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REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2014**

MARALAL WATER AND SANITATION COMPANY



P.O Box 428-20600 Maralal-Kenya.

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



**MARALAL WATER & SANITATION COMPANY LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2014**

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MARALAL WATER & SANITATION SERVICES COMPANY LTD

COMPANY INFORMATION

PRINCIPAL PLACE OF BUSINESS

Maralal water & sanitation company Ltd
Arid lands compound
P.O. Box 4028-20600
Telephone 065-62004
Maralal.

BANKERS

Kenya commercial bank
P.O.Box. 260-20600
Maralal

Equity bank
Maralal

BOARD OF DIRECTORS

Mr.	Raphael Leshalote-Chairman
Mr.	Antony Leaduma
Mr.	Dr.Edward Lolokuru
Mr.	Moses L Lekupe
Mr.	Bernadarte Lenanyokie
Mr.	Moses K. Lenolkulal
Mr.	Daniel Lenolkina
Mr.	Geofrey Macharia
Mr.	Pauline Lengul
Mr.	Linus m.Lenolgenje
Mr.	Paul.Lolmingani-MD
Mr.	Simon p Leaduma

MARALAL WATER & SANITATION COMPANY LTD
REPORT OF THE DIRECTORS

The Directors submit their report of accounts as at 30th June 2014

1 PRINCIPAL ACTIVITY

The Principal activity of the company is that of water & sanitation services in Maralal town.

2 RESULTS

The results of the company are shown on page 5.

3 RESERVES

The reserves of the company are shown on page 6.

4 DIRECTORS

The Directors who served during the year were:-

Mr.	Raphael Leshalote-Chairman	Mr. Geoffrey Macharia
Mr.	Antony Leaduma	Mr. Pauline Lengul
Mr.	Dr. Edward Lolokuru	Mr. Linus m. Lenolgenje
Mr.	Moses L Lekupe	Mr. Paul. Lolmingani-MD
Mr.	Bernadarte Lenanyokie	
Mr.	Moses K. Lenolkulal	
Mr.	Daniel Lenolkina	
Mr.	Simon p Leaduma	

By Order of the Board



Secretary
MARALAL

**MARALAL WATER & SANITATION COMPANY LTD
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30TH JUNE 2014**

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS.

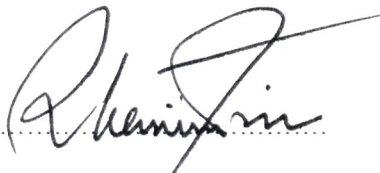
The Companies Act (Cap.486) requires the directors to prepare Financial statements for each year, which give a true and fair view of the state of the affairs of the Company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the company.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates consistent with previous years, and in conformity with the International Financial Reporting Standards and the requirements of the Companies Act (Cap.486).

The directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Company as at 30th June, 2014 and of its operating results for the year then ended. The Directors further confirm the accuracy and completeness of the accounting records maintained by the Company which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

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 statements.

Signed on behalf of the board by:


Chairman

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 MARALAL WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Maralal Water and Sanitation Company Limited on pages 5 to 12, which comprise the statement of financial position as at 30 June, 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended 30 June 2014, 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

Directors of Maralal Water and Sanitation Company Limited are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003. The Audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal controls 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 accounting policies used and the reasonableness of accounting estimates made by the Directors, 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. Debtors

The Trade Debtors balance of Kshs.3,192,702 as at 30 June 2014 includes receivables balance of Kshs.1,600,291 or approximately 50% which has been outstanding for more than ninety (90) days. However, the Company did not make a provision for bad debts in the financial statements.

In the circumstance, it is not possible to confirm the recoverability and the accuracy of the outstanding debtors as at 30 June 2014.

2. Creditors

The statement of financial position reflects a creditor's balance of Kshs.3,717,242 which includes an amount of Kshs.1,044,094 owed to Northern Water Services Board (NWSB), while the balance of Kshs.1,259,828 represents the trade creditors. However a statement received from NWSB reported a balance of Kshs.819,388 resulting to an unexplained balance in both creditors and what is owed to Northern Water Services Board. Under the circumstances, the accuracy of the creditors balance of Kshs.3,717,242 as at 30 June 2014 could not be confirmed.

3. Unaccounted for Water

During the year, the Company produced 313,713 m³ of water. However, only 209,430 m³ was billed to customers at Kshs.11,601,039, while the balance of 104,283m³ or approximately 33% of the total volume represented unaccounted for water (UFW). According to the Water Services Regulatory Board guidelines, this quantity is 8% above the allowable loss of 25%. The abnormal loss of 8% of the water produced may have resulted in loss of sales estimated at Kshs.928,083.

The loss is an indication of an inefficient water system and may negatively impact on the Company's profitability and long term sustainability.

Qualified Opinion

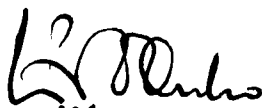
In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2014, and of its financial performance and its cash flows for the year then ended and comply with International Financial

Reporting Standards and the Water Act, 2002 and the Companies Act, Cap 486 the Laws of Kenya.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya 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

25 August 2015

MARALAL WATER & SANITATION COMPANY LTD.
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30TH JUNE 2014

ASSETS		2014	2013
NON- CURRENT ASSETS	NOTE	Kshs	Kshs
Fixed Assets	2	32,633,470	20,389,782
Work In Progress	2	20,516,168	
		53,149,638	
CURRENT ASSETS			
Stock (consumables stores-chemicals)	3	-	710,473
Debtors	4	3,192,702	3,555,939
Cash in hand	5	-	7,860
Cash and Cash Equivalents	5	6,399,257	321,202
		9,591,959	4,595,474
TOTAL ASSETS		62,741,597	24,985,256
CURRENT LIABILITIES			
Creditors	6	3,717,242	5,163,763
		3,717,242	5,163,763
SHAREHOLDERS FUNDS			
General Reserves	8	48,304,440	23,228,309
Revenue Reserves	9	10,719,915	(3,406,816)
Share Capital	7		0
TOTAL SHAREHOLDERS' FUND		59,024,354	19,821,493
TOTAL LIABILITIES AND SHAREHOLDERS FUND		62,741,597	24,985,256

The financial statements were approved by the Board of

Directors on----- *29th Sept* ----- 2014

and signed on its behalf by:-

[Signature] ----- Director (M.D)

[Signature] ----- Director (Chairman)

MARALAL WATER & SANITATION SERVICES COMPANY LTD.
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2014

	NOTE	2014	2013
Income	10	46,902,997	15,474,076
Employment	11	10,668,439	6,124,672
Establishment	12	15,025,869	7,648,015
Administration	13	4,974,392	2,910,907
Depreciation	14	2,030,002	867,599
		32,698,702	17,551,194
Surplus from Operating Activities		14,204,295	(2,077,118)
Financial Costs	15	77,565	149,826
SURPLUS FOR THE YEAR BEFORE TAXATION		14,126,730	(2,226,944)
Surplus/Deficiet FOR THE YEAR		14,126,730	(2,226,944)

**MARALAL WATER & SANITATION SERVICES COMPANY LTD.
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 2014**

	GENERAL RESERVES	RETAINED EARNINGS	TOTAL EQUITY
	KSHS	KSHS	KSHS
<i>At 30th june 2013</i>	23,228,309	(3,406,816)	19,821,493
<i>At 01 july 2013</i>	23,228,309	(3,406,816)	19,821,493
Additions during the year	25,076,131		25,076,131
Surplus for the year		14,126,730	14,126,730
<i>At 30th june 2014</i>	48,304,440	10,719,914	59,024,354

MARALAL WATER & SANITATION SERVICES COMPANY LTD
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2014

	2014 kshs.	2013 kshs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit/(loss) before taxation	14,126,730	(2,226,944)
Adjustments for:-		
Prior year adjustments	-	(1,581,169)
Depreciation	2,030,002	867,599
Operating profit before Working Capital Changes	16,156,732	(2,940,514)
(Increase) / Decrease in Stock	710,473	(710,473)
(Increase) / Decrease in Vat claim	-	-
(Increase) / Decrease in Debtors	363,237	(1,779,049)
Increase /(Decrease) in Directors Current Account	-	-
Increase /(Decrease) in Creditors	(1,446,520)	1,552,261
Increase /(Decrease) in Accruals		(40,564)
Net Cash outflows generated from operations	15,783,922	(3,918,339)
CASH FLOWS FROM FINANCING ACTIVITIES		
Project Grant	25,076,131	17,893,027
Electricity & Chemical grant	-	4,900,100
Net cash flows from Financing activities	25,076,131	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(34,789,858)	(18,893,042)
Net cash flows from Investing activities	(34,789,858)	(18,893,042)
Net movement in cash and cash equivalents	6,070,194	(18,254)
Cash and cash equivalents at beginning of the year	329,062	347,316
Cash and cash equivalents at the end of the year	6,399,256	329,062

1 Summary of significant accounting policies

a) Basis of preparation

The Financial statements are prepared in compliance with international Financial Reporting Standards (IFRS). The financial statements are presented in the functional currency, Kenya Shillings (Kshs), and prepared under the historical cost convention as modified by the revaluation of certain property and Equipment.

b) Revenue Recognition

Sales of goods are recognised in the period in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Incomes represents the value of invoice raised by the Company during the year, net of trade discounts and allowances. The income is recognised on accrual basis.

c) Depreciation

All categories of property, plant and equipment are recorded at historical cost less depreciation. Depreciation is calculated on a reducing balance method to write-off cost of the assets over their estimated useful lives. The following rates are used:-

Water fittings	8.5%
Motor Vehicles	25%
Computer & peripherals	30%
Furniture, fixtures and fittings & Equip.	12.50%
Loose tools	33.00%
Water infrastructures	2.50%

d) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all the amounts due according to the original terms of receivables.

e) Taxation

Current taxation is provided for on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the tax legislation.

f) Cash and Cash equivalents

Cash and cash equivalents comprises cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

g)

MARALAI WATER & SANITATION SERVICES COMPANY LTD
FIXED ASSET SCHEDULE FOR THE YEAR ENDED 30TH JUNE 2014

2 Non-current assets movement schedule and Work in Progress schedule									
a	Non-current assets movement schedule	Cost KSHS	Additions	Totals	Accumulated depreciation B/F	Depreciation 2013/2014	Accumulated Depreciation C/F	NBV as at 30th June 2014	NBV as at 30th June 2013
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	loose tools	12,632		12,632	12,632	-	12,632	-	-
	Motor vehicles		884,196	884,196	-	221,049	221,049	663,147	-
	Water Fittings	3,953,223	11,572,494	15,525,717	694,078	1,260,689	1,954,767	13,570,950	3,259,145
	Computer & peripherals	74,262	477,000	551,262	74,262	47,700	121,962	429,300	-
	Furniture & Equipment	639,023		639,023	251,045	48,497	299,542	339,481	387,978
	Water Infrastructure	17,171,958	1,340,000	18,511,958	429,299	452,066	881,365	17,630,593	16,742,659
	Totals	21,851,098	14,273,690	36,124,788	1,461,316	2,030,002	3,491,316	32,633,470	20,389,782
b	Work In Progress								
	Part of the assets acquired under Urban Project Concept (UPC) 5 and 6 whose works are continuing have been treated as Work-in-Progress in the Accounts until they are complete and in use								
			2013/2014	2012/2013					
			Kshs	Kshs					
	UPC 5		14,572,130.99	-					
	UPC 6		5,944,037.50	-					
	Total		20,516,168.49	-					

MARALAI WATER & SANITATION COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2014

	2,014	2013
	<i>kshs.</i>	<i>kshs.</i>
3 STOCKS		
Stocks in trade	-	710,473
4 DEBTORS AND DEPOSITS		
Trade debtors	3,192,702	3,555,939
	3,192,702	3,555,939
5 CASH AND CASH EQUIVALENTS		
Cash and Cash equivalents included in the Balance Sheet comprises the following balance amounts.		
Cash in Hand	-	7,860
Cash at banks		
Equity Bank (Aquaya)	2,338.65	
Equity Bank (UPC 6)	4,074,060.30	
Equity (County Govrnt)	1,192,483.75	283,436
KCB (Deposits)	64,364.70	
KCB (UPC 5)	485,902	
Equity (Bills)	580,107	37,766
	6,399,257	329,062
6 CREDITORS AND ACCRUALS		
Trade creditors	1,259,828	2,984,261
Accruals Electricity	182,610	1,543,682
Accrual WARMA fees	145,000	
Northern Water Services Board	1,044,094	
KENAO Audit Fees	232,000	
WASREB	116,010	
Accruals Salaries	737,700	635,820
	3,717,242	5,163,763
7 SHARE CAPITAL		
The Company has no share capital and is LTD by guarantee	-	50,000
Prior Year Adjustment Note 22	-	(50,000)
8 GENERAL RESERVES		
Balance brought forward	23,228,309	2,081,812
Additions during the year	25,076,131	18,893,042
Prior-year adjustments	-	974,545
Prior Period Adjustments	-	1,278,910
	48,304,440	23,228,309
9 REVENUE RESERVES		
Balance Brought Forward	(3,406,816)	610,815
Prior year adjustments	-	(1,790,687)
Retained Earnings	14,126,730	(2,226,944)
Balance Brought Down	10,719,915	(3,406,816)
INCOME		
10 Income represents the value of invoices (bills)	11,601,039	10,087,366
Application fees,tanks and fines	880,992	
Grants From County Government	21,829,395	
Grant for electricity from County government	12,353,503	4,180,000
Project Grants (Administration) UPC 4		486,610
Project Grants (Administration) UPC 5		
Project Grants (Administration) UPC 6		
Aquaya Research	238,068	
Grant for water chemicals	-	720,100
	46,902,997	15,474,076
11 EMPLOYMENT		
Salaries	8,820,400	5,317,307
Tax Expense for senior employees	687,030	
wages	986,009	224,919
Nssf penalty	175,000	50,000
Other statutory deductions	-	532,446
	10,668,439	6,124,672
12 ESTABLISHMENT		
Electricity & chemicals	14,747,431	6,739,313
Repairs and maintenance	278,438	84,900
Licencee fees(NWSB)	-	823,802
13 ADMINISTRATION EXPENSES		
Board allowances	150,000	295,000
Printing and Stationery	713,521	288,297
Telephone & Communication	16,500	54,200
Transport	338,850	419,200
Fuels & lubricants	663,500	79,791
Entertainment	-	41,280
Staff travel & subsistence allowance	231,800	826,000
Accountancy & audit fee for the Year	200,000	80,000
Miscellaneous	584,400	171,280
Task team costs	-	59,000
Aquaya Research costs	494,833	427,610
WASREB	116,010	
Northern Water Services Boards	1,044,094	
WRMA fees	291,000	72,000
Public relations & training	129,884	97,249
	4,974,392	2,910,907

MARALAL WATER & SANITATION SERVICES COMPANY LTD.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2014

	2014	2013
	<i>kshs.</i>	<i>kshs.</i>
14 DEPRECIATION	2,030,002	867,599
	2,030,002	867,599
15 FINANCIAL COSTS		
Charges for the year	77,565	149,826
	77,565	149,826
16 PROFIT BEFORE TAXATION		
The Profit before taxation is stated after charging:		
Depreciation	2,030,002	867,599
Audit fee & Accountancy fee	200,000	80,000
	2,230,002	947,599
17 CURRENCY		
These accounts are presented in Kenya Shillings (k.shs.)		
18 INCORPORATION		
The Company is incorporated in Kenya under the Companies Act & Water Act of 2003		
19 BUSINESS SEGMENTS		
The major part of the business of the Company fall under the category of water & sanitation provider with other income comprising less than 2% of the total income of the Company. Segmental reporting is, therefore, not considered of any useful value.		
20 COMPARATIVES		
Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year		

21.

22. ??