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**KENYA NATIONAL AUDIT OFFICE**

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE 2014**





**KIRINYAGA WATER & SANITATION COMPANY  
(KIRIWASCO)**

**P.O BOX 360-10300, KERUGOYA**

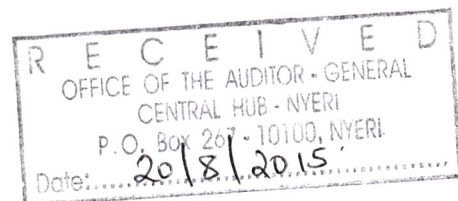
**0715413591**

Email – [kiriwasco@yahoo.co.uk](mailto:kiriwasco@yahoo.co.uk)/[kiriwasco@gmail.com](mailto:kiriwasco@gmail.com)

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**KIRINYAGA WATER AND  
SANITATION COMPANY LTD**

**FINANCIAL STATEMENTS AND  
REPORT FOR THE YEAR ENDED  
30 JUNE 2014**



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# **KIRINYAGA WATER AND SANITATION COMPANY LIMITED**

## **1. KEY ENTITY INFORMATION**

### **BACKGROUND INFORMATION**

The enactment of Water Act 2002, led to the creation of Water Services Regulatory Board (WASREB), Water Services Board and Water Services Providers to spearhead the water sector reform programme. Kiriwasco is a Water Service Provider Company Limited by shares and incorporated under the Companies Act Cap 486 of the laws of Kenya and operates under the supervision of Tana Water Services Board.

KIRIWASCO has been mandated by Tana Water Services Board through a Service Provision Agreement (SPA) to carry out water and sewerage services in both urban and rural areas of Kirinyaga District. The Company takes charge of public resources in order to provide quality, affordable, reliable, sustainable and portable water and sewerage services in the target community. KIRIWASCO is jointly owned by the Government of Kenya, Kirinyaga County Council, Kerugoya-Kutus Urban Council, Sagana Urban Council and the Local Community

### **PRINCIPAL ACTIVITY**

The principal activity of KIRIWASCO is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in Kirinyaga District and part of Mbeere District.

### **MAIN BUSINESS OPERATING OBJECTIVES**

The Company's main business operating objectives include, but not limited to, the following:

- (a) Increase stake holder's awareness on water sector reforms
- (b) Improve access to sustainable and safe water
- (c) Increase the demand for available safe water
- (d) Increase the access to improved sanitation
- (e) Achieve operational financial sustainability

### **RESULTS**

The entity's results for the year ended 30<sup>th</sup> June 2014 are set out on page 14

### **DIRECTORS**

The members of the Board of Directors who served during the year are shown on page 3 & 4.

### **AUDITORS**

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

### **VISION**

To be a role model water services provider in Kenya

### **MISSION**

To provide safe and clean water through, reliable, affordable and sustainable water services to our customers by developing facilities and managing systems in the most efficient and effective manner.

## **STRATEGIC OBJECTIVES**

1. Institutional strengthening of KIRIWASCO
2. Reduces UFW
3. Achieve financial sustainability
4. Improve access to sustainable and safe water
5. Increase access to improved sanitation
6. Increase stakeholders awareness on water sector reforms

## **SLOGAN**

*Tap it; Get it; its life*

## **REGISTERED OFFICE/HEADQUARTERS**

Kirinyaga Water and Sanitation Company

P O Box 360-10300

**KERUGOYA**

Tel: **0715413591**

Email: [kiriwasco@gmail.com](mailto:kiriwasco@gmail.com)

## **BANKERS**

Co-operative Bank of KENYA

Kerugoya Branch

P O Box 635-10300

**KERUGOYA**

## **Equity Bank**

Kerugoya Branch

P.O Box 1056-10300

**KERUGOYA**

## **AUDITORS**

Auditor General

Kenya National Audit Office

Anniversary Towers

P O Box 30084-00100

**NAIROBI**

## **COMPANY SECRETARY**

Kariru & Associates

P.O Box 70460-00400

**NAIROBI**

## **COMPANY ADVOCATE**

**Amolo & Kibanya Advocates**








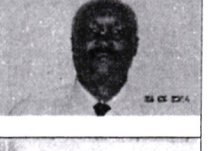

P.O Box 61203-00200


**NAIROBI**

# KIRINYAGA WATER AND SANITATION COMPANY LIMITED

## 2. LIST OF BOARD MEMBERS

The Board members who held office during the year were:

NO	NAMES AND ADDRESS	REPRESENTING INTEREST	REMARKS	Y.O.B	QUALIFICATIONS	PASSPORT
1	<b>James W. Gachibiri</b> P O Box 360, KERUGOYA	Community Water projects	Chairman Full Board	1969	Diploma in Business Administration	
2	<b>Nicanor M. Kingara</b> P O Box 360, KERUGOYA	Business Group	Chairman Commercial, Admin & Technical Committee	1949	Higher National Diploma	
3	<b>Alfred M. Mate</b> P O Box 360, KERUGOYA	Jua Kali Associations	Chairman Audit Committee	1973	B.A in Human Resource & Admin.	
4	<b>Lucy W. Kiarie</b> P O Box 360, KERUGOYA	Women Groups	Member	1966	Graduate KMTC	
5	<b>Diana W. Gichaiya</b> P O Box 360, KERUGOYA	Maendeleo ya Wanawake	Member	1960	Diploma in counseling and Guidance	
6	<b>Robert N. Munyua</b> P O Box 360, KERUGOYA	Kirinyaga County Director	Member	1971	Bsc,Msc,MBA (Finance)	
7	<b>Peter K Kimani</b> P O Box 360, KERUGOYA	County Water Chief Officer	Member	1958	M sc Engineering	
8	<b>Peter M. Igecha</b> P.O Box 360 KERUGOYA	Tana WSB Representative	Member	1960	Higher National Diploma in Water Engineering, Registered member of water engineering	
9	<b>Obadiah K. Kiburi</b> P O Box 360, KERUGOYA	Professional bodies	Member	1956	B.A in Education	






NO	NAMES AND ADDRESS	REPRESENTING INTEREST	REMARKS	Y.O.B	QUALIFICATIONS	PASSPORT
10	Samuel K. Wakabu P O Box 360, KERUGOYA	Managing Director KIRIWASCO		1965	Bachelor of science (MIS) and CPA (K)	

By ORDER OF THE Board  
For and on its behalf

.....Date ..... 20/8/15  
MANAGING DIRECTOR

# KIRINYAGA WATER AND SANITATION COMPANY LIMITED

## 3. MANAGEMENT TEAM

Designation	Name	Y.O.B	Qualifications	Passport
Managing Director	Mr. Samuel Kamau Wakabu	1965	Bachelor of science (MIS )and CPA (K)	
Technical Manager	Mr. Paul Nuthu Gichuki	1981	Bachelor of science in water Engineering	
Internal Auditor	Mr. Charles Wachira Maina	1984	Bachelor of commerce(Accounting option)and CPA (K)	
Commercial Manager	Ms. Salome Nyambura Muriithi	1983	CPA part 3 sec 5	
Human Resources and Administration Manager	Ms. Susan Wambui Mbucio	1980	Diploma in Public relation and Journalism and Bachelor in buss mgt (HR Option)	

# KIRINYAGA WATER AND SANITATION COMPANY LIMITED

## 4. REPORT OF THE CHAIRMAN

It is my pleasure to release our annual report and financial statements for the year ended 30<sup>th</sup> June 2014. This year was historic as it was the first full year that Kirinyaga Water and Sanitation Company Ltd operated under the County government era. The transition period has had its challenges and it is quite evident that there exists a gap whereby capacity must be built to enable all parties appreciate the role of KIRIWASCO, its challenges and how the County Government can intervene.

Early in the period of reforms in the water sector (before year 2002), it was recognised that if water services were to be eventually sustainable so that operation and maintenance expenses could be covered, facilities rehabilitated and expanded so as to eventually cover every homestead, water services revenues were to be safeguarded and ring fenced so that they were ploughed back exclusively to the water sector to grow it. Please refer to chapter 1 and Chapter 2 of the National Water Services Strategy 2007-2015. For the last 9 years Water Services Regulatory Board (WASREB) has been nurturing ring fencing of assets and revenues to ensure that the water companies are able to perform the services optimally. Given this background my board will very soon organize a capacity building seminar in an effort to build the existing gap. The capacity gap exists because of lack of awareness whereby:

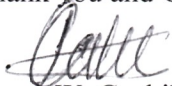
- 1) We feel the members of the County Assembly (MCAs) have the wrong concept of our WSP as they view it as a profit making organization. Procedures of tariff application which are based on bare cost recovery need to be clearly explained to them.
- 2) The difference between irrigation and domestic water need to be explained as the two have been seen as one and the same. There is an upsurge of irrigation water being used for domestic purposes. This is in contravention of the conditions under which irrigation water is licensed and the County Government should clarify and enforce adherence to the conditions of the permit/license through county legislation.
- 3) There is need to instill the fact that the development of domestic water infrastructure is the mandate of the County Government as the tariff does not provide for heavy development expenditure. Lack of awareness in this area has negatively impacted on the funding from the County Government. During the budget year 2013/2014 there was no allocation at all.

Our Vision, mission and core values are very clear, and it is my belief that our presence has already been felt in many households. This has been possible through the continued cooperation with all the stakeholders. KIRIWASCO will strive to ensure that the residents of its area of jurisdiction will have a 24 hours water services every day.

We believe our good relations with our customers, good management principles and policies will always remain the driving force of our company in order to execute our mandate. This will ensure that we make a difference in the livelihoods of our customers, a task I believe we are happy and willing to achieve. Currently we are within the strategic plan covering the period 2011-15 that envisions the above possibility.

Finally, I would wish to extend my sincere gratitude to the KIRIWASCO Board of Directors, Tana Water Services Board, Water Services Regulatory Board, County Government of Kirinyaga, Ministry of Environment Water and Natural Resources and our customers for their support. I would also thank the management and staff of KIRIWASCO for their continued hard work over the financial year.

Thank you and God bless you all.



James W. Gachibiri

**Chairman, KIRIWASCO Board of Directors**

# **KIRINYAGA WATER AND SANITATION COMPANY LIMITED**

## **5. REPORT OF THE MANAGING DIRECTOR**

### **Introduction**

Following the enactment of the Water Act of 2002 that envisioned reforms in the water sector Kirinyaga Water and Sanitation Company Ltd (KIRIWASCO) was created and registered under the Company's Act (Cap 486) on 6<sup>th</sup> of April 2006. The Service Provision Agreement (SPA) between Tana Water Services Board (TWSB) and KIRIWASCO was signed on 2<sup>nd</sup> May 2006. Therefore this made KIRIWASCO an agent of TWSB as TWSB is the license holder for the provision of water services in the area covered by KIRIWASCO.

### **The New County dispensation**

However we are now in a transition period where during the year, the new constitution came into effect and the function of water and sanitation services was transferred to the County Government. This will take full effect when the Water Act 2002 is repealed by a new Act and that will most likely happen in this year (2014).

### **Coverage**

KIRIWASCO covers the following four schemes within Kirinyaga County namely Ndia, Kerugoya, Sagana and Wang'uru. The Company's area of jurisdiction is about 1,479 Km<sup>2</sup> with a population of about 458,350. Our coverage in terms of population is low (about a third). It behoves the principal especially the County Government to intervene in this regard by funding our proposals to reach the un-served and underserved communities.

### **Asset development**

It is important to note that the responsibilities of KIRIWASCO do not include asset development but the maintenance of the existing infrastructure. The responsibility of asset development and major rehabilitation remains with the principal be it TWSB under current arrangement or the County government when transition is fully realized.

### **Challenges**

Among our challenges is the fact that KIRIWASCO inherited a dilapidated infrastructure which requires extensive rehabilitation and whose funding requirements are beyond affordability. This has impacted heavily and resulted in a high level of Non Revenue Water (NRW). This is contributed by undetectable underground leaks among other causes. We therefore also request the County Government to fund for the purchase of equipment to address the high NRW. Such equipment includes leak detection equipment, pipe locators among others and their cost is high and above our affordability. It is important to note that where we have benchmarked with companies that are enjoying low NRW rates, we found that invariably such companies have had their entire pipe networks replaced examples being Meru Water and Sewerage Trust and Nyeri Water and Sewerage Company. However through other interventions such as metering and reduction of flat rate connections, we have been able to reduce the UFW from 66% at the beginning of the year to 62% at the close of the year.

### **Performance**

This year we achieved gross revenue of Ksh. 111.8 million up from Ksh.102.1 million achieved last year which shows a growth of 9.5%. The overall surplus for the year was Kshs. 5.9 million. This surplus has been ploughed back to help improve our operations.

The finance cost was higher due to the payment of loans that were secured at very favorable terms and included a subsidy upon achieving certain milestones. The loans were used to extend the distribution network to Kamweli and Mukangu areas.

During the year, assets worth Kshs. 11.8 million were procured to increase efficiency and support growth as well as to replace worn out assets. The assets included computers, pipeline extensions, motor cycles and meters.

The company has continued to improve efficiency by outsourcing non-core activities so that it can concentrate on its core duties of provision of water. In this regard we have entered into agency agreements with Saccos and Banks for revenue collection. This has resulted in improved revenue collection.

**Way forward**

The management intends to focus on the area of NRW to enable us increase the saleable water and revenue as well. Another area to focus on will be staff training to enable the company embrace best practices for improved efficiency.

**Gratitude**

Finally I take this opportunity to thank KIRIWASCO stakeholders who through the Board of Directors have offered valuable oversight. I also thank TWSB and the County Government of Kirinyaga for their support during the year, all our customers and suppliers who were all instrumental to our success this year. I am also grateful to our staff for their commitment in the running of the company. God bless you all.



Samuel K. Wakabu

**Ag. Managing Director**

# KIRINYAGA WATER AND SANITATION COMPANY LTD

## 6. CORPORATE GOVERNANCE STATEMENT

KIRIWASCO is committed to operating under a clear governance framework and strongly adheres to sound management and control practices.

KIRIWASCO is committed to ensuring compliance with the provisions of Water Act 2002 among other regulatory and supervisory corporate governance requirements. Essential to the establishment of a good governance framework are formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision making process, assessment and improvement of conformances.

### **Board of Directors**

The structure of KIRIWASCO starts with the Board members comprising of nine (9) members representing various stakeholders' interests. The Board members exercise leadership, enterprise, integrity and judgment in directing KIRIWASCO.

They are expected to determine the purpose and values of KIRIWASCO, determine the strategy to achieve that purpose and implement its values in order to ensure the Company survives and thrives.

The Board members are expected to enhance the corporate governance practices in running of KIRIWASCO to bring the level of governance in the Company in line with international standards. The essence of corporate governance is to protect stakeholder's interest including the government, Tana Water Services Board, consumers and the communities.

### **Board Committees**

In ensuring that corporate governance is enhanced and that the power of KIRIWASCO is exercised in the stewardship of the Company's total portfolio of assets and resources with the objective of maintaining stakeholder's values, the board of directors has constituted the following committees:

1. *Human Resources, Administration, Commercial and Technical Committee*

It's the duty of this committee to ensure that KIRIWASCO has the right staff at the right place and doing the right thing. More so, the committee will ensure that the staff welfare is guaranteed.

The Committee will also oversee the financial reporting process, Company's internal controls and efficient allocation and utilization of resources.

The committee also ensures that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water and sewer infrastructure. The committee will also propose investment and funding programs for the organization.

2. *Audit Committee*

It's the duty of this committee to ensure that the internal audit department performs its function of an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. It helps the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

# KIRINYAGA WATER AND SANITATION COMPANY LIMITED

## 7. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In our Corporate Social Responsibility (CSR) policy, we aim for the integration of our business operations and values in a way that ensures that the interests of all stakeholders including shareholders, customers, employees, the community and the environment are reflected in our policies and actions.

We are committed to Continuous improvement in our Corporate and Social Responsibility (CSR) strategy; Encouraging our business partners to strive for matching performance; Acting in a socially responsible way; Continually improving our performance and meeting all relevant legislation; and Encouraging our staff to be mindful of the effect of their actions on any natural resource.

KIRIWASCO has a CRS policy whose purpose is to make clear to all stakeholders what we mean by CSR and how we propose to work towards achieving it. The CSR policy applies throughout all our policies and processes and governs our approach to all our activities. In implementing this policy we aim to be responsible; and be an exemplar of good practice.

Our Mission is “To provide safe and clean water through, reliable, affordable and sustainable water services to our customers by developing facilities and managing systems in the most efficient and effective manner”. Our mission is in tandem with our mandate and defines the goals for which we will undertake activities in the context of sustainability, competition and social well-being.

We consider the community a key stakeholder in our business initiatives and our CSR activities aim to make a difference under key social pillars such as Education and Environment. We devote resources to support projects such as graduate youth internship and industrial attachment programs to facilitate skills transfer, environmental care in which we have committed to comply with the Environmental Management and Coordination Act (EMCA).

Specifically, Kiriwasco has a Workplace Environmental Policy and continues to implement environmental awareness programmes among staff. Kiriwasco also ensures that projects funded comply with the National Environmental Management Authority (NEMA) requirements. We recognise that good CSR embraces all aspects of sustainable development and the way we affect people through our business operations. KIRIWASCO operates in a way that safeguard against unfair business practices. We believe that a responsible approach to developing relationships between companies and the communities they serve is a vital part of delivering business success. When carrying out our business, in consultation with our customers, we determine the environmental, social and economic issues and continually review our policies and business practices to encourage engagement with small and medium enterprises.

The success of KIRIWASCO as a water service provider is based on our people and we seek to recruit, retain, reward and develop the best creative talent in our organisation. We continually seek to improve through training the needs of our employees.

## **KIRINYAGA WATER AND SANITATION COMPANY LIMITED**

### **8. BOARD OF DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014**

The Board members present their report and audited accounts for the year ended 30 June 2014 which discloses the state of affairs of KIRIWASCO at that date. The financial statements cover a period of 12 months.

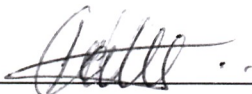
**KIRINYAGA WATER AND SANITATION COMPANY LTD**

**9. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

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

  
\_\_\_\_\_  
**Director**

  
\_\_\_\_\_  
**Director**

20/8/15  
\_\_\_\_\_  
**Date**

# REPUBLIC OF KENYA

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Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KIRINYAGA WATER AND SANITATION 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 Kirinyaga Water and Sanitation Company set out on pages 14 to 29, 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 the 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**

### **Capital Grants**

The capital grants increased by Kshs.3,794,239 from Kshs.8,955,364 as at June 2013 to Kshs.12,749,604 as at 30 June 2014. However, as was previously reported, the Company did not explain the source and details of the grants, and how it was accounted for in financial statements.

In the circumstances, the accuracy and completeness of capital grants balance of Kshs.12,749,604 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 Water Act, 2002 and the Companies Act, Cap 486 of the Laws of Kenya.

### **Emphasis of Matter**

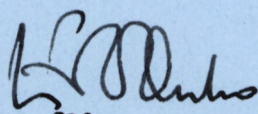
#### **Un-accounted for Water**

I draw attention to significant accounting policy (b) on revenue recognition. During the year under review, the Company produced 5,569,458 cubic meters (m<sup>3</sup>) of water. However, out of this volume only 1,883,338m<sup>3</sup> was billed to customers. The balance of 3,686,120m<sup>3</sup> or approximately 66% of the total volume produced represented unaccounted for water (UFW), which is 41% over and above the allowable loss of 25% in accordance with the Water Service Regulatory Board Guidelines. The UFW of 66% may have resulted in loss of sales estimated at Kshs.73,827,766. 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 this matter.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

**14 October 2015**

## KIRINYAGA WATER & SANITATION COMPANY LTD

### 11. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

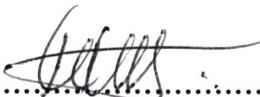
	NOTES	2013/2014	2012/2013
<b><u>REVENUES</u></b>			
Water sales		102,595,329	95,331,347.60
Reconnection fee		4,248,150	1,576,206.41
GOK Grants		1,079,402	1,397,520.00
Other Incomes	(10)	720,760	944,276.71
Tender fees, sale of jericans, firewood and capital works	(11)	<u>3,210,630</u>	<u>2,853,935.00</u>
		<b>111,854,271</b>	<b>102,103,285.72</b>
<b><u>EXPENDITURE</u></b>			
Personnel Costs	(12)	48,799,308	47,443,838.00
Directors Costs	(13)	2,258,313	2,215,115.00
Administration Costs	(14)	15,204,388	12,993,978.27
Operation & Maintenance Costs	(15)	33,962,596	34,865,148.65
Provision for depreciation	(16)	4,331,161	3,733,165.87
Amortization of intangible assets	(17)	100,741	151,035.00
Finance Costs	(18)	1,401,449	600,707.84
<b>TOTAL</b>		<b>106,057,955</b>	<b>102,042,988.63</b>
<b>(DEFICIT)/SURPLUS BEFORE TAX</b>			
		<b>5,796,315</b>	<b>215,856.09</b>
Tax	(18)	<b>0</b>	<b>4,259.60</b>
<b>(DEFICIT)/SURPLUS AFTER TAX</b>			
		<b>5,796,315</b>	<b>211,596.49</b>

# KIRINYAGA WATER AND SANITATION COMPANY LIMITED

## 12. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Notes	2013/2014 Kshs	2012/2013 Kshs
<b>ASSETS</b>			
<u>Non Current Assets</u>			
Properties, Plant and Equipment	2	43,193,864	36,284,041.03
Intangible Asset	2.a	<u>201,784</u>	<u>302,525.00</u>
		<b>43,395,648</b>	<b>36,586,566.03</b>
<u>Current Assets</u>			
Cash & Cash Equivalents	6	10,938,101	12,057,644.59
Inventories	5	9,877,335	14,379,438.50
Receivables	4	<u>53,997,755.16</u>	<u>44,998,178.78</u>
		<b>74,813,191</b>	<b>71,435,261.87</b>
<u>Total Assets</u>		<b>118,208,839</b>	<b>108,021,827.90</b>
 <u>LIABILITIES AND EQUITY</u>			
<u>Non Current Liabilities</u>			
Long term Loan		4,451,683	7,420,018.15
<u>Current Liabilities</u>			
Customer Deposits	7	15,681,925	12,118,635.00
Prepayments	8	618,625	1,578,183.54
Creditors & Accruals	9	53,276,885	49,551,642.76
Short term loan	9.a	<u>1,513,894</u>	<u>0</u>
		<b>71,091,839</b>	<b>63,248,461.30</b>
<u>TOTAL LIABILITIES</u>		<b>75,543,012</b>	<b>70,668,479.24</b>
 <u>EQUITY</u>			
Capital Reserves		43,587,914	43,587,914.00
Capital Grants		12,749,604	8,955,364.49
Revenue Reserves		<u>(13,671,691)</u>	<u>(15,189,930.11)</u>
Total Equity		<b>42,665,826</b>	<b>37,353,348.38</b>
 <b>TOTAL</b>		<b>118,208,839</b>	<b>108,021,827.62</b>

The Financial Statements on Pages 14 to 29 were approved for release by Board of Directors on

.....  


and were signed on its behalf by:

.....  
 Chairman-Board of Directors

Date..... 29/8/15 .....

.....  
  
 Managing Director

Date..... 29/8/15 .....

## KIRINYAGA WATER AND SANITATION COMPANY

### 13. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	<b>Capital reserves KShs</b>	<b>Revenue reserves KShs</b>	<b>Capital Grants KShs</b>	<b>Total KShs</b>
<b>Balance as at 1 July 2012</b>	43,587,914	(15,401,527)	1,817,580	30,003,967
Profit / (Loss) for the year		211,596		211,59
Capital Grants			7,137,784	7,137,784
<b>Balance as at 30 June 2013</b>	<b>43,587,914</b>	<b>(15,189,930)</b>	<b>8,955,364</b>	<b>37,353,348</b>
<b>Balance as at 1 July 2013</b>	43,587,914	-15,189,930	8,955,364	37,353,348
Profit / (Loss) for the year		5,796,315		5,796,315
Capital Grants			3,794,239	3,794,239
Prior year adjustments		-4,278,077		-4,278,077
<b>Balance as at 30 June 2014</b>	<b>43,587,914</b>	<b>-13,671,691</b>	<b>12,749,604</b>	<b>42,665,826</b>

# KIRINYAGA WATER AND SANITATION COMPANY LIMITED

## 14. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Notes	<u>2013/2014</u> Kshs	<u>2012/2013</u> Kshs
<b><u>Cash flow from Operating Activities</u></b>			
Net (Deficit) / surplus before tax		5,796,315	215,856.09
<b><u>Adjustments for:</u></b>			
Provision for Depreciation	2 & 2.a	4,331,161	3,794,325.87
Amortization of intangible Assets		100,741	151,035.00
Provisions for Bad Debts		802,372	495,699.75
Interest Income(Net)		(37,025)	(28,397.60)
Amortization of capital Grants		(817,434)	(880,923.11)
Prior year adjustment		(4,278,077)	(172,755.60)
Less tax		0	(4,259.60)
		<b><u>5,898,054</u></b>	<b><u>3,570,580.80</u></b>
<b><u>Adjustments for working capital changes:</u></b>			
(Increase)/Decrease in Receivables		(9,801,949)	(5,764,901.53)
(Increase)/Decrease in WIP		(5,048,623)	(10,787,513.50)
(Increase)/Decrease in Inventories		4,502,104	(5,485,919.50)
Increase/(Decrease) in Customers Deposits		3,563,290	3,101,300.00
Increase/(Decrease) in Prepayments(i.e prepaid debtors)		(959,559)	932,444.54
Increase/(Decrease) in Creditors & Accruals		3,725,242	14,337,251.76
Increase/(Decrease) in Short term Loan		1,513,894	0
Increase/(Decrease) in Bank overdraft		-	(22,000.00)
<b>Changes in working capital</b>		<b>(2,505,045)</b>	<b>(3,689,338.23)</b>
<b>Cash generated from operations</b>		<b><u>3,392,453</u></b>	<b><u>(118,757.43)</u></b>
<b><u>Cashflow from Investing Activities</u></b>			
Purchase of property, plant & equipment	2	(6,192,360)	(4,873,805.00)
Interest Income(Net)		37,025	28,397.60
<b>Net Cash generated from/(used in) investing Activities</b>		<b>(6,155,335)</b>	<b>(4,845,407.40)</b>
<b><u>Cashflow from Financing Activities</u></b>			
Grants		4,611,673	2,536,777.42
Loan		(2,968,334)	10,361,110.00
<b>Net Increase/(decrease) in Cash and Cash Equivalents</b>		<b>(1,119,544)</b>	<b>7,933,722.59</b>
<b><u>Cash and Cash Equivalents at Year End</u></b>			
<b>Balance at the start of the year</b>		12,057,645	4,123,922.00
<b><u>Balance at the end of the year</u></b>			
<b>Balance as at 30 June 2014</b>	6	10,938,101	12,057,644.59

**KIRINYAGA WATER AND SANITATION COMPANY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

15. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

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

**(a) Statement of compliance and Basis of preparation**

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

The financial statements have been prepared and presented in Kenya shillings, which is the functional and reporting currency of the company.

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

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the pronouncements made by the board have no significant impact on the entity's financial statement as Kirinyaga Water and Sanitation Company has been preparing its financial statements in accordance to IFRS.

**Application of new and revised IFRS**

- i. All new and revised standards and interpretations that have become effective for the first time in the financial year beginning July 2013 have been adopted by the company. Of those the following have had effect on the financial statement;

Amendments to IFRS 7 -The amendment requires disclosure of nature and extent of risk associated with financial instruments. A part from disclosure there were no any significant change in the amounts reported

Amendments to IAS 24 disclosure of related party transactions, the company has disclosed the related parties and their transactions.

- ii. Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2014

New and Amendments to standards	Effective for annual period
IFRS 15	I January 2017
IFRS 9	I January 2018
Amendment to IFRS 10,IFRS 12 and IAS 27	I January 2018
Amendment to IAS 32 , IAS 36 and IAS 39	I January 2014

- iii. Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30th June 2014 and future annual reports

The company has assessed the potential impact of the above and expects that they will not have significant impact of the financial statement for 2014/2015.

- iv. Early adoption

The company did not early adopt any new or amended standards in financial year 2013-2014.

**KIRINYAGA WATER AND SANITATION COMPANY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICES – (continued)

**(b) Revenue Recognition and treatment of Government (GOK) Grant**

- **Water sales**

The company adopts the accrual basis of accounting for revenue. Revenue /sales is recognized upon billing to the customers.

- **(GOK) Grant**

The amount of government grants comprises both capital and recurrent expenditure. The grants have been recognized and accounted for as per IAS N0.20.

Revenue Government grant has been recognized as income over a period necessary to match it with the expenditure for the period it was intended to support (i.e. June-July 2013-2014). Specifically this grant relates to salaries and no basis existed for allocating the grant to periods other than the one in which it was

**KIRINYAGA WATER AND SANITATION COMPANY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICES – (continued)

received (i.e. salaries for ministry of Water and irrigation staff paid on behalf of The Company). Therefore grants in recognition of specific expenses are recognized as income in the same period as the relevant expense.

- **Reconnection fee**

Revenue is recognized upon billing to the customers once their water is disconnected on ground.

- **Tender and miscellaneous**

Relates to sale of tender, jericans and payment of capital works on new connection

- **Other incomes**

Relates to Surcharges to customers on illegal connections, Bank interest, Amortization of capital grants and commission

**(c) Property, Plant and Equipment**

Items of property, plant and equipment are stated at historical costs less accumulated depreciation. Depreciation is charged on a reducing balance basis over the estimated useful lives of the asset.

The annual rates of the depreciation used are as follows:

• Motor Vehicles/Cycles	25.0%
• Computer Equipment/Mobile phones	33.3%
• Furniture, Fittings and Office Equipments, Plant	12.5%
• Water Meters	20.0%
• Dozers	12.5%
• Bicycles, Water Kioks	12.5%
• Office building	2.00%

**(d) Intangible Assets**

Intangible assets relate to software applications and are amortized at the rate of 33.3%

**(e) Inventories**

Stocks are stated at the lower of cost and net realizable value

## KIRINYAGA WATER AND SANITATION COMPANY LTD

### 16. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### (f) Trade and Other Debtors

Trade and other debtors are stated at amortized costs less an estimate made for doubtful receivables based on a review of all outstanding amounts at year end. The provision for doubtful debts is at 10% and is applied to water sales customer debtors only.

#### (g) Taxation

The company is registered under the Company's Act Cap 470 of the laws of Kenya and is therefore liable to corporate tax at 30% of taxable income.

Judgment is required in determining the tax liability due to the complexity of legislation. There are many transactions and calculations for which tax determination is uncertain during ordinary course of business. The company recognizes tax liability for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from amounts that were initially anticipated, such different will impact the income tax in the period in which such determination is made.

The calculation for corporate tax for the year 2013/2014 is as depicted in note 20.

#### (h) Cash and cash equivalent

For the purposes of cash flow statements, cash and cash equivalents comprise of bank balances and short term deposits net of banks overdrafts.

#### (i) Risk Management

This section provides details of the Company's exposure to risks and describes the method used by the management to control risks. The most important type of financial risk to which the company is exposed are:-

##### (ii) Credit risk

To manage the level of credit risk, the company focuses on customer satisfaction as a key performance indicator. It also maintains a short credit period.

Due to the nature of the company's activities credit risks concentrations are high and as such close monitoring of credit relationships is carried out.

##### (iii) Liquidity risk

Liquidity risk arises in the general funding of the company's activities and in the management of positions.

The company continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall company strategy.

##### (iv) Market risk

The company had no any interest bearing financial instrument or obligation as at the end of financial year and there was no significant currency risk as no foreign transaction ensued during the year.

	AS AT 30 <sup>TH</sup> JUNE 2014	AS AT 30 <sup>TH</sup> JUNE 2013
CASH AT HAND	0	12,350
BANK BALANCE	10,938,101	12,045,294.59

## KIRINYAGA WATER AND SANITATION COMPANY LTD

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

(continued)

### (i) Incorporation

The Company is incorporated in Kenya under the Companies Act.

### (j) Currency

The Financial Statements have been prepared using Kenya Shillings (KShs.)

### (k) 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.

### (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) 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

### (n) In-kind contributions

In-kind contributions are donations that are made to the entity in the form of actual goods and/or services rather than in money or cash terms. These donations include Motor bikes and water meters donated by Tana Water Services Board.

### (o) Related parties

The company is a limited company by guarantee established under the companies Act Cap 486 and licensed by Tana Water Services Board through a Service Provision Agreement (SPA). Funds received from the government through Tana Water Services Board are disclosed under note 19. The company is headed by the Board of directors and corporate management team. At the end of the financial year the company owed the management, gratuity worth Ksh 623,177

	2013/2014	2012/2013
MANAGEMENT SALARIES	6,711,335	5,556,294
B.O.D EXPENDITURE	2,258,313	2,215,115

### (p) Reserves

#### I. Capital reserves

Capital reserves represent net assets capitalized at the formation of the company and represent the book values of those assets.

#### II. Revenue reserves

Revenue reserves represent the excess of the income over recurrent expenditure. This is as a result accumulation of surplus and deficits over the years

#### III. Capital grants

G.O.K capital grants relates to Motor bikes and water meters donated by Tana Water Services Board and also an amount of subsidy on a loan given to the organization under the "Maji ni Maisha" World Bank funded project as depicted in note 19. The grants are treated as deferred income as per IAS No 20. Amortisation on these grants is calculated on reducing balance basis on cost over the life of the asset.

# KIRINYAGA WATER AND SANITATION COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014-(continued)

## 2 PROPERTY , PLANT & EQUIPMENT SCHEDULE(See appendix)

	Computers & Mobile Phones	Work in progress	Furniture, Plant & Equip.	Motor Vehicle/ cycles	Water Meters	Office Building	Total
COST	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
AT 1 July 2012	2,410,289	2,540,837	3,566,740	5,520,225	18,681,851	9,172,302	41,892,244
Additions	139,190	10,787,514	393,500	496,500	3,844,615		15,661,319
At 30 June 2013	2,549,479	13,328,351	3,960,240	6,016,725	22,526,466	9,172,302	57,553,563

COST	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
AT 1 July 2013	2,549,479	13,328,351	3,960,240	6,016,725	22,526,466	9,172,302	57,553,563
Additions	511,690	5,048,623	557,690	769,320	4,353,660		11,240,983
At 30 June 2014	3,061,169	18,376,974	4,517,930	6,786,045	26,880,126	9,172,302	68,794,546

ACCUMULATED DEPRECIATION	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2012	1,769,938		1,497,824	3,797,513	10,046,698	363,223	17,475,196
Charge for the yr	259,587		307,802	554,803	2,495,954	176,180	3,794,326
At 30 June 2013	2,029,525		1,805,626	4,352,316	12,542,652	539,403	21,269,522

ACCUMULATED DEPRECIATION	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2013	2,029,525		1,805,626	4,352,316	12,542,652	539,403	21,269,522
Charge for the yr	343,537		339,038	608,432.3	2,867,495	172,658	4,331,160.50
At 30 June 2014	2,373,062		2,144,664	4,960,748	15,410,147	712,061	25,600,683

### NET BOOK VALUE

At 30 June 2014	688,107	18,376,974	2,373,266	1,825,297	11,469,979	8,460,241	43,193,864
At 30 June 2013	519,954	13,328,351	2,154,614	1,664,409	9,983,814	8,632,898	36,284,041

**KIRINYAGA WATER AND SANITATION COMPANY LTD**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014-(continued)

**2 a) INTAGIBLE ASSETS**

<b>COST</b>	<b>Intangible assets Kshs</b>
AT 1 July 2012	680,000
Additions	-
At 30 June 2013	<b>680,000</b>

<b>COST</b>	<b>Kshs</b>
AT 1 July 2013	680,000
Additions	-
At 30 June 2014	<b>680,000</b>

<b>Amortization for intangible assets</b>	<b>Kshs</b>
At 1 July 2012	226,440
Charge for the yr	151,035
At 30 June 2013	377,475

<b>Amortization for intangible assets</b>	<b>Kshs</b>
At 1 July 2013	377,475
Charge for the yr	100,741
At 30 June 2014	<b>478,216</b>

<b>NET BOOK VALUE</b>	
At 30 June 2014	<b>201,784</b>
At 30 June 2013	<b>302,525</b>

**3. WORK IN PROGRESS**

Work in progress relates to an ongoing pipe network distribution/extension projects for Kamweli in Mbeere District and Mukangu in Kirinyaga West District which have not yet been commissioned.

## KIRINYAGA WATER AND SANITATION COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014-(continued)

	<u>2013/2014</u> KShs	<u>2012/2013</u> KShs
<b>4 Receivables</b>		
Trade receivables	53,762,550	45,738,827.53
Less provisions for bad debts 10% of closing receivables	(5,376,255)	(4,573,882.7)
	<b>48,386,295</b>	<b>41,164,944.78</b>
<b>NB</b> Trade debtors are stated less an estimate made for doubtful receivables based on a review of all outstanding amounts at year end. This general provision is at 10% of the gross amount. The provision is made on the water sales customer debtors only.		
Salary Advances	518,170	200,512.00
Staff loans	170,114	170,114.00
Staff Debtors	1,737,815	630,071.00
Bagdas Auto Garage	-	2,200.00
Fortune Sacco	1,623,840	374,565.00
Ukulima Sacco	-	114,485.00
M-pesa Debtor	1,179,134	-
Kiriwasco Debtor	5,494	-
Rental/leases prepaid	10,000	10,000.00
Commissioner of Income Tax	5,554	2,331,287.00
K-rep Bank Debtor	<u>361,340</u>	<u>0.00</u>
	<b><u>53,997,755</u></b>	<b><u>44,998,178.78</u></b>
<b>5 Inventories</b>		
Chemicals	474,788	2,927,650.00
Motor Vehicle/Cycles Spares	316,276	405,467.00
Computer Accessories		
Meter Maintenance/Scrap	3,336,655	4,707,015.00
Water Supply Rehabilitation	5,592,165	6,282,459.50
Buildings Repair & Renovation	157,450	56,847.00
	<b><u>9,877,334</u></b>	<b><u>14,379,438.50</u></b>
<b>6 Cash &amp; Cash Equivalent</b>		
<u>Cash at bank</u>		
Savings Account (Cooperative Bank)	4,305,900	6,092,633.00
Current Account (Cooperative Bank)	818,556	1,548,600.93
Current Account (Equity Bank)	330,007	3,364,799.40
k-Rep bank-SME Mukamgu	3,816,606	134,226.26
K-Rep bank-SME -WSTF	776,686	-
K-Rep bank-Savings	813,982	905,035.00
K-Rep bank-Current	76,365	<u>0</u>
Cash in hand	-	<u>12,350.00</u>
	<b><u>10,938,101</u></b>	<b><u>12,057,644.59</u></b>
<b>7 Customers Deposits</b>		
These relates to refundable deposits paid upon application of water provision by water sales customers	15,681,925	12,118,635.00

<b>8</b>	<b>Prepayments</b>	618,625	1,578,183.54
	Prepayments relates to debtors (water sales customers) with credit balances (overpayments)		
<b>9</b>	<b>Creditors and Accruals</b>		
	Trade Creditors	11,701,023	6,650,587.38
	Payroll deductions	2,043,347	11,411,395.90
	Gratuity	623,177	-
	Levies	38,879,097	31,489,659.27
	Kamweli Creditor	30,241	0.00
		<u>53,276,885</u>	<u>49,551,642.55</u>
<b>9.a</b>	<b>Short term loan</b>		
	This relates to the component of the loan repayable in the following year (i.e 2014/2015)	1,513,894	-

**KIRINYAGA WATER AND SANITATION COMPANY LTD**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014-(continued)

	<u>2013/2014</u> KShs	<u>2012/2013</u> KShs
<b>INCOME(GROSS TURNOVER/SALES)</b>		
Water Sales	102,595,329	95,331,347.60
Reconnection fee	4,248,150	1,576,206.41
GOK Grants	1,079,402	1,397,520.00
<b>10 Other Incomes</b>		
Surcharges/Illegal connections	75,750	112,500.00
Interest Earned	37,025	28,397.60
Amortization of capital grants	817,434	880,923.11
Fortune commission	(209,448)	(77,544.00)
<b>11 Tender Fee ,Sale of jericans, sale of firewood and capital works</b>		
Tender Fee	84,000	15,000.00
Sale of jericans	28,750	55,600.00
Sale of firewood	3,750	-
Capital works	3,094,130	2,783,335.00
<b>TOTAL INCOME</b>	<b>111,854,271</b>	<b>102,103,285.72</b>
<b><u>EXPENDITURE</u></b>		
<b>12 <u>PERSONNEL COSTS</u></b>		
Regular Salary	44,069,183	43,772,598.00
Government Grants-Salary for the seconded staff	1,079,402	1,397,520.00
Casual Wages	1,125,505	801,778.00
Gratuity	2,074,458	<u>1,471,942.00</u>
Staff bonus	450,760	218,300.00
<b>TOTAL PERSONNEL COSTS</b>	<b>48,799,308</b>	<b>47,662,138.00</b>
<b>13 <u>DIRECTORS COSTS</u></b>		
Board meetings & conferences	<b>2,258,313</b>	<b>2,215,115.00</b>
<b>14 <u>ADMINISTRATION COSTS</u></b>		
Training Allowances(Capacity Building)	1,674,719	829,180.00
Water bill	174,430	80,670.00
Consultancy Fees	-	220,000.00
Public Relations	125,020	148,110.00
Security Expenses	3,614,580	4,056,369.00
Travelling & Accommodation	2,689,786	1,628,818.00
Staff Welfare	406,493	353,352.00
Staff Meetings	70,840	165,433.00
Postage & Telegram Expenses	2,190,965	1,938,490.00
Email & Internet Expenses	54,999	127,890.00
Telephone Expenses	1,011,706	860,773.00
Computer Expenses	374,318	1,033,207.60
Uniforms	260,155	365,126.67
AGM expenses	405,970	-
Library expenses	60,125	51,050.00

**KIRINYAGA WATER AND SANITATION COMPANY LTD**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014-(continued)

	<u>2013/2014</u>	<u>2012/2013</u>
	KShs	KShs
Rental/leases	171,000	177,000.00
Advertising and publicity	408,416	316,973.00
legal charges	1046866	223,236.00
Provision for Audit fees	<u>464,000</u>	<u>200,000.00</u>
<b>TOTAL ADMINISTRATIVE COSTS</b>	<b>15,204,388</b>	<b>12,775,678.27</b>
<b>15 <u>OPERATION &amp; MAINTENANCE COSTS</u></b>		
Water Regulatory Board Levies	9,975,982	22,338,269.75
Transport operating expenses	867,483	793,437.57
Fuels Diesel/Electricity for productions	2,622,642	1,840,985.71
Electricity for Lighting	683,762	634,820.29
Publishing & Printings	637,090	648,024.00
Chemicals	6,964,520	520,024.00
Transport fuels and diesel	1,790,087	1,658,057.00
Stationery	377,832	372,456.00
Office Repairs, Painting & Renovation	237,042	110,178.80
Maintenance of plant equipment	200,185	474,939.00
Insurance of Motor Vehicles & Other assets	175,437	111,595.00
Maintenance of furniture and fittings	3,000	-
Maintenance of Meters	22,000	-
Transport hire and machinery	319,020	165,700.00
Water supplies rehabilitation augmentation & maintenance works	5,860,453	1,974,779.18
Rerouting of pipeline network	-	17,850.00
Cleaning Materials	281,120	565,764.60
Increase/(Decrease) in Provision for bad debts	802,372	495,699.75
Subscription to Water Services Providers Association (WASPA)	75,000	75,000.00
Water Permits and subscriptions (WARMA Levy)	<u>2,067,568</u>	<u>2,067,568.00</u>
<b>TOTAL OPERATION &amp; MAINTENANCE COSTS</b>	<b>33,962,596</b>	<b>34,865,148.65</b>
<b>16 Provision for Depreciation</b>	<b>4,331,161</b>	<b>3,773,165.87</b>
<b>17 Amortization of intangible assets</b>	<b>100,741</b>	<b>151,035.00</b>
<b>18 <u>FINANCE COSTS</u></b>		
Loan interest	1,238,313	534,644.09
Bank Charges	163,136	66,063.75
Withholding Tax on Interest Earned	<u>0</u>	<u>0</u>
<b>TOTAL FINANCE COSTS</b>	<b>1,401,449</b>	<b>600,707.84</b>
<b>18a <u>TAX</u></b>		
Commissioner of income tax (Withholding Tax)	<u>0</u>	<u>4,259.60</u>
	<b>0</b>	<b>4,259.60</b>

**KIRINYAGA WATER AND SANITATION COMPANY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014-(continued)**

<b>19 CAPITAL GRANTS</b>	<b><u>2013/2014</u></b>	<b><u>2012/2013</u></b>
	<b>KShs</b>	<b>KShs</b>
Brought forward	8,955,365	1,817,580.00
<u>Add</u>		
Water meters donation from Tana Water Services Board		3,074,995.00
Loan subsidy under "Maji ni Maisha" World Bank Funded Project	4,611,673	4,943,712.60
<u>Less</u>		
Amortization on Capital Grants	817,434	880,923.11
 Total	 <b><u>12,749,604</u></b>	 <b><u>8,955,364.49</u></b>
<b>20 CORPORATE TAX COMPUTATION</b>		
 <b>Surplus/(Deficit) before tax as per Financial Statements</b>	 5,976,315	 215,856
 <b>Add:</b> Depreciation of property, plant and equipment	 4,331,161	 3,773,166
Amortization	100,741	151,035
Provision for bad debts	802,372	495,700
Legal charges	1,046,866	223,236
	<b><u>12,077,456</u></b>	<b><u>4,858,993</u></b>
 <b>Less:</b> Wear and tear allowances	 3,766,707	 3,339,613
Amortization of Capital Grants	817,434	880,923
Withholding tax on interest earned	5,554	
	<b><u>4,589,695</u></b>	<b><u>4,220,536</u></b>
 <b>ADJUSTED SURPLUS/(DEFICIT) FOR TAX PURPOSE</b>	 <b><u>7,487,761</u></b>	 <b><u>638,457</u></b>
<b>TAX THEREON @ 30%</b>	<b>0</b>	<b>0</b>
 <b>TAX DEFICIT BROUGHT FORWARD</b>	 <b><u>(15,140,330)</u></b>	 <b><u>(15,778,787)</u></b>
<b>TAX DEFICIT BROUGHT FORWARD</b>	<b><u>(7,652,569)</u></b>	<b><u>(15,140,330)</u></b>