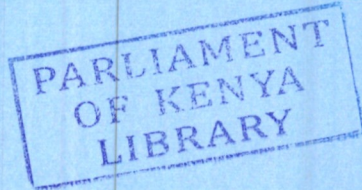


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
KIAMBU WATER AND SEWERAGE  
COMPANY LIMITED

FOR THE YEAR  
ENDED 30 JUNE 2016

**KIAMBU WATER & SEWERAGE COMPANY  
LIMITED**

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**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2016**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)**

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## KEY ENTITY INFORMATION

### Background Information

Kiambu Water & Sewerage Company Ltd (KIWASCO) was incorporated under the Companies Act (Cap. 486) in 2006 and is an appointed agent of The County Government of Kiambu.

### Principal Activities

The principal activity of Kiambu Water and Sewerage Company is to ensure efficient and economical provision of water and sewerage services within Kiambu Sub County.

### Corporate Secretary

El Rohi Secretaries and Registrars Company,  
Development House, 4<sup>th</sup> Floor, Moi Avenue,  
P.O. Box 79144-00200,  
Nairobi, Kenya

### Registered Office

Ministry of Water and Irrigation Offices,  
Off Biashara Street, Kiambu Town.  
P.O. Box 409-00900,  
Nairobi, Kenya

### Corporate Headquarters

Ministry of Water and Irrigation Offices,  
Off Biashara Street, Kiambu Town.  
P.O. Box 409-00900,  
Nairobi, Kenya

### Corporate Contacts

Tel: 020 2133977; 0716 452238  
Email: [Kiwasco.water@gmail.com](mailto:Kiwasco.water@gmail.com); [info@kiambuwater.com](mailto:info@kiambuwater.com)  
Website: [www.kiambuwater.com](http://www.kiambuwater.com)

### Corporate Bankers

Post Bank- Kiambu branch  
Head Office  
P.O. Box 30311-0100  
Nairobi, Kenya

Family Bank- Kiambu branch  
Head Office  
P.O. Box 74145-00200  
Nairobi, Kenya

National Bank of Kenya  
Kiambu Branch  
P.o Box 2090-00900  
Kiambu, Kenya

Equity Bank-  
Kiambu branch  
P.O. Box 783-00900  
Kiambu, Kenya

Safaricom M-Pesa money transfer service  
Paybill No. 885100

Kenya Commercial Bank-  
Kiambu branch  
P.O. Box 81-00900  
Kiambu, Kenya

**Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**Principal Legal Advisers**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

## Directors and Key Management



**Acting Managing Director:**

**Name:** Mr. Boniface Mbugua Kabue

**Area of Training:** Bachelor of Science in Animal Production, Master of Business Administration (Finance Option), Certified Public Accountant (CPA-K).

**Age:** 44 Years

**Working experience:** Ministry of Livestock; Kenya Wildlife Service; Kenya Land Alliance; Kiambu Water and Sewerage Company.



**Technical Manger:**

**Name:** Ms. Beth Wanjiru Muigai

**Area of Training:** Bachelor of Science in Water and Environmental Engineering; Master of Business Administration (Strategic Management Option).

**Age:** 34 Years

**Working experience:** Western Water Services Company; Kiambu Water and Sewerage Company.



**Name:** Mr. G.K. Muthua

**Position:** Chairman, Board of Directors

**Date of appointment:** June 6, 2014

**Area of Training:** Diploma in Accounting

**Sector:** Representative of Local Organizations

**Work Experience:** businessman in Kiambu Town; worked as an accountant and warehouse manager.



**Name:** Mr. James Gitau Muriuki

**Position:** Director

**Date of appointment:** June 6, 2014

**Area of Training:** Bachelor of Science in Chemistry/Biochemistry;  
Msc. Environmental Health Engineering

**Sector:** Representative of Water Consumers

**Work Experience:** Ministry of Water and Irrigation, Technical Consultant on Water and Waste water Treatment and Quality Analysis; Environmental Audits, Environmental Impact Assessments (EIA).



**Name:** Mr. David Nyoroku Ng'ang'a

**Position:** Director

**Date of appointment:** September 18, 2013

**Area of Training:** Bachelor of Arts (Economics & Government); Strategic Leadership Programme- Kenya School of Government

**Sector:** representing the shareholder, Kiambu County Government

**Working experience:** Town Clerk (Various Local Authorities); Director (Various Water Companies); and County Government of Kiambu (Sub County Administrator).



**Name:** Mrs. Esther Wanjiru Njuguna

**Position:** Director

**Date of appointment:** September 18, 2013

**Area of Training:** Higher National Diploma in Water Engineering; BSc Degree in Soil, Water & Environmental Engineering; MA in Project Planning & Management.

**Sector:** representing the shareholder, Kiambu County Government

**Working experience:** Ministry of Water and Irrigation, Gatundu South Water and Sanitation Company and County Government of Kiambu (CEC Member for Water, Environment and natural Resources).



**Name:** Mrs. Naomi Nungari Mungai

**Position:** Director

**Date of appointment:** June 6, 2014

**Area of Training:** Higher Diploma in Psychological counseling; Certificate in Trainer of Trainers (T.O.T)

**Sector:** Representative of Women

**Work Experience:** Office of the President; Business woman; Counselor; Lay leader at Anglican Church of Kenya Mt. Kenya South Diocese.

## CHAIRMAN'S REPORT

We wish to acknowledge the good working relationship we have enjoyed from the County Government of Kiambu, Water Services Regulatory Board, Athi Water Services Board, and other partners. We would also like to thank our consumers both institutional and individuals who have been very co-operative in payment of bills for the water and sewerage services provided.

We are faced with various challenges like inadequate water supply; inadequate sewerage services; vandalism of galvanized iron water pipes, and water meters; breakdowns of control panels and pump sets due to unstable electricity supply; among others. The cost of operation is also high due to high electricity costs coupled with the rising cost of fuel, pipes and fittings. Due to the deep borehole depths and very low yields from most of our boreholes, the cost of production is higher than the resale price of water.

To counter the challenges the company with support of World Bank, through Athi Water Services Board has embarked on the development of two surface water sources on rivers Riara and Kamiti. These are projected to be completed in 2016/2017 financial year and will inject an additional daily water production of 8,000 cubic meters. The company has also designed water and sewerage infrastructure renewal and development plans and is sourcing financial support for their implementation.

Finally, I take this opportunity to thank our members of staff and urge them to continue serving the company with integrity and diligence. I also wish to thank my fellow directors for their support without which these achievements could not have been realized. It is my request that the same cooperation will continue.

  
G.K Muthua,  
**CHAIRMAN – BOD**

## MANAGING DIRECTOR'S REPORT

Kiambu Water & Sewerage Company Ltd (KIWASCO) was incorporated under the Companies Act (Cap. 486) in 2006 and is an appointed agent of The County Government of Kiambu to ensure efficient and economical provision of water and sewerage services within Kiambu municipality. The population for the municipality is currently estimated at 108,698 residents and 35,000 livestock units. Our sources of water are 12 Boreholes and one sewerage treatment plant. The total water production per day is approximately 2,500 m<sup>3</sup> from the boreholes against a demand of 13,000 m<sup>3</sup> per day. However, we receive about 50,000 m<sup>3</sup> of water per month from Nairobi Water Company which greatly supplements our supply.

We also have 12 self – help water projects & several individual borehole owners who supplement the water supply to our esteemed customers. Currently, we are covering about 30% of the 106 km<sup>2</sup> that was allocated to us through a Water Service Provision Agreement.

### **Achievements:**

These are some of our achievements:

1. Enhanced revenue collection from 3.5 million per month in the year 2010 to 7.0 million per month in 2016.
2. Collection of revenue through the bank and Mpesa only. Cash is not collected in the office.
3. In-house billing, now incorporating sms billing.
4. Pipeline extensions of various sizes covering a distance of 25 km within the municipality.
5. Increased water supply within the municipality for three to four days in a week to our consumers.
6. Increase in number of consumer connections from 3290 in the 2010 to 6778 in June 2016.
7. Received and utilized seventeen million (17) Kenyan shillings from water services trust fund in 2013 to improve water services in Kihingo area and improve sanitation within Kiambu Hospital.
8. Received and utilized twenty six (26) million Kenyan Shillings from Water Services Trust Fund in 2014 to improve water services in Rockline and Indian Bazaar areas through construction of two (2) elevated steel tanks and extension of water pipeline (8.5 km).
9. Improved working conditions for staff.
10. Kangoya market borehole was drilled in June 2013 to 250m and successfully equipped with a pump set delivering 25m<sup>3</sup>/hr.

1 Challenges:

- Lack of funds to implement various proposed projects.
- Inadequate water supply to meet the current demand.
- High unaccounted for water due to aged supply network. We have adopted a policy of ensuring that any reported burst or leak is addressed in the shortest time possible, all customers are metered and aged systems are rehabilitated systematically. We intend to overhaul the current distribution system within Kiambu town and its environs as a remedy.
- Interruption of water supply due to breakdown of boreholes (motors and pumps).
- Spaghetti (criss crossing) water supply networks in several areas such as Kirigiti, Indian Bazaar, Ngegu, Kihingo, Riabai among others have infrastructure problems as a result of small diameter pipes, which have been restricting water flow.
- High operational costs since the water supply systems comprise of pumping facilities making sustainability of the company a big challenge. We need funds to urgently construct storage tanks as a remedy.
- Theft of manhole covers, water meters and pipes.
- An overstretched sewer treatment plant which has outlived its design capacity. It was constructed in 1974 when Kiambu was a small town.
- Regulated tariffs against unregulated market prices for water pipes, fittings, electricity etc.

**Looking into the future:**

- The company in liaison with Athi Water Services Board is undertaking two gravitational water projects (River Kamiti and River Riara dams). Both projects are 80% complete and its projected that they will be complete by December 2016, injecting an additional 8,000 cubic meters of water into Kiambu Town and its environs daily.
- The County Government of Kiambu is undertaking the Kanunga gravitational water project. The project will abstract water from Kairia Spring in Kanunga and deliver an estimated 150 cubic meters of water daily to Kiambu town.
- The County Government of Kiambu is undertaking Ting'ang'a water project where an elevated steel tank has been constructed and is injected with water from Nairobi Water Company Susumua line. Currently water is being sold to residents in Ting'ang'a township area through a kiosk at a price of Kes 2/= per 20 liter jerrican. About 200 consumers have been connected in the area and laying of the pipeline is ongoing. Once complete, the residents of Ting'ang'a will be connected with clean, safe water in their homes and business premises.

- Athi Water Services has proposed a sewer upgrade project for Kiambu estimated to cost Kes 1.1 billion, with funds being sourced from The African Development Bank. The project will entail:
  - Upgrading the existing sewerage treatment plant to operationalise the unused aerator and double the capacity of treatment.
  - Connecting Kiambu sewerage trunk with Nairobi Water sewer trunk in Kiamumbi.
  - Extending approximately 60 kilometers of sewer line.

Once these projects are implemented, the company will improve on the water supply coverage area, hours of supply and save money currently spent on electricity bills and bulk purchase of water and this will be channeled to improving the water and sanitation services. Sewerage disposal problem will also be largely addressed.

- Once adequate water is supplied to the residents, the company will consider bottling water for sale to broaden the revenue base.
- Given the rapid growth of Kiambu, there is need to have a more comprehensive solution for sewerage treatment by acquiring land in an area that can collect from all areas.

#### **Capacity of KIWASCO:**

KIWASCO is governed by a board of Directors appointed by The County Government of Kiambu. The board oversees the operations of the company, spearheaded by a managing director. The company has two key departments namely Commercial & Finance, and Technical, headed by respective managers. These are supported by Procurement and Administration Departments. Staff with the required level of training and experience is deployed in the various sections of the company. The company continually evaluates human resource needs and any identified gaps are filled. The current staffing level is 36.

The company has three (3) motor vehicles and six (6) motorcycles for use by staff in operations.

The office operations are substantially computerized. Working tools and office equipment are available and in good working condition. The company uses computerized billing and accounting software.

#### **Water supply situation in KIWASCO jurisdiction:**

The current demand for water is 13,000 cubic meters per day. The supply is currently 4,166 cubic meters, leaving a deficit of 8,833. With the completion of Kamiti, Riara and Kanunga weirs, an additional 8,150 cubic meters will be injected, greatly bridging the gap. However, in order for Kiambu to be completely independent and stop reliance on Nairobi Water Company,

new and larger gravity water sources need to be developed preferably from areas like the Aberdare Ridges.

**Ongoing Water Projects in KIWASCO jurisdiction:**

| <b>Project Name</b>      | <b>Financier</b>                              | <b>Project Scope</b>  |
|--------------------------|---|---|
| Kamiti Water Project     | World Bank, through Athi Water Services Board | Development of water intake, water treatment plant and supply trunk to Kiambu Town. The project will inject an estimated 4,000 cubic meters of water daily. Projected completion date is December 2016.                 |
| Riara Water Project      | World Bank, through Athi Water Services Board | Development of water intake, water treatment plant and supply trunk to Kiambu Town (Indian Bazaar). The project will inject an estimated 4,000 cubic meters of water daily. Projected completion date is December 2016. |
| Kanunga Water Project    | County Government of Kiambu                   | Development of water intake, water treatment unit and supply trunk to Kiambu Town. The project will inject an estimated 150 cubic meters of water daily. Projected completion date is December 2016.                    |
| Ting'ang'a Water Project | County Government of Kiambu                   | Construction of 100 cubic meter elevated steel tank; 3.2 km intake pipeline; and approximately 8 km of distribution network. Projected completion date is December 2016.  |
| Kiamumbi Water Project   | County Government of Kiambu                   | Laying of water distribution networks in Kiamumbi estate. Connection to Nairobi Water Ndakaini pipeline at Kahawa West. The projected completion date is December 2016.   |

|                  |   |  |
|------------------|---|--|
| Kihingo Borehole | Athi Water Services Board                       | Drilling and equipping of borehole, construction of pump house, elevated steel tank and water kiosk. Projected completion date is June 2016.     |
| Thuku Borehole   | Athi Water Services Board                       | Drilling and equipping of borehole, construction of pump house, elevated steel tank and water kiosk. Projected completion date is June 2016.     |
| Gichiru Borehole | Kiambu Town Constituency Development Fund (CDF) | Drilling and equipping of borehole, construction of pump house, elevated steel tank and water kiosk. Projected completion date is December 2016. |



**Boniface M. Kabue**  
**Ag. Managing Director**

## Corporate Governance

Kiambu Water and Sewerage Company is a semi autonomous entity in accordance with the provisions of the Water Act 2002. The company is governed by a Board of Directors (BOD). Below the BOD, is the Managing Director (MD), followed by the top - management then, heads of departments. This is followed by other members of staff. The BOD including the MD have signed a Code of Conduct and the tenets therein, are adhered to as appropriate. We also have a Performance Contract in place.

We have two committees in place as shown here below:

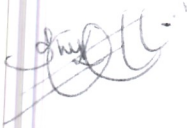
- Audit Committee
- The Finance and Administration committee.

These committees have their terms of reference very well stipulated in accordance with Water Services Regulatory Services Board (WASREB) guidelines. In addition, the roles of the Chairman and the Managing Director are clearly defined. The committees and the full BOD meeting, follow a pre – determined schedule where they meet every quarter. Currently we have five BOD members in anticipation of the coming merger between Kiambu Water and Sewerage Company Ltd and Karuri Water & Sanitation Company Ltd. In this arrangement we will have a total of nine Directors in which case, we will create a third committee to be dealing with technical issues.

The BOD is directly accountable to the shareholders and every year the company holds an annual general meeting (AGM), the directors provide a report to shareholders on the performance of the company and its future plans. The objects of the company are defined in the Memorandum of Association and regulations are laid out in the Articles of Association. The board of directors' key purpose is to ensure the company is meeting its obligations by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders. In addition to business and financial issues, the BOD deals

with challenges the company is facing, and issues relating to corporate governance, corporate social responsibility and corporate ethics.

The BOD has been trained on Corporate Governance courtesy of Athi Water Services Board and County Government of Kiambu.



Boniface M. Kabue,  
**AG. MANAGING DIRECTOR**

## Corporate Social Responsibility

Due to our limited resources, we have not given back to the community as much as we would want. However, we have partnered with the community on planting on tree seedlings of indigenous kind in several catchment areas. We have also partner with Water Resource Users Associations (WRUAs) on the same.

The company donated a used photocopying machine to Riabai Primary School.



Boniface M. Kabue,  
**AG. MANAGING DIRECTOR**

## **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of Kiambu Water and Sewerage Company affairs.

### **Principal activities**

The principal activities of the entity are to ensure the economical provision of water and sewerage services in Kiambu Sub County.

### **Results**

The results of the entity for the year ended June 30, 2016 are set out on page 17 to 20.

### **Dividends**

The Directors do not recommend the payment of dividend for the year.

### **Directors**

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

### **Auditors**

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

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

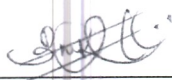
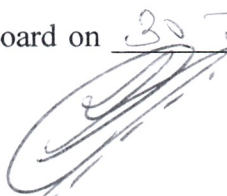
The Directors are responsible for the preparation and presentation of KIWASCO's financial statements, which give a true and fair view of the state of affairs of KIWASCO for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate 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 KIWASCO; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for KIWASCO's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements 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 KIWASCO's financial statements give a true and fair view of the state of KIWASCO's transactions during the financial year ended June 30, 2016, and of KIWASCO's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for KIWASCO's, which have been relied upon in the preparation of KIWASCO'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 KIWASCO will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

KIWASCO's financial statements were approved by the Board on 30 June 2016 and signed on its behalf by:

  
\_\_\_\_\_  
\_\_\_\_\_



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KIAMBU WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2016

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kiambu Water and Sewerage Company Limited set out on pages 19 to 28 which comprise the statement of financial position as at 30 June 2016, 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 35 of the Public Audit Act, 2015. 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 47 of the Public Audit Act, 2015.

#### 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 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. 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**

### **1.0 Trade and Other Receivables**

The statement of financial position as at 30 June 2016 reflects trade debtors balance of Kshs.28,585,778 which is net of provision for bad debts of Kshs.12,186,978. However, no aging analysis was provided to ascertain the validity of the provisions made. Further, the trade receivables balance included receivables totaling Kshs.24,522,070 which have been outstanding for a considerable long period. Although the recoverability of these debts is clearly uncertain, the provision for bad and doubtful debts made in the financial statements against the outstanding debts appears inadequate. Further, a balance of Kshs.2,064,000 relating to contingent liabilities was wrongly included in the trade debtors. Consequently, the accuracy of trade debtors' balance of Kshs.30,649,778 as at 30 June 2016 could not be confirmed.

### **2.0 Customer Deposits**

The statement of financial position reflects customer deposits balance of Kshs.6,392,343 as at 30 June 2016. However, a review of bank confirmation certificate and bank statements revealed that the actual customer deposit balance as at 30 June 2016 stood at Kshs.2,515,967. The variance of Kshs.3,076,376 constitute money spent by management without authority from Athi Water Services Board and which had not been refunded to the account as at 30 June 2016.

In the circumstances, the validity and accuracy of the customer deposits balance of Kshs.6,392,343 could not be confirmed.

## **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 Kiambu Water and Sewerage Company Limited as at 30 June 2016, and 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.

## **Other Matter**

### **1.0 Sustainability of Service**

During the year under review, the company recorded a deficit of Kshs.9,544,076 (2014/2015 loss of Kshs.7,741,818), which increased accumulated loss from Kshs.42,137,098 to Kshs.51,681,176 as at 30 June 2016. Further, the current liabilities balance of Kshs.95,477,570 as at 30 June 2016 exceeded the current assets balance of Kshs.42,138,779, resulting in a negative working capital of Kshs.53,338,791 which is an

indication that the company may be experiencing difficulties in meeting its obligations as and when they fall due.

The Company's financial position is therefore precarious, and its continued existence as a going concern is dependent upon continued support from the Government and its creditors.

## **2.0 Unaccounted For Water (UFW)**

During the year under review, the Company produced 1,579,123 cubic meters (m<sup>3</sup>) of water. However, out of this volume, only 1,117,759 m<sup>3</sup> of water was billed to consumers. The balance of 461,473m<sup>3</sup> or approximately 30% of total volume produced represented Unaccounted for Water (UFW) which is 5% above the allowable water loss of 25% as per Water Service Regulatory Board guidelines. The UFW of 30% may have resulted in loss of sales estimated at Kshs.38,801,770. The significant level of UFW may negatively impact on the Company's profitability and its long term sustainability.

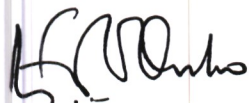
## **3.0 Non-compliance with the Water Services Regulatory Board (WASREB) regulations on personnel costs**

Note 5(d) to the financial statements reflected personnel costs amounted to Kshs.28,269,730 for the year ended 30 June 2016 or 51% of the total expenditure of KShs.36,051,979 which was 11% over and above the maximum threshold of 40% in accordance with the WASREB regulations. The excess personnel costs of kshs.5,013,754 may negatively impact on the company's profitability if measures are not instituted to contain the cost within the acceptable level.

## **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; and
- 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.



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

**Nairobi**

**18 September 2017**

KIAMBU WATER & SEWERAGE CO. LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2016

|                                 | Notes | <u>2016</u>        | <u>2015</u>        |
|---------------------------------|-------|--------------------|--------------------|
|                                 |       | Kshs               | Kshs               |
| Turnover                        | 1     | 90,537,464         | 87,580,286         |
| Cost of Sales                   | 5     | 54,263,375         | 61,288,093         |
| Net Operating Income            |       | 36,274,089         | 26,292,193         |
| <b>Other Income</b>             |       |                    |                    |
| Interest on Fixed Deposit       | 2     | 56,650             | -                  |
| Grants                          |       | 5,572,500          | 11,720,135         |
| Miscellaneous Income            | 4     | 7,735,761          | 1,305,100          |
| Total Income                    |       | <b>49,639,000</b>  | <b>39,317,427</b>  |
| <b>EXPENSES</b>                 |       |                    |                    |
| Administrative expenses         | 7     | 28,024,054         | 14,562,662         |
| Staff Costs                     | 11    | 28,269,730         | 31,859,139         |
| Finance cost                    | 12    | 825,291            | 637,445            |
|                                 |       | 57,119,076         | 47,059,245         |
| <b>Operating profit</b>         |       | <b>(7,480,076)</b> | <b>(7,741,818)</b> |
| <b>Profit/(Loss) before tax</b> |       | <b>(7,480,076)</b> | <b>(7,741,818)</b> |
| <b>Net Profit/(Loss)</b>        |       | <b>(7,480,076)</b> | <b>(7,741,818)</b> |

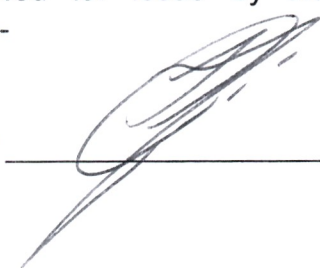
KIAMBU WATER & SEWERAGE CO. LTD

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2016

|                               | Notes | <u>Notes</u> | <u>2016</u>              | <u>2015</u>              |
|-------------------------------|-------|--------------|--------------------------|--------------------------|
|                               |       | Kshs         | Kshs                     | Kshs                     |
| <b>Non-current assets</b>     |       |              |                          |                          |
| Property, plant and equipment | 3     |              | 7,758,698                | 3,209,035                |
|                               |       |              | <u>7,758,698</u>         | <u>3,209,035</u>         |
| <b>Current assets</b>         |       |              |                          |                          |
| Trade and other receivables   | 8     |              | 31,374,510               | 25,139,488               |
| Cash and cash equivalents     | 9     |              | 3,678,449                | 1,882,399                |
| Inventory                     |       |              | 7,085,820                | 11,038,528               |
| Total current assets          |       |              | <u>42,138,779</u>        | <u>38,060,415</u>        |
| <b>Total Assets</b>           |       |              | <u><u>49,897,477</u></u> | <u><u>41,269,450</u></u> |
| <b>FINANCED BY:</b>           |       |              |                          |                          |
| <b>Capital and reserves</b>   |       |              |                          |                          |
| Ordinary Share capital        | 15    |              | 100,000                  | 100,000                  |
| Donated Equity                | 16    |              | 5,141,083                | 5,141,083                |
| Revaluation reserve           |       |              | 860,000                  | 860,000                  |
| Revenue Reserves              |       |              | (49,617,176)             | (42,137,097)             |
| <b>Shareholders' funds</b>    |       |              | <u>(43,516,093)</u>      | <u>(36,036,014)</u>      |
| <b>Current liabilities</b>    |       |              |                          |                          |
| Trade & Other payables        | 10    |              | 87,021,227               | 72,049,121               |
| Customer Deposits             | 13    |              | 6,392,343                | 5,256,343                |
| Total Current Liabilities     |       |              | <u>93,413,570</u>        | <u>77,305,464</u>        |
|                               |       |              | <u><u>49,897,477</u></u> | <u><u>41,269,450</u></u> |

The financial statements on pages 14 to 23 were approved for issue by the board of directors on 30/6/2016 and were signed on its behalf by:-

DIRECTOR: 

DIRECTOR: 

KIAMBU WATER & SEWERAGE CO. LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2016

|                                  | <u>Share Capital</u><br>Kshs | <u>Donated Equity</u><br>Kshs | <u>Revaluation Reserve</u><br>Kshs | <u>Revenue Reserves</u><br>Kshs | <u>Total</u><br>Kshs |
|----------------------------------|------------------------------|-------------------------------|------------------------------------|---------------------------------|----------------------|
| Balance at 1st July 2015         | 100,000                      | 5,141,083                     | 860,000                            | (42,137,098)                    | (36,036,015)         |
| Restated balances as at 1.7.2014 | 100,000                      | 5,141,083                     | 860,000                            | (42,137,098)                    | (36,036,015)         |
| Revaluation of Motor Vehicle     |                              |                               | -                                  |                                 | -                    |
| Balance as at 30 June 2016       | 100,000                      | 5,141,083                     | 860,000                            | (42,137,098)                    | (36,036,015)         |
| Balance at 1st July 2015         | 100,000                      | 5,141,083                     | 860,000.00                         | (42,137,098)                    | (36,036,015)         |
| Net profit/deficit               | -                            | -                             |                                    | (7,480,076)                     | (7,480,076)          |
| Balance as at 30 June 2016       | 100,000                      | 5,141,083                     | 860,000                            | (49,617,176)                    | (43,516,091)         |

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2016

|                                  | <u>Share Capital</u><br>Kshs | <u>Donated Equity</u><br>Kshs | <u>Revaluation Reserve</u><br>Kshs | <u>Revenue Reserves</u><br>Kshs | <u>Total</u><br>Kshs |
|----------------------------------|------------------------------|-------------------------------|------------------------------------|---------------------------------|----------------------|
| Balance at 1st July 2014         | 100,000                      | 5,141,083                     | -                                  | (23,130,800)                    | (17,889,717)         |
| Prior year adjustment            |                              |                               |                                    | (11,264,480)                    |                      |
| Restated balances as at 1.7.2014 | 100,000                      | 5,141,083                     | -                                  | (34,395,280)                    | (17,889,717)         |
| Revaluation of Motor Vehicle     |                              |                               | 860,000                            |                                 | 860,000              |
| Balance as at 30 June 2015       | 100,000                      | 5,141,083                     | 860,000                            | (34,395,280)                    | (17,029,717)         |
| Balance at 1st July 2015         | 100,000                      | 5,141,083                     | 860,000.00                         | (34,395,280)                    | (17,029,717)         |
| Net profit/deficit               | -                            | -                             |                                    | (7,741,818)                     | (7,741,818)          |
| Balance as at 30 June 2015       | 100,000                      | 5,141,083                     | 860,000                            | (42,137,098)                    | (24,771,535)         |
| Balance at 1st July 2015         | 100,000                      | 5,141,083                     | 860,000                            | (42,137,098)                    | (36,036,015)         |
| Restated balances as at 1.7.2014 | 100,000                      | 5,141,083                     | 860,000                            | (42,137,098)                    | (36,036,015)         |
| Balance as at 30 June 2016       | 100,000                      | 5,141,083                     | 860,000                            | (42,137,098)                    | (36,036,015)         |
| Balance at 1st July 2015         | 100,000                      | 5,141,083                     | 860,000.00                         | (42,137,098)                    | (36,036,015)         |
| Net profit/deficit               | -                            | -                             |                                    | (7,480,076)                     | (7,480,076)          |
| Balance as at 30 June 2016       | 100,000                      | 5,141,083                     | 860,000                            | (49,617,174)                    | (43,516,091)         |

KIAMBU WATER & SEWERAGE CO. LTD

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2016

|   |       | <u>2016</u>               | <u>2015</u>                |
|---|-------|---------------------------|----------------------------|
|   |       | Kshs                      | Kshs                       |
| <b>Cashflow From Operating Activities</b>                     | NOTES |                           |                            |
| a) Operating profit before working capital changes            |       | (7,480,076)               | (7,741,818)                |
| Depreciation  | 3     | 1,043,135                 | 1,107,207                  |
| Operating profit/deficit before working capital changes       |       | <u>(6,436,941)</u>        | <u>(6,634,611)</u>         |
| Decrease/increase in trade and other receivables              | 8     | (6,235,022)               | (3,215,916)                |
| Decrease(increase) in prepayments and deposits                |       | -                         | 1,482,606                  |
| Decrease(increase) Stock inventories                          | 5     | 3,952,708                 | (11,038,528)               |
| (Decrease)/increase in payables and accruals                  | 10    | 16,108,105                | 19,034,819                 |
| change in working capital                                     |       | <u>13,825,791</u>         | <u>6,262,981</u>           |
| <i>Net cashflow from Operating Activities</i>                 |       | <u><b>7,388,850</b></u>   | <u><b>(371,630)</b></u>    |
| <br>  |       |                           |                            |
| <b>Investing activities</b>                                   |       |                           |                            |
| Purchase of additional assets                                 | 5     | (5,592,798)               | (1,893,190)                |
| Work in Progress (WSTF Projects)                              |       | -                         | 10,346,418                 |
|   |       | <u>-</u>                  | <u>-</u>                   |
| <i>Net cashflow from investing activities</i>                 |       | <u><b>(5,592,798)</b></u> | <u><b>8,453,228</b></u>    |
| <br>  |       |                           |                            |
| <b>Financing activities</b>                                   |       |                           |                            |
| Deferred Income (WSTF Grant)                                  |       | -                         | (19,583,184)               |
| <i>Net cashflow from financing activities</i>                 |       | <u>-</u>                  | <u><b>(19,583,184)</b></u> |
| <br>  |       |                           |                            |
| <b>Net Increase / (Decrease) in cash and cash equivalents</b> |       | <u><b>1,796,052</b></u>   | <u><b>(11,501,586)</b></u> |
| <br>  |       |                           |                            |
| <b>Movement in cash and cash equivalents</b>                  |       |                           |                            |
| At start of year  |       | 1,882,398                 | 13,383,984                 |
| Increase / (Decrease) in cash and cash equivalents            |       | 1,796,052                 | (11,501,586)               |
| At end of year  |       | <u><b>3,678,450</b></u>   | <u><b>1,882,398</b></u>    |

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

#### *(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2016*

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

#### ***Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities***

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’. As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognized in the Company’s financial statements.

#### ***IAS 36 Recoverable Amount Disclosures for Nonfinancial Assets***

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. As the Company does not have any cash-generating units (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated, the application of the amendments has had no impact on the disclosures or on the amounts recognized in the Company’s financial statements.

#### *(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2016*

| New and Amendments to standards               | Effective for annual periods beginning on or after |
|---|--|
| IFRS 9  | 1 January 2018                                     |
| IFRS 15 Revenue from contracts with customers | 1 January 2017                                     |
| Amendments to IFRS 11                         | 1 January 2016                                     |
| Amendments to IAS 16 and IAS 38               | 1 January 2016                                     |

#### *(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2016*

#### **IFRS 9 Financial Instruments**

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

### **Amendments to IAS 16 and IAS 38 Clarifications of Acceptable Methods of Depreciation and Amortization**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue; or
- b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Company uses the straight-line method for depreciation and amortization for its property and equipment, and intangible assets respectively. The directors of the Company do not anticipate that the application of the standard will have a significant impact on the Company's financial statements.

### **Annual Improvements 2011-2013 Cycle**

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarized below:

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- a) The property meets the definition of investment property in terms of IAS 40; and
- b) The transaction meets the definition of a business combination under IFRS 3

The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. 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 judgement in the process of applying KIWASCO's accounting policies.

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

### 2. Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognised in the year in which the *KIWASCO* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from County Government** are recognised in the year in which *KIWASCO* actually receives such grants.
- iii) **Other income** is recognised as it accrues.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 6. Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

### 7. Trade and other Receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. 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.

### 8. 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. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Through the notice issued by treasury on 30 November 2010 the company is required to pay taxes on their profit or surplus. However, since the company made losses, it has not made any provision for taxes.

### 9. 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

### 10. Comparative Figures

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

### 11. 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, 2016.

## **CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described above, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the periods of the revision and future periods if the revision affects both current and future periods.

### **Critical Judgments in Applying Accounting Policies**

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

#### *Revenue recognition*

Water revenue includes an assessment of water supplied to customers between the date of the last meter reading and the year end. The water sales is estimated using historical consumption patterns taking into account the total water usage by the customer.

#### *Water deposits*

Money received from water customers as deposit is held as a non-current liability because the Company will continue to offer services to the customers for the foreseeable future and the customers are not expected to discontinue their use of water in the short run.

### **Key Sources of Estimation Uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

#### *Property Plant & Equipment*

Critical estimates are made by the Directors in determining depreciation rates of property plant & equipment. Property and equipment is depreciated over its useful life taking into account residual values, where appropriate.

## NOTES TO THE FINANCIAL STATEMENTS

### KIAMBU WATER & SEWERAGE CO. LTD

#### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2016

|                                  | <u>Share Capital</u><br>Kshs | <u>Donated Equity</u><br>Kshs | <u>Revaluation Reserve</u><br>Kshs | <u>Revenue Reserves</u><br>Kshs | <u>Total</u><br>Kshs |
|----------------------------------|------------------------------|-------------------------------|------------------------------------|---------------------------------|----------------------|
| Balance at 1st July 2015         | 100,000                      | 5,141,083                     | 860,000                            | (42,137,098)                    | (36,036,015)         |
| Restated balances as at 1.7.2014 | 100,000                      | 5,141,083                     | 860,000                            | (42,137,098)                    | (36,036,015)         |
| Balance as at 30 June 2016       | 100,000                      | 5,141,083                     | 860,000                            | (42,137,098)                    | (36,036,015)         |
| Balance at 1st July 2015         | 100,000                      | 5,141,083                     | 860,000.00                         | (42,137,098)                    | (36,036,015)         |
| Net profit/deficit               | -                            | -                             |                                    | (7,480,076)                     | (7,480,076)          |
| Balance as at 30 June 2016       | 100,000                      | 5,141,083                     | 860,000                            | (49,617,176)                    | (43,516,091)         |

#### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2016

|                                  | <u>Share Capital</u><br>Kshs | <u>Donated Equity</u><br>Kshs | <u>Revaluation Reserve</u><br>Kshs | <u>Revenue Reserves</u><br>Kshs | <u>Total</u><br>Kshs |
|----------------------------------|------------------------------|-------------------------------|------------------------------------|---------------------------------|----------------------|
| Balance at 1st July 2014         | 100,000                      | 5,141,083                     | -                                  | (23,130,800)                    | (17,889,717)         |
| Prior year adjustment            |                              |                               |                                    | (11,264,480)                    |                      |
| Restated balances as at 1.7.2014 | 100,000                      | 5,141,083                     | -                                  | (34,395,280)                    | (17,889,717)         |
| Revaluation of Motor Vehicle     |                              |                               | 860,000                            |                                 | 860,000              |
| Balance as at 30 June 2015       | 100,000                      | 5,141,083                     | 860,000                            | (34,395,280)                    | (17,029,717)         |
| Balance at 1st July 2015         | 100,000                      | 5,141,083                     | 860,000.00                         | (34,395,280)                    | (17,029,717)         |
| Net profit/deficit               | -                            | -                             |                                    | (7,741,818)                     | (7,741,818)          |
| Balance as at 30 June 2015       | 100,000                      | 5,141,083                     | 860,000                            | (42,137,098)                    | (24,771,535)         |
| Balance at 1st July 2015         | 100,000                      | 5,141,083                     | 860,000                            | (42,137,098)                    | (36,036,015)         |
| Restated balances as at 1.7.2014 | 100,000                      | 5,141,083                     | 860,000                            | (42,137,098)                    | (36,036,015)         |
| Balance as at 30 June 2016       | 100,000                      | 5,141,083                     | 860,000                            | (42,137,098)                    | (36,036,015)         |
| Balance at 1st July 2015         | 100,000                      | 5,141,083                     | 860,000.00                         | (42,137,098)                    | (36,036,015)         |
| Net profit/deficit               | -                            | -                             |                                    | (7,480,076)                     | (7,480,076)          |
| Balance as at 30 June 2016       | 100,000                      | 5,141,083                     | 860,000                            | (49,617,174)                    | (43,516,091)         |

KIWASCO

**MOTOR VEHICLE ANALYSIS**

**A MOTOR VEHICLES OF THE COMPANY AS AT 30.06.2016**

| No.                              | Vehicle<br>Reg. No. | Make                      | c.c. | Type<br>(Private/<br>Commercial) | Cost                | Revaluations/<br>Additions | Accumulated<br>Depreciation<br>B.Fwd | Depreciation<br>Charge for<br>the year | Accumulated<br>Depreciation<br>C.Fwd | Net book<br>Value | Date of<br>Purchase | Restricted<br>Cost |
|----------------------------------|---------------------|---------------------------|------|----------------------------------|---------------------|----------------------------|--------------------------------------|--|--------------------------------------|-------------------|---------------------|--------------------|
|                                  |                     |                           |      |                                  | Kshs.               |                            | Kshs.                                | Kshs.                                  | Kshs.                                | Kshs.             |                     | Kshs.              |
| 3                                | KBB 760T            | TOYOTA HILUX PICK UP(4*2) |      | Private                          | 1,742,880.00        | 860,000.00                 | 1,814,347.00                         | 302,499.96                             | 2,116,846.96                         | 486,033.04        | 09.04.2008          | 100.00             |
| <b>ADDITIONS DURING THE YEAR</b> |                     |                           |      |                                  |                     |                            |                                      |  |                                      |                   |                     |                    |
| M/CYCLE                          |                     |                           |      |                                  |                     |                            |                                      |  |                                      |                   |                     |                    |
|                                  | KBR 010U            | YAMAHA                    |      | Private                          | 87,500.00           |                            | 69,270.83                            | 18,229.17                              | 87,500.00                            | -                 | 24.04.2012          |                    |
|                                  | KBR011U             | YAMAHA                    |      | Private                          | 87,500.00           |                            | 69,270.83                            | 18,229.17                              | 87,500.00                            | -                 | 24.04.2012          |                    |
|                                  | KBR012U             | YAMAHA                    |      | Private                          | 87,500.00           |                            | 69,270.83                            | 18,229.17                              | 87,500.00                            | -                 | 24.04.2012          |                    |
|                                  | KBR013U             | YAMAHA                    |      | Private                          | 87,500.00           |                            | 69,270.83                            | 18,229.17                              | 87,500.00                            | -                 | 24.04.2012          |                    |
|                                  |                     |                           |      |                                  | <u>2,092,880.00</u> | <u>860,000.00</u>          | <u>2,091,430.32</u>                  | <u>375,416.64</u>                      | <u>2,466,846.96</u>                  | <u>486,033.04</u> |                     | <u>100.00</u>      |

We hereby confirm the following:

- 1 The above vehicles are owned by the company as at 30.06.2016
- 2 The company is holding the original log book for all the above mentioned vehicles.
- 3 The above vehicles are road worthy and in running condition.

Signed:

\_\_\_\_\_  
DIRECTOR 1

\_\_\_\_\_  
DIRECTOR 2

**8(a) TRADE & OTHER RECEIVABLES**

|                              |                   |                   |
|------------------------------|-------------------|-------------------|
| Water debtors                | 42,836,756        | 36,132,872        |
| Provision for doubtful debts | (12,186,978)      | (11,621,802)      |
|                              | <u>30,649,778</u> | <u>24,511,070</u> |

**8(b) PREPAYMENTS AND DEPOSITS**

|  |                |                |
|--|----------------|----------------|
| Rent deposit   | 260,000        | 260,000        |
| Prepaid Staff Medical Cover(PA)                      | 20,762         | -              |
| Prepaid motor vehicle and office insurance           | 166,470        | 80,928         |
| Deposit Nairobi Water                                | 27,500         | 27,500         |
| Water Deposit Paid to Amon Nderi                     | 200,000        | 200,000        |
| Pre Paid I.T.Cost                                    | -              | 9,990          |
| Deposit paid to Watija Enterprises for Bulk water pu | 50,000         | 50,000         |
|  | <u>724,732</u> | <u>628,418</u> |

**8 TOTAL TRADE & OTHER RECEIVABLES** **31,374,510** **25,139,488**

**9 CASH AND CASH EQUIVALENTS**

|   |                  |                  |
|---|------------------|------------------|
| Family Bank - Customer Deposits Account | 2,515,967        | 1,328,477        |
| KCB Operations Account                  | 214,661          | 300,156          |
| MPESA ACCOUNT                           | 35,347           | 58,765           |
| Equity Revenue Account                  | 80,072           | 91,651           |
| Family Bank Revenue Account             | 2,663            | 4,050            |
| Post Bank                               | 812,437          | 99,176           |
| National Bank of Kenya                  | 17,302           | 123              |
|   | <u>3,678,449</u> | <u>1,882,398</u> |

KIAMBU WATER & SEWERAGE CO. LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

|  | <u>2016</u>         | <u>2015</u>       |
|--|---------------------|-------------------|
|  | Kshs                | Kshs              |
| <b>11 STAFF COSTS</b>                                |                     |                   |
| The following items are included within staff costs: |                     |                   |
| Salaries and wages                                   | 26,847,964          | 28,973,089        |
| Staff welfare  | 253,230             | 90,000            |
| Staff training                                       | 47,500              | -                 |
| Field operations allowances                          | 492,367             | 392,200           |
| Leave allowance                                      | -                   | 329,985           |
| Staff medical cover                                  | -                   | 1,512,601         |
| Travelling allowance                                 | 382,209             | 367,896           |
| Membership to Professional Association               | 131,000             | 177,000           |
| Uniforms & Medical items                             | 115,460             | 16,368            |
|  | <u>28,269,730</u>   | <u>31,859,139</u> |
| <b>12 FINANCE COST</b>                               |                     |                   |
| Bank Charges   | 825,291             | 637,445           |
| <b>13 Customer deposits</b>                          |                     |                   |
| Customer deposits                                    | <u>6,392,343.35</u> | <u>5,256,343</u>  |

## 15. RELATED PARTY DISCLOSURES

### a) Nature Of Related Party Relationships

Companies and other parties related to the company include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Kiambu Water Sewerage Co. Ltd is related to:

- (i) The County Government of Kiambu (CGK)
- (ii) Water Service Trust Fund (WSTF)
- (iii) Water Services Regulatory Board (WASREB)
- (iv) Water Resources Management Authority (WARMA)
- (v) Athi Water Services Board (AWSB)
- (vi) Key Management
- (vii) Board of Directors
- (viii) Nairobi Water Company Ltd

#### (a) County Government of Kiambu

The County Government of Kiambu is the principal shareholder of KIWASCO, holding 100% of KIWASCO's equity interest. The County Government of Kiambu has provided full guarantees to all long-term lenders of the entity, both domestic and external.

There were other KIWASCO transactions involving County Government of Kiambu.

18 Deffered income tax is provided using the liability method on temporary differences at the reporting between the tax bases of assets and liabilities and their carrying amount for financial reporting differences purposes.

**19 Provision for staff leave pay**

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

**20 INCOPORATION**

The entity is incorporated in Kenya under the Kenyan Companies Act and domiciled in Kenya