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WATER SERVICES TRUST FUND



**FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30TH JUNE 2005**

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WATER SERVICES TRUST FUND

Statement of Director's Responsibilities

The Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in accordance with International Financial Reporting Standards and the requirements of the Companies Act.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Trust Fund and of its income and expenditure. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements as well as adequate systems of internal control.

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

Dr. Eddah Gachukia
Chairperson

Eng. Simon G. Mwangi
Chief Executive Officer



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF WATER SERVICES TRUST FUND FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2005

I have audited the financial statements of Water Services Trust Fund for the year ended 30 June 2005 in accordance with the provisions of 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. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Directors and the Controller and Auditor General

As set out in the statement of directors' responsibilities, the directors are responsible for the preparation of financial statements which give a true and fair view of the Fund's state of affairs and its operating results. My responsibility is to express an Independent opinion on the financial statements based on my audit.

Basis of opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe my audit provides a reasonable basis for my opinion.

Comments

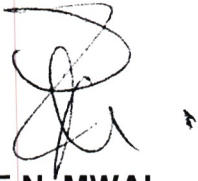
1. Presentation and disclosures in financial statements.

The financial statements have not been prepared and presented according to the requirements of International Financial Reporting Standards and International Accounting Standards as significant accounting policies such as government grants recognition as well as revenue reserves have not been disclosed. Further, there are no notes on donor funds received from SIDA and DANIDA for Kshs.60m and Kshs.151.8m respectively and the nature and purpose for these

funds have not been disclosed. Consequently, the financial statements do not provide reliable, clear and understandable information.

Opinion

In my opinion, except for the above reservation on presentation of financial statements, proper books of account have been kept and the financial statements give a true and fair view of the state of financial affairs of the Trust Fund as at 30 June 2005 and of its surplus and cash flows for the year then ended and comply with provisions of the Water Act 2002.



E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

14 March 2006

**WATER SERVICES TRUST FUND
BALANCE SHEET
AS AT 30TH JUNE 2005**

ASSETS	NOTES	KSHS
Non Current Assets		
Property and Equipment	1	1,417,712.05
Total Non Current Assets		<u>1,417,712.05</u>
Current Assets		
Staff Debtors	4	391,661.50
Cash and Cash Equivalents	2	268,550,066.05
Prepayments		74,634.00
		<u>269,016,361.55</u>
Current Liabilities		
Tax Payable		168,329.20
Funds Committed to Projects	3	64,349,164.00
Arrears		458,487.00
Total Current Liabilities		<u>64,975,980.20</u>
Net Current Assets		<u>204,040,381.35</u>
Net Assets		<u><u>205,458,093.40</u></u>
FINANCED BY		
Owners' Funds		
Government of Kenya Grant		52,010,000.00
Revenue Reserve (Surplus) Income & Expenditure		153,448,093.40
		<u><u>205,458,093.40</u></u>

SIGNED

DR. EDDAH GACHUKIA

ENG. S G MWANGI

CHAIRPERSON

CHIEF EXECUTIVE OFFICER

**WATER SERVICES TRUST FUND
INCOME AND EXPENDITURE STATEMENT
FOR THE THREE MONTHS ENDED 30TH JUNE 2005**

INCOME	KSHS	KSHS
Government of Kenya Funds		53,392,275.00
Donor Funds		
Sida Funds	60,000,000.00	
Danida Funds	151,793,316.25	
		211,793,316.25
 Total Income		<u><u>265,185,591.25</u></u>
 EXPENDITURE		
HEAD OFFICE EXPENSES		
Personnel Expenses		1,843,748.00
Communications Expenses		271,489.40
Printing and Stationery		437,084.50
Resource Centre Expenses		28,872.50
Travelling and Accommodation		24,130.00
Motor Vehicle Expenses		169,759.60
Computer Expenses		111,761.40
Consultancy & Professional Fees		1,500.00
Board Expenses		1,229,106.50
Office Running Expenses		69,333.00
Office Rent & Land Rates		373,166.00
Bank Charges		5,950.00
Depreciation Expense		37,037.95
HEAD OFFICE EXPENSES		4,602,938.85
 FINANCING TO PROJECTS		
Water Supply		94,104,945.00
Sanitation & Hygiene Promotion		11,421,307.00
Project Appraisal Costs		197,498.00
FINANCING TO PROJECTS		105,723,750.00
 PROJECT MANAGEMENT & CAPACITY BUILDING		
Training & Capacity Building		1,273,210.00
Project Management Costs		137,599.00
PROJECT MANAGEMENT & CAPACITY BUILDING		1,410,809.00
 EXPENDITURE		<u><u>111,737,497.85</u></u>
 Surplus		<u><u>153,448,093.40</u></u>

**WATER SERVICES TRUST FUND
CASH FLOW STATEMENT
FOR THE THREE MONTHS ENDED 30TH JUNE 2005**

	2004/2005 KSHS
OPERATING ACTIVITIES	
Cash flow from Operating activities	<u>153,448,093.40</u>
Adjustment:	
Depreciation	37,037.95
Changes in Working Capital	
Increase in Debtors	(391,661.50)
Increase in Payments	(74,634.00)
Increase in Tax Payable	168,329.20
Increase in Arrears	458,487.00
Increase in Funds Committed to Projects	64,349,164.00
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>217,994,816.05</u>
INVESTING ACTIVITIES	
Furniture and Fittings	(1,004,090.00)
Computer Equipment	(450,660.00)
NET CASH FLOW FROM INVESTING ACTIVITIES	<u>(1,454,750.00)</u>
FINANCING ACTIVITIES	
Government of Kenya Grants	52,010,000.00
NET CASH FLOW FROM FINANCING ACTIVITIES	<u>52,010,000.00</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	<u><u>268,550,066.05</u></u>

**WATER SERVICES TRUST FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 30TH JUNE 2005**

	Capital - GoK Grants	Accumulated Surplus	Total
As at 1 July 2005	0.00	0.00	0.00
Grants Received from GoK	52,010,000.00		52,010,000.00
Surplus for the Year		153,448,093.40	153,448,093.40
As at 30 June 2005	52,010,000.00	153,448,093.40	205,458,093.40

WATER SERVICES TRUST FUND NOTES TO THE STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The Financial Statements are prepared in accordance with the International Financial Reporting Standards under the historical cost convention.

b) Revenue recognition

The Fund adopts the modified accrual basis of accounting for revenue.

Revenue is recognized when funds are received and represent the amount of Funds received from the Government of Kenya and the various development partners
Expenses are recognized when incurred

c) Property and Equipment :

Property and equipment is stated at historical cost less depreciation.

Depreciation is calculated on the straight-line basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

	%per Annum
Motor Vehicles	- 25
Furniture, Fittings and Office Equipment	- 20
Computers and Photocopiers	- 30

WATER SERVICES TRUST FUND
NOTES TO THE STATEMENTS

1 Property and Equipment

	Furniture and Fittings	Computer Equipment	Total
	Office Furniture	Laptops	
Cost			
Additions	1,004,090.00	450,660.00	1,454,750.00
Disposals			
As at 30 June 2005	1,004,090.00	450,660.00	1,454,750.00
Depreciation			
Charge for the Year	24,644.80	12,393.15	37,037.95
Net Book Amount	979,445.20	438,266.85	1,417,712.05

2 Cash and Cash Equivalents

Cash at Bank	268,528,486.55
Cash in Hand	21,579.50
	268,550,066.05

3 Funds Committed to Projects

PROJECT	AMOUNT
Barigoni Self Help Water Project	3,066,816.00
Catholic Diocese of Nakuru Water Programme	1,555,727.00
Community Water for Poverty Alleviation	8,127,729.00
Enaretisho Self Help Group	1,614,875.00

**WATER SERVICES TRUST FUND
NOTES TO THE STATEMENTS**

Kanjuri Self Help Group	5,081,487.00
Kiraro Social Welfare Self Help Group	1,141,400.00
Masaani Self Help Group	1,218,531.00
Matebei Community Water Project	5,941,644.00
Menyeni Development Agency	10,655,220.00
Mutirithia Self Help Group	6,595,115.00
Mwienderi Mugamba Ciura Self Help Group	4,065,520.00
Ramoya Community Water Project	5,107,928.00
Revival Adult Literacy Women Group	3,528,000.00
Thuura Central Water Project	2,746,720.00
Yumbis Water Users Association	3,902,452.00

TOTAL

64,349,164.00

4 STAFF DEBTORS

391,661.50

The amount disclosed refers to money given to staff as imprest, for which they are yet to account for.

WATER SERVICES TRUST FUND NOTES TO THE STATEMENTS

5. During the year, the Water Services Trust Fund received three vehicles registration numbers KAH 437Z, KAN 576Y AND GK A458K from the Ministry of Water and Irrigation. The transfer of these vehicles had not been completed by the time of the preparation of the accounts. As such the costs of these vehicles are not reflected in the accounts for the financial year 2004/2005.

6. The Water Services Trust Fund had not employed staff by the time the accounts were being prepared. The staff on board were seconded from either the National Water Conservation and Pipeline Corporation or the Ministry of Water and Irrigation. The salaries to staff from the National Water Conservation and Pipeline Corporation were being paid by the Trust Fund. However, the Ministry of Water and Irrigation staff continued drawing their salaries from the ministry. These salaries are not reflected in the accounts.