

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



Paper Laid
By Hon. A. Suake, (Com)
on Wed. 19.08.2015 (pm)
[Signature]

REPORT

OF



THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS
OF TANATHI WATER SERVICES BOARD**

**FOR THE YEAR ENDED
30 JUNE 2014**



17 JUN 2015

790

Tel: 066-30289

P. O. BOX 115, NAIROBI



TANATHI WATER SERVICES BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2014

**Prepared in accordance with the Accrual Basis of Accounting Method under the International
Public Sector Accounting Standards (IPSAS)**

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I. KEY ENTITY INFORMATION AND MANAGEMENT

KEY ENTITY INFORMATION

Background information

Tanathi Water Services Board was established by the Water Act, 2002 vide legal notice no. 69 of Parliament on 4th June 2008. At cabinet level, the Board is represented by the Cabinet Secretary for Environment, Water and Natural Resources, who is responsible for the general policy and strategic direction of the Board.

Principal Activities

The principal activity of Tanathi Water Services Board is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in the area of its jurisdiction.

Tanathi Water Services Board has the key and central role in water and sewerage management and its mandate covers four counties namely Kitui, Machakos, Makueni and Kajiado.

Main functions of the Board include:-

- Ownership and holding of water and sewerage Assets/ Infrastructure.
- Planning, development and expansion of water and sewerage services Infrastructure.
- Contracting out water and sewerage services provision to Water Service Providers (WSPs).
- Monitoring and supervision of water and sewerage Services provision to water service providers.

Directors

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

- | | | | |
|----|-------------------------|----------------------------|---|
| 1. | Hon. Peter NJeru Ndwiga | - Chairman | - Appointed on 10 th January 2014 |
| 2. | Eng. Nicholas K. Muthui | - Chief Executive Officer | - Appointed on 1 st April 2012 |
| 3. | Florence Malla | | - Appointed on 10 th February 2012 |
| 4. | Rehana Ismail | | - Appointed on 15 th February 2013 |
| 5. | Harrison Moipei Tago | -Immediate former Chairman | -Left on 9 th January 2014 |
| 6. | Margaret John | | -Left on 25 th March 2014 |
| 7. | Seth Kakusye | | -Left on 25 th March 2014 |
| 8. | Dr. Nzomo Mwita | | -Left on 25 th March 2014 |

9. **Charles Nthiwa Kimeu**

–Left on 25th March 2014

10. **Jeremiah Onchiri**

-Rep, PS, The National Treasury

11. **Mr.Jeremiah Matoke**

- Rep, PS, Ministry of Environment, Water and Natural Resources

12. **Mr.James Mwanzia**

- Rep, PS, Ministry of Devolution and Planning

Registered Office

Tanathi Water Services Board

KIDP building

Kalawa Road

Private Bag

KITUI, KENYA

Corporate Headquarters

Tanathi Water Services Board

KIDP building

Kalawa Road

Private Bag

KITUI, KENYA

Corporate Contacts

Telephone: (254) 044-4422416

E-mail: tanathiwsb@gmail.com

Website: www.tanathiwsb.go.ke

Corporate Bankers

1. Kenya Commercial Bank

Kitui Branch

P.O Box 683 – 90200

KITUI.

Co-operative Bank

Kitui Branch

P.O Box 1432-90200

KITUI

Equity Bank

Kitui Branch

P.O.Box 1453-90200

KITUI

Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GPO-00100

Nairobi, Kenya

Principal Legal Advisers

1. The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

II. THE BOARD OF DIRECTORS



Hon. Peter Njeru Ndwiga

Professional/ Academic Qualification.

Associated computer programmers Diploma in computer programming –Cobol

Hon. Peter Njeru Ndwiga was born 4th January 1954.

Work Experience

- 1975—1976 Joined Coca-Cola (A) Ltd as an accounts assistant.
- 1977 Joined American Life Insurance co. as a Sales representative.
- 1979 contested Langata Parliamentary seat
- 1979 promoted to unit manager (ALICO)
- 1984 Promoted to Agency Manager in charge of Mount Kenya region.
- 1992 Elected Member of Parliament Runyenjes Constituency
- 1993 Appointed Shadow Minister for Agriculture. Member of departmental committee of Agriculture
- 1997 Elected member of Parliament Manyatta Constituency. Shadow Minister for Agriculture
- 2002 Elected Member of Parliament Manyatta Constituency. Appointed Cabinet Minister for Co-operative Development and Marketing.
- 2008—2011 Appointed Chairman Export Promotion Council.



Rehana Ismail

Professional/ Academic Qualification.

- Master of Arts in Project Planning and Management from University of Nairobi (2009-2011).
- Diploma in Project Management-Kenya Institute of Management(2007-2008)
- Bachelor of Arts in Business studies – Moi University (1990-1995)

Ms. Rehana Ismail was Born on 9th July 1972.

Work Experience

Rehana Ismail a skilled Masters of arts in project management graduate with professional experience in finance, audit, administration and management.

Ms. Ismail current works as a consultant on offices of finance, audit, administration, strategic management, corporate governance and project management.



Florence Malla




Professional/ Academic Qualification.

- B.A: Business Administration – emphasis on management and marketing. Minor: Economics -

Ms. Florence Malla was Born on 5th July 1958.

Work Experience

- Coffee Board of Kenya – Nairobi System Analyst. Duties included preparation of payroll, payment to planters, general ledger, budget, cashflow and marketing computer systems.(2009)
- Christian Health Care Centre, Wyckoff, New Jersey, U.S.A. Administrative Assistant. Supervised in admission office. Duties included admission of patients after interviews with patient’s relatives. Liased with Medicare (Government Body) dealing

| | |
|--|---|
| <p>William Paterson State College, School of Management, Wayne New Jersey – U.S.A. (1983)</p> <ul style="list-style-type: none"> • Computer Processing Institute, Paramus New Jersey, U.S.A. Diploma: Business Computer programming, emphasis in Cobol, Programing-(1985) | <p>with Government sponsored patients (1985)</p> |
|  <p>Jeremiah Onchiri</p> | <p>Representative, Permanent Secretary, The National Treasury</p> |
|  <p>Mr. Jeremiah Matoke</p> | <p>Representative, Permanent Secretary, Ministry of Environment, Water and Natural Resources.</p> |
|  <p>Mr. James Mathuva Mwanzia</p> | <p>Representative , Permanent Secretary , Ministry of Devolution and Planning</p> |



Harrison Moipei Tago

Professional/ Academic Qualification.

- M.A in Community Development(ongoing)-University of Nairobi-2013
- BA in Sociology- University of Nairobi(2012)
- Diploma in Business Administration- Kenya Institute of Administration (1992)

Work Experience

- Kenya Wildlife Life Service-as a customer care Officer(2006-2012)
- Samarco Insurance Brokers-as assistant Manager Marketing (1997-1999).
- Liaison Insurance Brokers Ltd-as Insurance Broker (1994-1996)



Dr. Nzomo Mwita


Professional/ Academic Qualification.

- PhD in Public Health, School of Public Health-Kenyatta University (2006-2012)
- Master of Science in Community Health and Health Management, Institute of public Health and Tropical Hygiene, University of Heidelberg,

Dr. Nzomo Mwita was born on 4th August 1964.

Work Experience

- African medical and research foundation (AMREF) Headquarters'Nairobi October 2007upto date.
- October 2004-september 2007.
- MS-Training Centre for development co-operation (MS-TCDC), Arusha- Tanzania. March 1999-september 2004.
- African medical and research foundation (AMREF). March 1998 to February 1999.
- Primary health care/community based health care training co-ordinator at AMREF- Kenya January 1994 TO February 1998.

| | |
|---|--|
| <p>Germany (1996 to 1997)</p> <ul style="list-style-type: none"> • Bachelor of Arts in Sociology , Kenyatta University (1988 to 1991) | <ul style="list-style-type: none"> • Programme Co-Ordinator for CBHC/ community based family planning program in AMREF- Kenya September 1992 to February 1993. • Program sociologist/Trainer in the CBHC support unit of AMREF may 1991-august 1992. |
|  <p>Margaret Margaret John</p> <p><u>Professional/ Academic Qualification.</u></p> <ul style="list-style-type: none"> • PhD in Business Administration (ongoing)-University of Nairobi from 2013. • Master of Business Administration – Finance Option-)-University of Nairobi-2011 to 2012. • Bachelor of Commerce –Accounting Option(2005-2008) • Diploma in Social Work and Social Development University of Nairobi- (2002-2003) • University of Nairobi-All Computer Packages (2001) • Strathmore University CPAs (1992-1993) | <p>Work Experience</p> <ul style="list-style-type: none"> • University of Nairobi in the Press Section (Managing UONP fund, Books Royalties, Debtors and Creditors Ledger), Clearance Section(Payroll supervision) , and Expenditure Section. (1994 to date) • Jomo Kenyatta University-In both Revenue and Clearance Sections (1993 to 1994) |





Charles Nthiwa Kimeu

Professional/ Academic Qualification.

- Diploma in Shipping, Air Freight and Customs and declaration procedures- Kenya Institute of Personal Training and Consultancy (1998)
- Certificate in Small Scale Enterprises- Daystar University (2005)
- Certificate in Business Management- Kenya Institute of Business Management (2006)

Charles Nthiwa Kimeu was born 25th June 1965

Work Experience

- Proprietor(My Lude services) -1995 to 2012
- Director(Chakim Pride Agencies-1995 to 2012
- Manager (Nasko Traders Limited)-1993 to 1995.
- Sales Manager (Supreme Marketing Agencies)-1990 to 1992
- Kenya Meat Commission - Shipping Department – 1989 to 1990



Seth Kakusye


Professional/ Academic Qualification.

- DALC EDUCATION TRUST COLLEGE certificate in information Communication Technology (2012).
- Diploma In Public Relation (PR) 2012 to date.

Seth Kakusye was born in the year 29th December, 1968.




Work Experience



- Member of board of governors-nthia secondary school Makindu (2013).
- Ministry of water and irrigation Board director-tanathi water services board and board committee serving (2011).
- Member of board of governors – kisingo secondary school Makindu (2010).
- Board member - Kibwezi District Hospital (2009).
- Ministry of State For National Heritage Board Director.(2009)

| | |
|--|---|
| <ul style="list-style-type: none"> • Wiseman trainers and consultants Certificate in psychology. • Kenya Institute Administration (K.I.A kabete) certificate of co-operate governance (2012). • Kenya Institute Administration (K.I.A kabete) certificate of co-operate governance (2011). • Kenya Institute Administration (K.I.A kabete) Certificate Of Strategic Leadership And Change Management | <ul style="list-style-type: none"> • Secretary duties Al-Statal Trading Company (1994-1996) • Secretarial duties and head of human resource Makau and Co Advocates for oaths (1989-1993) |
|  <p>Eng. Nicholas K. Muthui</p> <p><u>Professional/ Academic Qualification.</u></p> <ul style="list-style-type: none"> • BSC (civil engineering) | <p>Eng. Nicholas K. Muthui was born in 1968</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Tanathi Water Services Board-Chief Executive Officer (01/04/2012 to date) • Tanathi Water Services Board-Ag. Chief Executive Officer (September 2010 to March 2012) • National Irrigation Board-Principal Irrigation Engineer (May 2008 to September 2010) • National Irrigation Board-Senior Schemes manager (June 2005 to May 2008) • National Irrigation Board-Senior Irrigation Engineer (September 2004 to July 2005) • National Irrigation Board-Works Engineer (April 1996 to September 2004) |



III. MANAGEMENT TEAM

| | |
|--|--|
|  <p>Eng. Nicholas K. Muthui</p> <p><u>Professional/ Academic Qualification.</u></p> <ul style="list-style-type: none">• BSC (civil engineering) | <p>Chief Executive Officer</p> |
|  <p>Paul. K. Daudi</p> <p><u>Professional/ Academic Qualification.</u></p> <ul style="list-style-type: none">• MA (Project planning Management),• BSC(Sociology) | <p>Chief Manager-Corporate planning and Strategic Management</p> |
|  <p>Dennis K. Mulu</p> <p><u>Professional/ Academic Qualification.</u></p> | <p>Chief Manager-Finance and Administration</p> |

| | |
|---|---|
| <ul style="list-style-type: none"> • MBA (finance), • BA(Economics), • CPA(K) | |
|  <p>Fredrick Tito Mwamati.</p> <p><u>Professional/ Academic Qualification.</u></p> <ul style="list-style-type: none"> • MBA(strategic management) • HND (Building & Civil Engineering) • Diploma in Water Technology | <p>Chief Manager-Infrastructure Development</p> |
|  <p>Samuel K. Oruma</p> <p><u>Professional/ Academic Qualification.</u></p> <ul style="list-style-type: none"> • BT in civil engineering | <p>Chief Manger-Utilities and Community Development</p> |

IV. CHAIRMAN'S STATEMENT

It gives me immense pleasure and honour to present the financial statements for the Financial Year 2013/14. The Board was formed under the Water Act 2002 vide legal notice 69 of 4th June 2008, as part of the Water Sector reforms that aim at improving water service delivery through decentralisation of services and introduction of commercial tenets in service delivery towards achieving efficiency and economy in water service delivery. The board in the year under review has continued in its tradition of strong performance and carrying out its strategies focusing on its client service delivery objectives.

The water sector in general has in the year under review witnessed a lot of changes with the advent of devolution and the approval by the Transition Authority to transfer the water and sanitation services including the Water Service Providers to the County Governments. This has resulted in the introduction of a key stakeholder with whom the Board has forged and continues to forge strong relations and ties to the benefit of the community we serve. This synergy has resulted in joint solutions for various issues like Nolturesh Loitoktok Water and Sanitation Company where through our combined efforts with Machakos, Makueni and Kajiado Counties water has flown to Kajiado County for the first time in three year, quite a great success.

Financially during the year under review the Board has successfully resource mobilised for various projects like Migwani Water Supply Project through Kenya Italy Debt for Development Programme Kshs 100Million, Loitoktok Water Supply Rehabilitation Project through Arab Bank for Economic Development in Africa Kshs 850 Million, World Bank through Athi Water Services Board Kshs 900 Million which was utilised to purchase lorries, water bowsers and drill various boreholes. All the above activities have been undertaken with cognisance to the need for progressive realisation of the right to safe water in adequate quantities, as enshrined in the Constitution Article 43 (1)(d). This right requires the government to take legislative, policy and other measures, including the setting of standards, to achieve the progressive realization of the rights guaranteed under Article 43.

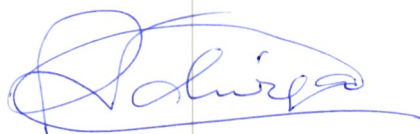
The Board plans to undertake further resource mobilization in the financial year 2014/15 for example through the Private Public Partnerships for satellite cities like Mavoko, Machakos and Kiserian. Further major impact projects like Thwake Multipurpose Dam, Yatta Canal Rehabilitation Project, Loitoktok Water Supply Rehabilitation Project Kiambere-Mwingi Water Supply Project are on schedule for commencement in this financial year. The Board is fully cognizance of its role in achieving the right to water and will continue to make strategic decision towards the realization of the right within its legal mandate.

On a corporate governance level the year under review witnessed a few changes, firstly I was appointed the Chairman of the Board of Directors effective from the 10th of January 2014 taking over from the former immediate Chairperson Mr. Harrison Moipei Tago. I acknowledge and appreciate the work that had been undertaken by the former immediate Chairperson that saw me inherit a competent and able board of directors majority of whom I worked with until their retirement on 25th March 2014. Currently the Board of Directors consists of Ms Rehana Ismail, Ms Florence Malla and the Principal Secretaries of The National Treasury, Ministry of Environment, Water and Natural Resources State Department of Water and Ministry of Devolution and Planning State Department of Devolution. I am confident in the current Board of Directors and I will continue to provide the strategic guidance needed to achieve our vision of being a Model Water Works and Sewerage Infrastructure Development Board.

Strategically the Board is on the right track with the adoption and implementation of new cutting edge tools like Balanced Scorecard and ISO 9001:2008 which shall improve and increase the efficiency and effectiveness of the Board towards achieving its mandate.

In conclusion I would like to acknowledge the hard work of the management of the Board under the guidance of the Chief Executive Officer Engineer Nicholas K. Muthui with and through whom all the Board of Directors' policy decision have be actualised. I acknowledge and thank the following partners for continued support to the Board African Development Bank, World Bank, Arab Bank for Economic Development in Africa, the County Governments of Kitui, Machakos, Makueni and Kajiado and the Ministry of Environment, Water and Natural Resource, all partners who have enabled us achieve our mandate.

SIGNED BY:



HON. PETER NJERU NDWIGA

Date.....^{15th} June, 2015.

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

Water is life and has no substitute. The Board is engaged in a noble service which was enshrined in the Constitution in 2010. The Board, its Board of Directors and Management are cognisant of its noble mandate and in all its endeavour has formulated and implemented policies that will actualise the right to safe water in adequate quantities and realistic standards of sewerage and sanitation services in line with the Constitution 2010 and Kenya's Vision 2030.

During the year under review the Board received a total budget of KES 1.19 billion from both GoK and development partners i.e AfDB, KIDDP and UNICEF through WSTF. The funds were utilised to undertake the following projects; Mutito and Thua Kinakoni Water Supply to benefit 12000 people, Kajiado Town Water Supply project to benefit 18000 people, Matungulu Water Supply Project to benefit 15000 People

During the year under review the Board continued the construction of masinga – kitui water project up to 71% completion by close of the year. The project shall be completed during the financial year 2014/2015. Upon completion it will serve an additional 80,000 people with safe and clean water and 60,000 people with access to sewerage services in kitui town. The total project cost was KES 2.2 billion; however during the year the Board spend KES 950 million on works and supervision services.

The Board also completed procurement of consultancy services for supervision of Kiambere- Mwingi water project. The contractor shall be procured during the financial year 2014/2015 to do works estimated to cost KES 1.4 billion.

The board in progressive realisation also undertook resource mobilisation for Loitoktok Town Water Supply Rehabilitation Project at KES 850 million.

The Board commenced the preparatory steps of survey, valuation and Conveyance for the area affected by the Thwake Multipurpose Dam (approx. 9,000 acres) which will cost approximately KES 1.8 billion for compensation and the Dam is estimated to cost KES 18 billion and projected to benefit over 300,000 people with domestic water and provide water to irrigate over 100,000 acres both in Makueni and Kitui counties. During the year the Board completed designs and the parent ministry initiated procurement process for consultancy services for supervision of civil and earthworks for the dam.

During the year under review the board drilled a total of 41 borehole but only. 4 No. boreholes were equipped during the year due to delayed release of funds by water services trust fund under UNICEF programme.

During the year under review the Board carried out detailed designs for Konza city and Miwani town which will be implemented during the financial year 2014/15.

Financially the Board has through and with the oversight role of our Board of Directors continued exercising financial prudence and adherence to set international and government set financial management standards.

The management in compliance with its Board of Directors' strategic direction instituted Balanced Scorecard as a strategic tool to increase efficiency and effectiveness in the achievement of our mandate. The management completed the Corporate Strategy which shall be launched during the financial year 2014/2015. The new tool will enable SMART targets and real-time tracking of the progress of their achievement. The Management also initiated the process of applying of ISO 9001:2008 certification.

As management we acknowledge and thank the Board of Directors for its strategic direction and support that it has continued to provide to the management in achieving the Board's mandate. We also thank all our development partners and the Ministry of Environment, Water and Natural Resources for their continued policy direction guidance and support.

SIGNED BY:



ENG. NICHOLAS K. MUTHUI

Date 15th June, 2015.

VI. CORPORATE GOVERNANCE STATEMENT

BOARD COMMITTEES

In ensuring that corporate governance is enhanced and that the power of Tanathi Water Services Board is exercised in the stewardship of the corporation's total portfolio of Assets and resources with the objective of maintaining stakeholder value, the Board of Directors has established the following committees:-

Finance, Administration and General Purposes Committee:

The Finance Committee is the overseer of the financial reporting process and the Board's Internal Control.

The committee is also responsible for efficient allocation and utilization of resources, proposing investment and funding for the board.

The committee is also responsible for general and human resources issues of the board. To this extend, the committee ensures that the Board hires the right staff, at the right place and guarantee staff welfare.

The committee terms of reference include but not limited to human resource planning, employee welfare, recruitment, training, performance appraisal, and discipline, health, safety and HIV/AIDS awareness. Other terms of reference include; Procurement, Finance and Information Communication and Technology.

Audit Committee:

In order to promote good corporate governance, Tanathi Water Services Board constituted an Audit Committee. The committee is charged with the role of monitoring on behalf of the board, the effectiveness of the processes in force with particular focus on:-

Safe guarding the assets

- Scope and effectiveness of the internal controls
- Preparation and audit of the annual financial statements
- Compliance with all applicable regulatory requirements and Accounting Standards.
-

Technical, Monitoring and Evaluation Committee:

The Technical, Monitoring and Evaluation Committee has the oversight responsibility of ensuring that Water Services Providers comply with the agreements signed between them and Tanathi Water Services Board for the provision of water and sewerage services.

Tanathi Water Services being an asset owner, the committee ensures that there is adequate asset development maintenance and infrastructure improvement to ensure sustainability of all water infrastructures.

Strategic Planning Committee:

The strategic planning committee has the oversight responsibility of directing the board strategically and planning the future direction of the board. The committee ensures the operations of board are in line with the strategic plan, performance contract and the government blue print of the vision 2030.



VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Tanathi Water Services Board has realized that safe drinking water and improved sanitation are important pre-conditions for achieving development for our people. In addition, the new constitution recognizes access to adequate water, clean environment and sanitation in the bills of rights. We are therefore no longer looking at environmental and catchment conservation merely as a way of achieving the MDG's, but more towards achieving the constitutional rights of our citizens. Hence, interventions that protect the environment, riparian land and water resources are crucial in our operations.

Our Corporate Social Responsibility Programme is rooted in conserving the environment and has in the past two years been able to plant over 200,000 indigenous tree seedlings in Kalundu dam catchment areas.

For these ventures, the Board has used a total of over Kshs. 200,000.

Strategies that our Board has put together to ensure sustainable development and environment conservation are:

1. **Improving infiltration by planting trees:** This venture controls rainwater run-off and reduces wastage of the available water.
2. **Setting up a Corporate Social Responsibility program** that supports the protection and sound management of water catchments, springs and riparian zones.
3. **Rainwater Harvesting programs:** Over a thousand 10,000 litre tanks have been distributed to schools and institutions to encourage rainwater harvesting.

VIII. 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 Board's affairs.

Principal activities

The principal activity of Tanathi Water Services Board is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in the area of its jurisdiction.

Tanathi Water Services Board has the key and central role in water and sewerage management and its mandate covers four counties namely Kitui, Machakos, Makueni and Kajiado.

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- Contracting out water and sewerage services provision to Water Service Providers (WSPs).
- Monitoring and supervision of water and sewerage Services provision to water service providers.

Results

The results of the entity for the year ended June 30, 2014 are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown on page (ii).

Auditors

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

By Order of the Board



IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 24(10) of the Public Finance Management Act, 2012 and State Corporations Act, require the Directors to prepare financial statements in respect of that Board, which give a true and fair view of the state of affairs of the Board at the end of the financial year/period and the operating results of the Board for that year/period. The Directors are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board.

The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year (period) 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 entity; (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 Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

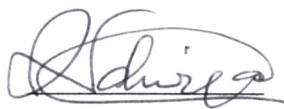
Nothing has come to the attention of the Directors to indicate that the Board will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

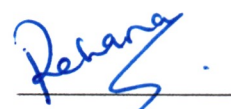
The Board's financial statements were approved by the Board on 25th September 2014 and signed on its behalf by:



Chief Executive Officer



Chairman



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 TANATHI WATER SERVICES BOARD FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Tanathi Water Services Board set out on pages 1 to 22, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in reserves 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 Public Sector Accounting Standards (Accrual Basis) 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.

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 Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Property, Plant and Equipment

As previously reported, the property, plant and equipment balance of Kshs.529,878.545 as at 30 June 2014 include motor vehicle registration number KAU 478L valued at Kshs.1,700,000 transferred from Kenya Water and Sanitation Programme to the Board in September 2008 but ownership documents had not been regularized as at 30 June 2014.

Further, as disclosed under Note 2 to the financial statements other Board Assets inherited from National Water Conservation and Pipeline Corporation have not been incorporated in the financial statements for the year under review. The assets include water distribution infrastructure of undetermined value held by various district water officers within the jurisdiction of the Board.

In addition, three parcels of land namely Matinyani/Kulia (0.125 acres), Mavoko Municipality (1.5 acres) and Kimuyu Nguti all valued at Kshs.5,345,000 lack ownership documents.

Also, included in Property, Plant and Equipment are computers and accessories and Plant and Machinery valued at Kshs.10, 034,743 that had been fully depreciated at the beginning of the financial year 2013/2014. Audit verification revealed that these assets had not been retired from active use and no effort hitherto been made to revalue them.

Consequently, the accuracy, ownership and existence of the property, plant and equipment balance of Kshs.529, 878,545 as at 30 June 2014 could not be confirmed.

2. Irregular Inter- Cashbooks Borrowings

The statement of financial position reflects cash and cash equivalents balance of Kshs.482,403,609 as at 30 June 2014. However a total of Kshs.36,500,000 was transferred from the Development Account to the Recurrent Account on diverse dates, but the same had not been refunded as at the closure of the financial year. Further, Kshs.4,000,000 was transferred from retention account to KIDDP Account to fund activities that are recurrent in nature and the fund had not been refunded as at 30 June 2014.

Similarly, an amount of Kshs.13,000,000 was transferred to KIDDP Account from Development Account but had not been refunded by the end of the financial year.

In the circumstances, it has not been possible to confirm that the cash and bank balance of Kshs.482,403,609 is fairly stated as at 30 June 2014.

3. Debtors and Prepayment

Included in debtors and prepayment balance of Kshs.376,225,757 as at 30 June 2014 are staff debtors (imprest) totaling to Kshs.2,617,697 and District water officers debt amounting to Kshs.4,610,057 and former Ministry of Water and Irrigation debt of Kshs.19,896,517 which have been outstanding for long.

These imprests has been outstanding for the last three financial years and some of the imprest holders were issued additional imprests without first accounting for the previous ones thus contravening the provision of the existing Government financial regulation and procedures.

In the circumstances, the recoverability of the debtors of Kshs.376,225,757 as at 30 June 2014 could not be confirmed.

4. Errors in the Financial Statements

The capital reserve balance of Kshs.1,910,894,395 (Note 15) as at 30 June 2014 includes an amount of Kshs.624,791,382 referred to as additions during the year has not been explained or disclosed. Also included in the cash flows from financing activities in the statement of the cash flows is an amount of Kshs.624,791,382 described as increase in capital reserve. The amount has not been explained.

As a result, it has not been possible to confirm the accuracy and origin of the amounts as sources of funds to the Board as at 30 June 2014.

5. Repair of Motor Vehicles

During the year under review, the Board incurred Kshs.1,788,128 on repairs of its motor vehicles. However, no inspection report was availed for audit verification detailing the defects and cost estimates for the repairs. Further, no reports were issued after the repairs showing that the expected repairs have been carried out. Included in the expenditure is an amount of Kshs.994,528 being repairs of GKA 424T whose ownership was not disclosed. It has therefore not been possible to ascertain that the said repairs were actually done to the benefit of the Board.

In the circumstances, the propriety of the expenditure of Kshs.1,788,128 could not be confirmed as at 30 June 2014.

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 Board as at 30 June 2014, and of its financial performance

and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Water Act, 2013.

Other Matter

The board awarded a contract for supply of branded materials i.e. design and printing of calendars, diaries, brochures, office stationary and other documents at a contract sum of Kshs.1,350,240. However, the Board sought quotations from suppliers who were not in the pre-qualified list of suppliers. The items were supplied on 9 May 2014 four months after the order was placed. The supplier was not able to supply the items within the contract period and no penalties were charged for late delivery. My opinion is not qualified in respect to this matter.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

13 July 2015

XI. STATEMENT OF FINANCIAL PERFORMANCE**For the year ended 30 June 2014**

| | Notes | AMOUNT | AMOUNT |
|---|--------------|----------------------------|----------------------------|
| | | (Kshs) | (Kshs) |
| | | 2013-2014 | 2012-2013 |
| Revenue from non-exchange transactions | | | |
| Grants | note 3(a) | 209,565,899 | 205,006,356 |
| W.S.P Fee (Net of Wasreb levy) | note 3(b) | 45,767,290 | 39,764,677 |
| Total Revenue from non-exchange transactions | | 255,333,189 | 244,771,033 |
| Revenue from exchange transactions | | | |
| Miscellaneous income | note 4 | <u>3,607,133</u> | <u>9,852,041</u> |
| Total Income | | <u>258,940,322</u> | <u>254,623,074</u> |
| EXPENDITURES | | | |
| Staff costs | note 5 | 63,856,540 | 59,130,407 |
| Board Expenses | note 6 | 9,974,009 | 12,229,305 |
| Administration and General Expenses | note 7 | 104,745,053 | 103,150,880 |
| Finance charges | note 8 | 37,386,000 | 10,180,757 |
| Development costs | note 9 | 135,629,318 | 146,758,193 |
| KKV/KYEP Expenses | | - | <u>5,165,075</u> |
| Total Expenses | | <u>351,590,920</u> | <u>336,614,617</u> |
| Deficit | | <u>(92,650,598)</u> | <u>(81,991,543)</u> |

XII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

| | Notes | AMOUNT (Kshs) 2013/2014 | AMOUNT (Kshs) 2012/2013 |
|----------------------------------|------------|-------------------------------|-------------------------------|
| NON CURRENT ASSETS | | | |
| Property, Plant and Equipment | note 10(a) | 529,878,545 | 358,994,379 |
| Work in progress | note 10(b) | 2,199,351,910 | 1,277,612,038 |
| Intangible asset | note 10(c) | <u>135,466</u> | <u>270,933</u> |
| TOTAL NON CURRENT ASSETS | | <u>2,729,365,921</u> | <u>1,636,877,350</u> |
| CURRENT ASSETS | | | |
| Debtors and prepayments | note 11 | 376,225,757 | 549,789,527 |
| Cash and Bank Balances | note 12 | <u>482,403,609</u> | <u>259,097,881</u> |
| TOTAL CURRENT ASSETS | | <u>858,629,366</u> | <u>808,887,408</u> |
| TOTAL ASSETS | | <u>3,587,995,287</u> | <u>2,445,764,758</u> |
| RESERVES AND LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Creditors and accruals | note 13 | 275,915,918 | 190,134,670 |
| Deferred income-Short term | | - | <u>76,353,304</u> |
| TOTAL CURRENT LIABILITIES | | <u>275,915,918</u> | <u>266,487,974</u> |
| LONG TERM DEBT | | | |
| ADB Loan | note 14 | <u>1,480,478,708</u> | <u>879,816,900</u> |
| TOTAL LIABILITIES | | <u>1,756,394,626</u> | <u>1,146,304,874</u> |
| FINANCED BY: RESERVES | | | |
| Accumulated fund | | (103,202,334) | (10,551,736) |

| | | | |
|---------------------------|---------|-----------------------------|-----------------------------|
| Revaluation Reserve | | 23,908,600 | 23,908,600 |
| Capital Reserve | note 15 | <u>1,910,894,395</u> | <u>1,286,103,013</u> |
| TOTAL RESERVES | | <u>1,831,600,661</u> | <u>1,299,459,877</u> |
| TOTAL RESERVES AND | | <u>3,587,995,287</u> | <u>2,445,764,758</u> |
| LIABILITIES | | | |

These Financial Statements are signed on behalf of the Board of Directors by:

Chief Executive Officer

Chairman

Date...^{15th} June, 2015

Date...^{15th} June, 2015

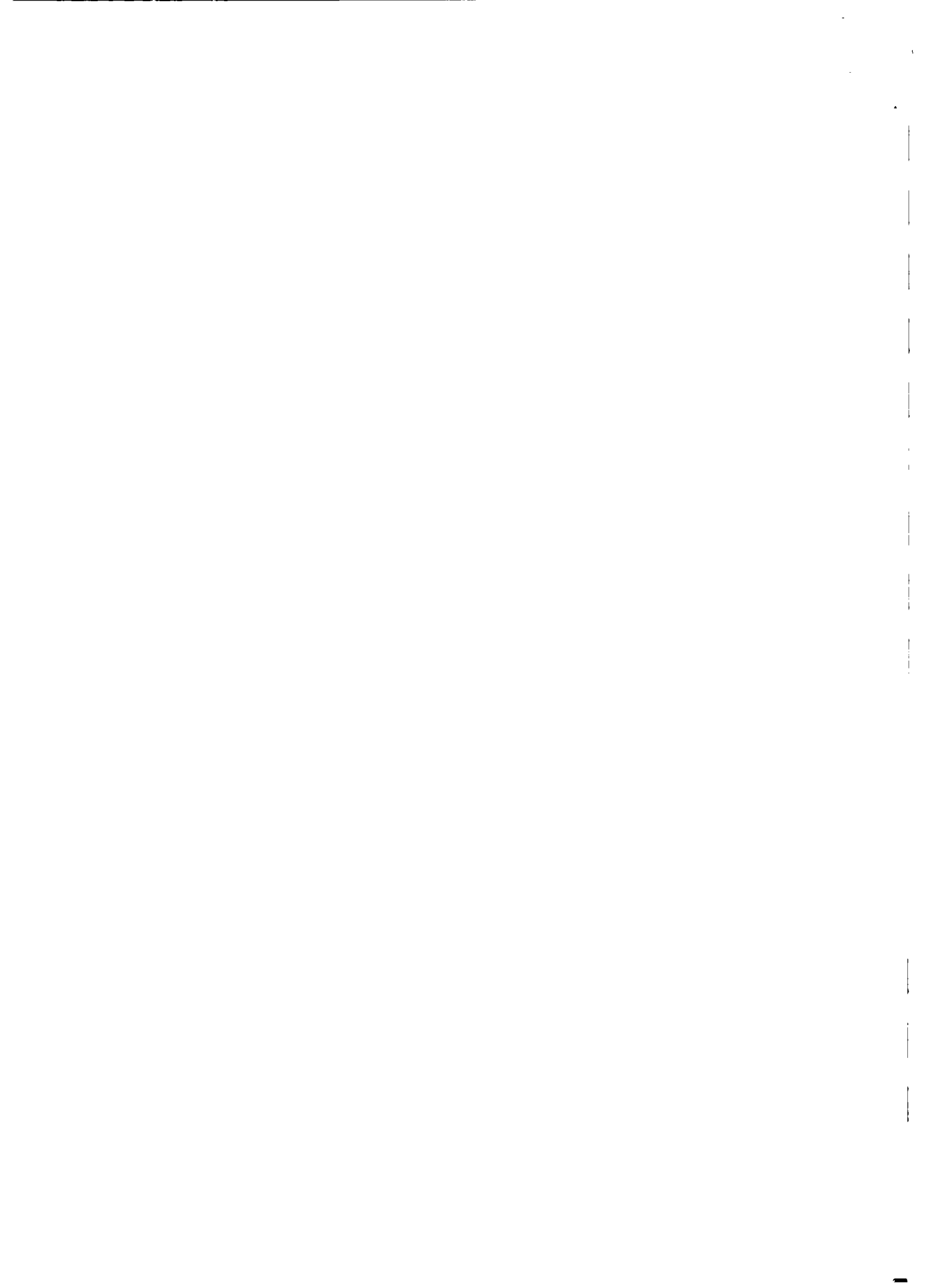
XIII. STATEMENT OF CHANGES IN RESERVES**For the year ended 30 June 2014**

| | Revaluation Reserve Kshs | Capital reserve Kshs | Accumulated surplus Kshs | Total Kshs |
|--|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| Balance as at 30 JUNE 2012 | - | 1,022,541,073 | 41,038,272 | 1,063,579,345 |
| Surplus/(deficit) for the period | 23,908,600 | 263,561,940 | (51,590,008) | 235,880,532 |
| Transfers to/from accumulated surplus | - | - | - | - |
| Balance as at 30 JUNE 2013 | 23,908,600 | 1,286,103,013 | (10,551,736) | 1,299,459,877 |
| For the year | - | 624,791,382 | (92,650,598) | 532,140,784 |
| Transfers to/from accumulated surplus | = | = | = | = |
| Balance as at 30 JUNE 2014 | <u>23,908,600</u> | <u>1,910,894,395</u> | <u>(103,202,334)</u> | <u>1,831,600,661</u> |

XIV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30.06.2014

| | notes | AMOUNT (Kshs) | AMOUNT (Kshs) |
|---|--------------|--------------------------------|--------------------------------|
| | | 2013/2014 | 2012/2013 |
| Deficit for the period | | (92,650,598) | (81,991,543) |
| Prior Year adjustment for the retained earnings | | - | 32,242,885 |
| Uncaptured ADB Projects exchange loss-2011-2012 FY | | - | (1,853,288) |
| Adjustment for non cash items: | | | |
| Depreciation | NOTE 10(a) | 52,469,730 | 19,878,721 |
| Amortization | Note 10 (c) | 135,467 | 304,337 |
| Revaluation Reserve | | - | 23,908,600 |
| Operating surplus before working capital changes | | (40,045,401) | (7,510,288) |
| Increase/Decrease in debtors | Note 11 | 173,563,770 | (447,838,498) |
| Increase in deferred Income-Short Term | | (76,353,304) | (3,705,737) |
| Increase/Decrease in creditors | Note 13 | 85,781,248 | 63,370,793 |
| Cash flow from operating activities | | 142,946,313 | (395,683,731) |
| Investing Activities | | | |
| Purchase of fixed assets | Note 10 (a) | (223,353,896) | (172,006,728) |
| Work in progress | Note 10(b) | (921,739,872) | (652,540,398) |
| Purchase of intangible asset | Note 10 (c) | - | (406,400) |
| Net Cash flow from investing activities | | (1,002,147,455) | (1,220,637,257) |
| Cash Flow from Financing Activities | | | |
| Increase in capital reserves | Note 15 | 624,791,382 | 263,561,940 |
| Long term loan-ADB | Note 14 | 600,661,808 | 808,553,010 |
| Net increase in cash and cash | | | |
| Equivalent during the year | | <u>223,305,735</u> | <u>(148,510,355)</u> |
| Cash and cash equivalents at the beginning of the period | Note 12 | 259,097,881 | 407,608,236 |
| Cash and cash equivalents at the end of the period | Note 12 | 482,403,609 | 259,097,881 |

482 403 616
7?



XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference |
|-------------------------------------|---------------------|-------------|---------------------|----------------------------|------------------------|
| | 2013-2014 | 2013-2014 | 2013-2014 | 2013-2014 | 2013-2014 |
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| Revenue | | | | | |
| Gok Grants | 118,695,541 | - | 118,695,541 | 118,695,541 | - |
| Water Services Trust Fund Grant | - | - | - | 3,329,920 | 3,329,920 |
| Gok/Unicef Grant | - | - | - | 87,540,438 | 87,540,438 |
| Water Service Providers Fee | 49,620,239 | - | 49,620,239 | 45,767,290 | (3,852,949) |
| Miscellaneous Income | 1,200,000 | - | 1,200,000 | 3,607,133 | 2,407,133 |
| Total income | 169,515,780 | - | 169,515,780 | 258,940,322 | 89,424,542 |
| Expenses | | | | | |
| Staff costs | 71,569,000 | - | 71,569,000 | 63,856,540 | 7,712,460 |
| Board Expenses | 14,840,000 | - | 14,840,000 | 9,974,009 | 4,865,991 |
| Administration and General Expenses | 96,220,000 | - | 96,220,000 | 104,745,053 | (8,525,053) |
| Development costs | - | - | - | 135,629,318 | (135,629,318) |
| Finance charges | = | = | = | 37,386,000 | (37,386,000) |
| Total expenditure | 182,629,000 | - | 182,629,000 | 351,590,920 | (168,961,920) |
| Surplus for the period | (13,113,220) | - | (13,113,220) | (92,650,598) | (79,537,378) |

VI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

The Board's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

- i. Lease fee income is recognized in the month in which it is due.**
- ii. Grants from the Government of Kenya and other income are recognized when received.**

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a

replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The depreciation is calculated on straight line basis and the applicable depreciation rates are as shown below:

| | |
|-------------------------------|-------|
| ▪ Computers and Accessories | 33.3% |
| ▪ Furniture and fittings | 12.5% |
| ▪ Motor Vehicles | 25% |
| ▪ Plant and Machinery | 20% |
| ▪ Buildings | 2.5% |
| ▪ Water Supply Infrastructure | 2.5% |
| ▪ | |

d) Intangible assets – IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite. The intangible assets are amortized over a period of 3 years at the rate of 33.33% per annum on a straight line basis.

e) Inventories – IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

N/B Inventory is made up of consumables whose value was insignificant. These consumables were expensed at the time of purchase.

f) Provisions – IPSAS 19

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential

will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

g) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

h) Changes in accounting policies and estimates – IPSAS 3

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

i) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

j) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

l) Comparative figures

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

m) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

n) Subsequent events – IPSAS 14

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.

3. (a) Grants

| | AMOUNT (Kshs) 2013/2014 | AMOUNT (Kshs) 2012/2013 |
|---------------------------------|-------------------------------|-------------------------------|
| Gok Recurrent Grant | 18,695,541 | 14,267,079 |
| Gok Development grant | 100,000,000 | 100,000,000 |
| Water service trust fund grant | 3,329,920 | 5,792,669 |
| Gok/Unicef Grant | 87,540,438 | 84,946,608 |
| Total Development Grants | <u>209,565,899</u> | <u>205,006,356</u> |

3. (b) WSP Fee

| | AMOUNT (Kshs) 2013/2014 | AMOUNT (Kshs) 2012/2013 |
|---------|-------------------------------|-------------------------------|
| WSP Fee | <u>45,767,290</u> | <u>39,764,677</u> |

This is calculated at 9% of the WSPs actual collection per month as per water act 2002.

4. Miscellaneous income

| | AMOUNT (Kshs) 2013/2014 | AMOUNT (Kshs) 2012/2013 |
|-----------------------------------|-------------------------------|-------------------------------|
| Sale of Tender | 1,169,838 | 2,392,782 |
| Bank Interest Earned | <u>2,437,295</u> | <u>7,459,259</u> |
| Total Miscellaneous income | <u>3,607,133</u> | <u>9,852,041</u> |

5. Staff Costs

| | AMOUNT | AMOUNT |
|--------------------------|--------------------------|--------------------------|
| | (Kshs) | (Kshs) |
| | 2013/2014 | 2012/2013 |
| Salaries and wages | 32,755,990 | 29,219,840 |
| Staff Allowances | 19,291,979 | 20,931,254 |
| Gratuity contribution | 930,000 | 1,283,400 |
| N.S.S.F | 96,200 | 171,400 |
| Staff Insurance Cover | 6,607,468 | 3,253,593 |
| Staff Welfare/other | 166,641 | 598,333 |
| DIT Board Expense | 31,300 | 32,850 |
| Pension | <u>3,976,962</u> | <u>3,639,737</u> |
| Total Staff Costs | <u>63,856,540</u> | <u>59,130,407</u> |

6. Board Expenses

| | AMOUNT | AMOUNT |
|-----------------------------|-------------------------|--------------------------|
| | (Kshs) | (Kshs) |
| | 2013/2014 | 2012/2013 |
| Board sitting allowance | 6,902,898 | 8,067,820 |
| Board Mileage | 1,659,856 | 2,951,923 |
| Board medical cover | 427,255 | 329,626 |
| Air-time allowance | 24,000 | 18,000 |
| Board Honoraria | <u>960,000</u> | <u>861,936</u> |
| Total Board Expenses | <u>9,974,009</u> | <u>12,229,305</u> |

7. Administration and General Expenses

| | AMOUNT | AMOUNT |
|--|---------------------------|---------------------------|
| | (Kshs) | (Kshs) |
| | 2013/2014 | 2012/2013 |
| Publishing, Printing and stationery | 2,798,890 | 2,023,660 |
| Postal, Telephone and Internet | 2,231,751 | 1,644,838 |
| Hire of Transport | 9,500 | 194,250 |
| Motor vehicle fuel and Oil | 3,809,051 | 4,436,885 |
| Motor Vehicle Maintenance | 2,951,945 | 3,903,370 |
| Motor Vehicle Insurance | 1,561,496 | 3,227,921 |
| General Repairs and maintenance | 4,234,468 | 535,764 |
| Advertising and Publicity | 5,549,794 | 7,194,818 |
| Computer stationery | 707,990 | 1,852,500 |
| Travelling and accommodation-local | 9,560,068 | 11,672,735 |
| Bank charges | 197,864 | 220,037 |
| Audit Fees | 2,409,222 | 10,227,056 |
| General office Running Expenses | 2,003,431 | 1,547,747 |
| Conferences, Meetings and Trainings | 4,403,656 | 7,007,176 |
| Education and trainings | 2,297,460 | 7,065,160 |
| Security Services | 721,480 | 603,200 |
| Legal, professional and subscription fees | 3,298,402 | 11,836,524 |
| Depreciation and amortization | 52,605,197 | 20,183,058 |
| Monitoring and Evaluation | 2,953,888 | 7,244,225 |
| Electricity and water | 439,500 | 529,956 |
| Total administration and general expenses | <u>104,745,053</u> | <u>103,150,880</u> |

8. Finance charges

| | | |
|---------------|--------------------------|--------------------------|
| Exchange loss | <u>37,386,000</u> | <u>10,180,757</u> |
|---------------|--------------------------|--------------------------|

This arises from differences in transaction exchange rate and closing rates of the African Development Bank Loan.

9. Development Expenses

| | AMOUNT | AMOUNT |
|-----------------------------------|---------------------------|---------------------------|
| | (Kshs) | (Kshs) |
| | 2013/2014 | 2012/2013 |
| W.S.P assistance | 2,913,250 | 7,315,626 |
| Consultancy | 43,494,609 | 43,108,650 |
| Water project construction | 80,680,285 | 91,765,217 |
| Water conservancy | 200,000 | - |
| Drought Mitigation | 8,341,174 | 2,096,700 |
| ECOSAN Toilets | - | <u>2,472,000</u> |
| Total development expenses | <u>135,629,318</u> | <u>146,758,193</u> |

(a) Property, Plant and Equipment

| | Motor Vehicles 25% | Land | Furniture and Fittings and Accessories 12.5% | Computer and Accessories 33.3% | Plant and Machinery 20% | Water Supply Infrastructure 2.5% | Office Buildings 2.5% | Total |
|------------------------|-----------------------|-----------|--|--------------------------------------|----------------------------|--|--------------------------|-------------|
| Cost as at 01.07.2013 | 61,132,122 | 5,345,000 | 7,646,433 | 15,750,833 | 8,538,976 | 321,085,419 | 2,691,407 | 422,190,190 |
| Additions for the year | 62,477,740 | - | 1,246,800 | 3,945,944 | 1,155,900 | 154,527,512 | - | 223,353,896 |
| As at 30/06/2014 | 123,609,862 | 5,345,000 | 8,893,233 | 19,696,777 | 9,694,876 | 475,612,931 | 2,691,407 | 645,544,086 |
| Depreciation | | | | | | | | |
| As at 01/07/2013 | 28,223,522 | - | 3,805,041 | 9,710,951 | 3,510,258 | 17,811,469 | 134,570 | 63,195,811 |
| Depreciation charge | 30,902,466 | - | 1,111,654 | 6,559,027 | 1,938,975 | 11,890,323 | 67,285 | 52,469,730 |
| As at 30/06/2014 | 59,125,988 | - | 4,916,695 | 16,269,978 | 5,449,233 | 29,701,792 | 201,855 | 115,665,541 |
| NBV As at 30/06/2014 | 64,483,874 | 5,345,000 | 3,976,538 | 3,426,799 | 4,245,643 | 445,911,139 | 2,489,552 | 529,878,545 |
| NBV As at 30/06/2013 | 32,908,600 | 5,345,000 | 3,841,392 | 6,039,882 | 5,028,718 | 303,273,950 | 2,556,837 | 358,994,379 |

10. (b) Work in Progress

| | AMOUNT |
|------------------------------|-----------------------------|
| | (Kshs) |
| | 2013/2014 |
| Cost as at 01/07/2013 | 1,277,612,038 |
| Enterprise Resource Planning | 1,791,000 |
| Additions during the year | <u>919,948,872</u> |
| AS AT 30.06.2014 | <u>2,199,351,910</u> |

10. (c) Intangible Assets

| | FMIS | QUICKBOOKS | ICT SOFTWARES | TOTAL |
|--|-------------------|-------------------|--------------------------|------------------|
| Cost as at 01/07/2013 | 2,148,288 | 505,600 | 406,400 | 3,060,288 |
| Additions | - | - | - | - |
| As at 30.06.2014 | <u>2,148,288</u> | <u>505,600</u> | <u>406,400</u> | <u>3,060,288</u> |
| Amortisation as at 01.07.2013 | 2,148,288 | 505,600 | 135,467 | 2,789,355 |
| Amortization for the year | - | - | <u>135,467</u> | <u>135,467</u> |
| Accumulated amortization as at 30.06.2014 | <u>2,148,288</u> | <u>505,600</u> | <u>270,934</u> | <u>2,924,822</u> |
| NBV AS AT 30.06.2014 | <u> </u> | <u> </u> | <u>135,466</u> | <u>135,466</u> |
| NBV AS AT 30.06.2013 | - | - | <u>270,933</u> | <u>270,933</u> |

11. Debtors and Prepayments

| | AMOUNT (Kshs) | AMOUNT (Kshs) |
|--------------------------------------|---------------------------|---------------------------|
| | 2013/2014 | 2012/2013 |
| Trade Debtors | 92,348,094 | 61,041,416 |
| Staff Debtors | 2,617,697 | 1,305,320 |
| Kiambere-Mwingi(Sacco dues) | 5,268,792 | 5,768,792 |
| Ministry of water and irrigation | 19,896,517 | 19,896,517 |
| Prepaid Board airtime | 2,000 | 2,000 |
| Advance payment | 246,920,553 | 455,728,313 |
| Prepaid motor vehicle insurance | 304,720 | 518,715 |
| Bank Interest Receivable | - | 1,237,500 |
| Prepaid staff airtime | 100,500 | 90,500 |
| Prepaid staff insurance cover | 4,156,827 | 1,552,641 |
| District water officers | <u>4,610,057</u> | <u>2,647,813</u> |
| Total debtors and prepayments | <u>376,225,757</u> | <u>549,789,527</u> |

Advance payment is money paid before actual execution of the works usually as per specific conditions of the contract terms and upon production of an irrevocable advance payment guarantee. The amount is recoverable in subsequent payment certificates of actual works executed.

12. Cash and cash equivalents

| | AMOUNT (Kshs) | AMOUNT (Kshs) |
|----------------------|------------------|------------------|
| | 2013/2014 | 2012/2013 |
| GOK Recurrent a/c | 106,039 | 1,235,414 |
| GOK development a/c | 95,402,500 | 29,140,944 |
| Deposits a/c | 2,879,205 | 2,233,337 |
| KYEP A/C | 17,554 | 18,609 |
| GOK/ Unicef Bank a/c | 5,475,239 | 76,353,304 |
| CPC A/C | 67,534 | 30,974 |
| ECOSAN/CPC a/c | 203,414 | 69,854 |
| Fixed Deposit a/c | 101,973,685 | 100,000,000 |

| | | |
|--|---------------------------|---------------------------|
| Tanathi WSB 10% Retention a/c | 41,938,737 | 40,967,120 |
| TAWSB/ADB Small Towns a/c | 2,039,056 | 6,696,670 |
| TAWSB/NYS Programme a/c | 182,059,873 | - |
| TWSB Gok/ADB Project a/c | 29,243,772 | |
| Petty Cash | - | 50,000 |
| Kenya Italy Debt for Development Programme | <u>20,997,001</u> | <u>2,301,655</u> |
| Total Cash and cash equivalents | <u>482,403,609</u> | <u>259,097,881</u> |

13. Creditors and Payables

| | AMOUNT | AMOUNT |
|-------------------------------------|---------------------------|---------------------------|
| | (Kshs) | (Kshs) |
| | 2013/2014 | 2012/2013 |
| Trade Creditors | 117,287,217 | 82,051,643 |
| 10% retention | 130,922,494 | 78,839,957 |
| Payroll | 1,982,223 | 1,331,217 |
| Kenya Revenue Authority | <u>25,723,984</u> | <u>27,911,853</u> |
| Total Creditors and accruals | <u>275,915,918</u> | <u>190,134,670</u> |

14. African Development Bank Loan

| PAYEE | APPLICATION NUMBER | CURRENCY | AMOUNT- Transactio Currency | CLOSING RATE | AMOUNT (Kshs) |
|-----------------------------|--------------------|----------|-----------------------------------|-----------------|------------------|
| CAS CONSULTANTS | DP NOTAWSB-01 | KES | 11,298,000.00 | 1 | 11,298,000 |
| SALEH & HEGAB | DP NOTAWSB-02 | EURO | 24,500.00 | 119.5496 | 2,928,965 |
| CAS CONSULTANTS | DP NOTAWSB-03 | KES | 11,298,000.00 | 1 | 11,298,000 |
| SALEH & HEGAB | DP NOTAWSB-04 | EURO | 24,500.00 | 119.5496 | 2,928,965 |
| CAS CONSULTANTS | DP NOTAWSB-05 | KES | 11,298,000.00 | 1 | 11,298,000 |
| SALEH & HEGAB | DP NOTAWSB-06 | EURO | 24,500.00 | 119.5496 | 2,928,965 |
| APEX CONSULTING AFRICA LTD. | DP NOTAWSB-07 | USD | 24,940.00 | 87.6269 | 2,185,415 |
| SPECIAL ACCOUNT REQUEST | RF NO TAWSB-08 | USD | 92,075.13 | 84.48 | 7,778,507 |
| APEX CONSULTING AFRICA LTD. | DP NOTAWSB-09 | USD | 12,470.00 | 87.6269 | 1,092,707 |
| NORCONSULT | DP NOTAWSB-10 | EURO | 249,440.00 | 119.5496 | 29,820,452 |
| SALEH & HEGAB | DP NOTAWSB-11 | USD | 60,900.00 | 87.6269 | 5,336,478 |
| CAS CONSULTANTS | DP NOTAWSB- | KES | 5,853,760.00 | 1 | 5,853,760 |



| | | | | | |
|----------------------------------|---------------|-------|---------------|----------|-------------|
| | 12 | | | | |
| CAS CONSULTANTS | DP NOTAWSB-13 | KES | 5,649,000.00 | 1 | 5,649,000 |
| SALEH & HEGAB | DP NOTAWSB-14 | EURO | 12,250.00 | 119.6269 | 1,465,430 |
| GENERAL MOTORS EAST AFRICA LTD. | DP NOTAWSB-15 | KES | 12,000,000 | 1 | 12,000,000 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-16 | KES | 21,299,854.52 | 1 | 21,299,855 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-17 | USD | 2,043,933.30 | 87.6269 | 179,103,539 |
| SINOHYDRO CORPORATION LTD. | DP NOTAWSB-18 | KES | 19,327,466.50 | 1 | 19,327,467 |
| SINOHYDRO CORPORATION LTD. | DP NOTAWSB-19 | USD | 2,181,956.49 | 87.6269 | 191,198,083 |
| APEX CONSULTING AFRICA LTD. | DP NOTAWSB-20 | USD | 31,175 | 87.6269 | 2,731,769 |
| APEX CONSULTING AFRICA LTD. | DP NOTAWSB-21 | USD | 31,175 | 87.6269 | 2,731,769 |
| NORCONSULT | DP NOTAWSB-22 | EURO | 49,888 | 119.5496 | 5,964,090 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-24 | USD | 718,009.65 | 87.6269 | 62,916,960 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-25 | KES | 7,482,387.54 | 1 | 7,482,388 |
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-26 | USD | 464,845.64 | 87.6269 | 40,732,982 |
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-27 | KES | 4,117,537.89 | 1 | 4,117,538 |
| SALEH & HEGAB | DP NOTAWSB-28 | USD | 91,350 | 87.6269 | 8,004,717 |
| CAS CONSULTANTS | DP NOTAWSB-29 | KES | 8,780,640.00 | 1 | 8,780,640 |
| CAS CONSULTANTS | DP NOTAWSB-30 | KES | 1,870,200.00 | 1 | 1,870,200 |
| CAS CONSULTANTS | DP NOTAWSB-31 | KES | 2,805,300.00 | 1 | 2,805,300 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-32 | KES | 4,873,824.18 | 1 | 4,873,824 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-33 | USD | 467,692 | 87.6269 | 40,982,400 |
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-34 | KES | 4,854,493.14 | 1 | 4,854,493 |
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-35 | USD | 548,043.52 | 87.6269 | 48,023,355 |
| TAWSB GOK DEVELOPMENT A/C | DP NOTAWSB-36 | KES | 5,237,685.00 | 1 | 5,237,685 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-37 | KES | 5,954,792.75 | 1 | 5,954,793 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-38 | USD | 571,421.71 | 87.6269 | 50,071,913 |
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-39 | KES | 4,393,027 | 1 | 4,393,027 |
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-40 | USD | 495,946.95 | 87.6269 | 43,458,294 |
| CAS CONSULTANTS | DP NOTAWSB-41 | KES | 11,523,960.00 | 1 | 11,523,960 |
| SALEH & HEGAB | DP NOTAWSB-42 | EUROS | 24,990.00 | 119.5496 | 2,987,545 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-43 | KES | 4,891,546 | 1 | 4,891,546 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-44 | USD | 469,392.62 | 87.6269 | 41,131,420 |
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-45 | KES | 3,484,278.90 | 1 | 3,484,279 |

| | | | | | |
|--|---------------|------|--------------|----------|------------|
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-46 | USD | 393,354.45 | 87.6269 | 34,468,431 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-47 | KES | 4,523,567.30 | 1 | 4,523,567 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-48 | USD | 434,081.36 | 87.6269 | 38,037,204 |
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-49 | KES | 3,796,761.20 | 1 | 3,796,761 |
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-50 | USD | 428,631.85 | 87.6269 | 37,559,680 |
| DR ENG. SEAN AVERY | DP NOTAWSB-51 | USD | 67,932.00 | 87.6269 | 5,952,671 |
| GRAEME WATSON | DP NOTAWSB-52 | USD | 91,420.00 | 87.6269 | 8,010,851 |
| CAS CONSULTANTS | DP NOTAWSB-53 | KES | 10,975,800 | 1 | 10,975,800 |
| SALEH & HEGAB | DP NOTAWSB-54 | USD | 91,350 | 87.6269 | 8,004,717 |
| APEX CONSULTING AFRICA LTD. | DP NOTAWSB-55 | USD | 24,940 | 87.6269 | 2,185,415 |
| CAS CONSULTANTS | DP NOTAWSB-56 | KES | 15,409,862 | 1 | 15,409,862 |
| CAS CONSULTANTS | DP NOTAWSB-57 | KES | 10,785,071 | 1 | 10,785,071 |
| SALEH & HEGAB | DP NOTAWSB-58 | EURO | 23,388 | 119.5496 | 2,796,026 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-59 | KES | 2,027,682 | 1 | 2,027,682 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-60 | USD | 194,576.27 | 87.6269 | 17,050,115 |
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-61 | KES | 3,177,356 | 1 | 3,177,356 |
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-62 | USD | 358,704.71 | 87.6269 | 31,432,182 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-63 | KES | 4,942,804.80 | 1 | 4,942,805 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-64 | USD | 474,311.37 | 87.6269 | 41,562,435 |
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-65 | KES | 658,352.80 | 1 | 658,353 |
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-66 | USD | 74,324.13 | 87.6269 | 6,512,793 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-67 | KES | 3,439,052.50 | 1 | 3,439,053 |
| SINOHYDRO CORPORATION LTD. Lot A | DP NOTAWSB-68 | USD | 330,011.35 | 87.6269 | 28,917,872 |
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-69 | KES | 1,394,110.20 | 1 | 1,394,110 |
| SINOHYDRO CORPORATION LTD. Lot B | DP NOTAWSB-70 | USD | 157,386.78 | 87.6269 | 13,791,316 |
| SINOHYDRO CORPORATION LTD. Lot A cert 10 | DP NOTAWSB-71 | KES | 1,664,855.54 | 1 | 1,664,856 |
| SINOHYDRO CORPORATION LTD. Lot A cert 10 | DP NOTAWSB-72 | USD | 159,759.48 | 87.6269 | 13,999,228 |
| SINOHYDRO CORPORATION LTD. Lot B cert 10 | DP NOTAWSB-73 | KES | 957,725.40 | 1 | 957,725 |
| SINOHYDRO CORPORATION LTD. Lot B cert 10 | DP NOTAWSB-74 | USD | 108,121.52 | 87.6269 | 9,474,354 |
| SINOHYDRO CORPORATION LTD. Lot A cert 11 | DP NOTAWSB-75 | KES | 2,211,518.40 | 1 | 2,211,518 |
| SINOHYDRO CORPORATION LTD. Lot A cert 11 | DP NOTAWSB-76 | USD | 212,217.23 | 87.6269 | 18,595,938 |
| SINOHYDRO CORPORATION LTD. Lot B cert 11 | DP NOTAWSB-77 | KES | 1,256,181.90 | 1 | 1,256,182 |
| SINOHYDRO CORPORATION | DP NOTAWSB- | USD | 141,815.49 | 87.6269 | 12,426,852 |

| | | | | | |
|--|----------------|------|--------------|----------|----------------------|
| LTD. Lot B cert 11 | 78 | | | | |
| CAS CONSULTANTS | DP NOTAWSB-79 | KES | 8,795,338 | 1 | 8,795,338 |
| CAS CONSULTANTS- CORR OF CERT 1 THWAKE | DP NOTAWSB-80 | | 1,699,037.20 | 1 | 1,699,037 |
| SALEH & HEGAB CORR OF CERT 1 THWAKE | DP NOTAWSB-81 | USD | 8,400.00 | 87.6269 | 736,066 |
| CAS CONSULTANTS- MASINGA SUPERVISION | DP NOTAWSB-82 | KES | 8,622,633.40 | 1 | 8,622,633 |
| SALEH AND HEGAB- MASINGA SUPERVISION | DP NOTAWSB-83 | EURO | 18,698.10 | 119.5496 | 2,235,350 |
| SINOHYDRO CORPORATION LTD. Lot A cert 12 | DP NOTAWSB-84 | KES | 504,295.15 | 1 | 504,295 |
| SINOHYDRO CORPORATION LTD. Lot A cert 12 | DP NOTAWSB-85 | USD | 48,392.15 | 87.6269 | 4,240,454 |
| SINOHYDRO CORPORATION LTD. Lot B cert 12 | DP NOTAWSB-86 | KES | 2,129,125.60 | 1 | 2,129,126 |
| SINOHYDRO CORPORATION LTD. Lot B cert 12 | DP NOTAWSB-87 | USD | 240,365.67 | 87.6269 | 21,062,499 |
| CAS CONSULTANTS | DP NOTAWSB-88 | KES | 2,805,300.00 | 1 | 2,805,300 |
| CAS CONSULTANTS | DP NOTAWSB-89 | KES | 1,870,200.00 | 1 | 1,870,200 |
| SINOHYDRO CORPORATION LTD. Lot B cert 13 | DP NOTAWSB-90 | KES | 1,439,851.22 | 1 | 1,439,851 |
| SINOHYDRO CORPORATION LTD. Lot B cert 13 | DP NOTAWSB-91 | USD | 162,550.67 | 87.6269 | 14,243,811 |
| SINOHYDRO CORPORATION LTD. Lot B cert 14 | DP NOTAWSB-92 | KES | 1,367,490.30 | 1 | 1,367,490 |
| SINOHYDRO CORPORATION LTD. Lot B cert 14 | DP NOTAWSB-93 | USD | 154,381.55 | 87.6269 | 13,527,977 |
| CAS CONSULTANTS | DP NOTAWSB-94 | KES | 6,148,371 | 1 | 6,148,371 |
| SALEH & HEGAB | DP NOTAWSB-95 | EURO | 13,332.90 | 119.5496 | 1,593,943 |
| SINOHYDRO CORPORATION LTD. Lot A cert 13 | DP NOTAWSB-96 | KES | 527,224.90 | 1 | 527,225 |
| SINOHYDRO CORPORATION LTD. Lot A cert 13 | DP NOTAWSB-97 | USD | 50,592.48 | 87.6269 | 4,433,262 |
| SINOHYDRO CORPORATION LTD. Lot B cert 15 | DP NOTAWSB-98 | KES | 864,516.40 | 1 | 864,516 |
| SINOHYDRO CORPORATION LTD. Lot B cert 15 | DP NOTAWSB-99 | USD | 97,598.78 | 87.6269 | 8,552,279 |
| SINOHYDRO CORPORATION LTD. Lot B cert 16 | DP NOTAWSB-100 | KES | 2,538,328.90 | 1 | 2,538,329 |
| SINOHYDRO CORPORATION LTD. Lot B cert 16 | DP NOTAWSB-101 | USD | 286,562.30 | 87.6269 | 25,110,566 |
| Expenditure reimbursement | | | 2,633,569 | 1 | 2,633,569 |
| Total | | | | | 1,480,478,708 |

Note 15. Capital Reserve

| | AMOUNT |
|---------------------------------|-----------------------------|
| | (Kshs) |
| Balance as at 01.07.2013 | 1,286,103,013 |
| Additions during the year | <u>624,791,382</u> |
| Balance as at 30.06.2014 | <u>1,910,894,395</u> |

16. Events after the reporting period

There are no material non-adjusting events after the reporting date.

VII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|---------------------|--|-----------------------------------|--|
| | | | | | |
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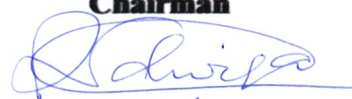
N/B

There are no pending audit issues at the time of presentation of these financial statements.

Chief Executive Officer

Date...^{15th}.....May, 2015

Chairman


Date...^{15th}.....May, 2015