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**KENYA NATIONAL AUDIT OFFICE**

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KIKUYU WATER COMPANY LIMITED**

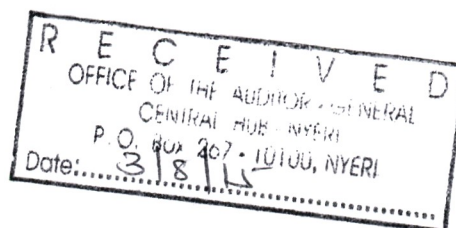
**FOR THE YEAR ENDED  
30 JUNE 2014**

# KIKUYU WATER COMPANY LTD

1<sup>ST</sup> Floor Mugumo House, P.O. Box 313 – 00902 - Kikuyu; TEL: 066-33786, 0728-578098, Fax: 066-33785; E-mail: kikuyuwat@yahoo.com



FINANCIAL REPORT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014



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# **KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

Kikuyu Water Company Ltd (KWCL) was incorporated under the Companies Act (Cap. 486) on 10<sup>th</sup> March 2006 and was appointed by Athi Water Services Board (a state corporation) as an agent for the provision of efficient and effective water and sewerage services within Kikuyu Township and its environs. It is currently owned by County Government of Kiambu.

### **(b) Principal Activities**

The principle activities for which the Company was established are:-

- To supply the town of Kikuyu together with the neighborhood and its environs therefore, with water and to carry on business of water and sewerage works and to manage the assets belonging to Athi Water Services Board and the assets shall not be subject to any resolution of the Company or that of the Council
- To exercise overall control over the sources and supply of water and in particular, to conserve, redistribute and to augment those water resources, including sinking boreholes, and to make, build and construct, lay down and maintain reservoirs, waterworks, cisterns, culverts, filter-beds, main and other pipe and appliances, and to execute and do all works and things necessary or convenient for obtaining, storing, selling, delivering, measuring and distributing water, or otherwise for the purposes of the Company
- To provide and distribute a constant supply of potable water for commercial, industrial and domestic purposes.

### **(c) Vision Statement**

To be the leading Company in the provision of quality, reliable and affordable water services in the Region and beyond

### **(d) Mission Statement**

To consistently provide excellent water services in our area of jurisdiction to the absolute satisfaction of our esteemed customers all year round"

### **(e) Core Values tariff**

#### **Customer Focus**

The customer will be the reason for our existence. Therefore, we will consistently provide a world-class quality customer service to meet expectations of our customers.

# **KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

## **Professionalism and Integrity**

We shall observe the highest standards of professionalism and good governance in all that we do. We shall ensure that these values are deeply embedded in our culture.

## **Our Employees**

We will make Kikuyu Water Company Ltd the employer of choice, attracting, motivating and retaining good people while offering equal opportunity of employment to all. We will recognize and reward performance, train and promote personal development.

## **Good Citizenship**

We will comply with the laid down regulations in all our operations. We will contribute to causes that promote social and community development. As part of our long-term strategy, we will participate and partner with institutions that promote and preserve sustainable environment.

## **(f) Key Management**

The entity's day-to-day management is under the following key managers:

- The Managing Director
- The Technical Manager
- The Finance & Administration Manager

## **(g) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2014 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1	The Managing Director Ag. Managing Director/Technical	Eng. Lucas Mwangi Wahinya
2	Manager	Mrs Jane Wanjiru Murage
3	Finance & Administration Manager	Ms. Mary Wanjiku Mbugua

## **(h) Fiduciary Oversight Arrangements**

The company had three committees namely the audit committee, Finance and Technical committee and the Staff & Welfare committees whose roles were as follows;

# **KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

## **Audit committee activities**

An audit committee is appointed to assist the board in discharging its duties relating;

- To safeguarding of assets
- The operation of adequate systems
- Control processes,
- The preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.
- The audit committee will be the principal governance watchdog in Kikuyu Water Company. Its purpose is to provide additional focus on financial issues that are vital to the company but which often cannot be fully examined by the main board because of shortage of time available to it.

## **Finance & Technical committee activities**

- Prepare strategies and plans for attaining the Company's service delivery objectives
- Review strategies and plans for attaining the Company's service delivery objectives
- Review proposals and plans for infrastructure development and improvement
- Consider, evaluate and review progress of implementation for infrastructure development programs
- Set up and review standards, procedures and controls for provision of water services
- Consider and evaluate applications for water services provision
- Being informed, vigilant and effective overseers of the financial reporting process and the company's internal controls.
- Reviewing the company's quarterly, half-yearly and year-end financial statements , focusing particularly on;
  - a) Any changes in accounting policies and practices
  - b) Any major variances between actual results and budget
  - c) Compliance with International Accounting Standards and other statutory obligations
- Ensure that accounting and financial management policies are in place and that they are implemented.
- Discussing the Company's budget, and recommending to the Board of Directors for discussion.
- The Finance Committee will spearhead fundraising activities of the board.

## **Staff Welfare Committee**

- To approve the establishment of the Company's Organogram
- To ensure that the Company has the right number and quality of staff with relevant skills;
- To ensure that it identifies the right sources of procuring the above-mentioned staff; and
- To determine the budgetary estimates for procurement of staff.

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**(i) Company's Headquarters**

1st Floor Mugumo House, Kikuyu Township  
P. O. Box 313-00902, Kikuyu.  
Tel: +254-66-33786 Fax: +254-66-33785

**(j) Company Contacts**

Telephone: 0728578098  
E-mail: [info@kikuyuwat.co.ke](mailto:info@kikuyuwat.co.ke)  
Website: [www.kikuyuwat.co.ke](http://www.kikuyuwat.co.ke)

**(k) Company's Bankers**

Kenya Commercial Bank-Kikuyu Branch  
P. O. Box 148-00902, Kikuyu.  
Tel:+254-66-33046 Fax: :+254-66-33246

Equity Bank (K) Limited-Kikuyu Branch  
P. O. Box 1707-00902, Kikuyu.  
Tel:+254-66-31071 Fax: :+254-66-31072

Family Bank Limited  
P.O Box 75145, Nairobi  
Tel: +254-335003 Fax 337231

Kenya Post Office Savings Bank  
P.O Box 30311-00100, Nairobi  
Tel 020-2229551 Fax 0202229186

Safaricom Limited  
P.O Box 66827 – 00800, Nairobi  
Tel: 020 – 4273272/0722003272

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
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**(l) Independent Auditors**

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

**(m) Principal Legal Adviser**

Wanjao & Wanjao Advocates  
P.O. Box 403  
Bemuda Plaza Ngong Road  
Tel: 020-2720053 Fax 020-2720052

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
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**BOARD OF DIRECTORS**

 <p><b>DR. GEORGE M. MURIITHI</b></p> <p><b>CHAIRMAN</b></p> <p>He holds a Master of Science Student in Purdue University West Lafayette (Main Campus (USA).</p> <p>Program: Biotechnology Innovation and Regulatory Science, a Bachelor of Pharmacy and Post Graduate Diploma Course in Industrial Pharmacy.</p> <p>He has wealth of experience in industrial production , system audits and quality assurance</p>	 <p><b>ENG. LUCAS M. WAHINYA</b></p> <p>He holds a Bachelor of Science in Civil Engineering (UON) and he is a registered Engineer with (E.R.B) and a member of institute of engineers of Kenya (I.E.K)</p> <p>He has Several years of experience in the Water Sector as a Design Engineer.</p> <p>He left the company on 31<sup>st</sup> May 2014</p>	 <p><b>ENG. JOSEPH MUCHIRI</b></p> <p>He holds a Bachelor of Science in Civil Engineering, Post Graduate Diploma in Business Management, Masters in Business Administration (JKUAT)</p> <p>He has Several years of experience in the Water Sector as a Design Engineer, Program Manager and Water Sector Reform Secretariat</p>
 <p><b>MRS. JANE W. NGOCHI</b></p> <p>O-level, Higher Diploma in Human Resource Development, Diploma in Community Development</p>	 <p><b>MR. PETER MUIRURI NG'ANG'A</b></p> <p>O-level, Diploma in Early Childhood Development</p> <p>A teacher by profession, Secretary-Muguga Self Village Water Project.</p>	 <p><b>MR. NDUNG'U WA MUNYWE</b></p> <p>Bachelor of Arts (UON, Advanced Public Administration (K.I.A) M.A ( Ongoing)</p> <p>He has several years of experience in public administration</p>

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
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**MR. JAMES WAINAINA**

A-level, Degree, Masters in Business Administration(UON)

Chairman-Kirangari Development Initiative (KDI) in Nyathuna Location, Conservator of forest with Kenya Forest Service.



**MR. RICHARD N. NDUNG'**

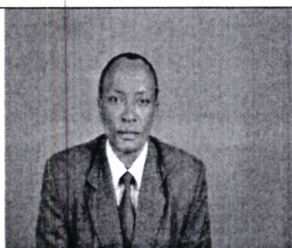
MBA,CPA (K), CPS (K), B.A. (Economics)

Vast Experience in Auditing, Company Secretarial practice and training



**MRS ESTHER W. NJUGUNA**

She is a holder of both Ordinary Diploma & Higher National Diploma in Water Engineering, with a BSc in Engineering in Soil, water and environment from JKUAT and an MA in Project Planning and Management



**MR STEPHEN NG'ANG'A KIIRU**

A certificate & a Diploma in Business Management (KIM), Diploma in Marriage & Family Therapy and a Higher Diploma in Psychological Counseling( Kenya Institute of Professional Counseling) BA. Health Services & Social Services University of South Africa, MBA Strategic Management (KEMU)

He has experience in policy development, planning & implementation, public administration, solid waste management, Human Resource management, handling of public complaints and community based activities



**MR STEPHEN THENYA MWAANGI**

Masters of science in Human Resource (JKUAT) , B.A in Public Administration (Moi University), Higher Diploma in Human Resources Management and a Diploma in Management of local Authorities

He has experience in human resource management, administration, performance contracting , policy formulation and administration and ISO certification



**MRS JANE WANJIRU MURAGE  
Ag.MANAGING DIRECROR**

She was appointed on 1<sup>st</sup> June 2014. She holds a BSC in Water & Environmental Engineering ( Egerton University)Diploma in Water Technology (KEWI)

She has several years of experience in management of water projects and planning and coordinating company's maintenance and operations activities

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
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**MANAGEMENT TEAM**

 <p><b>ENG. LUCAS M. WAHINYA</b></p>	<p>He left the company on 2014 30<sup>th</sup> May</p> <p>He was responsible coordinating the day to day management of the Company</p> <p>Monitoring and assessing management's performance</p> <p>Ensuring that the company complies with the legal and governance framework of the company</p> <p>Ensuring institutional transformation in accordance with corporate strategy</p>
	<p>She was appointed on 1<sup>st</sup> June 2014</p> <p>She is responsible coordinating day to day management of the Company</p> <p>Monitoring and assessing management's performance</p> <p>Ensuring that the company complies with the legal and governance framework of the company</p> <p>Ensuring institutional transformation in accordance with corporate strategy</p>
	<p>She assists in development of current and long-term goals as well formulating policies and procedure</p> <p>Oversees all the aspects of human resource management</p> <p>Ensures that procurement and administration policies and procedures are adhered to and are compatible with procurement Act &amp; Regulation. Production of financial report. Oversees implementation of accounting and financial management system and oversees all the accounting function including; cash flow management, revenue collection, payroll and budgeting</p>

# KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014

## CHAIRMAN'S STATEMENT

It is with great pleasure that I present the chairman's report for year ended 30<sup>th</sup> June 2014 during this financial year. As you are aware our major mandate is to provide water and sewerage services within kikuyu town and its environs. We have done our best as a company bearing in mind that we rely entirely on pumped water.

During the year that ended 30<sup>th</sup> June 2014 the company experienced success and challenges in equal measures in its Endeavour to fulfil its core mandate in provision of water to our esteemed customers.


The company has made wide strides in its strive to reduce the gap between water supply and demand by undertaking several water projects which will double current water production once they become operational in the course of this current financial year. These projects include kikuyu spring with production capacity of 4000m<sup>3</sup> per day, drought mitigation projects which entails drilling of three No boreholes with total production capacity of 2400m<sup>3</sup>/day and rehabilitation of pipe network in kiamburi and thogoto area. The company has with assistance of the county government sourced four other major service water sources in kaimba stream, Gitangu Spring, Rungiri Dam and Ondiri Stream some works have commenced.

I delighted to note that Athi Water Services Board engaged a consultant (GIBBS Africa) in collaboration with kikuyu water Company to carry feasibility study to enjoin kikuyu sewer to Nairobi main sewer line at Daggorrete.

In addition, during this period the company registered some positive growth in customer base, revenue collection, billing, operational stability, good governance among others although with some short coming here and there.

During the financial year the company made a deficit of ksh 12,520,927 compared to a deficit of 4,629,580 during the previous financial year. This was occasioned by high increment of electricity bills by Kenya power almost 40% translating to very high operational cost. In addition the company was seriously challenged by low coverage, at around 40% of our area of jurisdiction, water demand and supply deficit, high non-revenue water, aged pipeline. Some of these challenges are being addressed through our limited company capacity and by partnering with other stakeholders such as County Government of kiambu, Athi Water Service Board and water service trust fund.

I would take this opportunity to record my gratitude to my fellow board members for their support and valuable contribution to the company. I would also like to thank the management and the staff of the company for their commitment, strength and dedication towards the company. To our development partners I express my heartfelt gratitude for your continued support. Last but not the least I would also thank our stake holders for their support and loyalty and assure them of our determination to continually improve the quality of our services



Dr. George Muiriithi  
Company's Chairman  
29<sup>th</sup> September 2014

# KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014

## **REPORT OF THE MANAGING DIRECTOR**

The following are some of the achievements;

- Customer base has increased from 8,110 as at June 2013 to 8,549 by end of June 2014 which is growth of 5%.
- Reduction in billing figure from Ksh.5.2 million as at June 2014 to Ksh 4.9 million by end of June 2014.
- Improved revenue collection from Ksh 4.9 million as at end of June 2013 to an average Ksh 5.5 million by end of June 2014. Presently, revenue collection has stabilized at an average of Ksh 5.1 million. Our target collection is Ksh 7 million in order to be fully sustainable and thus we are putting in place measures to enhance on revenue collection efficiency.
- Several water bill pay options were devised such as Equity Bank, Family Bank, Post Bank & M-pesa pay bill payments.
- We have developed a system where customers are sent their water bills through the mobile phones and as well as being communicated to on any issue through the phone.
- We have reduced our non revenue water from 51% to 46% by putting in place and setting up a dedicated non revenue unit to address it. We are still working harder to achieve the acceptable sector bench mark of 25%.

### **Projects implemented.**

#### **Kikuyu springs:**

The project was funded by World Bank through Athi Water Services Board at a cost of ksh. 52 million. It entails: construction of intake weir, intake protection works, pump house, 108m<sup>3</sup> elevated steel tank and 2.5km 280mm pipeline. The project is expected to be completed in December 2014 and its expected production is 4000m<sup>3</sup>/day.

#### **Kiamburi project:**

The project was funded by Water Service Trust fund at a cost of 9.6 million and it entails: Rehabilitation of three (3) No. ground masonry tank, augmentation and replacement of 8.8km of assorted pipeline and construction of one (1) No. water kiosk.

#### **Drought mitigation programme projects:**

The project was funded by World Bank through Athi Water Services Board and they entail drilling of three (3) No. Boreholes at muguga, ruku and Ondiri. They have a total production capacity of 2400m<sup>3</sup>/day.

During the year that ended 30<sup>th</sup> June 2014 the Company developed and presented four (4 ) project proposals to County Government of Kiambu and I am glad to inform that they were all accepted and their implementation have commenced in the current financial year. Their components are described below.

# **KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

## **Rungiri Dam Water Project**

Exploitation of Rungiri Dam proposed Water Project by constructing an intake, full treatment works with backwash tank, 3.5km 8" diameter rising main and 6" diameter 2km long distribution pipeline from Gichuru to Kinoo & King'eero junction, assorted pipes for service and tertiary lines and installation of consumer water meters. The proposed Rungiri Dam Water Project is designed to supply domestic water to the residents of Kikuyu Township, Kidfarmaco, Mutege, Gitaru, Kingeero, Wangige, Kinoo and Uthiru.

## **Ondiri Stream –Karai Water Project**

Exploitation of the stream emanating from Ondiri Swamp to export water to Gichuhiro tanks of Karai can be a long term solution for the perennial water problem in the arid area of Karai.

## **Kaimba River Intake Water Project**

Exploitation of the Kaimba River intake source can be a long term solution for the perennial water problem in the areas of Ruku, Wangige, Kingeero, Lower Kabete and Kibichiko of Kabete Districts.

## **Gitango Springs Intake Water Project**

Exploitation of the Gitango Springs can be a long term solution for the perennial water problem in the areas of Kiambaa and Kahuho Sub-locations of Kabete Districts.

## **Proposed Sewerage Treatment Works**

Athi Water Services Board engaged a consultant (GIBBS Africa) in collaboration with Kikuyu Water Company to carry feasibility study to enjoin Kikuyu sewer to Nairobi main sewer line at Dagoretti.

## **Financial Performance**

During the year ended 30<sup>th</sup> June 2014, the Company witnessed tremendous achievements and challenges in its endeavour to fulfill its core mandate of providing water services to our customers. The Company operational income dropped from Kshs 63,251 760. to ksh 62,452,806

The expenditure during this period, increased from Ksh. 73,733,676 to ksh. 76,206,277 comparing the same period. The increase was mainly attributed to increased lease fees, employment of three corporate managers and increased electricity bills.

The net effect was that the company made a deficit of Ksh 12,580,927 compared to a deficit of 4,629,580 made in the previous financial period and we assure our stakeholders that we shall strive to work even harder in order to become fully sustainable.

# KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014

## **Way forward**

The challenges at hand call for great improvement of existing systems and construction of new ones and I believe that with the assistance of our stakeholders this problem would be addressed.

Water is now a Constitutional Right and this may pose a challenge in our endeavour to serve the unserved in line with Millennium Development Goals.

We are generally striving in the following key areas in order to attain sustainable operations;

- Enhanced revenue collection from water sale and exhauster services
- Reduced non-revenue water hence increased water sale
- Enhanced staff productivity
- Improve water coverage and reliability
- Intensify partnering with existing Self Help Water Projects.
- Implement on-going /upcoming projects

## **Appreciation**

I am most thankful to the Athi Water Services Board, Kikuyu Sub-County of Kiambu, County Government of Kiambu, Constituency Office-Kikuyu, all customers and in particular University of Nairobi Kikuyu Campus, our Suppliers, bankers etc for their support and loyalty and we assure them of our determination to continually improve the quality of our services. Finally, I would like to express my deep appreciation for the dedication and commitment of Board of Directors, Management and Staff of Kikuyu Water. Without their enthusiasm, hard work and teamwork we would not have come this far.



Jane Murage

**Ag. Managing Director**

KWCL 29<sup>TH</sup> SEPTEMBER 2014

# **KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

## **CORPORATE GOVERNANCE STATEMENT**

The Company regards good corporate governance as crucial to the success of the business and is committed to practice it so that it remains a sustainable and viable business. This Statement sets out the main corporate governance practices and structures in the Company.

The following Corporate governance guidelines and principles are applied in the Company to govern directors and staff. WASREB guidelines on Corporate Governance for Water companies specify best corporate governance principles and others like the Code of Ethics for directors and the Public Officer Ethics Act, 2003 that applies to public officers.

Directors exercise independent judgment and professional competencies for effective governance of the Company as set out in their terms of reference which clearly spells out important governance arrangements covering appointment of directors.

The Directors' Code of Conduct sets out rules that govern the conduct of individual directors in order to enable the Board to operate effectively and in the best interests of the Company. The Code of Conduct sets out rules for directors to among others: act honestly, in good faith and for the best interest of the Company, exercise duty with care and diligence, avoidance and management of conflict of interest, maintain confidentiality of information about the Company, showing commitment to and attend to Company's business and respect to fellow directors.

### **Composition of the Board of Directors**

The Board comprises ten Directors, including the Managing Director. The composition of the Board of Directors takes into account requirements of the water sector, diverse mix of skills, age, gender, qualifications and experience necessary to achieve the Company's goals and objectives.

### **Conflict of Interest**

Directors are required to make a written disclosure of any transaction in which they have interest and which would constitute a conflict of interest and to abstain from voting when such matters are being considered. Business transactions with all parties, directors or their related parties are carried out at arms' length.

### **Role and Responsibilities of the Board**

The Board provides leadership and strategic direction to the Company. Their main responsibilities are;

- Establishing the short and long-term goals of the Company and strategic plans to achieve those goals;
- Ensuring preparation of the annual and half-year financial statements;
- Approval and review of the annual budgets;
- Setting and periodically reviewing key performance indicators and management performance;
- Ensuring that the Company has adequate systems of internal controls;
- Ensuring that the Company has adequate risk management plans to ensure business continuity.

# **KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

## **Role of Chairman of the Board of Directors**

The Chairman is primarily responsible for providing leadership to the Board, Chairing Board meetings and general meetings of members. The chairman also ensures that the Board is supplied with timely and sufficient information to enable it to discharge its duties effectively.

## **Managing Director**

The Managing Director is the chief executive of the company responsible for the day to day management of the Company.

## **Directors Training and Development**

The Company recognizes the importance of having a well informed and fully empowered Board of Directors. In this regard, relevant training and capacity development opportunities are organized to equip directors with skills and knowledge necessary to effectively perform their responsibilities.

## **Board Work plan and Meetings**

A work plan and schedule of meetings is prepared annually in advance. The Board meets at least once a month or more depending on the requirements of the business. Directors receive adequate notice for meetings and detailed papers on issues to be discussed

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

Kikuyu water company's Corporate Social Responsibility focus on Education, Health, Environment and Emergency Response like fire outbreak. These initiatives portray the company's commitment to businesses that contribute to sustainable economic development by working with local communities and the society at large, to improve their lives.

Kikuyu Water Company participates in Corporate Responsibility activities in order to support situations that enable the community in our area of jurisdiction realize their full potential and empower people in terms of information, education and communication. The company has engaged in various activities in Corporate Social Responsibility. These includes our 2014 CSR activities which were; raising of funds for educating the needy children in kikuyu district, participated in Henry Wanyoike's annual marathon whose objective is to assist the disabled persons in kikuyu, we partnered with kikuyu sub county administrator in a clean-up and tree planting exercise during the world environmental day, we also gave a donation to the ministry of gender and social services for the welfare of the disabled people in Kikuyu. All the initiatives aimed at enhancing social welfare. Our Corporate Social Responsibility Practice will also continue to focus on understanding of the community's need and improving strategic interactions.

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

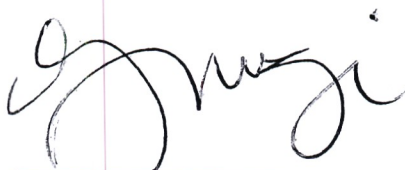
The Directors are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility includes: (i) maintaining 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 *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

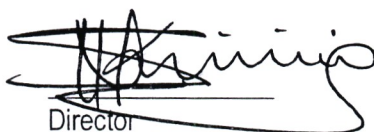
Nothing has come to the attention of the Directors to indicate that the *entity* will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The *entity's* financial statements were approved by the Board on 29/9/2014 2014 and signed on its behalf by:



Director



Director



Director

# REPUBLIC OF KENYA

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Fax: +254-20-311482  
E-mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KIKUYU WATER COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kikuyu Water Company Limited set out on pages 16 to 35, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (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 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. Doubtful Receivables/Debts**

Note 16 to the financial statements on Trade Receivables account of Kshs.38,505,738.00 includes debts amounting to Kshs.23,144,591.00 inherited by the company at inception from the defunct Town Council of Kikuyu which is now part of the County Government. However, the company has not been able to collect/recover the debts. In the circumstances, the accuracy and recoverability of trade receivables balance of Kshs.38,509,738.00 as at 30 June 2014 could not be confirmed.

### **Qualified Opinion**

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion Paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2002 and the Companies Act, Cap 486 of the Laws of Kenya.

### **Emphasis of Matter**

#### **1. Sustainability**

I draw attention to Note 23 to the financial statements. During the year under review, the company recorded a deficit of Kshs.12,520,927.00 (2012/2013-deficit of Kshs.4,629,580) which decreased the revenue reserve from Kshs.2,577,876.00 to negative Kshs.(9,409,079). Further, the current liabilities balance of Kshs.41,479,828.00 as at 30 June 2014 exceeded total current assets balance of Kshs.22,502,300.00 resulting in a negative working capital of Kshs.18,977,528.00, an indication that the company may be experiencing difficulties in settling maturing obligations as and when they fall due. The company's financial position is therefore precarious and its continued sustainability is dependent upon continued support from the Government and creditors.

#### **2. Unaccounted For Water (UFW)**

I draw attention to Note 5 to the financial statements which indicates water sales for the period ended 30 June 2014. Records availed for audit review during the year revealed that the company produced 1,586,966 cubic meters (m<sup>3</sup>) of water. However, out of this volume, only 829,990m<sup>3</sup> was billed to customers. The balance of 756,976 or approximately 47.7% of the total volume represented unaccounted for water (UFW) which 22.7% over and above the allowable loss of 25% is provided for by the Water Services Regulatory Board guidelines. The UFW of 47.7% may have resulted in loss of sales

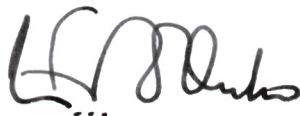
estimated at Kshs.25,207,300.80. The significant level of UFW may negatively impact on the company's profitability and its long term sustainability.

My opinion is not qualified in respect of these matters.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act Cap 486, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, proper books of account have been kept by the company, so far as appears from my examination of those books; and,
- iii. The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.



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

**Nairobi**

**15 September 2015**

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**STATEMENT OF COMPREHENSIVE INCOME**

	NOTES	2014 Kshs.	2013 Kshs. Restated
<b>REVENUE</b>			
Operational Income	5	62,452,806	63,251,760
Miscellaneous Income	6	23,494	15,170
Interest on Loan to Staff Welfare	7	39,000	-
Grants - Unrestricted	8	1,170,000	5,837,166
Grant Income From WSTF	9	23,082,481	10,937,938
<b>TOTAL REVENUE</b>		<b>86,767,781</b>	<b>80,042,034</b>
<b>EXPENDITURE</b>			
Administrative Expenses	10	33,599,405	32,207,343
Lease fees	11	7,998,034	7,980,404
Operational Expenses	12	31,709,575	32,198,376
Depreciation	13	1,255,239	1,347,553
Grant Expenditure	14	24,252,481	10,937,938
<b>TOTAL EXPENDITURE</b>		<b>98,814,734</b>	<b>84,671,614</b>
<b>Profit/Loss Before Tax</b>		<b>(12,046,953)</b>	<b>(4,629,580)</b>
Income Tax Expense		-	-
<b>Profit/loss After Tax</b>		<b>(12,046,953)</b>	<b>(4,629,580)</b>

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**STATEMENT OF FINANCIAL POSITION**

ASSETS	NOTE	2014	2013
NON CURRENT ASSETS		Ksh	Ksh
Properties, plant & Equipment	13	9,483,475	10,622,714
<b>Total fixed Assets</b>			
<b>CURRENT ASSETS</b>			
Trade Receivables	16	15,361,147	18,024,106
Prepayments	17	146,380	277,524
Other Receivables	18	179,047	-
Cash & Bank Balances	19	6,213,427	5,776,955
Inventory	20	1,076,273	
<b>Total current assets</b>		<b>22,976,274</b>	<b>24,078,585</b>
<b>Total Assets</b>		<b>32,459,749</b>	<b>34,701,299</b>
 <b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary Share capital	21	100,000	100,000
Capital reserves	22	349,000	349,000
Retained Earnings	23	(9,469,079)	2,577,876
<b>Total capital &amp; Reserves</b>		<b><u>(9,020,079)</u></b>	<b><u>3,026,876</u></b>
 <b>CURRENT LIABILITIES</b>			
Trade & other payables	24	33,700,116	24,878,277
Customer deposits	25	6,678,540	5,107,040
Deferred Income	26	1,101,172	1,689,106
<b>Total current liabilities</b>		<b>41,479,828</b>	<b>31,674,423</b>
<b>Total Equity &amp; Liabilities</b>		<b>32,459,749</b>	<b>34,701,299</b>



Jane W. Murage  
**Managing Director**  
Dated 30th September 2014

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**STATEMENT OF CHANGES IN EQUITY**

	Ordinary share capital	Retained earnings	Capital Reserve	Total
<b>Balance Brought Down July 1, 2012</b>	100,000.00	7,207,454.00	349,000.00	7,656,454.00
Total comprehensive income	-	(4,629,580.00)	-	(4,629,580.00)
<b>Balance Carried Down as at June 30, 2013</b>	100,000.00	2,577,874.00	349,000.00	3,026,874.00
<b>Balance Brought Dowd as at 1<sup>st</sup> July 2013</b>	100,000.00	2,577,874.00	349,000.00	3,026,874.00
Total comprehensive income		(12,046,953)		(12,046,953)
<b>Balance Carried Down as at June30, 2014</b>	100,000.00	(9,469,079)	349,000.00	(9,020,079)

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**STATEMENT OF CASH FLOWS**

	Note	2014 Ksh	2013 Ksh
<b>Operating Activities</b>			
Net Cash generated from /(used in) operations	27	<u>552,472</u>	<u>4,771,388</u>
<b>INVESTING ACTIVITEIS</b>			
Purchase of office Equipment		<u>-116,000</u>	<u>-1,907,901</u>
Net cash generated from (used in) investing activates		<u>-116,000</u>	<u>-1,907,901</u>
Net Increase/Decrease in cash & cash Equivalent		436,472	2,863,487
Cash & cash equivalent in the beginning of the period		5,776,955	2,913,468
Cash & cash equivalent at the end of the period		<u>6,213,427</u>	<u>5,776,955</u>

# **KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

## **(1) Background information**

Kikuyu Water Company Ltd (KWCL) was incorporated under the Companies Act (Cap. 486) on 10<sup>th</sup> March 2006 and was appointed by Athi Water Services Board (a state corporation) as an agent for the provision of efficient and effective water and sewerage services within Kikuyu Township and its environs. It is currently owned by County Government of Kiambu.

## **(2) Summary of significant accounting policies**

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

### **(i) Statement of compliance and basis of preparation**

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the *entity's* accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity* and all values are rounded to the nearest shillings.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

### **(ii) Revenue recognition**

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the *entity* and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the *entity's* activities where applicable, and when specific criteria have been met for each of the *entity's* activities as described below.

- a) **Revenue from the sale of goods and services** is recognized in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- b) **Grants from National Government** are recognized in the year in which the *entity* actually receives such grants.

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE 2014**

c) **Finance income** comprises interest receivable from bank deposits and is recognized in profit or loss as it accrues.

d) **Other income** is recognized as it accrues.

**(iii) Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

Depreciation is charged so as to write off the cost of property, plant and equipment to their residual values over their expected useful lives, using the reducing balance method at the following:

The annual depreciation rates in use are:

Office Equipments	33%
Furniture and Fittings	10%
Motor vehicles	25%
Plant & Equipments	10%
Water Meters	10%

**iv) Inventories**

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price

**v) Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

**vi) Taxation**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date.

**vii) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, Bank account balances include amounts held at various commercial banks at the end of the financial year.

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**viii) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the *entity* or not, less any payments made to the suppliers.

**ix) Provision for staff leave pay**

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

**x) Retirement benefit obligations**

The company adopted two defined pensions' schemes namely Laptrust and British American Insurance for all permanent employees from 10<sup>th</sup> March, 2006 and 1<sup>st</sup> July 2012 respectively. The schemes are administered by Laptrust and British American Insurance respectively. The employees contributes 12% of the Basic salary and house allowance and the employer contributes 15% of the basic salary and house allowance for Laptrust scheme while the employees contribute 7.5% of the basic and house allowance and the employer contributes 15% of the basic and house allowance

The company also contributes to the statutory National Social Security Fund (NSSF) for employees on employed on casual basis and those on probation. This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.400 per employee per month.

**xi) Comparative figures**

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

**xii) Subsequent events**

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

**xiii) Provisions**

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

# **KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

## **xiv) Reserves**

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

## **xv) Related parties**

The company is wholly owned by County Government of Kiambu- incorporated in Kenya, which owns 100% of the company's shares. There are other entities which are related to Kikuyu Water Company limited, this includes National Government, Athi Water Services Board, Water Services Regulatory Board, Water Resources Management Authority, Board of Directors & Key Management staff.

The company operates under a regular tariff signed between Water services regulatory board, Athi water services board and Kikuyu sub-county where WASREB is paid 1% of all revenues generated from provision of water and sanitation services while AWSB and Kikuyu sub-county are paid a fixed fee on monthly basis. while WARMA is paid at 50cts per cubic meter of water produced.

## **xvi) Financial instruments**

Financial assets and financial liabilities, in respect of financial instruments, are recognized on the company statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at cost. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at cost through profit or loss are recognized immediately in profit or loss.

## **xvii) Remuneration of Key Management Personnel**

Key management personnel is defined in the kikuyu water co ltd Human resource manual as persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director of that company. Key Management personnel typically comprise not only board members, but also the Managing Director, Finance & administration manager and Technical manager.

Key management personnel are shown in the company's organization structure. The company is required to disclose the remuneration directors as this is a requirement under company's Act companies while remuneration of other key management is reported under staff Expenses

## **xviii). Sources of estimation uncertainty**

An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

- (a) their nature, and
- (b) their carrying amount as at the end of the reporting period

# **KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

The management is cognizant to the fact that any estimation or judgment that might result to material adjustments of assets and liabilities in the following year shall be disclosed. However during the year under review there were no estimation done and that all the data used was actual and certain. Therefore there is no anticipated material adjustment in the following year.

### **3. Critical accounting estimates and judgments**

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain accounting estimates. It also requires directors to exercise judgment in the process of applying the company's accounting policies. In the process of applying the company's accounting policies, directors have made estimates and assumptions that affect the reported amounts of assets and liabilities within current and future financial periods. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical areas of accounting estimates and judgments in relation to the preparation of these financial statements are as set out below:

#### **(i) Property and equipment**

Critical estimates are made by directors in determining the useful lives of property, plant and equipment based on the intended use and economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

#### **(ii) Critical judgments in applying the entity's accounting policies**

In the process of applying the company's accounting policies, the directors have made judgments in determining:

- The classification of financial assets.

### **4. Financial risk management**

Various financial assets and liabilities arise directly from the company's operations. Changing market conditions expose the company to various financial risks and management have highlighted the importance of financial risk management as an element of control for the company. The company has developed a risk management frame work which was approved by the Board of directors is now used as a tool to mitigate on financial risks faced in the ordinary course of the company's business. The risks includes but not limited to: liquidity risk, credit risk, and market risk. The policy of the company is to minimize the negative effect of such risks on cash flow, financial performance and equity.

#### **(a) Liquidity risk**

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn in deposits accounts. The company proactively manages cash surpluses using a combination of short and long term investment programmes that ensure adequate liquidity to meet its short and long term obligations. Management perform cash flow forecasting and monitor rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**(b) Credit risk**

The company is exposed to credit risk which is the risk that the debtors will cause a financial loss to the company by failing to discharge an obligation. Credit risk arises mainly from customer deposits held in the form of bank balances or short term deposits, and the cash held at revenue collection points with various institutions like M-pesa platform, Equity bank Ltd, Family Bank Ltd and Post bank of Kenya Ltd.

The company does not have significant concentrations of credit risk posed by collection agents or banks since the financial institutions possess high credit quality and hence the risk of default is low. Cash deposits are maintained with credible financial institutions

The company's accounts receivable are generated mainly from the water sale. Majority of these sales are in accounts receivable which generally are short term for a period not exceeding 30 days. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**EXPLANATORY NOTES TO FINANCIAL STATEMENTS**

	<b>2014 Ksh</b>	<b>2013 Ksh</b>
<b>5. Operational Income</b>		
Water Sales for the period ended 30 <sup>th</sup> June	60,622,470	66,663,490.00
Sales Adjustments due to estimated Billings	(1,324,164)	(6,387,640.00)
Collections from New connections and others	1,052,800	705,400
Exhauster Revenue	1,843,500	1,620,500
Sale Of Tenders	131,000	245,000
Others	127,200	405,010
	<b>62,452,806</b>	<b>63,251,760</b>
<b>6. Miscellaneous income</b>		
Interest earned from Customer deposit	<b>23,494</b>	<b>15,170</b>
<b>7. Interest on Loan to Staff Welfare</b>		
	<b>39,000</b>	
<b>8. Grants – Unrestricted</b>		
Grants from AWSB- for equipping Riu 2 B/hole / Alliance Borehole	<b>1,170,000</b>	2,000,000
Payment of Electricity bills for Kikuyu & Karai Schemes by G. o. K		1,887,000
Payment of staff salaries for staff inherited from Ministry of Water		1,950,166
	<b>1,170,000</b>	<b>5,837,166</b>
<b>9. Grant Income From WSTF</b>		
Grant income from WSTF relates to funds received for three projects (Kimbaa, Kingeero-kinoo and Kiamburi Thogoto). This has been recognized as revenue since the ownership of the assets belongs to AWSB. The grant income has been matched with expenses.	<b>23,082,481</b>	<b>10,937,938</b>

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
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**10.A Administrative Expenses**

Advertising	145,770	582,476
Airtime For Operations	380,860	402,440
Annual General Meeting expenses	118,000	-
Annual Subscriptions	105,100	60,000
Bank Charges	356,537	331,200
Billing Services Fees	1,520,783	1,542,205
E-banking	-	162,160
Co-operate social responsibility	45,000	-
Electricity & Water-Office	163,388	129,964
IT & Internet Services	75,802	56,750
Stationery	85,605	113,302
Courier & Postage	8,200	8,350
Printing & Reproduction	93,830	215,854
Rent & Rates	467,010	429,010
General Office Running Expenses	619,654	671,951
Motor Vehicle Repair & Maintenance	1,181,989	658,325
Fuel & Lubricants	1,022,090	1,286,190
vehicle Security & Tracking	127,400	
Audit Fee	232,000	232,000
Company secretarial Services	129,500	83,866
	<b>6,878,518</b>	<b>6,966,043</b>

**10.B Board Expenses**

Board Sitting Allowances	412,131	791,760
Capacity Building Training/other board expenses	48,370	295,160

**10.C Staff Expenses**

	<b>460,501</b>	<b>1,086,920</b>
Staff Salaries	19,632,468	17,818,665
Leave and passage allowances	166,000	155,000
Employer contribution to pension schemes	2,220,400	1,762,734
Casual wages	2,205,237	1,889,968
Uniforms, Medical items	46,500	191,670
Staff welfare	141,665	178,540
DIT Levy	31,200	28,200
Registration to Professional Bodies		25,700
	<b>24,443,470</b>	<b>22,050,477</b>

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
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	2014 Kshs	2013 Kshs
<b>10.D General Expenses</b>		
Insurance (Vehicle)		
Training expenses	45,443	50,425
Subsistence Allowances	108,500	353,770
WIBA and General Accident Cover	1,204,478	1,105,205
Maintenance of office equipment	262,165	523,803
	196,330	70,700
	<b>1,816,916</b>	<b>2,103,903</b>
<b>11. Lease Fees</b>		
<b>11.A</b> Lease Fee payable to AWSB	7,348,881	7,348,881
<b>11.B</b> WASREB	625,153	607,523
<b>11.C</b> Kikuyu Sub-county	24,000	24,000
	<b>7,998,034</b>	<b>7,980,404</b>
<b>12. Operational Expenses</b>		
Electricity	25,350,433	21,251,972
Maintenance of W & S system	2,358,566	3,168,398
Maintenance of plant & equipment	2,253,691	4,778,788
Water abstraction Fees	983,535	1,428,513
Planning and Design	42,000	1,126,920
Permits & Licences	262,000	35,000
Water Quality Testing & Treatment	11,850	60,500
Rehabilitation of Buildings	46,660	-
Exhauster/Disposal charges expenses	400,840	348,285
	<b>31,709,575</b>	<b>32,198,376</b>

**KIKUYU WATER COMPANY LTD FINANCIAL STATEMENTS FOR THE  
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**13. Property Plant & Equipment**

2013	Office Equipment	Furniture and Fittings	Motor vehicles	Water Meters	Plant & Equipment	Total
<b>COST OR VALUATION</b>						
At at 1st July 2012	1,218,275	521,834	2,623,213	1,031,899	10,556,426	15,951,647
Additions for the yr	274,001	226,400	0	0	1,407,500	1,907,901
<b>As at 30.06.2013</b>	<b>1,492,276</b>	<b>748,234</b>	<b>2,623,213</b>	<b>1,031,899</b>	<b>11,963,926</b>	<b>17,859,548</b>
<b>DEPRECIATION</b>						
At at 1st July 2012	967,156	219,461	2,013,728	339,550	2,349,386	5,889,281
Charge for the year	150,685	48,995	152,371	69,235	926,267	1,347,553
<b>As at 30.06.2013</b>	<b>1,117,841</b>	<b>268,456</b>	<b>2,166,099</b>	<b>408,785</b>	<b>3,275,653</b>	<b>7,236,834</b>
<b>NET BOOK VALUE</b>						
<b>N.B.V As at 30th June 2013</b>	<b>374,435</b>	<b>479,778</b>	<b>457,114</b>	<b>623,114</b>	<b>8,688,273</b>	<b>10,622,714</b>
2014	Office Equipment	Furniture and Fittings	Motor vehicles	Water Meters	Plant & Equipment	Total
<b>COST OR VALUATION</b>						
At at 1st July 2013	1,492,278	748,233	2,623,213	1,031,899	11,963,926	17,859,549
Additions for the yr	116,000	0	0	0	0	116,000
<b>AS At 30.06.2014</b>	<b>1,608,278</b>	<b>748,233</b>	<b>2,623,213</b>	<b>1,031,899</b>	<b>11,963,926</b>	<b>17,975,549</b>
<b>DEPRECIATION</b>						
At at 1st July 2013	1,117,841	268,457	2,166,099	408,785	3,275,653	7,236,835
Charge for the year	161,844	47,978	114,278	62,312	868,827	1,255,239
<b>As at 30th June 2014</b>	<b>1,279,685</b>	<b>316,435</b>	<b>2,280,377</b>	<b>471,097</b>	<b>4,144,480</b>	<b>8,492,074</b>
<b>NET BOOK VALUE</b>						
<b>N.B.V As at 30<sup>th</sup> June 2014</b>	<b>328,593</b>	<b>431,798</b>	<b>342,836</b>	<b>560,802</b>	<b>7,819,446</b>	<b>9,483,475</b>

The Company has 5No. Motor cycles Reg. Nos. KAW 389Z, KAV 992E, KBG 628 C, KBG 626C & KBG 627C, 1No. Pickup KBG 959c and 1No. Exhauster Truck Registration No. KBG 426C. were donated by Athi Water Services Board (AWSB) to assist the company in operations which the company only bears the cost of fuel and maintenance as the vehicles are owned by Athi Water. The company only owns one Pickup KAY 253I which is recognized in our books at cost and the depreciation thereof has been charged

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	2014	2013
<b>14.0 Grant Expenditure</b>		
14.A Grant Expenditure-.of AGH borehole	1,170,000	-
14.B Projects grants expenditure (WSTF)	23,082,481	10,937,938
	<b>24,252,481</b>	<b>10,937,738</b>

**15. Income Tax Expense**

The company has been making losses in the prior years and therefore going by the history of company's performance no advance tax ( quarterly installments tax) was provided for or paid thereof. The company made a loss of ksh 12,046,953 in the financial year 2013-2014 and therefore no final corporation tax was provided.

<b>16.Trade Receivables</b>		
Debtors as at 1 <sup>st</sup> July	41,168,697	40,712,184
Add Sales for the period ended 30 <sup>th</sup> June	60,622,470	66,663,490
Less Sales Adjustments for the period ended 30 <sup>th</sup> June	(1,324,164)	(6,387,640)
Less Collections for the period ended 30 <sup>th</sup> June	(61,961,265)	(59,819,337)
<b>Total Trade Receivables as at 30<sup>th</sup> June from water sales</b>	<b>38,505,738</b>	<b>41,168,697</b>
<b>Provision for bad debts</b>	<b>(23,144,591)</b>	<b>(23,144,591)</b>
<b>Net Trade Receivables</b>	<b>15,361,147</b>	<b>18,024,106</b>

**17. Prepayments**

Insurance-WIBA	138,010	217,828
Employee Salary Advance	8,370	59,696
	<b>146,380</b>	<b>277,524</b>

**18. Other Receivables**

Kiambu Water Company limited	140,047	-
Kikuyu Water Staff welfare	39,000	-
	<b>179,047</b>	-

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	2014	2013
<b>19. Cash and bank balances</b>		<b>Restated</b>
Cash at Bank – Kenya Commercial Bank (Main Revenue Account)	173,058	423,812
Cash at Bank – Kenya Commercial Bank (Customer Deposits Account)	4,624,867	3,037,758
Cash at Bank-Equity	106,761	288,203
Cash at Bank – Kenya Commercial Bank (Expenditure Account)	9,451.00	103,461
Cash at post bank of kenya	16,670	53,670
M-Pesa Utility Account	116,095	75,394
Family Bank of Kenya	39,773	87,458
Family Bank-Thogoto Kiamburi	1,103,172	-
FamilyBank- Kiambaa	-	704,697
Family Bank Kingeero-kinoo	-	984,409
Cash at hand as at 30 <sup>th</sup> June	23,580	18,093
<b>Total Cash and Bank Balances</b>	<b>6,213,427</b>	<b>5,776,995</b>
 <b>20. Inventory</b>		
Stationery	40,791	-
Chemicals	21,450	-
Electrical fittings	43,980	-
Water Fittings	435,042	-
Water meters	62,400	-
Pipes	408,710	-
Tools	63,900	-
	<b>1,076,273</b>	-

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YEAR ENDED 30<sup>TH</sup> JUNE 2014**

	2014 kshs	2013 kshs
<b>21. Ordinary Share Capital-Town Council of Kikuyu</b>	<b>100,000</b>	<b>100,000</b>
<b>22. Capital Reserves Donated By GOK</b>	<b>349,000</b>	<b>349,000</b>
<b>23. Retained Earnings</b>		
Opening Balance	2,577,874	7,207,454
Surplus for the period	(12,046,953)	(4,629,580)
Closing Balance	<b>(9,469,079)</b>	<b>2,577,874</b>
<b>24. Trade and Other Payables</b>		
Corporation tax payable	1,129,507	1,129,507
Prepaid customer accounts	478,230	424,419
Salary & Wages	972,565	1,923,679
Professional Fees	464,000	432,000
Suppliers	843,890	2,519,759
Lease Fee to AWSB	20,161,557	12,812,676
Shared Billing Services payments	1,137,600	1,185,960
Town Council Of Kikuyu	48,000	24,000
Regulatory Levy	145,633	228,524
Electricity	6,495,519	1,983,912
Accrued Directors taxes	-	23,760
WARMA Charges	1,823,615	2,190,080
<b>Total Trade and Other Payables</b>	<b>33,700,116</b>	<b>24,878,276</b>
<b>25. Customer deposits</b>		
As at 1 <sup>st</sup> July	5,107,040	4,122,940
Increase in customer deposits	1,571,500	984,100
<b>Total Customer deposits</b>	<b>6,678,540</b>	<b>5,107,040</b>
<b>26. Deferred income</b>	<b>1,101,172</b>	<b>1,689,106</b>
Deferred income relates to funds that were received from WSTF that was not paid as at 30 <sup>th</sup> June.		

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**27. Notes to the statement of cash flow**

**(a) Reconciliation of operating profit/loss to  
cash generated from/(used in ) operation**

	2014	2013
	Ksh	Ksh
Operating Activities		
Operating Profit/(Loss)	-12,046,953	-4,629,580
Depreciation	<u>1,255,239</u>	<u>1,347,553</u>
<b>Operating profit/loss before working capital changes</b>	<b>-10,791,714</b>	<b>-3,282,027</b>
(Increase)/Decrease in trade receivables	2,662,957	-456,513
(Increase)/Decrease in other receivables	-179,047	-
Increase/Decrease in Prepayments	131,144	-28,751
Increase/ Decrease in Inventory	-1,076,273	-
Increase/decrease in trade payable	8,821,839	5,865,473
Increase/decrease in Deffered income	-587,934	1,689,106
Increase in customer deposits	<u>1,571,500</u>	<u>984,100</u>
	<b><u>11,344,186</u></b>	<b><u>8,053,415</u></b>
<b>Cash generated from /(used in) operations</b>	<b><u>552,472</u></b>	<b><u>4,771,388</u></b>

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**28. Related parties transactions**

The company is wholly owned by County Government of Kiambu- incorporated in Kenya, which owns 100% of the company's shares.

**(a) Athi Water Services Board**

Athi water Services board is a state corporation under the ministry of water, environment and natural resources incorporated under state corporation act Cap (446) with the mandate of asset development within Nairobi and Kiambu counties. Kikuyu water Company is appointed as an agent of AWSB as one of the Water service providers (WSPs) tasked with the management of asset and liabilities as negotiated through a services provision agreement ( SPA). The company is supposed to pay a fixed administration levy to AWSB as indicated in the regular tariff which was approved by the Regulator (WASREB).

**(b) Kikuyu Sub- County/ County Government of Kiambu**

The company is wholly owned by the County Government of Kiambu which owns 100% of the company's shares. The company is supposed to pay a fixed monthly lease fee to the county Government of kiambu as determined in the regular tariff approved by the regulator (WASREB) at ksh 2000 per month.

**(c) Water Services Regulatory Board**

The company operates under water sector regulator that is Water services regulatory board. The company has signed a Service Provision Agreement (SPA) with the regulator through AWSB and is supposed to pay a regulatory levy to WASREB on monthly basis at 1% of all revenues generated. The regulator is also supposed to approve water and sanitation tariff at interval of three years or as need be.

**(d) Water Resources Management Authority**

The company is obligated under the water act of 2002 to pay water resources management authority on monthly basis a levy of 50cts per cubic meter of water produced.

**(e) Remuneration for directors' and key management compensation**

The remuneration for directors' and other members of key management during the year were as follows:

<b>(A) ATHI WATER SERVICES BOARD</b>	<b>2014</b>	<b>2013</b>
<b>Balances brought forward</b>	<b>12,812,676</b>	<b>6,966,136</b>
Lease Fee payable to AWSB	7,348,881	7,348,881
Payments during the year	-	(1,502,341)
<b>Balance Carried down as at 30<sup>th</sup> June</b>	<b>20,161,557</b>	<b>12,812,676</b>

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	2014	2013
<b>(B) COUNTY GOVERNMENT OF KIAMBU</b>		
<b>Balances brought forward</b>	<b>24,000</b>	-
Kikuyu Sub-county ( County Government of Kiambu)	24,000	24,000
<b>Balance Carried down as at 30<sup>th</sup> June</b>	<b>48,000</b>	<b>24,000</b>
<b>(C) WATER SERVICES REGULATORY BOARD</b>		
<b>Balances brought forward</b>	<b>228,524</b>	<b>199,390</b>
Regulatory levy payable to WASREB	625,153	607,523
Payments during the year	(708,044)	578,389
<b>Balance Carried down as at 30<sup>th</sup> June</b>	<b>145,633</b>	<b>228,524</b>
<b>(D) WATER RESOURCES MANAGEMENT AUTHORITY</b>		
<b>Balances brought forward</b>	<b>2,190,080</b>	<b>2,261,567</b>
Regulatory levy payable to WARMA	983,535	1,428,513
Payments during the year	(1,350,000)	(1,500,000)
<b>Balance Carried down as at 30<sup>th</sup> June</b>	<b>1,823,615</b>	<b>2,190,080</b>
<b>(E) DIRECTORS REMUNERATION</b>		
Board sitting allowances	412,131	791,760
Capacity building	48,370	295,160
	<b>460,501</b>	<b>1,086,920</b>