

REPUBLIC OF KENYA



*Paper laid
By the leader of
Majority Party
on wed 26/8/15
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KENYA NATIONAL AUDIT OFFICE

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REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2014**



GUSII WATER AND SANITATION COMPANY LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR

THE FINANCIAL YEAR ENDED

JUNE 30, 2014

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

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The Company's Vision Statement

To be the leading water and sewerage services provider in the Lake Victoria region.

The Company's Mission Statement

To effectively provide safe water and sewerage services in an environmentally sound manner to meet the expectations of customers and other stakeholders using the available resources.

The Company's Core Values

- 1. Customer Focus:**
- 2. Integrity**
- 3. Innovativeness**
- 4. Teamwork**
- 5. Work life Balance**
- 6. Social Responsiveness**
- 7. Gender Responsive**

GUSII WATER AND SANITATION COMPANY LIMITED

Reports and Financial Statements For the year ended June 30, 2014

COMPANY INFORMATION

Background Information

Gusii Water & Sanitation Company Ltd. was established by the Water Act 2002 of Parliament on June 12, 2006 At cabinet level. Gusii Water & Sanitation Company Ltd. is represented by the Cabinet Secretary for Ministry of Energy, Environment, Water & Natural Resources who is responsible for the general policy and strategic direction of the Company.

Principal Activities

The Principal activity of the Company is to offer clean water and sewerage services to the residents. The service offered by the company is for domestic and industrial use.

Directors

The Directors who served the Company during the year/period were as follows:

<u>Name of Director</u>	<u>Position</u>	<u>Appointment Date</u>
1. Benjamin Onkoba	Chairman	10/3/2014
2. John A. Magoba	Managing Director	
3. Ruth Bitange	Director	10/3/2014
4. Daniel Rabura	Director	10/3/2014
5. Jonstone Nyasimi	Director	10/3/2014
6. Cyrus M. Nyamache	Director	10/3/2014
7. Joseph T. Onserio	Director	10/3/2014
8. Veronica Mitema	Director	10/3/2014
9. Skilter W. Ocharo	Director	10/3/2014
10. John Omanwa	Director	10/3/2014
11. F. A. Ombati Marita	Director	10/3/2014
12. Samwel K.Osoro	Director	10/3/2014

Registered Officer & Headquarters

Gusii Water & Sanitation Co. Ltd.
P.O. Box 3880 - 40200
Kisii. KENYA
Next to Ministry of Hosing
Opposite Kisii – Kilgoris Junction

Corporate Contacts

Telephone: (+254) 0208029088
Email:info@gwasco.co.ke

GUSH WATER AND SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2014

Corporate Bankers

1. Kenya Commercial Bank
2. National Bank Of Kenya

Independent Auditors

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

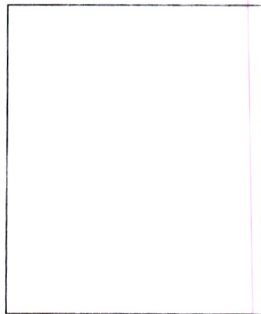
Principal Legal Advisers

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

THE BOARD OF DIRECTORS



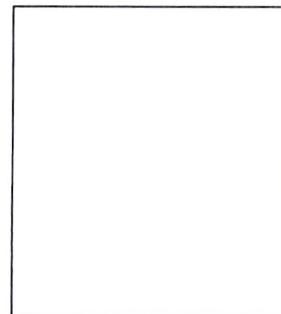
Mr. Benjamin Onkoba
HSC, Educationist
Chairman



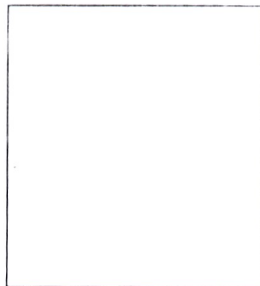
M/s. Ruth Bitange
Social Work
Director



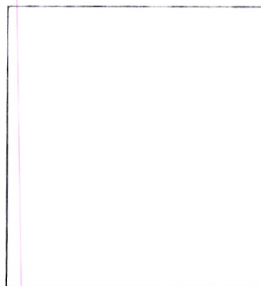
Mr. John A. Magoba
Msc (Water & Environmental Mngt)
Bsc. (Chemistry & Zoology)
Managing Director



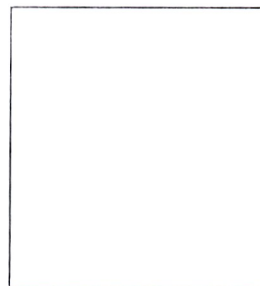
Mr. Samwel K. Osoro
BCom (Finance), CPA(K)
Director



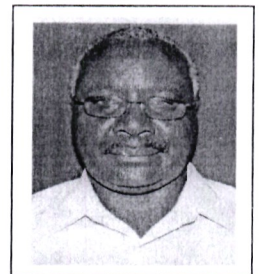
Mr. Daniel Rabura
Entrepreneur
Director



Mr. Johnstone Nyasimi
Certified Public Accountant
Director



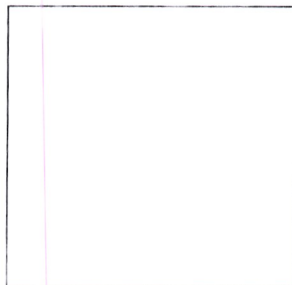
Mr. Cyrus M. Nyamache
Bsc. (Environmental Studies)
Director



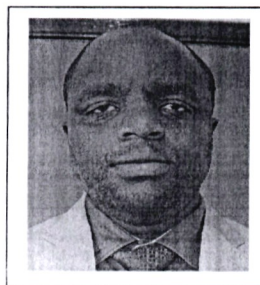
Mr. Joseph T. Onserio
Financial Management
Director



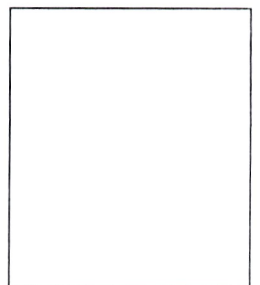
M/s. Veronica Mitema
Water & Sanitation Mngt.
Director



Hon. Skilter Ocharo
Phd. MscPhy, Bed Phy, Chem.
Director



Mr. John Omanwa
MBA(Strategic Management)
BCOM (Accounting), CPA(K),
Dip.Purchasing & Sup. Mngt
Director



Mr. F. Ombati M.
Entrepreneur
Director

MANAGEMENT TEAM



Mr. John A. Magoba
Msc. (Water & Environmental Management/Engineering)
Bsc. (Chemistry & Zoology)
Managing Director



M/s. Lilian N. Onsomu
MBA (Finance), B.Com (Accounting),
CPA (K)
Finance Manager



Mr. Mark D. Ong'onge
Water Technologist
Technical Manager



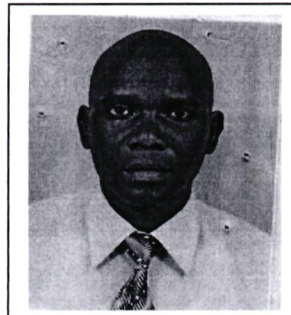
M/s. Jane Onyiego
Certified Public Accountant
Internal Auditor



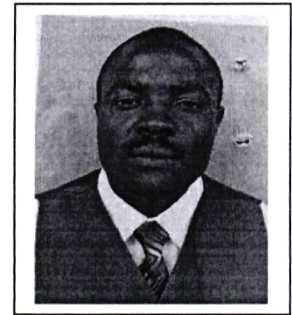
M/s. Naomi Manyara
BA (Social Sciences)
Human Resource Manager



Mr. Justus Momanyi
Human Resource Management
Commercial Manager



Mr. Thaddeus Mogoi
CPA (K), BBM
Billing Manager



Mr. Wilfred Onsono
BBAM; Dip. Purch & Sup. Mngt
Procurement Officer

CHAIRMAN'S STATEMENT

“Water is life !!”

Water is one of the most important resources for human survival; indeed “water is life !!”. In recognition of this absolute truth, the Government of Kenya instituted Water Supply and Sanitation Programs in various parts of the Republic to bring water closer to the people of which Gusii Water and Sanitation Company is one of the companies that was instituted by the Water Act 2002.

This move was important in helping fight diseases which was one of the major problems identified at independence as being a hindrance to the development of the nation.

In light of the above, I am happy to present the annual report and financial statements of the Company for the year ended 30 June 2014. The year 2014 was a year of outstanding performance. The improvement in performance is a testimony to the dedication that the Board of Directors had to GWASCO Ltd.

The Water Sector and other Sectors of the economy in our region and the country in general have experienced turbulence due to the un favorable weather conditions. Despite the consequences of this un favorable conditions that reduced and curtailed the operations in our region, the good Leadership and wisdom of the Board of Directors and their commitment to corporate governance together with the strong management team and the entire staff force, we managed to sustained an upward growth in the year. The statement “United, together we stand” is indeed true for we have truly seen its truth.

Aggressive revenue collection efforts had indeed a positive impact that resulted to Company’s continuing to explore opportunities, address its challenges and strengthen its position in line with its vision of ensuring Sustainable access to quality water and enhanced sanitation for socioeconomic growth.

We’re obliged to continue with our growth strategy by focusing on our revenue collection strength to enhance our revenue income. We will concentrate on staff capacity building and training, improving and upgrading the level of operations of our water service providers through metering, continued rehabilitation of existing water supplies, quality control of domestic water and sewerage effluent.

APPRECIATION

On behalf of the Board of Directors, I wish to take this opportunity to congratulate and acknowledge the tireless efforts and the cooperation exhibited by the Board of Directors, the management team, and the entire staff of GWASCO Ltd. towards the success of this company. This success was attributed by best practices for efficiency in service delivery and customer satisfaction through provision of continued quality services delivery.

The Board of Directors are promising to continue providing the necessary support to the management so as to ensure continued improvement in service delivery, process reengineering, customer focus, leadership and staff involvement. To support these initiatives, the Directors shall ensure availability of required resources for maintenance and improvement of Total Quality Management Systems.

GUSII WATER AND SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2014

I also take this opportunity to sincerely thank our Ministry of Environment, Water & Natural Resources, Water Services Regulatory Board, other water sector institutions, our development partners and the stakeholders for the continued support of all our activities.

The Directors remain committed to provide the necessary leadership to facilitate continued improvement of the Company's operations. I remain confident that we have the skills, abilities and resources necessary to manage the significant opportunities and challenges that lie ahead of us.

May I also take this opportunity to thank all our stakeholders for their support without which our remarkable performance would not have been achieved. Finally, I sincerely thank the Government of Kenya, County Government of Kisii, and Nyamira, especially the Ministry of Environment, Water and Natural Resources both at the National Government and the two Counties.

Thank You all.

“United, together we stand.”

CHAIRMAN



DATE: _____

REPORT OF THE MANAGING DIRECTOR

It is a great honor to report the continued growth in our operations and financial performance. The annual report and financial statements as at June 30, 2014 are an indication of a successful year. I am indeed happy to have been part of the team that delivered such results. We have refocused our strategic direction to concentrate on our core business and enhanced capacities at all levels which has strengthened management systems for continued service delivery to all our customers. During the year, the Directors made tremendous achievement in the following areas:

In the financial year 2013/2014, the Directors made remarkable achievements in project implementation and collaboration with our development partners. The Directors commenced the implementation of Nubia Nyaore Water Project, Keumbu Sanitation Block Project, and the Nyamira Nyabite Water Project. The Directors also maintained an active engagement with the already established alliances with the development partners and the Government of Kenya to enhance resource mobilization for expanding the water and sanitation infrastructure to the un served areas.

The Directors have been in fore line to encourage unity of Command and direction, equity and esprit de corps i.e. harmony in the Company which has cascaded the set targets to departmental managers, hence, the good results.

This approach improved the utilization of available resources leading to better service delivery and better value for money in the Company's activities.

As reported in the previous years' reports, the Company inherited water infrastructure from National Water Conservation and Pipeline Corporation and Ministry of Environment, Water & Natural Resources Schemes and Local Authorities which were in a dilapidated state i.e. over aged water Tanks, Water plants, Water line/network and Water meters. This has led to high unaccounted for water loss; low connections; and sub-optimal access to quality water even in many areas that are serviced by the existing systems.

Other challenges identified include degraded and polluted catchments areas that affect the quality of water hence the high costs of treatment. In addition to these, there were no Master meters to quantify water, and insufficient lab equipments, lack of adequate transport, and high production cost of electricity. The main challenge to the Company is to seek for funding to support the upgrading of water and sewerage infrastructures to ensure Total Quality and Sustainable Service delivery.

As a way forward to sustained operations in the face of the challenges mentioned above, the Directors will continue to implement our Ministry's policies and the Water Services Regulatory rules and guidelines and adhere to good corporate governance in our functional approaches to deliver on our mandate. We will also continue to maintain service value addition to our clients by conducting effective monitoring and evaluation to our Water Service Providers, expanding our infrastructure network, and continue rededicating our service innovations in the provision of water and sanitation services.

Acknowledgement

Once again, good performance during the financial year 2013/2014 would not have been possible without the good policy and guidance from the Board of Directors, their continued commitment and dedication of the management and the entire staff of the Company. I therefore sincerely thank all the Directors, the Management staffs and the entire Support Staffs for their support that is not taken for granted.

My sincere thanks also go to our stakeholders, our parent Ministry of Environment, Water and Natural Resources, Water Services Regulatory Board, our Development partners, other Water Service Institutions, Water Service Providers and other institutions whose support was instrumental to our success.

I also need to take this opportunity to sincerely acknowledge all those not named above but have given us moral and/or material support to get to where we are today.


JOHN A. MAGOBA
MANAGING DIRECTOR

DATE _____

CORPORATE GOVERNANCE STATEMENT

The Structure of GWASCO Ltd. starts with the Chairman Board of Directors and its comprising of Thirteen members representing various stakeholders interests. The Directors has established a governance culture built on the principles of integrity, accountability and transparency. The Directors are Managed under the direction of the Chairman whose responsibility is to maximize long-term economic value for all stakeholders. The Chairman and the Board of Directors oversee the corporate governance and advise the management in developing financial plans, corporate strategy, goals and objectives as well as evaluating management's performance in pursuing and achieving those goals.

ACTIVE COMMITTEES

To enhance corporate governance, the Board has three committees namely; Finance and Administration/ HR & Procurement Committee, Technical Planning & Strategy and Audit Committees.

Finance and Administration/HR & Procurement Committee

The Finance and Administration/HR & Procurement committee is responsible for ensuring that the Company's financial and administrative policies are adequate and has the right staff, at the right place and doing the right thing at the right time for the right course. The committee is also responsible for reviewing the company's annual budget and quarterly financial reports among others. They also collaborate with Technical Committee in reviewing the viability of the Company's new projects.

Technical Board Committee

The committee is responsible for strategic planning, exploration of opportunities and developing proposals for funding and investment programs for the company. This committee has oversight responsibility of ensuring that water service providers are complying with the agreements signed between them and the company. It also ensures that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water infrastructures.

Audit Committee

The committee is charged with the responsibility of reviewing internal Controls Measures of the Company and recommends appropriate remedial action where necessary. The committee also reviews all areas of risks and weaknesses to the Company and considers Internal Audit reports. They as well ensure that appropriate action is taken on the recommendations of both Internal and external Auditors.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Over the years GWASCO Ltd. has had the pride on its regular contribution towards community regeneration activities. We have continued this long-standing tradition of providing the communities with high quality and affordable Water. Within the past years, we concentrated on the improvement of the infrastructure and made substantial contributions towards the construction and maintenance of water and Sewer networks in our areas of our Jurisdiction and promoted sanitation. These has surely controlled to a lower level diseases caused by contaminated water.

With continued loyalty and support, we are confident that 2014/2015 will be another successful year of more improved Socio responsibility.

REPORT OF THE BOARD OF DIRECTORS

The Board Members have the pleasure to present their un audited annual report together with the financial statements for the year ended June 30, 2014 which disclose the state of affairs of the company.

Principal Objectives

The principal objective of the Board is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in the areas of jurisdiction of GWASCO Ltd. The Company covers two counties i.e. Kisii and Nyamira Counties in the Southern Nyanza region of the Nyanza Province.

The Board's Mandate as Prescribed by the Water Act 2002 are:-

1. Managing and Developing Water Supply and Sewer Assets;
2. Contracting and Monitoring Performance of Water Service Providers;
3. Supporting Communities in the area of Provision Water and Sanitation services.

RESULTS AND DIVIDENDS

The results for the year are presented in the Statement of Comprehensive Income & Others and the Statement of Financial Position sections of this report. The net deficit for the year was Ksh. **10,582,000.00** as presented on page **15** of the Statement of Comprehensive Income & Others. The deficit has been added to retained earnings. The directors do not recommend for the payment of dividends for the year.

Directors

The members of the Board of Directors who served during the year are shown on page **4**. In accordance with Regulation in 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 if need be.

BY ORDER OF THE BOARD


MANAGING DIRECTOR

DATE _____

**Reports and Financial Statements
For the year ended June 30, 2014**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The State Corporations Act, the Exchequer and Audit Act and the Public Audit Act requires the Directors to prepare financial statements and the operating results of the Company for that year/period that give a true and fair view of the state of affairs of the Company as at the end of a financial year/period. The Directors are required to ensure that the Company keeps proper accounting records that disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

In regards to the Provisions above, 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 (period) ended on June 30, 2014.

The Directors' responsibilities therefore include:

- (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 any 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 which are reasonable and prudent in any circumstance.

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 the Company's transactions during the financial year ended June 30, 2014, 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 has 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 of Directors on _____ 2014 and signed on its behalf by:

Chairman

Managing Director

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON GUSII WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Gusii Water and Sanitation Company Limited set out on pages 15 to 31, which comprise the statement of financial position as at 30 June 2014, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Agency Account

As similarly reported in the previous year, the agency account figure of Kshs.16,107,000 as at 30 June 2014 in respect of Lake Victoria South Water Services Board as reflected under note 9 to the Financial Statements, differs with the Board's financial statement figure of Kshs.34,150,624 resulting to unreconciled and unexplained difference of Kshs.18,043,624. Consequently, the accuracy, validity and completeness of the agency account balance of Kshs.16,107,000 as at 30 June 2014 could not be confirmed.

2. Unaccounted For Water (UFW)

During the year under review, the Company produced 1,967,557 cubic meters (m³) of water out of which only 1,135,499m³ was billed to customers. The balance of 832,058m³ or approximately 42% of total volume represented Unaccounted for Water (UFW) which is 17% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines. The UFW over and above the allowable loss (17%) may have resulted in loss of sales estimated at Kshs.31,843,697. The significant level of UFW may negatively impact on the Company's profitability and its long term sustainability.

3. Share Capital

As reported in the previous year, the Company's share capital of Kshs.100,000 divided into 5,000 shares of Kshs.20 each were issued to the defunct local authorities namely; Kisii Municipal Council, Gusii County Council, Gucha County Council, and Town Councils of Suneka, Keroka, Tabaka, Ogembo, Masimba and Nyansiongo which never paid for the shares. The defunct Local Authorities have now been taken over by Kisii and Nyamira County Governments which equally have not paid for the shares. In the circumstances, it has not been possible to confirm whether the County Governments are desirous in having the Company achieve its objectives as outlined in the memorandum and articles of association.

4. Trade and Other Receivables

As disclosed in Note 3(b) the company has a policy of providing 10% of receivables aged beyond 90 days at the end of the year. However, due to system failure the company could not determine the exact amount of receivables aged beyond 90 days. Consequently the provision for bad and doubtful debts has remained constant over the

many years and the accuracy and recoverability of trade and other receivable balance of Kshs.64,624,000 as at 30 June 2014 could not be ascertained.

5. Payments to the Company Secretary

During the year under review, the directors emoluments of Ksh.2,554,000 as reflected under note 13 included amounts totalling to Ksh.552,474 paid to the Company Secretary for various board related services offered to the company. However, the relevant supporting documents including the letter of engagement and results of work done were not availed for audit review. In the absence of these supporting documents, the propriety of inclusion of Kshs.552,474 in the company's expenses for the year 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 the company as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with both the Companies Act, Cap 486 and Water Act, 2002 Laws of Kenya.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

04 June 2015

GUSII WATER & SANITATION COMPANY LIMITED
STATEMENT OF PROFIT & LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH. JUNE, 2014

<u>INCOME</u>	<u>NOTES</u>	<u>2013/2014</u> <u>KSH.</u>	<u>2012/2013</u> <u>KSH</u>
Sales Income	10	92,693,000.00	92,074,281.00
County Government Grant	11a	24,875,000.00	31,376,958.00
Total Revenue		117,568,000.00	123,451,239.00
Cost of Sales	12	(106,643,000.00)	(103,702,076.00)
Gross Profit		10,925,000.00	19,749,163.00
<u>EXPENDITURE</u>			
Administration & Establishment	13	21,404,000.00	27,092,519.00
Finance Costs	14	103,000.00	124,502.00
Total Expenditure		21,507,000.00	27,217,021.00
Profit/Loss for the year		(10,582,000.00)	(7,467,858.00)

GUSII WATER & SANITATION COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30TH.JUNE, 2014

ASSETS	NOTES	2013/2014 KSH.	2012/2013 KSH
Non Current Assets			
Property, Plant & Equipment	1a	11,362,000.00	13,889,588.00
Capital Work In Progress	15b	10,164,000.00	-
Total Non Current Assets		21,526,000.00	13,889,588.00
Current Assets			
Inventories	2	155,000.00	218,032.00
Trade and Other Receivables	3a	64,624,000.00	59,003,891.00
Cash and Bank	4	4,270,000.00	6,142,024.00
Total Current Assets		69,049,000.00	65,363,947.00
Total Assets		90,575,000.00	79,253,535.00
EQUITY AND LIABILITIES			
Equity			
Share capital	5	100,000.00	100,000.00
Reserves	6	19,318,000.00	29,900,016.00
Water Service Trust Fund Projects	15a	25,345,000.00	15,180,718.00
Owners' Funds		44,763,000.00	45,180,734.00
Current Liabilities			
Customer Deposits	7	8,664,000.00	7,725,250.00
Trade and Other Payables	8	21,041,000.00	14,493,561.00
Agency Account	9	16,107,000.00	11,853,990.00
Total Liabilities		45,812,000.00	34,072,801.00
Total Equity and Liabilities		90,575,000.00	79,253,535.00

The accounts were authorized for issue by the Board Of Directors
on the _____ day of _____ 2014 and signed on its behalf by:

Chairman

Managing Director

GUSII WATER & SANITATION COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH. JUNE 2014

	Share	Excess of	Capital	Retained	TOTAL
	Share KSH	Liability Over KSH	Reserves KSH	Profit/Loss KSH	
AS at 1st. July 2009	100,000.00	(4,244,324.00)	0.00	6,069,924.00	1,925,600.00
Profit/Loss for the year			0.00	24,069,176.00	24,069,176.00
As 30th. June 2010	100,000.00	(4,244,324.00)	0.00	30,139,100.00	25,994,776.00
As at 1st. July 2010	100,000.00	(4,244,324.00)	0.00	30,139,100.00	25,994,776.00
Profit/Loss for the year			0.00	3,948,228.00	3,948,228.00
As at 30th. June 2011	100,000.00	(4,244,324.00)	0.00	34,087,328.00	29,943,004.00
As at 1st. July 2011	100,000.00	(4,244,324.00)	0.00	34,087,328.00	29,943,004.00
Water Service Trust Fund Project			12,441,570.00	0.00	12,441,570.00
Profit/Loss for the year				7,524,871.00	7,524,871.00
As at 30th. June 2012	100,000.00	(4,244,324.00)	12,441,570.00	41,612,199.00	49,909,445.00
As at 1st July 2012	100,000.00	(4,244,324.00)	12,441,570.30	41,612,199.00	49,909,445.30
Water Service Trust Fund Project			2,739,148.00	0.00	2,739,148.00
Profit/Loss for the year				(7,467,858.00)	(7,467,858.00)
As at 30th June 2013	100,000.00	(4,244,324.00)	15,180,718.30	34,144,341.00	45,180,735.30
As at 1st July 2013	100,000.00	(4,244,324.00)	15,180,718.30	34,144,341.00	45,180,735.30
Water Service Trust Fund Project			10,163,689.30	(10,582,259.22)	10,163,689.30
Profit/Loss for the year					(10,582,259.22)
As at 30th June 2014	100,000.00	(4,244,324.00)	25,344,407.60	23,562,081.78	44,762,165.38

GUSII WATER AND SANITATION COMPOANY LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH. JUNE, 2013

	2013/2014	2012/2013
	KSH	KSH
Cash Flow from operating activities		
Operating Profit/Loss	(10,582,000.00)	(7,467,858.00)
Add: Depreciation	3,315,000.00	3,575,006.00
Operating Loss before working capital changes	(7,267,000.00)	(3,892,852.00)
Working Capital Changes		
(Increase)/Decrease in Inventories	63,000.00	153,528.00
(Increase)/Decrease in Trade and other Receivables	(5,620,000.00)	4,074,579.00
Increase/(Decrease) in Trade and other Payables	6,547,000.00	(1,452,156.00)
Increase/(Decrease) in Agency Accounts	4,253,000.00	2,981,355.00
Customers Deposit Refunds	(4,000.00)	(46,000.00)
Net Cash Flow from operations	(2,028,000.00)	1,818,454.00
Cash flow from Investing Activities		
Generator & Equipments[Water meters]	(720,000.00)	(1,240,500.00)
Furniture & Fittings	(67,000.00)	(52,185.00)
Buildings	-	(371,832.00)
Pipelines		(1,574,713.00)
Total Investing Activity	(787,000.00)	(3,239,230.00)
Net Cash Flow after Investing Activities	(2,815,000.00)	(1,420,776.00)
Cash flow from Financing activities		
Revenue from Customer Deposits	943,000.00	1,012,000.00
Net Cash Flow from Financing Activities	(1,872,000.00)	(408,776.00)
Net Increase/(Decrease) in Cash & Cash Equivalent	(1,872,000.00)	(408,776.00)
Cash & Cash Equivalent at the beginning of the period	6,142,000.00	6,305,707.00
Cash Flow after Investing & Financing Activity	4,270,000.00	5,896,931.00
Cash & Cash Equivalent at the end of the year	4,270,000.00	6,142,024.00
Cash & Cash Equivalent at the beginning of the Period	6,142,000.00	6,305,707.00

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 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 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 and all values are rounded to the nearest thousand (Kshs'000).

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 and Sewer Services** is recognised in the year in which the Company delivers the services to the customers, the customers have accepted to consume the services and collectability of the related receivables is reasonably assured.
- ii) **Grants from County Government** are recognised in the year in which the Company actually receives such grants.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- v) **Other income i.e. Miscellaneous** are recognised as they accrues.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. **Property, plant and equipment**

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation is credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

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**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

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

ASESETS	<u>RATE</u>
Furniture and Fittings	15%
Motor Vehicles	20%
Equipments	20%
Computers	30%
Buildings	10%
Pipe Extensions	15%

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation and impairment of property, plant and equipment (Continued)

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 amount.

6. **Intangible assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

7. **Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible 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 amount.

8. **Investment property**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the Company, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

9. **Finance and operating 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.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the First In First Out (FIFO) price method.

11. 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 for recovery has been exhausted.

12. Taxation

Current Taxation is provided for on the basis of the results for the year as shown in the financial statements adjusted in accordance with the tax legislation. Deferred tax is provided using the liability method for all temporary difference arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits can be utilized.

13. 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 in 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 officers/staffs and/or institutions which were not surrendered or accounted for at the end of the financial year.

14. 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.

Reports and Financial Statements
For the year ended June 30, 2014

15. 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.

16. Retirement benefit obligations

The Company operates defined contribution schemes for full-time employees from July 1, 2013. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. 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.200.00** per employee per month.

17. Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue and provisions are made for the estimated liability for annual leave at the reporting date.

18. Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Company operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

19. Comparative figures

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

20. Subsequent events

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

NOTES TO THE FINANCIAL STATEMENTS

21. 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.200/=** per employee per month.

22. **RELATED PARTY AND OTHER DISCLOSURES**

- (a) The County Government of Kisii and Nyamira are the principal shareholders of the Company, holding 100% of Company's equity interest. The County Governments has provided full guarantee to all long-term lenders of the Company, both domestic and external.

(b) **INCOPORATION**

The Company is incorporated in Kenya under the Kenyan Companies Act cap 486 LOK and is domiciled in Kenya for the last twelve months.

1 (a). Property, Plant and Equipment

GUSII WATER & SANITATION COMPANY LIMITED

ASSETS MOVEMENT SCHEDULE AS AT 30TH. JUNE, 2014

COST OR VALUATION	EQUIPMENT (GENERATOR & FIRE EXTINGUISHER) KSH.	FURNITURE & FITTINGS KSH.	COMPUTERS KSH.	MOTOR VEHICLES KSH.	BUILDINGS (WATER KIOSKS) KSH.	PIPELINE KSH.	TOTALS KSH.
Balance as at 1st July, 2013	3,895,000.00	548,000.00	1,642,000.00	2,433,000.00	1,590,000.00	10,505,000.00	20,613,000.00
Additions During the year (Purchase)	720,000.00	67,000.00					787,000.00
Revaluation During the Year							
Disposals During the year							
Balance as at 30th. June, 2014	4,615,000.00	615,000.00	1,642,000.00	2,433,000.00	1,590,000.00	10,505,000.00	21,400,000.00
DEPRECIATION							
Accumulated Depreciation as at 1st July, 2013	1,181,000.00	296,000.00	1,564,000.00	1,947,000.00	159,000.00	1,576,000.00	6,723,000.00
Depreciation Charge for the year	923,000.00	93,000.00	78,000.00	486,000.00	159,000.00	1,576,000.00	3,315,000.00
Accumulated Depreciation as at 30th. June, 2014	2,104,000.00	389,000.00	1,642,000.00	2,433,000.00	318,000.00	3,152,000.00	10,038,000.00
NET BOOK VALUE (NBV)							
As at 30th. June, 2014	2,511,000.00	226,000.00	-	-	1,272,000.00	7,353,000.00	11,362,000.00
As at 30th. June, 2013	2,714,000.00	251,000.00	78,000.00	487,000.00	1,431,000.00	8,329,000.00	13,890,000.00

1 (b). Last years note

	ASSET MOVEMENT SCHEDULE AS AT 30TH. JUNE 2013		AS AT 30TH. JUNE 2012		Total		
	Equipment [Generator & Fire Extinguisher]	Furniture & Fittings	Computers	Motor Vehicles	Buildings (Water Kiosks)	Pipeline	Total
Balance as at 1st July 2012:							
Cost or valuation	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost or valuation	1,025,353	495,325	1,641,881	2,433,400	-	-	5,595,959
prior adjustment	1,629,000	-	-	-	1,218,072	8,929,783	11,776,855
Additions (purchase)	-	52,185	0.00	0.00	-	-	52,185
additions (prior adjustment) additions	1,240,500	-	-	-	371,832.00	157,473	3,187,045
Balance as at 30th June 2013	3,894,853	547,510	1,641,881	2,433,400	1,589,904	10,504,496	20,612,044
Depreciation:							
Accumulated Depreciation (1/7/2012)	402,181	214,210	1,071,019	1,460,040	-	-	3,147,450
Depreciation Charge for the year	778,971	82,127	492,564	486,680	158,990	1,575,674	3,575,006
Accumulated Depreciation (30/6/2013)	1,181,152	296,337	1,563,583	1,946,720	158,990	1,575,674	6,722,456
Net Book Value (NBV)							
As at 30th June 2013	2,713,701	251,174	78,298	486,680	1,430,914	8,928,822	13,889,588
As at 30th June 2012	-	-	570,862	973,360	-	2,448,509	1,544,222

GUSII WATER & SANITATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH.JUNE 2014

2	Inventories as at June 30th, 2014	2013/2014	2012/2013
	Chemicals	Ksh.	Ksh.
	Aluminium Sulphate	116,000.00	56,647.00
	Chlorine (HTH)	26,000.00	142,935.00
	Soda ash	13,000.00	18,450.00
		155,000.00	218,032.00
3 (a)	Trade and Other Receivables		
	Trade and other Receivables	67,810,000.00	62,189,738.00
	Less: Provision for Bad debts	(3,186,000.00)	(3,185,847.00)
		64,624,000.00	59,003,891.00
(b)	Provision for Bad Debts		
	The company has a policy of providing a 10% possibility that some of the receivables aged beyond 90 days at the end of the accounting period may become uncollectible. However, due to system failure, we could not determine the exact amount of debts aged beyond 90 days and therefore a similar amount as previous is used.		
4	Cash and Cash Equivalent		
	Cash at Bank		
	National Bank - 0100434353400	49,000.00	550,696.00
	National Bank - 0100434353500	82,000.00	353,323.00
	KCB - 1106368436	910,000.00	3,891,738.00
	KCB - 1132172489	116,000.00	350,418.00
	Water Service Trust Fund	-	797,837.00
	Water Service Trust Fund:		
	KCB - 1149873744	1,991,000.00	-
	KCB - 114954205	938,000.00	-
		4,086,000.00	5,944,012.00
	Add: Cash in Hand	184,000.00	198,012.00
		4,270,000.00	6,142,024.00
5	Share Capital		
	Authorized and issued: 5000 Ordinary Share Capital @ Ksh.20/= each.	100,000.00	100,000.00
6	Reserves		
	Reserves as at 1st. July	29,900,000.00	37,367,875.00
	Profit/(Loss) for the Year	(10,582,000.00)	(7,467,859.00)
	Reserves as at 30th. June	19,318,000.00	29,900,016.00
	Excess of Assets over liabilities taken over as at 1st. August 2006		
	Debtors Taken over	5,999,007.00	
	Less: Inherited Accruals	(7,377,331.00)	
	Less: Deposits Taken over	(2,866,000.00)	
		(4,244,324.00)	

GUSII WATER & SANITATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH.JUNE 2014

	2013/2014	2012/2013
	Ksh.	Ksh.
7 Customer Deposits		
As at 1st. July	7,725,000.00	6,759,250.00
Deposits Received in the Reporting Year	943,000.00	1,012,000.00
Less: Refund	(4,000.00)	(46,000.00)
Balance as at 30th.June	8,664,000.00	7,725,250.00
8 Trade and Other Payables		
Trade Payables	18,613,000.00	12,368,693.00
Salaries and Wages Accrued	2,153,000.00	1,078,268.00
Other Payables	275,000.00	1,046,600.00
	21,041,000.00	14,493,561.00
9 Agency Account		
Balances as at June		
SPA Fee	12,695,000.00	9,437,148.00
WASREB Fee	2,779,000.00	1,876,518.00
WARMA Levies	633,000.00	540,324.00
	16,107,000.00	11,853,990.00
10 Sales Income		
Water Sales	63,420,000.00	61,803,610.00
Sewerage Charges	23,410,000.00	27,100,416.00
Meter Charges	3,333,000.00	2,956,955.00
Sale of Tenders	60,000.00	177,000.00
Kiosk Charges	97,000.00	36,300.00
Miscellaneous Income	2,373,000.00	-
Total Sales	92,693,000.00	92,074,281.00
11 (a). County Government Grants		
Chemicals	-	44,825.00
Electricity	24,875,000.00	26,063,430.00
GOK Staff Salaries	-	5,268,703.00
	24,875,000.00	31,376,958.00
(b).		
Grants are recognized as income over the periods necessary to match them with the related costs in which they are intended to compensate.		
12 Cost of Sales		
Opening Stock	218,000.00	371,560.00
Received Consumables	5,330,000.00	2,284,515.00
Cosumable available for use	5,548,000.00	2,656,075.00
Less Closing Stock	(155,000.00)	(218,032.00)
Used Consumables	5,393,000.00	2,438,043.00
Add Other Indirect Costs		
Staff Salaries and Wages	32,883,000.00	37,615,430.00
SPA Fees	3,258,000.00	3,530,573.00
Abstraction *	2,013,000.00	819,515.00
Repairs and Maintenance*	3,032,000.00	5,220,389.00
	41,186,000.00	47,185,907.00
Add: Electricity		
Accrual C/f	15,382,000.00	11,332,373.00
Add: Payment by County Government	24,875,000.00	26,063,430.00
Payment by the Company	31,140,000.00	28,712,141.00
Less Accrual B/f	(11,333,000.00)	(12,029,818.00)
Electricity Consumed in Production	60,064,000.00	54,078,126.00
Total Cost of Sales (Production Costs)	106,643,000.00	103,702,076.00

GUSII WATER & SANITATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH.JUNE 2014

	2013/2014	2012/2013
	Ksh.	Ksh.
Repairs and Maintenance* under Indirect Costs		
Civil Works	1,000.00	-
Pipe network Repairs	872,000.00	1,724,955.00
Pipes, Tools and Equipment Replacement	220,000.00	1,803,780.00
Plant and Machinery Repairs	490,000.00	1,423,024.00
Water Quality Testing	1,000,000.00	7,230.00
Fuel for Sewerage	5,000.00	-
Repair of Sewerline	21,000.00	149,820.00
Sewer uniforms, Vaccination and Protective Gears	22,000.00	-
Casuals for Sewerline Repairs	145,000.00	-
Minor Investments	99,000.00	13,280.00
Repair of sewerplant	0.00	-
Tools and Light Plant	148,000.00	27,700.00
Desludging	9,000.00	70,600.00
	3,032,000.00	5,220,389.00
Abstraction*		
WASREB	903,000.00	
WARMA Fee	1,110,000.00	
	2,013,000.00	

GUSII WATER & SANITATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH.JUNE 2014

13	Administration and Establishment Expenses	2013/2014	2012/2013
		Ksh.	Ksh.
	Office Expenses		
	Transport & Lunch Allowance	648,000.00	680,128.00
	Leave Allowances	217,000.00	-
	Travelling and Accommodation	566,000.00	545,760.00
	Fuel and Oils for Transportation	349,000.00	89,928.00
	Repairs and Maintenance on Motor Vehicles	103,000.00	214,750.00
	Motor Vehicle Insurance	127,000.00	135,017.00
	Communication (Telephone, Email & Fax)	393,000.00	120,494.00
	Stationery	1,155,000.00	813,785.00
	Office Equipments, Computer Softwares & Accessories	196,000.00	462,650.00
	Office Furniture and Fittings Maintenance	10,000.00	-
	Office Building and Ground Maintenance	7,000.00	115,680.00
	Cleaning Materials & Maintenance	25,000.00	3,050.00
	Photocopying Charges	39,000.00	-
	Advertising/Publicity	271,000.00	514,295.00
	Electric Fittings, Curtlery & Others (Govt Office)	40,000.00	56,180.00
	Entertainment Staff & Others	436,000.00	504,165.00
	Newspapers	33,000.00	28,800.00
	Donations	110,000.00	69,500.00
	Security Services and Alarm	2,961,000.00	2,390,629.00
	Subscriptions	95,000.00	288,000.00
	Electricity- Power for Govt Office	144,000.00	106,327.00
	Generator Fuel & Oils	3,000.00	-
	Legal Fee	111,000.00	-
	Advisory/Consultancy Services	-	-
	AGM Expenses	432,000.00	130,000.00
	Hired Labour	-	-
	Hire of Transport and Plant	74,000.00	5,500.00
	Office Rent	95,000.00	93,000.00
	Licences & Permits	100,000.00	-
	Office Running Expenses	-	364,992.00
	Water	-	3,520.00
	Sports & Recreation	-	-
	Mileage	172,000.00	169,876.00
	Staff Costs		
	- Staff Insurance-WIBA & Staff Training and Capacity Building	3,392,000.00	9,956,710.00
	- Management Bonus/Responsibility Allowance (GOK Staffs)	330,000.00	299,961.00
	- Gratuity	545,000.00	596,316.00
	Sub Totals	13,179,000.00	18,759,013.00

GUSII WATER & SANITATION COMPANY LIMITED
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	2013/2014 Ksh.	2012/2013 Ksh.
Employment Benefits (Statutory Pension Obligation)		
National Water Conservation Pension	975,000.00	1,065,772.00
Local Authority Pension Trust	636,000.00	581,464.00
Local Authority Provident Fund	208,000.00	192,237.00
National Social Security fund	237,000.00	260,400.00
Sub Total	2,056,000.00	2,099,873.00
Provisions		
Increase in Provision for doubtful debts	-	430,129.00
Provision for Depreciation	3,315,000.00	3,575,006.00
Audit Fee	300,000.00	446,600.00
Sub Total	3,615,000.00	4,451,735.00
Directors' Emoluments		
Board Sitting Allowance	2,262,000.00	969,038.00
Travelling and Accommodation	292,000.00	524,860.00
Chairman's Honoraria & Airtime	-	288,000.00
Total for Administration and Establishment	2,554,000.00	1,781,898.00
	21,404,000.00	27,092,519.00
14 Finance Costs	103,000.00	124,502.00
This relates to bank charges and ledger fees incurred during the reporting year		
15. (a) Water Service Trust Fund Projects		
Capital Grants - Water Services Trust Fund		
At the beginning of the year	15,181,000.00	12,441,570.00
Received during the year	10,164,000.00	2,739,148.00
Total	25,345,000.00	15,180,718.00

During the reporting year, Water Services Trust Fund financed projects through the company.
A total of Ksh.10,163,689.30 was received by the company operated in the following Bank Accounts:

- Kenya Commercial Bank Kisii Branch
1. A/c. No. 1149873744
 2. A/c. No. 114954205
 3. A/c. No. 1141240351

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15 (b). The funds were expensed in Constructing Nubia Nyaore water project, Keumbu Sanitation block project and Nyamira Nyabite Water project. Utilization of these funds is as shown below:

	NUBIA/ NYAORE	KEUMBU/ SANITATION	NYAMIRA/ NYABITE	TOTALS
WSTF Funding	3,719,000.00	2,021,000.00	4,424,000.00	10,164,000.00
Transfer	-	-	-	-
Others bal b/f	798,000.00	-	-	798,000.00
TOTALS	4,517,000.00	2,021,000.00	4,424,000.00	10,962,000.00
Expenditure				
Software	-	-	-	-
field equipment and tools	-	-	-	-
Accompanying measures	206,000.00	10,000.00	102,000.00	318,000.00
Transport Costs	204,000.00	7,000.00	56,000.00	267,000.00
Administrative requirements	198,000.00	12,000.00	44,000.00	254,000.00
Subtotal	608,000.00	29,000.00	202,000.00	839,000.00
Materials				
construction of 2No. kiosks	470,000.00	-	-	470,000.00
Materials for pipe line extension	2,474,000.00	-	-	2,474,000.00
Materials for metering	312,000.00	-	-	312,000.00
Elevated Steel tank	-	-	3,285,000.00	3,285,000.00
Sub-Total	3,256,000.00	-	3,285,000.00	6,541,000.00
Labor Costs				
Construction of 2No. Closed kiosks	125,000.00	-	-	125,000.00
Pipeline extension	528,000.00	-	-	528,000.00
Labour cost for metering	-	-	-	-
Sub-total	653,000.00	-	-	653,000.00
Total	4,517,000.00	29,000.00	3,487,000.00	8,033,000.00
Balance of Funding in Period	-	1,992,000.00	937,000.00	2,929,000.00
Bank balance at end of period	-	1,991,000.00	938,000.00	2,929,000.00
Cash on Hand	-	-	-	-
Total Balances	-	1,991,000.00	938,000.00	2,929,000.00
WIP YEAR 2013/2014	4,517,000.00	29,000.00	3,487,000.00	8,033,000.00
Add WIP B/F YEAR 2012/2013	2,131,000.00	-	-	2,131,000.00
Total WIP c/f	6,648,000.00	29,000.00	3,487,000.00	10,164,000.00