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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KIAMBU WATER AND SEWERAGE
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE 2014**

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kiambu Water and Sewerage Company Limited set out on pages 4 to 13, which comprise the statement of financial position as at 30 June 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which to the best of my knowledge 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 independent opinion on the financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion

1. Sustainability of the Company

During the year under review, the Company recorded a loss of Kshs.11,999,888 (2012/2013 loss of Kshs.18,758,769), which worsened the revenue reserves from negative Kshs.36,072,106 to negative Kshs.48,071,994 as at 30 June, 2014. Further, the current liabilities balance of Kshs.58,270,646 as at 30 June 2014 exceeded the current assets balance of Kshs.36,145,172, resulting in a negative working capital of Kshs.11,909,470, an indication that the company may be experiencing difficulties in meeting its obligations as and when they fall due. The Company's financial position therefore appears precarious, and its continued sustainability as a going concern is dependent upon continued support from the Government and creditors.

2. Non-Compliance with International Financial Reporting Standards

A review of the financial statements for the year ended 30 June 2014 revealed that the management did not comply with various International Financial Reporting Standards as follows;

- (i) The management has not disclosed existence of related party relationships where control exists (IAS 24).
- (ii) No disclosures were made on financial risk management (IFRS 7)
- (iii) No accounting policies have been provided for Taxation, audit fee, directors remuneration, inventories, Trade and other payables and employee benefits (gratuity)

In the circumstances, the financial statements for the year ended 30 June 2014 did not fully comply with the International Financial Reporting Standards.

3. Inaccuracies in the Financial Statements

The following differences were noted between the financial statements balances and supporting schedules.

No.	Item	Financial Statements Balances (Kshs.)	Supporting schedules Balances (Kshs.)	Differences (Kshs)
1.	Revenue Reserves	(23,130,800)	(48,071,994)	24,941,194
2.	Provision for Doubtful debts	0	11,264,243	11,264,243
3.	Depreciation charge for the year	87,500.00	14,583.30	72,916.70
4.	Accumulated Depreciation	3,213,752	3,136,409	77,343

In the circumstances, the accuracy of the financial statements as a whole as at 30 June 2014 could not be confirmed.

4. Statement of Cashflows

The statement of cashflow for the year under review reflect an opening cash and cash equivalents balance of Kshs.6,071,128 as at 1 July 2013 which differed with the audited 2012/2013 cash flow statement and statements of financial position balance of Kshs.6,827,820 as at the same date by Kshs.756,692. Consequently, the accuracy of the statement of cashflows for the year ended 30 June 2014 could not be confirmed.

5. Customer Deposits

Included in the customer deposit account under note 10 of Kshs.4,409,184.35, is an amount of Kshs.3,789,168 borrowed from the customer deposits account by the company in 2007 and utilized on operating costs. However, the funds have not been refunded to the customer deposit account to date. Further, relevant supporting documents to show the approval for the borrowing from the deposit account were not availed for audit verification. Consequently, the accuracy of the customer deposits of Kshs.4,409,184.35 as at 30 June 2014 could not be confirmed.

6. Trade and Other Receivables

Note 7 to the financial statements reflects gross trade and other receivables balance of Kshs.32,559,634 and a provision for doubtful debts of Kshs.11,264,243. However, the schedule of debtors provided for audit reflected gross debtors balance of Kshs.43,535,390 as at 30 June 2014 resulting in an unexplained and unreconciled difference of Kshs.10,975,156. In the circumstances, the accuracy and recoverability of trade and other receivables as at 30 June 2014 could not be confirmed.

7. Trade and Other Payables

As previously reported in 2012/2013, the trade and other payables balance of Kshs.58,270,646 as at 30 June 2014, includes customer deposits of Kshs.4,409,184.35. However, the corresponding bank account balance reflects a balance of Kshs.2,386,520 as at the same date, resulting to unexplained and unreconciled variance of Kshs.2,022,664.35. Further, the balance includes long outstanding unallocated receipts amounting to Kshs.1,797,384 despite availability of the customer's details in the ledgers. In addition, note 10 to the financial statements reflects a comparative figure of Kshs.47,170,077 while the audited 2012/2013 balance was Kshs.50,450,085, resulting in unexplained difference of Kshs.3,280,008.

In the circumstances, the accuracy of trade and other payables balance of Kshs.58,270,640 as at 30 June 2014 could not be confirmed.

8. Unaccounted For Water

During the year under review, the Company produced 1,675,889 cubic meters (m³) of water, and out of this, only 996,233m³ were billed to consumers. The balance of 679,656 m³ or approximately 41% of the total volume produced, represented unaccounted for water (UFW). The UFW is 16% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines. The UFW of 41% may have resulted in loss of sales estimated at Kshs.22,632,544.80. The significant level of UFW may negatively impact on the Company's profitability and its long term sustainability.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, 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 does not comply with the Water Act, 2002 and the Companies Act, Cap 486 of the Laws of Kenya.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya companies Act Cap 486, I report based on the audit, that;

- i. I have not 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 not been kept by the company, so far as appears from my examination of those books; and,
- iii The Company's statement of financial position and statement of comprehensive income are not in agreement with the books of account.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

9 September 2015

**KIAMBU WATER & SEWERAGE COMPANY
LIMITED**

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

KIAMBU WATER & SEWERAGE COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

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**KIAMBU WATER AND SEWERAGE COMPANY
PROFILE OF DIRECTORS AND MANAGEMENT**



MANAGING DIRECTOR:

Name: Mr. James Ng'ang'a Mbugua

Area of Training: Diploma in Water Engineering, Bachelor of Arts in Leadership and Management. Pursuing a Masters of Development Studies.

Age: 50 Years

Working experience: Ministry of Water and Irrigation, Kikuyu Water and Sanitation Company and Kiambu Water and Sewerage Company.



FINANCE MANAGER:

Name: Mr. Dawson Kariuki Nyaga

Area of Training: Bachelor of Commerce (Finance Option), Certified Public Accountant (CPA-K).

Age: 39 Years

Working experience: National Water Conservation and Pipeline Corporation; Kiambu Water and Sewerage Company.



Name: Mr. G.K. Muthua

Position: Chairman, Board of Directors

Area of Training: Diploma in Accounting

Sector: Representative of Local Organizations

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



Name: Mr. James Gitau Muriuki

Position: Director

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

Sector: Representative of Water Consumers

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



Name: Mrs. Naomi Nungari Mungai

Position: Director

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

Sector: Representative of Women

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



Name: Mrs. Rose Muthoni Kimani

Position: Director

Area of Training: Bachelor in Business Management (Human Resource), Certified Public Secretary (CPS-K).

Working experience: Ministry of Local Government, County Government of Kiambu (Sub county Administrator).



Name: Mrs. Esther Wanjiru Njuguna

Position: Director

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

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

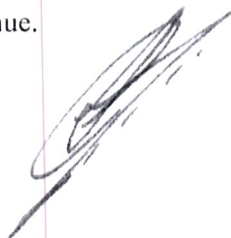
CHAIRMAN'S REPORT.

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

As much as we are proud of the achievements, we are also faced with various challenges like inadequate water supply, vandalism of G.I. pipes; breakdowns of control panels and pump sets due to unstable electricity supply etc. Another challenge has been the sewer line. Some sections are located right in the middle of the road maybe due to topography. In addition, some buildings are erected on top of the sewer line. There is need for urgent relocation of such buildings.

Our major challenge is high electricity costs coupled with the rising cost of fuel, pipes and fittings. Due to the deep borehole depths and very low yields from most of our boreholes, the cost of production is higher than the resale price of water. This implies that some boreholes are operated through cross – subsidy which is a very big challenge to the sustainability of the company. As a remedy, we carried out field investigations which will culminate in getting a gravity source of water from Kamiti and Riara Rivers. These projects will supply water by gravity to the residents of Kiambu and the environs.

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



G.K Muthua,
CHAIRMAN – BOD.

MANAGING DIRECTOR'S REPORT.

A BRIEF SUMMARY.

The population for the municipality is currently estimated at 80,000 residents and about 30,000 livestock units. Our sources of water are 12 Boreholes. We also operate one sewerage treatment plant. The total water production per day is approximately 2,500 m³ from the boreholes against a current demand of 13,000 m³ per day. However, we receive about 2,000 m³ of water per day from Nairobi Water Company which greatly supplements our supply.

We also have 12 self – help water projects & several individual borehole owners who supplement the water supply. Currently, we are covering about 30% of the 57km² that was allocated to us through the Water Service Provision Agreement. This arrangement is currently under review.

ACHIEVEMENTS.

These are some of our achievements:

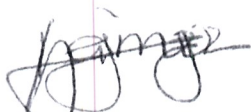
1. Enhanced revenue collection from an average of Kes 2.6 million per month in December 2009 to about Kes 6 million by June 2014 with the same water production.
2. Introduction of Mpesa mode of payment for water bills.
3. We opened four water payment collection points (banks) in accordance with the wishes of our customers.
4. Acquired 24 hour internet services and a website for ease in communication and cutting costs.
5. We realized a lasting solution to a sewer blockage near Kiambu Mortuary that that has been a public nuisance from 1975 through rerouting of the sewer line.
6. Completed three water projects and construction an ablution block near Kiambu Hospital curtsey of Water Survives Trust Fund. About 3,500 people are impacted by these projects.
7. In liaison with the County Government of Kiambu, we have started two projects: Kanunga gravity Water Project and Ting'ang'a water projects as an immediate intervention to the water crises within Kiambu town and Ting'ang'a area.
8. In liaison with Athi Water Services Board, we are implementing the Kamiti and Riara gravity system with a capacity of injecting and additional 8,000m³ of water per day.

Once the gravity systems are completed, the money spent on settling electricity bills and buying water from Nairobi Water Company will be channeled to improving the water services.

THE CHALLENGES:

- We run a dilapidated water distribution network which was installed before Kenya became independent. We still have asbestos pipes in some areas within Riabai and Kirigiti.

- Some boreholes were “not cased” up to the bottom and they are caving in. One borehole by the name Gichocho “B” borehole caved in about three years ago.
- Lack of funds to implement various proposed projects.
- Failure by government institutions to pay for water services provided. We experience challenges when disconnecting some sensitive government institutions for non – payment.
- Expenditure is higher than the revenue collection due to reduction of water production from the boreholes and the depth of boreholes. Most boreholes are 250 meters deep; this makes the cost of production very high.
- Some boreholes have dried up i.e. borehole No. 4 located at Mwandus. The water reduction has been going on unabated for the last three years.
- Inadequate water supply to meet the current demand. We produce about 2,500 m³ per day against a demand of 13,000m³. Rationing this water is literary a nightmare.
- Land acquisition- some of the water installation is situated on private plots. There is need for urgent partnering / acquisition.
- High unaccounted for water: - this has been a great challenge but we have adopted a policy of ensuring that any reported burst or leak is addressed in the shortest time possible. In addition, we have ensured that all customers are metered and aged systems are rehabilitated systematically. We are also replacing old meters systematically – depending on the availability of funds..
- We are supplying water in the same area with a competitor by the name Kirigiti – Thathini – Mugumo Water Company. This is a serious challenge because we use plastic pipes in the area and illegal interconnectivity cannot be ruled out.
- Interruption of water supply as a result of motors and pumps getting burnt due to power fluctuations.
- Spaghetti network in several areas such as Kirigiti, Indian Bazaar, Kiambu town etc
- Theft of manhole covers and people dumping all sorts of things in the sewer manholes.
- An overwhelmed sewer treatment plant which has outlived its design period.
- Regulated tariffs against unregulated market prices for water pipes, fittings, electricity etc.



James Mbugua,
MANAGING DIRECTOR.

Corporate Governance

I wish to state that the company is working as a corporate entity though it is semi autonomous in accordance with the provisions of the Water Act 2002. In a nutshell, the Board of Directors (BOD) sits at the top. Below the BOD, is the Managing Director (MD), followed by the top - management then, heads of departments. This is followed by other members of staff. We are in the process of recruiting an internal auditor in liaison with The County Government of Kiambu. The Internal Auditor will be reporting the Audit Committee. The BOD including the MD have signed a Code of Conduct and the tenets therein, are adhered to as appropriate. We also have a Performance Contract in place.

We have two committees in place as shown here below:

- Audit Committee
- The Finance and Administration committee.

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

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

The BOD has been trained on Corporate Governance courtesy of Athi Water Services Board and more training will be carried later this year (2014) on the same by the County Government of Kiambu.

Corporate social Responsibility.

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

In addition, we have partnered with the community and the County Government of Kiambu on cleaning Kiambu town, Thika town etc

KIAMBU WATER & SEWERAGE CO LTD
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2014

CORPORATE INFORMATION

DIRECTORS

The directors who held office during the year and to the date of this report are listed on:-

Naomi Mungai (Representing Consumers)
G. K. Muthua (Representing Consumers)
James G. Muriuki (Representing Consumers)
Esther Njuguna (Representing, Kiambu County Government)
Rose M. Kimani (Representing Kiambu County Government)
James Mbugua (Managing Director)
Joseph Kimani Kuguma (Retired)
Henry O. Wanyundi (Retired)
David Kaguri (Retired)
David Githuka Kamumu (Retired)

REGISTERED OFFICE

Kiambu Water & Sewerage Company Ltd
Ministry Of Environment, Water And Natural Resources Offices.
P .O. Box 409 – 00900, Kiambu.

PRINCIPAL BANKERS

Kenya Commercial Bank
Kiambu Branch, Kiambu

Family Bank
Kiambu Branch, Kiambu

Equity Bank,
Kiambu Branch, Kiambu

AUDITORS

Auditor General
Kenya National Audit Office
P.O. BOX 30084 – 00100, Nairobi

**KIAMBU WATER & SEWERAGE COMPANY LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 2014**

The directors submit their report together with the audited financial statements for the year ended 30th June 2014, which disclose the state of affairs of the company.

Incorporation

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

Principal activities

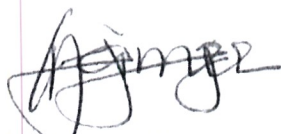
The principal activity of the company is provision of water and sewerage services in Kiambu Town and its environs..

Results	Kshs
Profit (loss) before income tax	(11,999,888)
Taxation charge	NIL
Net profit/ (loss) for the year carried to retained earnings	(11,999,888)

Dividend

The directors do not recommend the payment of a dividend.

By order of the board



Managing Director

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KIAMBU WATER & SEWERAGE COMPANY LIMITED

STATEMENT OF DIRECTORS RESPONSIBILITIES

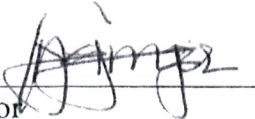
The Directors are responsible for preparing financial statement for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. The directors are required to ensure that the company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with international financial reporting standards. The directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the company and of its operating results.

The directors further accept responsibility for the maintenance of accounting records, which may be relied in the preparation of financial statements, as well as adequate system of internal financial controls.

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

Director



Director



KIAMBU WATER & SEWERAGE COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

1. Summary of significant accounting policies

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

a) Basis of preparation

The financial statements are prepared in compliance with international financial reporting standards (IFRSs). The financial statements are presented in functional currency, Kenya shillings (Kshs), which is prepared in accordance with measurement bases prescribed by IFRSs.

The preparation of financial statement in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the company's policies. The areas involving a higher degree of judgment of complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

b) Revenue recognition

Sales of services are recognized in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services provided. Revenue is the fair value of the consideration received or receivable for the sales of goods services, and is stated net of Value – added tax (VAT), rebates and discounts.

Interest on fixed deposit is recognized after the FDR term is over since pre mature cancellation incurs administrative costs against the interest earned.

c) Grant Income

Grants relating to operational support received from the Ministry of Water & Irrigation or from Athi Water Services Board are recognized in the income statement upon receipt of goods or services and payment for utilities like electricity. These are subsequently expensed in the respective periods.

d) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Buildings and freehold land are subsequently shown at market value, based on triennial valuations by external independent valuers, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less depreciation. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated

KIAMBU WATER & SEWERAGE COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

with the item will flow to the company and the cost can be measured reliably. all other repairs and maintenance are charged to the profit and loss account the financial period in which they are incurred.

Increases in the carrying amount arising on revolution are credited to a revaluation surplus reverse in equity. Decreases that offset previous of the same asset are charged against the revaluation surplus: all other decreases to the profit and loss account. Each year the difference between depreciation charged based on the revalued carrying amount of the asset (depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation to retained earnings.

Depreciation the assets is calculated using the straight line method to write down their cost or revalued amounts to their residual values over their estimated useful lives using the following annual rates:

Computers	30%
Motor vehicles	25%
Furniture & fittings	12.5%
Office equipment	12.5%

The assets residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

e) Cash and cash equivalents

cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

f) Provision For Bad Debts

Owing to the large number of inactive customer accounts whose debts may not be realized, a provision for bad and doubtful debts of 36% has been maintained.

g) Currency

The financial statements are prepared in Kenya Shillings (Ksh).

KIAMBU WATER & SEWERAGE CO. LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2014

	Notes	<u>2014</u>	<u>2013</u>
		Kshs	Kshs
Turnover	4	77,264,638	62,201,859
Cost of Sales	5	33,902,526	33,258,181
Net Operating Income		43,362,112	28,943,678
Other Income			
Interest on Fixed Deposit	17	177,660	-
Grants		-	1,968,000
Miscellaneous Income		1,149,911	-
Total Income		44,689,683	30,911,678
EXPENSES			
Selling & Distribution costs	14	2,060,238	2,417,991
Administrative expenses	11	2,916,022	2,045,742
Staff Costs	12	29,902,460	27,430,118
Establishment expenses	13	20,914,002	16,767,148
Director's remuneration	6	632,850	777,448
Audit Fees & Secretarial fees	6	232,000	232,000
AGM expenses		32,000	-
		56,689,571	49,670,447
Operating profit		(11,999,888)	(18,758,769)
Profit/(Loss) before tax		(11,999,888)	(18,758,769)
Net Profit/(Loss)		(11,999,888)	(18,758,769)

KIAMBU WATER & SEWERAGE CO. LTD

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2014

	Notes	Notes Kshs	2014 Kshs	2013 Kshs
Non-current assets				
Property, plant and equipment	3		1,563,052	1,997,892
Work in Progress- WSTF Projects	18		10,346,418	-
			<u>11,909,470</u>	<u>1,997,892</u>
Current assets				
Trade and other receivables	7		32,559,634	20,025,741
Prepayments and Deposits	8		2,111,024	1,994,974
Fixed Bank Deposit			-	-
Cash and cash equivalents	9		13,383,985	6,827,820
			<u>48,054,642</u>	<u>28,848,535</u>
			<u>59,964,113</u>	<u>30,846,427</u>

FINANCED BY:

Capital and reserves

Share capital	15		100,000	100,000
Donated Equity	16		5,141,083	5,141,083
Deferred Income- WSTF Projects	18		19,583,184	-
Revenue Reserves			(23,130,800)	(24,844,741)

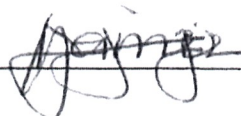
Shareholders' funds 1,693,467 (19,603,658)

Current liabilities

Trade & Other payables	10		58,270,646	50,450,085
			<u>59,964,113</u>	<u>30,846,427</u>

The financial statements on pages 4 to 13 were approved for issue by the board of directors on _____ and were signed on its behalf by:-

DIRECTOR



DIRECTOR



KIAMBU WATER & SEWERAGE CO. LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2014

	<u>Share Capital</u> Kshs	<u>Donated Equity</u> Kshs	<u>Revenue Reserves</u> Kshs	<u>Total</u> Kshs
Balance at 1st July 2012	100,000	5,141,083	(851,925)	4,389,158
Net profit (Restated)	-	-	(10,278,987)	(10,278,987)
Balance as at 30 June 2013	100,000	5,141,083	(11,130,912)	(5,889,829)
Balance at 1st July 2013	100,000	5,141,083	(11,130,912)	(5,889,829)
Net profit/deficit	-	-	(11,999,888)	(11,999,888)
Balance as at 30 June 2014	100,000	5,141,083	(23,130,800)	(17,889,717)

KIAMBU WATER & SEWERAGE CO. LTD

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2014

	<u>2014</u> Kshs	<u>2013</u> Kshs
Cashflow From Operating Activities		
a) Operating profit before working capital changes (Restated)	(11,999,888)	(8,288,795)
Depreciation	561,573	428,656
Proceeds on disposal of motor vehicle	-	-
Operating profit/deficit before working capital changes	<u>(11,438,315)</u>	<u>(7,860,139)</u>
Decrease/increase in trade and other receivables	(1,269,413)	(9,859,128)
Decrease(increase) in prepayments and deposits	(116,750)	(49,301)
(Decrease)/increase in payables and accruals	<u>11,100,568</u>	<u>18,776,583</u>
<i>Net cashflow from Operating Activities</i>	<u>(1,723,909)</u>	<u>1,008,016</u>
 Investing activities		
Purchase of additional assets	(200,000)	(252,000)
Proceeds from sale of motor vehicle	-	-
Proceeds from recall of fixed deposits	-	1,200,000
Work in Progress (WSTF Projects)	(10,346,418.05)	-
<i>Net cashflow from investing activities</i>	<u>(10,546,418)</u>	<u>948,000</u>
 Financing activities		
Deferred Income (WSTF Grant)	19,583,184	-
<i>Net cashflow from financing activities</i>	<u>19,583,184</u>	<u>-</u>
 Net Increase / (Decrease) in cash and cash equivalents	 <u><u>7,312,857</u></u>	 <u><u>1,956,016</u></u>
 Movement in cash and cash equivalents		
At start of year	6,071,128	4,115,112
Increase / (Decrease) in cash and cash equivalents	7,312,857	1,956,016
At end of year	<u><u>13,383,985</u></u>	<u><u>6,071,128</u></u>

3 PROPERTY, PLANT AND EQUIPMENTS

	<u>LAND</u> Kshs	<u>COMPUTER EQUIPMENT</u> Kshs	<u>OFFICE EQUIPMENT</u> Kshs	<u>FURNITURE & FITTINGS</u> Kshs	<u>MOTOR VEHICLES</u> Kshs	<u>TOTAL</u> Kshs
<u>Cost or Valuation</u>						
At 1st July 2013	1,343,200	1,153,116	163,038	382,067	2,092,880	5,134,301
Additions		200,000		-	-	200,000
Disposals		-	-	-	-	-
At 30th June 2014	<u>1,343,200</u>	<u>1,353,116</u>	<u>163,038</u>	<u>382,067</u>	<u>2,092,880</u>	<u>5,334,301</u>
<u>Depreciation</u>						
At 1st July 2013		904,045	146,734	318,258	1,844,715	3,213,752
Charge for the year	-	405,935	20,380	47,758	87,500	561,573
Disposal		-	-	-	-	-
At 30th June 2014	<u>-</u>	<u>1,309,980</u>	<u>167,114</u>	<u>366,016</u>	<u>1,932,215</u>	<u>3,775,325</u>
<u>Net book amount</u>						
At 30th June 2014	<u>1,343,200</u>	<u>43,136</u>	<u>0</u>	<u>16,051</u>	<u>160,665</u>	<u>1,563,052</u>
At 30th June 2013	<u>1,343,200</u>	<u>249,071</u>	<u>16,304</u>	<u>63,809</u>	<u>248,165</u>	<u>1,920,549</u>

ANALYSIS OF MOTOR VEHICLES AND MOTOR CYCLES

		<u>COST / VALUATION</u> Kshs.	<u>ACCUMULATED DEPRECIATION</u> Kshs.	<u>NET BOOK VALUE</u> Kshs.
KBB 760T	TOYOTA HILUX PUCK UP(4X2)	1,742,880	1,742,280	600
KBR 010U	YAMAHA CRUX 100CC	87,500	47,396	40,104
KBR 011U	YAMAHA CRUX 100CC	87,500	47,396	40,104
KBR 012U	YAMAHA CRUX 100CC	87,500	47,396	40,104
KBR 013U	YAMAHA CRUX 100CC	87,500	47,396	40,104
		<u>2,092,880</u>	<u>1,931,863</u>	<u>161,017</u>

The company has a lease agreement with Athi Water Services Board to use on Lease basis, Boreholes and other Operational equipment. These assets are not included in the above schedule.

	<u>2014</u> Kshs	<u>2013</u> Kshs
4 <u>TURNOVER</u>		
Water sales	<u>77,264,638</u>	<u>59,685,767</u>
	<u>77,264,638</u>	<u>59,685,767</u>
Miscellaneous Income (New Connection, Reconnection Fees)	1,149,911	-
5 <u>COST OF SALES</u>		
Water Lease fees	5,887,686	5,887,716
Bulk water supply	27,162,412	17,953,410
Water abstraction charges	852,428	2,256,184
	<u>33,902,526</u>	<u>26,097,310</u>

KIAMBU WATER & SEWERAGE CO. LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

	2014 Kshs	2013 Kshs
6 OPERATING PROFIT		
The following items have been charged in arriving at operating profit:		
Depreciation on property, plant and equipment (Note)	561,573	428,656
Auditor's remuneration	232,000	232,000
Director's remuneration	632,850	777,448
Staff costs	29,902,460	27,430,118
	<u>31,328,883</u>	<u>28,868,222</u>
7 TRADE & OTHER RECEIVABLES		
Water debtors	32,559,634	31,290,221
Provision for doubtful debts	(11,264,480)	(11,264,480)
	<u>21,295,154</u>	<u>20,025,741</u>
8 PREPAYMENTS AND DEPOSITS		
Rent deposit	260,000	260,000
Prepaid Staff Medical Cover	1,512,601	1,376,321.00
Prepaid motor vehicle and office insurance	88,423	57,969
Prepaid Bulk Water	-	-
Water Deposit Paid to Amon Nderi	200,000	-
Staff debtors	-	-
KPLC prepaid	-	249,984
Deposit paid to Watija Enterprises for Bulk water purchase	50,000	50,000
	<u>2,111,024</u>	<u>1,994,274</u>
9 CASH AND CASH EQUIVALENTS		
Family Bank - Customer Deposits Account	2,386,520	3,439,320
KCB Operations Account	924,166	1,501,743
MPESA ACCOUNT	123,289	149,575
Equity Revenue Account	224,768	544,619
Family Bank Revenue Account	68,114	149,812
National Bank- Rockline Project	4,870,354	
National Bank-Indian Bazaar Project	4,370,412	
Post Bank	98,496	223,291
National Bank of Kenya	317,866	62,770
	<u>13,383,985</u>	<u>6,071,129</u>
10 TRADE AND OTHER PAYABLES		
Accrued Audit Fees	464,000	464,000
Accrued Electricity	5,456,502	3,122,836
AWSB Billing fees payable	621,580	763,560
Ivory Consult	174,000	-
Amon Nderi Ng'ang'a	-	341,302
Nairobi Water Company Ltd	17,834,438	12,105,695
Postal Corporation	686,250	457,500
Conservancy charges payable to KMC	329,470.00	329,470
Customer deposits	4,409,184.35	3,634,634
Kamwai (Fuel)	-	114,979
Polypipes Ltd	31,300	31,300
Encrypt Computer Technologies	18,000	-
Kiambu Service Store	27,340	168,740
Lease Fee payable	18,650,017.56	13,744,922
Jokisons Electrical services	18,000	-
Pension payable	516,705	1,516,705
June 2014 Staff emoluments accrued	1,962,575	1,947,661
MFI Document Solutions Ltd	-	46,887
Insco Insurance Brokers	-	54,766
Eslon plastics of Kenya Ltd	111,248	21,960
Sperian Services Ltd	31,200	-
Peteka Enterprises	5,500	-
Pearl Electrical Controls	44,080	-
Kinetic Engineering	263,110	-
Wotech Kenya Ltd	8,000	-
Zocom Ltd	8,251	-
Kiambu Timberland and General	40,760	-
District Commissioner - Kiambu East	130,000.00	140,000
Unallocated receipts	1,797,384	1,797,384
Nairobi Iron Mongers	-	254,272
Diamond Chemicals Limited	75,168.00	34,700
Water Resources Management Authority (WARMA)	3,412,551	3,214,580
Water Services Regulatory Board (WASREB)	491,280	245,655

Mahavira Impex Limited	112,752	112,752
Smart Supplies Agency	-	115,000
Bromak General Merchants	495,000.00	210,000
Makanja Enterprises	-	252,950
Intersect Hardware	45,000	70,120
Export Hydro	-	1,663,647
DT Dobbie	-	80,100
Frinconsult Limited	-	112,000
	<u>58,270,646</u>	<u>47,170,077</u>

KIAMBU WATER & SEWERAGE CO. LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

	<u>2014</u> Kshs	<u>2013</u> Kshs
11 ADMINISTRATIVE EXPENSES		
Contractual Services	-	148,653
Fees & Commissions - Insurance	91,791	124,138
General Office Expenses	1,054,789	672,585
Printing & Stationery	226,287	183,318
Provision for doubtful debts	-	(1,692,282.00)
Donations	30,000	-
Bank Charges	487,835	333,901
Depreciation	561,571	428,656
Telephone & Postage	38,622	24,170
Withholding Tax on Interest received	386	-
IT Costs	424,740	130,320
	<u>2,916,022</u>	<u>353,460</u>
12 STAFF COSTS		
The following items are included within staff costs:		
Salaries and wages	27,224,049	24,975,187
Staff welfare	283,739	30,000
Staff training	90,600	397,503
Field operations allowances	190,100	-
Leave allowance	-	-
Medical allowance	-	-
Staff medical cover	1,513,830	1,535,659
Staff gratuity	193,363	-
Travelling allowance	349,228	285,911
Membership to Professional Association	46,000	60,000
Uniforms & Medical items	11,551	145,858
	<u>29,902,460</u>	<u>27,430,118</u>
13 ESTABLISHMENT EXPENSES		
Rent and Rates	915,000	915,000
Operations & Maintenance	6,006,570	6,864,727
Security	429,110	299,680
Electricity	13,563,321	8,687,741
	<u>20,914,002</u>	<u>16,767,148</u>
14 SELLING & DISTRIBUTION COSTS		
Advertisements	132,300	541,390
Motorbike and vehicle expenses	811,484	766,510
Outsourced billing	918,555	827,655
Maintenance of Motor Vehicles	197,899	282,436
	<u>2,060,238</u>	<u>2,417,991</u>

KIAMBU WATER & SEWERAGE CO. LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

	<u>2014</u> Kshs	<u>2013</u> Kshs
15 SHARE CAPITAL		
<u>AUTHORISED</u>		
5,000 ordinary shares of Kshs. 20/= each	<u>100,000</u>	<u>100,000</u>
<u>ISSUED AND FULLY PAID SHARE CAPITAL</u>		
5,000 ordinary shares of Kshs. 20/= each	<u>100,000</u>	<u>100,000</u>

16 DONATED EQUITY

This refers to the Contributions made by Kiambu Municipal Council towards the establishment of the company, analyses as follows:-

Inherited Debtors	8,182,680	8,182,680.00
Net Liabilities	(4,615,914)	(4,615,914.00)
Funds	1,324,317	1,324,317.00
Motor Vehicle	250,000	250,000.00
	<u>5,141,083</u>	<u>5,141,083</u>

17 Interest of Fixed Deposit: During the year the company recalled a fixed deposit of Kes 1,200,000 and an interest amount of Kes 177,660.17 was earned.

18 WSTF Grant (Rockline and Indian Bazaar)	19,583,184.00	-
Amount Spent (Work in Progress)	<u>(10,346,418.05)</u>	-
Unspent Amount	<u>9,236,766</u>	-

19 The profit for 2012/2013 financial year has been restated to a loss of Kes 8,288,795.00 after correcting errors for the period.