed in foreign and currencies are translated into Kenya shillings at the prevailing rates.The resulting differences from conversion and translation are dealt with in the profit and loss account.

g) Employment benefits

The Company contribute to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF).Contribution is determined by local statute and is currently limited to Kshs 200 per employee per month, With the Company contributing the same amount.

h) Employee entitlements

The Company has no policy relating to employee's entitlements to gratuity and long service awards. Employees take their leave in the year it is due. Any leave not taken up when due is forfeited.

PRINCIPLES (CONT")

i) **Trade and other receivables**

Trade and other receivables are recognized at original invoice amount less an allowance for any uncollectible amounts. Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success

j) **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash at bank and cash in hand.

For the purpose of cash flow statement, cash and cash equivalent comprise of cash and cash equivalent as defined above

k) **Interest Bearing Borrowings**

All borrowings are initially recognized at cost, being the fair value of consideration received net of issue costs associated with the borrowings

After initial recognition, interest bearing borrowings are subsequently measured at amortized costs using the effective interest rate method. Amortized costs are calculated by taking into account any issue costs, and any discount or premium on settlement

l) **Trade and Other Payables**

Trade and other payables are stated at their nominal values.

m) **Related Parties**

In the normal cause of business the Company enters into transaction with related parties. The related party transactions are at arm length.

1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estamates and judgement are continually evaluated and are based on historical experience and other factors, including experience of future events that are belived to be reasonable under the circumstancies:

Critical accounting estimates and assumptions

Property,plant and equipment

Critical estimates are made by the directors in determining depreciation rates for the property, plant and equipment.The rates are set out in note 1 (b) above.

Critical judgements in applying the entity's accounting policies.
In the process of applying the organisation's accounting policies, the directors have made judgements in determining:

- Whether assets are impaired
- The classification of financial assets

2 SCHEDULE OF FIXED ASSETS

	LAND	BUILDING	PLANT/ MACHINERY	COPIERS & COMPUTER	MOTOR & BI-CYCLE	FURNITURE/ FITTING.	TOTAL
W.D.V 01/07/2012	4,850,000	10,292,565	80,647,442	506,550	567,064	118,582	96,982,203
Additions	-	4,867,779	8,742,820	300,700	-	-	13,911,299
	4,850,000	15,160,344	89,390,262	807,250	567,064	118,582	110,893,502
DEPRECIATION							
Charge in prior years	-	771,185	38,922,972	440,100	474,687	54,612	40,663,556
Charge for the year	-	379,009	11,173,783	242,175	141,766	14,823	11,951,555
	-	1,150,194	50,096,755	682,275	616,453	69,435	52,615,111
NBV 30/06/13	**4,850,000**	**14,781,335**	**78,216,479**	**565,075**	**425,298**	**103,759**	**98,941,947**
W.D.V 01/07/2012	4,850,000	10,556,477	89,517,333	318,643	648,085	135,522	106,026,060

The following items were donated to the company by WSTF 5th call funding on water kiosks, storage tanks and pipeline rehabilitation.

Buildings	4,867,779.00
Plant and machinery	8,742,820.00
Computer and accessories	189,100.00
	13,799,699.00

The above has been added to the capital as additions.

3 BANK GUARANTEE

Balance b/f	70,000	70,000
ADD:Additions during the year	150,000	-
	220,000	**70,000**

The above amount is withheld by the bank (co-operative bank of kenya-embu) on behalf of tana water service board. Therefore treated as an asset in the statement of financial position.

EMBE WATER AND SANITATION COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE 2013

	30.06.2013 KSHS	30.06.2012 KSHS
4 ACCOUNT RECEIVABLES		
Recievables as at 30/06/2013	17,375,200	15,013,704
LESS: 5% Provision	868,760	750,685
Balance as at 30th June 2013	**16,506,440**	**14,263,019**
5 CASH AND CASH EQUIVALENTS		
Cash at hand	376,184	360,641
Cash in bank-Current Account	209,125	(143,590)
-Savings Account	1,767,547	1,286,766
	2,352,856	**1,503,817**
6 CUSTOMER DEPOSITS		
Balance b/f	1,032,600	790,800
ADD:Additions during the year	347,400	241,800
Less: Refunds during the year	(3,000)	-
	1,377,000	**1,032,600**
7 ACCOUNTS PAYABLES AND ACCRUALS		
Tana water services Board	1,625,708	1,145,603
Provision for Audit	100,000	60,000
	1,725,708	**1,205,603**
8 CAPITAL FUNDS		
Balance b/f	178,698,991	176,092,319
ADD:Additions during the year	13,799,699	2,606,672
	192,498,690	**178,698,991**
9 RETAINED EARNINGS		
Balance b/f	(67,735,394)	(59,526,097)
ADD:Additions during the year	(9,527,256)	(8,209,297)
	(77,262,650)	**(67,735,394)**
10 WATER REVENUE		
Water charges	17,293,484	15,291,896
Reconnection fees	197,400	155,700
	17,490,884	**15,447,596**
11 GRANTS AND SUBSIDIES		
GOK subsidy on staff salaries	1,077,960	1,734,168
	1,077,960	**1,734,168**
12 MISCELLENEOUS INCOME		
Bank interests	10,241	2,362.00
Surcharges	306,760	395,550.00
Application fees	35,300	28,400.00
Labour	46,200	39,200.00
	398,501	**465,512.00**

	30.06.2013	30.06.2012
	KSHS	KSHS
13 OTHER OPERATING EXPENSES		
Audit fees	100,000	60,000
Entertainment	231,255	132,280
	331,255	**192,280**
14 FINANCIAL COSTS		
Bank charges	52,192	44,312
	52,192	**44,312**
15 INDIRECT EXPENSES		
Chemicals	-	235,500
GOK Subsidy on staff salary	1,077,960	1,734,168
	1,077,960	**1,969,668**

16 WATER PRODUCTION AND DISTRIBUTION IN CUBIC METRES

	30.06.2013	30.06.2012
Water received from intake	793,605	914,166
Less: Water used in treatment works	56,375	74,817
Volume of water produced for consumtion	**737,230**	**839,349**
Less: volume of water billed	261,357	241,636
Un-accounted for water (water not billed)	475,873	597,713
Percentage of U F W	**60**	**65**

The above un-accounted for water is estimated at a value of kshs. 19,744,750.00. This is valued at the lowest rate of billing which is kshs. 250.00 for the first six (6) units

	30.06.2013 KSHS	30.06.2012 KSHS
17 ADMINISTRATIVE EXPENSES		
i) Water management		
Regulatory board levy	1,476,707	1,262,456
Water quality analysis	-	24,070
Raw water charge (WARMA)	61,876	113,544
Maintenance of water supply system	2,371,125	1,544,275
Directors allowance	281,000	209,500
	4,190,708	**3,153,845**
ii) Staff emoluments		
Salaries	4,832,025	4,509,139
Casual labour	948,344	801,410
Staff welfare	74,819	27,870
Staff travel and subsistence	925,420	713,495
	6,780,608	**6,051,914**
iii) Establishment costs		
Electricity	187,093	215,208
Printing and stationery	393,008	162,960
Telephone,fax and mobile	163,198	178,250
Advertisement,publicity and newspapers	255,348	53,955
Transport hire and equipment	479,740	203,031
Insurance	20,131	47,909
Office cleaning and miscellaneous	28,829	91,950
Water treatment chemicals	767,750	-
Postage and courrier	14,630	10,580
Stakeholders' meeting and exbition	120,000	8,500
Consultant and Freelance	145,872	-
Laboratory apparatus, chemicals and reagents	105,410	47,000
Computer repairs and maintenance	132,690	94,080
Building,grounds and General repairs	157,110	49,985
Motor vehicles & cycles running expenses	277,529	211,227
Motor vehicles running (fuel)	540,900	516,410
Security services	175,560	233,730
Office Furnitures Repairs	5,500	-
Staff uniforms and protective clothes	1,750	-
Bicycle repairs and maintence	20,200	24,750
Increase in provision for bad debts	118,075	87,000
Depreciation	11,951,555	12,208,029
Total establishment costs	**16,061,878**	**14,444,554**
TOTAL ADMINISTRATIVE EXPENSES	**27,033,194**	**23,650,313**

SCHEDULE OF STOCKS SCH 1

	PARTICULARS.	UNIT	BALANCE	PRICE	VALUE
1	Tangit Glue	Kgs	3.5	320	1,120.00
2	Hacksaw blades	No.	17	300	5,100.00
3	UPVC Pipes 50mm	No.	18	500	9,000.00
4	UPVC Pipes 63mm	No.	24	800	19,200.00
5	UPVC Pipes 75mm	No.	1	2,100.00	2,100.00
6	UPVC Pipes 160mm	No.	4	5,500.00	22,000.00
7	UPVC Pipes 170mm	No.	6	6,590.00	39,540.00
8	UPVC Pipes 200mm	No.	3	10,850.00	32,550.00
9	UPVC Pipes 315mm	No.	2	22,600.00	45,200.00
10	Valve socket 32mm metro	No.	6	275	1,650.00
11	G.I Nipples 90mm	No.	8	1,800.00	14,400.00
12	Gate valves 32mm uk	No.	3	750	2,250.00
13	Gate valves 63mmuk	No.	9	1,000.00	9,000.00
14	GI Bends 15mm	No.	7	675	4,725.00
15	Water Meters 15mm	No.	3	3,500.00	10,500.00
16	Water Meters 25mm	No.	6	4,800.00	28,800.00
17	VJ Rubber Rings 160mm	No.	2	800	1,600.00
18	Air valve 32mm	No.	4	3,200.00	12,800.00
19	Air valve 63mm	No.	4	4,300.00	17,200.00
20	Alluminium sulphate	Kgs	124	70	8,680.00
21	Sodium Hypochlorite	Kgs	426	65	27,690.00
22	Soda Ash	Kgs	40	60	2,400.00
		TOTAL STOCKS			317,505.00