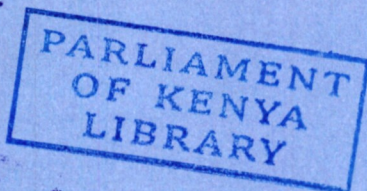


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
NGAGAKA WATER AND SANITATION  
COMPANY LIMITED

FOR THE YEAR  
ENDED 30 JUNE 2015



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***NGAGAKA WATER AND SANITATION COMPANY LIMITED***

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2015**

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

**Reports and Financial Statements  
For the year ended June 30, 2015**

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# **Ngagaka water and sanitation company limited**

## **Reports and Financial Statements For the year ended June 30, 2015**

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### **KEY ENTITY INFORMATION**

#### **Background information**

Ngagaka water and sanitation company (NGAWASCO) is a water service provider (WSP) which was incorporated in March 2011 and falls under Tana water services Board. NGAWASCO covers an area of over 80km<sup>2</sup> which has a population of about 76,133. The head office is at Kianjokoma market, Embu County.

#### **Principal Activities**

The principal activity of NGAWASCO is provision of water and sanitation services within the designated SPA region.

#### **Directors**

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

1.	Cyrus Njoka Nyaga	Chairman	Appointed on December,2012
2.	Jacinta Gatavi Nyaga	Director	Appointed on December,2012
3.	Njagi Njue	Director	Appointed on December,2012
4.	Doras Muthoni Nyaga	Director	Appointed on December,2012
5.	Andrew Kinyua munyi	Director	Appointed on December,2012
6.	Josphine Marigu Nyaga	Director	Appointed on December,2012
7.	Justin J. Gatumuta	Director	Appointed on December,2012
8.	DWO-Embu East	Director	Appointed on December,2012
9.	CEO-TWSB	Director	Appointed on December,2012
10.	Francis Mugendi Njoka	Director	(General manager)

#### **Corporate Secretary**

Richard K. Gikuhi  
P. O. Box 1271-10100  
Nyeri, Kenya

#### **Registered Office**

Kianjokoma Market  
P.O. Box 2507-60100  
Embu, Kenya

#### **Corporate Contacts**

Telephone: (254) 2701 084 424/0738 360 306  
E-mail: ngawasco@gmail.com

**Ngagaka water and sanitation company limited**

**Reports and Financial Statements  
For the year ended June 30, 2015**

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**KEY ENTITY INFORMATION (continued)**

**Corporate Bankers**

1. Family Bank of Kenya  
P. O. box 789-60100  
Embu, Kenya
2. Consolidated Bank of Kenya  
P. O. Box 1377-60100  
Embu, Kenya
3. Equity Bank of Kenya  
P. O. Box  
Embu Kenya

**Independent Auditors**

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

**Principal Legal Advisers**

1. The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
GPO 00100  
Nairobi, Kenya

# Ngagaka water and sanitation company limited

## Reports and Financial Statements

For the year ended June 30, 2015

### THE BOARD OF DIRECTORS



Cyrus Njoka Nyaga

#### Chairman

Name: Cyrus Njoka Nyaga  
Age: 70 Years  
Profession: Policeman  
Work Experience: 20 Years



Solomon Kanyata

#### Director

Name: Solomon Kanyata  
Age: 57 Years  
Profession: CEO Rep (TWSB)  
Work Experience: 33 Years



Jacinta Gatavi

#### Director

Name: Jacinta Gatavi  
Age: 53 Years  
Profession: Church Elder  
Work Experience: 9 Years



Andrew Kinyua

#### Director

Name: Andrew Kinyua  
Age: 41 Years  
Profession: Farmer  
Work Experience: 10 Years



Njagi Njue

#### Director

Name: Njagi Njue  
Age: 51 Years  
Profession: Farmer/Church elder  
Work Experience: 10 Years



Lydia Maina

#### Director

Name: Lydia Maina  
Age: 51 Years  
Profession: Sub-County Water Offi  
Work Experience: 25 Years



Justin Gatumuta

#### Director

Name: Justin Gatumuta  
Age: 63 Years  
Profession: Businessman  
Work Experience: 30 Years



Francis Njoka

#### Managing Director

Name: Francis Njoka  
Age: 47 Years  
Profession: Water Engineer  
Work Experience: 20 Years



Josphine Marigu

#### Director

Name: Josphine Marigu  
Age: 37 Years  
Profession: Social Work  
Work Experience: 7 Years



Doras Muthoni

#### Director

Name: Doras Muthoni  
Age: 52 Years  
Profession: Business Lady  
Work Experience: 15 Years

# Ngagaka water and sanitation company limited

## Reports and Financial Statements

For the year ended June 30, 2015

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### MANAGEMENT TEAM



Name: Francis Njoka  
Age: 47  
Position: General Manager  
Profession: HRD-Water Engineering  
Area of responsibility: Water Engineer

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Name: Francis Njagi  
Age: 52  
Position: Commercial Manager  
Profession: CPA(K)  
Area of responsibility: Finance

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Name: Josphat Njogu  
Age: 52  
Position: Technical Manager  
Profession: Ordinary Diploma -Water Engineering  
Area of responsibility: Water Engineer

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Name: Alice Kariuki  
Age: 47  
Position: Human Resources Officer  
Profession: Ordinary Diploma -HR  
Area of responsibility: Human Resource

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Name: Agnes Murugi  
Age: 31  
Position: Accountant  
Profession: CPA(K)  
Area of responsibility: Finance

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**CHAIRMAN'S STATEMENT**

It is with great pride that I report yet another year of solid growth and stellar financial performance for our company, in line with our expectations. We have remained steadfast in our commitment to transforming the lives of the community we serve through continuous innovation on the services that make a real difference to our customers. Our pursuit of this clear sighted strategy, which this report will highlight, is already a clear testimony that we are delivering robust returns for our stakeholders.

The last twelve months have been characterised by several dynamic factors that have shaped the overall business environment. This factor includes but no limited to the prolonged dry spell that re-defined some elements in our industry.

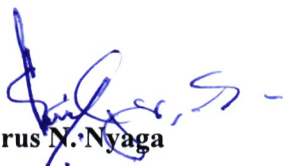
On the governance front, the impact of devolution has started to take shape. We got involved in discussing with the county government in funding the implementation of some lines within the scheme area.

Our dedication to our strategy has yielded a strong set of financial results, generated a significant free cash flow. This is a clear confirmation of our commitment to generating long term value for our stakeholders.

In conclusion we continue to enjoy the support and goodwill inter alia of the Regulatory Authority, the Board, our clients, suppliers and service providers. I wish to record our appreciation to them all and note that we highly value this relationship.

I also wish to thank and congratulate the management team and staff of the company for the loyalty, dedication and tireless efforts that have made these results possible.

Finally, to my fellow directors, thank you for your commitment, support and considered advice that is so essential in this extremely noble service.



**Cyrus N. Nyaga**

**Chairman**

Dated *21<sup>st</sup> August 2015*

## **Ngagaka water and sanitation company limited**

### **Reports and Financial Statements For the year ended June 30, 2015**

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#### **REPORT OF THE CHIEF EXECUTIVE OFFICER**

I am pleased to announce yet another year of strong performance in all aspects of our business. We have maintained our record of growth through superior commercial performance across our entire service portfolio. Our customers have rewarded us with loyalty as we have strived to over deliver on our promise of a superior customer experience.

Our solid financial performance has enabled us to continue with substantial investment in our network and other services. Customer satisfaction levels have continued to improve as evidenced by higher usage of our products and services.

As a result of our strong focus on delivering quality services to our customers, our total revenue increased from Kshs 29.18 million to Kshs 29.255 million while our customer base increased from 8,928 to 9,547. Water sales remains our predominant revenue stream having increased by 6% to Kshs 27.886 million. The growth was occasioned by our loyal customer base, attracted by a superior team of experienced staff.

Our other miscellaneous services continue to increase in significance in revenue generation. Application fees for new connections remain the key driver, having generated slightly above half of our total miscellaneous revenue. The growth was driven primarily by our number of customers who stood at 9,547 as at close of the accounting period.

For another consecutive year, we have delivered robust results and ensured value for our stakeholders.

Our staffs are the greatest resource and we have an exciting mix of skills in various disciplines blended with wealth of experiences. The average age of our employees is approximately thirty five years. They are enthusiastic to make certain that we are always in the front. These employees are always ready to roll up their sleeves whenever required to perform specific tasks to ensure that customers' needs are met and our goals achieved.

#### **Strategic priorities**

Our goal is to continue transforming the lives of our fellow Kenyans and delighting our customers with great value and services. SMS billing is at an advanced stage and that will be a mile stone project given the value it will add to the company. Our priority this year is to commercialise this service by growing the number of active connections and making SMS billing the preferred electronic mode of payment. This will make a significant contribution to the lives of our customers and accelerate Kenya towards a cash-lite economy.

To ensure our customers get value for their money, we intend to engage both the Regulator and the Board in Regular Tariff Adjustment (RTA) issue.

**Ngagaka water and sanitation company limited**

**Reports and Financial Statements  
For the year ended June 30, 2015**

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Ngagaka water has continued to be the front runner and this can only be due to the commitment and diligence by the board, management and staff who have worked tirelessly to satisfy our clients, and all stakeholders. I register my appreciation to the support which has made 2015 once again a momentous year for all of us.

We hope that 2016 we will offer even better services.



**Francis Njoka**

**General Manager.**

**Dated 21<sup>st</sup> August 2015**

## **Ngagaka water and sanitation company limited**

### **Reports and Financial Statements For the year ended June 30, 2015**

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#### **CORPORATE GOVERNANCE STATEMENT**

Good corporate governance is key to the integrity of water sector institutions and markets and is central to the health of our economics and their stability. Corporate governance plays a leading role in making certain how corporations and their boards and management are directed, controlled and held to account. Corporate governance therefore encompasses the systems, practices and procedures by which the individual corporation regulates itself in order to remain competitive, ethical, sustainable and fair.

Appointed on December, 2012 **THE BOARD OF NGAWASCO** limited follows, principles of openness, integrity and accountability in its stewardship of the company's affairs. It recognizes the developing nature of corporate governance and assesses the company's compliance with generally accepted corporate governance practice on a regular basis, directly and through its board committees and management. The role of the board is to ensure conformance by focusing on and providing the company's overall strategic direction and policy –making as well as performance review through accountability and ensuring appropriate monitoring and supervision. The board is also responsible for the overall system of internal control and for the reviewing its effectiveness. The controls are designed to both safeguard the company's assets and ensure the reliability of financial information.

A management team, comprising the general manager, heads of departments and senior staff meets regularly to consider issues of operational and strategic importance to the company. Here below are the key features of the existing corporate governance practices within **NGAGAKA Water and Sanitation Company limited** which are reviewed and improved on a regular basis:-

#### **1. Board Of Directors**

The board of directors consists of one executive director and nine non-executive directors, who have been appointed in accordance with the Water Act 2002. The chairman of the board is a non-executive director and the board meets formally at least four times a year.

The board is responsible for setting the direction of the company through the establishment of strategic objectives, key policies and approval of budgets. It monitors the implementation of strategies and policies through a structured approach to reporting by management and consequent accountability.

The non-executive directors are actively involved in and bring strong independent judgment on board deliberations and discussions. These directors have a wide range of knowledge and experience of local markets that is applied to the formulation of strategic objectives and decision making.

The board meets regularly and retains full and effective control over the company in all strategic, financial, operational and compliance areas. In 2015, four board meetings were held and all directors attended the four meetings

To assist the board in the discharge of its responsibilities, board committees have been established. All the board committees meet at least two times a year. The committees are as follows:-

**a) Audit Committee**

The audit committee comprises of three non-executive directors and a senior manager. The committee is responsible for inter alia, developing and advising an audit and financial controls and compliance issues of the company. It also defines the scope of the internal audit function and acts as a liaison between the external auditors and management. The current members of the committee are:  
- J Gatumuta (Chairman), CEO Tana representative and Josephine Marigu.

**b) Finance And Technical Committee**

The finance and technical committee comprises of five non-executive directors and the general manager. The committee provides guidance to the board on finance and technical requirements for the company. The current members are D. Muthoni, N. Njue, J. G.Nyaga, CEO Tana Representative, General Manager and A Kinyua (Chairman).

**2. Internal Controls**

The company has implemented and maintained internal controls designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard and maintain accountability of the company's assets. Such controls are based on established policies and procedures and are implemented by trained personnel with appropriate segregation of duties. The effectiveness of the system of internal controls is monitored regularly through internal audit functions, operational meetings and the annual external audit.

**3. Related Party Transactions And Directors Remuneration.**


The related party transactions with the company during the year ending 30<sup>th</sup> June 2015 are detailed under note 18.on page 30 of these annual report and financial statements.


The remuneration for directors consists of sitting allowances for their services in connection with the Board and committee meetings.

The aggregate amount of director's remuneration for services rendered during the year ending 30<sup>th</sup> June 2015 are contained under note 18 on page 30 of these annual report and financial statements.

**4. Going Concern**

The directors confirm that the company has adequate resources to continue in business for the feasible future and therefore the continued use of going concern as a basis of preparing the financial statements.

  
**C. N. Nyaga**  
Chairman

  
**F. M. Njoka**  
Director.

**Ngagaka water and sanitation company limited**

**Reports and Financial Statements**

**For the year ended June 30, 2015**

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**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

The company upholds its core values which enshrine ethical business practices, compliance with regulatory and other legal requirements and respect for humanity, communities and the environment. The company's corporate social responsibility (CSR) hinges on two key pillars, employees and welfare programmes.

During the year, our employees have become an important part of this noble objective. The employees are the backbone of our success.

Therefore, we have unrelentingly ensured that they have a favourable work environment. That has seen the construction of a new office block to ensure each staff has ample space to work effectively. Training and development of staff has continued to be an important part of our business. All staffs are encouraged to attend internal and external training sessions in order to upgrade themselves technically and professionally. The internship placement programmes has continued with several students working as interns in various departments. Those students are drawn from various colleges.

**Ngagaka water and sanitation company limited**

**Reports and Financial Statements  
For the year ended June 30, 2015**

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**REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of the Company's affairs.

**Principal activity**

The principal activity of the entity is provision of water and sanitation services within the SPA area.

**Results**

The results of the entity for the year ended June 30, 2015 are set out on page 15


**Directors**

The members of the Board of Directors who served during the year are shown on page 4 In accordance with Regulation of the company's Articles of Association.

**Auditors**

The Auditor General is responsible for the statutory audit of the company 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.

By Order of the Board



**Director**

**Date 21<sup>st</sup> August 2015**

## Ngagaka water and sanitation company limited

### Reports and Financial Statements

For the year ended June 30, 2015

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#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

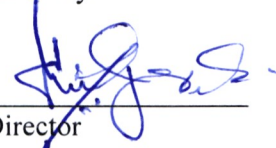
The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company'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 the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2015, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.


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

#### Approval of the financial statements

The company's financial statements were approved by the Board on 20<sup>th</sup> August 2015 and signed on its behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NGAGAKA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2015

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Ngagaka Water and Sanitation Company Limited set out on pages 15 to 33, which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

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

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

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

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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

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*Ngagaka Water and Sanitation Company Limited – Annual Report and Financial Statements for the year ended 30 June 2015*

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**

#### **Directors' Emoluments**

Included in the administration costs of Kshs.21,234,820 is Directors' emoluments figure of Kshs.760,810 which had exceeded its budgetary allocation of Kshs.324,000 leading to an over expenditure of Kshs.436,810 (135%). Further, schedules of board meetings were not availed for audit review. In the circumstances, the propriety of the directors' emoluments of Kshs.760,810 for the year ended 30 June 2015 could not be confirmed.

#### **Qualified Opinion**

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Ngagaka Water and Sanitation Company Limited as at 30 June 2015 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and Comply with the Water Act, 2002 and the Companies Act, Cap 486 Laws of Kenya.

#### **Other Matter**

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

During the year under review, the Company produced 1,076,266 (m<sup>3</sup>) cubic meters of water. However, only 559,762 m<sup>3</sup> was billed to customers. The balance of 516,504 or approximately 48% of the total volume represented unaccounted for water (UFW) which is over and above the allowable loss of 25% as provided by Water Act, 2002. The UFW of 48% may have resulted in loss of water sales estimated at Ksh.25,731,308.

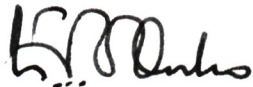
Consequently, the significant level of UFW if not addressed will negatively impact on the Company's profitability and long term sustainability.

My opinion is not qualified in respect of this matter.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Companies Act, I report based on the 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 is in agreement with the books of account.



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

**Nairobi**

**27 June 2016**

**Ngagaka water and sanitation company limited**

**Reports and Financial Statements**

**For the year ended June 30, 2015**

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOMES**

	Note	2015 Kshs	2014 Kshs
<b>REVENUES</b>			
Gross Sales of water	1	27,886,345	26,307,740
Grants from National Government	2	250,179	1,401,443
Other Income	3	1,119,165	1,470,957
		<u>29,255,689</u>	<u>29,180,140</u>
<b>TOTAL REVENUES</b>			
<b>OPERATING EXPENSES</b>			
Administration Costs	4(a)	21,234,620	19,269,748
Production Costs	5	3,021,185	4,275,584
Depreciation of property, plant and equipment	8	2,340,102	2,093,707
		<u>26,595,907</u>	<u>25,639,039</u>
<b>TOTAL OPERATING EXPENSES</b>			
<b>OPERATING SURPLUS/ (DEFICIT)</b>	<b>6</b>	<b>2,659,782</b>	<b>3,538,101</b>
Finance Costs	7	472,090	173,821
		<u>2,187,692</u>	<u>3,364,280</u>
<b>SURPLUS/ (DEFICIT)</b>			

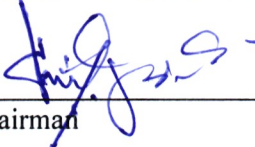
**Ngagaka water and sanitation company limited**

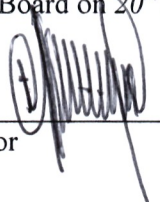
**Reports and Financial Statements  
For the year ended June 30, 2015**

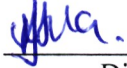
**STATEMENT OF FINANCIAL POSITION**

	Note	2015 Kshs	2014 Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	8	12,891,147	10,942,099
<b>Total Non-Current Assets</b>		<b>12,891,147</b>	<b>10,942,099</b>
<b>Current Assets</b>			
Inventories	9	787,701	877,344
Trade and other receivables	10(a)	8,545,952	7,790,585
Cash and cash equivalents	11	4,396,992	4,513,315
<b>Total Current Assets</b>		<b>13,730,645</b>	<b>13,181,244</b>
<b>TOTAL ASSETS</b>		<b>26,621,792</b>	<b>24,123,343</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Capital fund/reserves	12	9,965,875	9,965,875
Revenue reserve	13	7,877,091	5,689,399
<b>Capital and Reserves</b>		<b>17,842,966</b>	<b>15,655,274</b>
<b>Non-Current Liabilities</b>			
Borrowings	14	2,293,565	2,926,439
Deferred income	15	2,126,496	2,376,675
<b>Total Non-Current Liabilities</b>		<b>4,420,061</b>	<b>5,303,114</b>
<b>Current Liabilities</b>			
Borrowings	14	632,874	492,995
Trade and other payables	16	3,725,891	2,671,960
<b>Total Current Liabilities</b>		<b>4,358,765</b>	<b>3,164,955</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26,621,792</b>	<b>24,123,343</b>

The financial statements were approved by the Board on 20<sup>th</sup> August 2015 and signed on its behalf by:

  
Chairman

  
Director

  
Director

**Ngagaka water and sanitation company limited**

**Reports and Financial Statements**

**For the year ended June 30, 2015**

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**STATEMENT OF CHANGES IN EQUITY**

	<b>Capital fund/ reserves</b>	<b>Revenue reserve</b>	<b>Total</b>
<b>At July 1, 2013</b>	<b>9,965,875</b>	<b>2,322,119</b>	<b>12,287,994</b>
Total financial performance	-	3,367,280	3,367,280
<b>At June 30, 2014</b>	<b>9,965,875</b>	<b>5,689,399</b>	<b>15,655,274</b>
<b>At July 1, 2014</b>	<b>9,965,875</b>	<b>5,689,399</b>	<b>15,655,274</b>
Total financial performance	-	2,187,692	2,187,692
<b>At June 30, 2015</b>	<b>9,965,875</b>	<b>7,877,091</b>	<b>17,842,966</b>

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**STATEMENT OF CASH FLOWS**

	Note	2015 Kshs	2014 Kshs
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>			
Net surplus/ (deficit)		2,187,692	3,367,280
Adjustment for provision for depreciation		2,340,102	2,093,707
Adjustment for provision for bad debts		36,132	52,825
Adjustment for amortization		(250,179)	(285,539)
		<u>4,313,747</u>	<u>5,228,273</u>
<b>CHANGES IN WORKING CAPITAL</b>			
(Increase) in trade receivables		(797,082)	(914,282)
Decrease/ (increase) in staff advances		5,583	76,597
Increase/ (decrease) in trade payables		386,431	528,021
Decrease in inventory		89,643	388,327
Increase in customer deposits		667,500	13,000
<b>Net cash generated from/ (used in) operating activities</b>		<u>352,075</u>	<u>91,663</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	8	(4,289,150)	(6,902,669)
<b>Net cash generated from/ (used in) investing activities</b>		<u>(4,289,150)</u>	<u>(6,902,669)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings	14	-	3,488,000
Repayment of borrowings	14	(492,995)	(68,566)
<b>Net cash generated from/ (used in) financing activities</b>		<u>(492,995)</u>	<u>3,419,434</u>
<b>INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>(116,323)</u>	<u>1,836,701</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	11	<u>4,513,315</u>	<u>2,676,614</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	11	<u>4,396,992</u>	<u>4,513,315</u>

## **Ngagaka water and sanitation company limited**

### **Reports and Financial Statements For the year ended June 30, 2015**

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#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

##### **2. Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company 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 the company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the company's activities as described below.

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

##### **3. In-kind contributions**

In-kind contributions are donations that are made to the company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the company includes such value in the statement of financial performance both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Property, plant and equipment**

All categories of property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

**5. Depreciation and impairment of property, plant and equipment**

Depreciation on property, plant and equipment is recognised in the income statement on a reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	2%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amounts.

**6. Finance leases**

Leases which confer substantially all the risks and rewards of ownership to the company are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

**7. Inventories**

Inventories are stated at the lower of cost and net realisable value.

## **Ngagaka water and sanitation company limited**

### **Reports and Financial Statements For the year ended June 30, 2015**

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#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **8. 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 using rate of 10%. Bad debts are written off after all efforts at recovery have been exhausted.

##### **9. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at 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 which were not surrendered or accounted for at the end of the financial year.

##### **10. Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

##### **11. Trade and other payables**

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

##### **12. Retirement benefit obligations**

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,080 per employee per month.

##### **13. 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**14. Comparative figures**

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

**15. 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, 2015.

**Ngagaka water and sanitation company limited**

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**NOTES TO THE FINANCIAL STATEMENTS**

	2015 Kshs	2014 Kshs
<b>1 SALES</b>		
Gross sales of water	27,886,345	26,307,740
	<u>27,886,345</u>	<u>26,307,740</u>
<i>[Being billed revenue from water sales]</i>		
<b>2 GRANTS FROM NATIONAL GOVERNMENT</b>		
Current grants received	-	1,115,904
Capital grants received	250,179	285,539
	<u>250,179</u>	<u>1,401,443</u>
<i>[Being salary and water meters received from GOK]</i>		
<b>3 OTHER INCOME</b>		
Sale of tender documents	-	65,000
Reconnection fees	160,500	127,750
Fines and penalties	87,500	97,800
Bad debts	180,290	246,982
Other miscellaneous receipts	71,875	170,425
Application fees	619,000	716,000
	<u>1,119,165</u>	<u>1,470,957</u>
<i>[Being incomes other than water sales]</i>		
<b>4(a) ADMINISTRATION COSTS</b>		
Staff costs (note 4(b))	12,122,981	11,099,271
Directors' emoluments	760,810	477,600
Electricity and water	65,670	62,794
Telephone, E-mails, postage and computer accessories	295,270	330,779
Transportation, travelling and subsistence	1,025,810	1,214,480
Advertising, printing, stationery and newspapers	534,655	243,243
Rent expenses	83,000	13,800
Staff training expenses	579,660	305,880
Staff uniforms and welfare	296,996	249,232
Insurance costs	176,492	207,504
Bank charges and commissions	44,676	41,907
Fees, levies, commitment and honoraria	3,336,682	3,308,089

**Ngagaka water and sanitation company limited**

**Reports and Financial Statements  
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<b>NOTES TO THE FINANCIAL STATEMENTS (Continued)</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Auditors' remuneration	290,000	290,000
Motor vehicle fuels, oil and maintenance	950,450	895,953
Consultancy fees	-	52,576
Repairs and maintenance	200,315	22,360
Provision for bad and doubtful debts	36,132	52,825
Staff year party, cleaning and CSR	435,021	401,471
	<u>21,234,620</u>	<u>19,269,748</u>
	=====	=====

**4(b) STAFF COSTS**

Salaries and allowances of permanent employees	12,122,981	9,717,324
Wages of temporary employees	-	1,023,253
Compulsory national health insurance schemes	-	-
Compulsory national social security schemes	-	-
Others (Terminal Dues)	-	358,694
	<u>12,122,981</u>	<u>11,099,271</u>
	=====	=====

**The average number of employees at the end of the year was:**

Permanent employees – Management	5	5
Permanent employees – Unionisable	31	15
Temporary and contract employees	-	17
	<u>36</u>	<u>37</u>
	=====	=====

*[Being number of staff throughout the year]*

**5 PRODUCTION COSTS**

Water maintenance and rehabilitation	2,704,891	3,952,309
Water chemicals	316,294	323,275
	<u>3,021,185</u>	<u>4,275,584</u>
	=====	=====

*[Being costs of maintaining and treating water]*

**Ngagaka water and sanitation company limited**

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For the year ended June 30, 2015**

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<b>NOTES TO THE FINANCIAL STATEMENTS (Continued)</b>		<b>2015</b>	<b>2014</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>6</b>	<b>OPERATING PROFIT/ (LOSS)</b>	<b>2,659,782</b>	<b>3,538,101</b>
The operating profit/ (loss) is arrived at after charging/ (crediting):			
	Staff costs (note 4(b))	12,122,981	11,099,271
	Depreciation of property, plant and equipment	2,340,102	2,093,707
	Amortisation of intangible assets	-	-
	Provision for bad and doubtful debts	36,132	52,825
	Directors' emoluments - fees	355,000	452,000
	- other	405,810	25,600
	Auditors' remuneration - current year fees	290,000	290,000
	- prior year under-provision	-	-
	Interest payable	472,090	173,821
<b>7</b>	<b>Finance costs</b>		
	Interest expense on loan	472,090	173,821

**Reports and Financial Statements  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8 PROPERTY, PLANT AND EQUIPMENT**

	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Water meters</b>	<b>Motor vehicles, including, motor cycles</b>	<b>Computers &amp; related equipment</b>	<b>Office equipment, furniture &amp; fittings</b>	<b>Tools and equipment</b>	<b>Total</b>
<b>COST</b>								
At July 1, 2013	95,666	1,101,530	5,571,913	-	478,500	353,300	231,890	7,832,799
Additions	541,390	-	2,592,637	3,434,692	333,950	-	-	6,902,669
<b>At June 30, 2014</b>	<b>637,056</b>	<b>1,101,530</b>	<b>8,164,550</b>	<b>3,434,692</b>	<b>812,450</b>	<b>353,300</b>	<b>231,890</b>	<b>14,735,468</b>
At July 1, 2014	637,056	1,101,530	8,164,550	3,434,692	812,450	353,300	231,890	14,735,468
Additions	217,760	-	3,237,000	180,000	621,500	32,890	-	4,289,150
<b>At June 30, 2015</b>	<b>854,816</b>	<b>1,101,530</b>	<b>11,401,550</b>	<b>3,614,692</b>	<b>1,433,950</b>	<b>386,190</b>	<b>231,890</b>	<b>19,024,618</b>
<b>DEPRECIATION</b>								
At July 1, 2013	3,310	208,231	1,113,597	-	232,800	81,034	60,690	1,699,662
Charge for the year	12,675	111,662	881,369	858,673	173,895	34,033	21,400	2,093,707
<b>At June 30, 2014</b>	<b>15,985</b>	<b>319,893</b>	<b>1,994,966</b>	<b>858,673</b>	<b>406,695</b>	<b>115,067</b>	<b>82,090</b>	<b>3,793,369</b>
At July 1, 2014	15,985	319,893	1,994,966	858,673	406,695	115,067	82,090	3,793,369
Charge for the year	16,777	97,705	1,175,823	689,005	308,177	33,890	18,725	2,340,102
<b>At June 30, 2015</b>	<b>32,762</b>	<b>417,598</b>	<b>3,170,789</b>	<b>1,547,678</b>	<b>714,872</b>	<b>148,957</b>	<b>100,815</b>	<b>6,133,471</b>
<b>NBV</b>								
At June 30, 2014	621,071	781,637	6,169,584	2,576,019	405,755	238,233	149,800	10,942,099
At June 30, 2015	822,054	683,932	8,230,761	2,067,014	719,078	237,233	131,075	12,891,147

No item of property, plant and equipment was fully depreciated as at the end of the financial year.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2015 Kshs	2014 Kshs
<b>9 INVENTORIES</b>		
Water maintenance stores	198,220	242,150
Water meters	375,245	375,245
Water treatment chemicals	95,511	183,365
Stationery	116,333	75,608
General stores	2,392	976
	<u>787,701</u>	<u>877,344</u>
	<u>=====</u>	<u>=====</u>
<i>[Being cost of inventory balance]</i>		
<b>10 (a) TRADE AND OTHER RECEIVABLES</b>		
Trade receivables (note 10(b))	17,124,007	16,326,925
Staff receivables	2,820	8,403
	<u>17,126,827</u>	<u>16,335,028</u>
Gross trade and other receivables	<u>17,126,827</u>	<u>16,335,028</u>
Provision for bad and doubtful receivables	(8,580,875)	(8,544,743)
	<u>8,545,952</u>	<u>7,790,585</u>
	<u>=====</u>	<u>=====</u>
<i>[Being water sales and staff advances]</i>		
<b>10 (b) TRADE RECEIVABLES</b>		
Gross trade receivables	17,124,007	16,326,925
Provision for doubtful receivables	(8,580,875)	(8,544,743)
	<u>8,543,132</u>	<u>7,782,182</u>
	<u>=====</u>	<u>=====</u>
<b>11 CASH AND CASH EQUIVALENTS</b>		
Cash at bank-Family current	324,201	752,468
Cash at bank-Family savings	2,052,188	1,383,688
Cash at bank-Consolidated	1,749,209	2,122,235
Cash at bank-Equity	271,394	254,924
Cash in hand	-	-
	<u>4,396,992</u>	<u>4,513,315</u>
	<u>=====</u>	<u>=====</u>

Ngagaka water and sanitation company limited

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015 Kshs.	2014 Kshs
<b>12 CAPITAL FUND/RESERVES</b>		
As at June	9,965,875	9,965,875
	<u>9,965,875</u>	<u>9,965,875</u>
<b>13 REVENUE RESERVES</b>		
As at 1 <sup>st</sup> July	5,689,399	2,322,119
Surplus/ (deficit) for the year	2,187,692	3,367,280
	<u>7,877,091</u>	<u>5,689,399</u>
<b>14 BORROWINGS</b>		
Domestic borrowings during the year	3,419,434	3,488,000
Repayments of domestics borrowings during the year	(492,995)	(68,566)
Balance at end of the year	2,926,439	3,419,434
Less: Amounts due with one year (current portion)	(632,874)	(492,995)
Amounts due after one year (non-current portion)	2,293,565	2,926,439
The analyses of domestic borrowings are as follows		
Domestic Borrowings		
Kenya Shilling lease finance from Family bank	2,156,439	2,649,434
Kenya Shilling loan from customer deposits	770,000	770,000
Total balance at end of year	<u>2,926,439</u>	<u>3,419,434</u>

*[Being lease finance for purchase of motor vehicle]*

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2015 Kshs	2014 Kshs
<b>15 DEFERRED INCOME</b>		
As at 1 <sup>st</sup> July	2,376,675	2,662,214
Amortization	(250,179)	(285,539)
	<u>2,126,496</u>	<u>2,376,675</u>

Deferred income relates to water meters donated by Tana water services board. Deferred income is recognised as income in the statement of financial performance over the expected useful lives of the assets.

**16 TRADE AND OTHER PAYABLES**

Trade payables	1,673,891	1,287,460
Other payables (customer deposits)	2,052,000	1,384,500
	<u>3,725,891</u>	<u>2,671,960</u>

*[Being trade creditors and customer deposits]*

**17 RETIREMENT BENEFIT OBLIGATIONS**

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1, 080 per employee per month.

**18 RELATED PARTY DISCLOSURES**

Parties related to the organisation include those parties who have the ability or where the organisation has the ability to exercise control or exercise significant control over the operating and financial decisions. Related parties include the management personnel, their principals and close family members.

The organisation is related to:

- (i) Water services regulatory board
- (ii) Tana water services board
- (iii) Directors and key management personnel of the organisation

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	2015 Kshs	2014 Kshs
<b>(a) Due from related parties</b>	-	-
<b>(b) Due to related parties</b>		
Tana water services board	276,825	254,917
Water services regulatory board	22,425	21,988
	<u>299,250</u>	<u>297,905</u>
<p>Tana water services board being the principal is paid 9% of the total revenue collections while Water services regulatory board is paid 1% of the same. The above refers to outstanding balances As at the end of the year.</p>		
<b>(c) Transactions</b>		
<p>During the year, the following transactions were entered into with related parties:</p>		
Directors fees and allowances	760,810	477,600
<b>(d) Key management compensation</b>		
Salaries and other benefits	<u>3,811,680</u>	<u>3,536,676</u>

19 FINANCIAL RISK MANAGEMENT POLICIES

**Financial risk management objectives**

The organisation's overall risk management programme focuses on unpredictability of changes in the operating environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The major types of financial risks faced by the organisation are:

- Market risk
- Credit risk
- Liquidity risk

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**19 FINANCIAL RISK MANAGEMENT POLICIES (Continued)**

**Market risk management**

(i) Foreign exchange risk

The organisation is not exposed to foreign exchange risk since it does not have foreign currency transactions.

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(ii) Interest rate risk

The organisation is exposed to interest rate risk since it has borrowing from family bank.

(ii) Price risk

The organisation does not hold investments that would be subject to price risk hence there is no exposure to price risk.

**Credit risk management**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the organisation. The organisation measures, monitors and manages credit risk for each receivable. The organisation's credit risk is primarily attributable to bank balances, trade and other receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the organisation's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings.

The amount that best represents the organisation's maximum exposure to credit risk is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>30 June 2015</b>				
Bank balances	4,396,992	4,396,992	-	-
staff advances	2,820	2,820	-	-
Trade receivables	8,543,132	-	17,126,007	(8,581,075)
	<u>12,942,944</u>	<u>4,399,812</u>	<u>17,126,007</u>	<u>(8,581,075)</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**19 FINANCIAL RISK MANAGEMENT POLICIES (Continued)**

**Credit risk management (Continued)**

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>30 June 2014</b>				
Bank balances	4,513,315	4,513,315	-	-
Staff advances	8,403	8,403	-	-
Trade receivables	7,782,182	-	16,326,925	(8,544,743)
	<u>12,303,900</u>	<u>4,521,718</u>	<u>16,326,925</u>	<u>(8,544,743)</u>

The debtors under the fully performing category are paying their debts.

The receivables that are past due relate to receivables overdue by over 30 days. The finance department is actively following these receivables. No collateral is held with respect to the debt. The debt that is impaired has been fully provided for.

**Liquidity risk management**

Prudent liquidity risk management includes maintaining sufficient cash to meet organisation obligations.

The organisation manages liquidity risk through continuous monitoring of forecast and actual cash flows.

The liquidity risk is also managed through the continuous receipts from water revenue.

The table below analyses the organisation's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, since the impact of discounting is not significant.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**19 FINANCIAL RISK MANAGEMENT POLICIES (Continued)**

**Liquidity risk management (Continued)**

	within 1 year Kshs	2-3 years Kshs	Over 3 years Kshs	Total amount Kshs
<b>30 June 2015</b>				
Payables	1,118,891	480,000	75,000	1,673,891
	=====	=====	=====	=====
	within 1 year Kshs	2-3 years Kshs	Over 3 years Kshs	Total amount Kshs
<b>30 June 2014</b>				
Payables	853,410	359,050	75,000	1,287,460
	=====	=====	=====	=====

**Capital risk management**

The organization manages its capital to ensure that it is able to continue as a going concern while maximizing the return to stakeholders.

The organization is not exposed to capital risk since it has no borrowings.

The capital structure of the organisation consists of:

	2015 Kshs	2014 Kshs
Capital fund/Reserves	9,965,875	9,965,875
	=====	=====

**20 CONTINGENT LIABILITIES**

The organization is exposed to various contingent liabilities in the normal course of operations. Management evaluates the status of these exposures on a regular basis to assess the probability of the organization incurring related liabilities. However, provisions are only made in the financial statements where, based on the management's evaluation, a present obligation has been established.

**21 CAPITAL COMMITMENTS**

The company did not have capital commitments as at 30 June 2015.

**22 CURRENCY**

The financial statements are presented in Kenya Shillings (Kshs).

**23 INCORPORATION**

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