

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

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**REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS
KIAMBERE-MWINGI WATER
AND SANITATION COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE 2014**

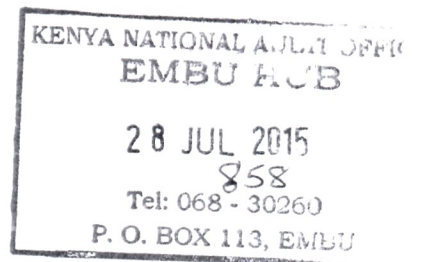
KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2014

Prepared in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB)



KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2014

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KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

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KEY ENTITY INFORMATION

Background information

The Kiambere-Mwingi Water & Sanitation Company Limited was established under CAP 486 of the Companies Act and in compliance with the Water Act 2002 that requires among other things, all government owned water and sewerage schemes to be operated and managed by autonomous companies in order to achieve efficient and economical delivery of water & sanitation services. The company is represented by the Kitui County Minister of Agriculture, Water & Irrigation who is responsible for the general policy and strategic direction of the company.

Principal Activities

The principal activity of the company is to supply and distribute potable water and provide basic sanitation within the Mwingi Sub-county.

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Directors

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

	NAME	POSITION	APPOINTED ON
1	Mr. Josphat Mulyungi	Chairman	26/05/2009
2	Mr. Paul Kinuba	Managing Director	31/8/2009
2	Mr. Joseph K. Kasilu	Member	26/5/2009
3	Mr. Kitura Nguli	Member	26/5/2009
4	Mrs. Joyce M. Nzanga	Member	26/5/2009
5	Mr. Robert M. Maluki	Member	26/5/2009
6	Mr. Johnson M. Nzuki	Member	26/5/2009
7	Japheth M. Ngonde	Member	01/7/2013
8	Sera Kangasua	Member	01/7/2013
9	Dennis Mutinda Mwendwa	Member	01/7/2013

Corporate Secretary

The company has no Corporate Secretary. The MD performs the functions of Secretary during Board meetings.

Registered Officer

Kenya News Agency Building
Mwingi – Garissa Road
P.O. Box 90400 - 656
Mwingi, Kenya

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Corporate Headquarters

Kenya News Agency Building
Mwingi – Garissa Road
P.O. Box 90400 - 656
Mwingi, Kenya.

Corporate Contacts

Telephone: (254) 702-400555 / 738-570988
E-mail: kimwasco@gmail.com
Website: kimwasco.co.ke

Corporate Bankers

1. Equity Bank
Mwingi Branch
2. Co-operative Bank
Mwingi Branch
3. Kenya commercial bank
Mwingi Branch

Independent Auditors

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

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

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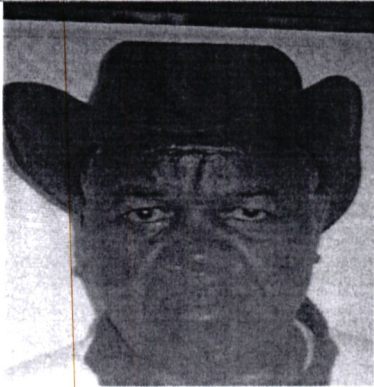


Principal Legal Advisers

The company is in the process of appointing a legal adviser

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED





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THE BOARD OF DIRECTORS

	Name	Photo	Date of birth, key qualifications & experience
1.	Mr. Josphat Mulyungi		Born on 31.12.1949. Has S1 (Teaching) certificate & MA degree in development studies. Work experience of 20 years.
2.	Mr. Paul Kinuba		Born on 06/11/1964. Has Higher Diploma in Mechanical Engineering and Msc Degree in Engineering Management. Work experience of 19 years in various supervisory and managerial positions.
3.	Mr. Joseph K. Kasilu		Was chairman of chamber of commerce – Mwingi town.
4.	Mr. Kitura Nguli		Born in 1942. Educated up to standard 7. Businessman for the last 30 years. Was Chairman of Chamber of Commerce – Kyuso town.



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5.	Mrs. Joyce M. Nzanga		Born in 1961. Educated up to form 2. Worked with Diplomatic Ladies Group – Ethiopia & Iran. Nominated Councillor for 5years.
6.	Mr. Robert M. Maluki		Born on 12/5/1942. Educated up to EACE level. Has P1 certificate in teaching. Worked for 34 years as a teacher, was a delegate in National Constitutional Conference.
	Mr. Johnson M. Nzuki		Born in 1946. Educated up to EACE level. Has P1 certificate in teaching. Has teaching experience of 33 years.
7.	Japheth M. Ngonde		Born on 15/5/1970. Has Bachelor of Commerce degree & CPA (K). Seasoned finance and accounting professional with over 20 years in accounting, financial Management and management consultancy experience. Currently pursuing MBA degree in strategic Management.

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8.	Sera Kangasua		Born on 01/3/1981. Has CIPS Level 6 & pursuing Bachelors degree course. Work experience of 7 years.
9.	Dennis Mutinda Mwendwa		Born on 24/12/1985. Has Diploma in Pharmaceutical Technology. Has work experience of 4 years.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

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MANAGEMENT TEAM

	Name	Photo	Date of birth, key qualifications & experience
1	Mr. Paul Kinuba Managing Director		Born on 6 th November 1964. Has Higher Diploma in Mechanical Engineering and Msc Degree in Engineering Management. Work experience of 19 years in various supervisory & managerial responsibilities.
2	Mr. Caleb Mwanzia James Company Accountant		Born on 23 rd February 1984. Has CPA 3, KATC intermediate and final and a Diploma in Marketing. Work experience of seven years as an accountant.
3	Ms. Penninah Mutio Human Resources Officer		Born on 5 th April 1976. Has a Secretarial Certificate stage 1 and 2. Pursuing Diploma in Human Resource Management with the University of Nairobi. Has work experience of 5 years working as a Secretary.

CHAIRMAN'S STATEMENT

The company came into existence from May 2009 in pursuit of implementing water Act 2002. We came in as Water Service Provider for the greater Mwingi Region. The challenge was put on us to be a viable and sustainable water service provider. The company has directors drawn from the community who receive water services from Kiambere –Mwingi water main pipeline.

We have undertaken this journey of making water service provision be viewed with business ethos. Under the watch of Tanathi Water Service Board, we went through the clustering process and were left as Mwingi Kyuso cluster and others. Making Kiambere –Mwingi water & sanitation company Ltd the operational arm of this cluster.

The first challenge we had to face was to streamline staff levels to 42 in conformity with WASREB guidelines on staffing levels. Transitions from TARDA to Tanathi Water Services Board and eventually to have staff accept the fact that they were employees of Kiambere-Mwingi Water and Sanitation Company Ltd took painful time. This has seen us have a vibrant team of administration of policies developed by the board of directors.

The second challenge we had to face was our aging pipeline, Kiambere complex pumping system and the expanded demand for our water services to Mwingi town and its environs plus Kyuso town. This is against a background of a population running away from dirty water from Tyaa River in Mwingi town, Kamuwongo River, Itivanzeu River in Kandwia and Thunguthu River in Kyuso town. The planned phase 2 would assist us address this challenge.

The third challenge has been our inability to pay our ever rising electricity bills. We are forced to rely on subsidies from the central government in the previous years but currently on the Kitui County Government. Our hope here is twofold: increase our tariff and implement phase 2 to achieve the economies of scale.

These challenges have to be faced within the known facts that bill of rights in our constitution states that every person has the right to clean and safe water in

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adequate quantities. This is the responsibility we have to try and carry out in full. Our national government plus our county government will have to assist Kiambere-Mwingi Water & Sanitation Company Ltd to fulfill its mandate of being a viable and sustainable Water Service Provider in this region.

Finally the company has moved to maximize participation of communities being serviced by KIMWASCO by having 50 representatives of stakeholders in the areas served by the company. These representatives will be meeting once per year to scrutinize the service provision mechanisms of the company including the key policy decisions as well as the administrative matters.

We journey with our county government as water is a devolved function. We have seen positive results in all areas of cooperation particularly the subsidy we get in the form payment of electricity bills.

Water is life and our constitution demands that right be preserved.

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REPORT OF THE MANAGING DIRECTOR

The Kiambere-Mwingi Water & Sanitation Company Limited is in the business of providing potable water and basic sanitation services within the greater Mwingi district now Mwingi Sub-county. Our main objectives are to:

1. Build a strong institution capable of providing reliable water supply and sanitation services to the Mwingi Sub-county.
2. Extend water supply and sanitation services to every corner of Mwingi Sub-county by continually improving & expanding water supply and sanitation infrastructure.
3. Attain self-financial sustainability through expansion of customer base and appropriate costing of the services we render.
4. Position the company as a key player in the development of the Mwingi Sub-county by rendering quality services and undertaking corporate social responsibilities.

We strive to improve the living standards of our customers by:

1. Promoting hygienic living to the members of the public by sensitizing them of the importance of using treated water and basic sanitation.
2. Supplying clean and safe drinking water and providing basic sanitation services to our customers.
3. Ensuring sustainability of water and sanitation services through timely billing for services offered and collection of revenue.
4. Carrying out preventive and corrective maintenance of water treatment works facilities and water distribution networks

Since its incorporation in May 2009, the company has gone through difficult transition occasioned by the Water Act 2002 and lately by the new Constitution. Despite the myriad difficulties posed by the transition, the company has slowly but consistently grown both institutionally and financially. It has over the years

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developed its own operational systems that have enabled it to meet its mandate of providing water and sanitation services to its customers.

As at 30th June 2010, the company served about 15,000 people through 1,200 water connections and 12 water kiosks. As at 30th June 2014, there were 2577 water connections, 87 water kiosks and 3 stand pipes used to fill water tanks for water trucking. There were approximately 29,600 people served through these outlets. The net income grew from negative Ksh. 5,514,667.00 in financial year 2009/10 to positive Ksh. 4,499,111.00 in financial 2013/14 while the total capital & liabilities grew from Ksh. 5,464,870.00 in financial year 2009/10 to Ksh. 30,569,761.00 financial year 2013/14.

The main challenges that inhibit growth at the desired pace include the high cost of electricity considering that it constitutes 40% of O&M cost, high Non-Revenue Water (NRW) about 40% due to old and dilapidated distribution network and illegal connections. There is also the challenge of lack of skilled manpower in senior and middle management levels.

The foregoing notwithstanding, the Board, Management and staff are united in their collective effort to improve efficiency and effectiveness. Thus, concerted effort has been made to reduce the NRW to 20% by installing monitor meters and creating a NRW Unit mandated with the responsibility of identifying causes of water loss and addressing them. Measures have also been put in place to address high electricity bills by carrying out energy audit at Kiambere T/Works and implementing some of recommendations arrived at.

We appreciate the support rendered by the County government of Kitui by paying electricity bills in the tune Ksh. 34.7 million in the financial year 2013/2014 and hope that this support will continue in order to sustain the services. Additionally, we hope that phase 2 will be implemented as scheduled so as to address the question of dilapidated water supply and distribution system and increase our water supply and distribution capacity.

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CORPORATE GOVERNANCE STATEMENT

The company makes deliberate effort to adopt and practise the best corporate governance standards. As a corporate body, we strive to follow the law and the relevant regulations.

The Board, Management and staff are required to practise good code of ethics and create good corporate image by engaging our customers and other stakeholders honestly and with respect.

As an employer, we seek to have competent personnel for various positions in the company's establishment through competitive recruitment. Interested persons are given equal opportunity to apply for any vacant positions in the company. Each employee is properly inducted and advised to observe high standards of integrity inside and outside the work place.

We continually make effort to adopt good and effective operational processes and systems particularly in Human Resources Management, Financial Management, Operation and Maintenance. Above all, as a corporate entity, we strive to be a good citizen by playing our role in nation building and taking our corporate social responsibilities seriously.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2014

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

As a provider of clean and safe drinking water and basic sanitation, we carry out our duties with due diligence to ensure quality and safety of our products and services. We strive to effectively play our role in nation building and take our corporate social responsibilities seriously

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2013 which show the state of the affairs of Kiambere-Mwingi Water & Sanitation Company Limited.

Principal activities

The principal activities of the company are:

1. Supplying & distributing potable water and providing basic sanitation.
2. Offering accompanying services such meter connection, meter calibration and servicing, repair or replacement of defective service lines.
3. Billing for services offered and collection of revenue from customers.
4. Carrying out preventive and corrective maintenance of water T/Works facilities and water distribution networks.
5. Advising organized communal groups on good proposal writing for funding and supervising implementation and management of such projects.
6. Compilation and submission of M&E reports to the County government and WASREB.
7. Writing proposals for project funding by prospective development agencies.

Results

The results of the company for the year ended June 30, 2014 are set out on pages 21 to 36.

Dividends

The company does not declare dividends to the Directors since they only hold shares in trust for the County government of Kitui.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

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

Directors

The members of the Board of Directors who served during the year are shown on page 3. In accordance with Regulation 59(a) of the company's Articles of Association, one third of the board members will retire each year and will be eligible for re-election.

Auditors

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the company;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments 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

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

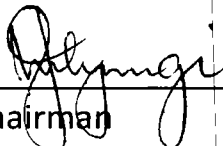
Reports and Financial Statements For the year ended June 30, 2014

company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2013, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company's financial statements were approved by the Board on 28th September 2014 and signed on its behalf by:


Chairman


Director

REPUBLIC OF KENYA

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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 KIAMBERE-MWINGI 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 the Kiambere-Mwingi Water and Sanitation Company Limited set out on pages 21 to 41, 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 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 preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for the submission of its 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 Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards 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. Unaccounted for Water (UFW)

During the year under review, the company produced 539,558 cubic meters of water. However, only 316,483 cubic meters of water was billed to customers resulting in an Unaccounted for Water (UFW) of 223,075 cubic meters or approximately 41% of the total volume produced which is over and above the allowable loss of 25%. The UFW may have resulted in a loss of sales estimated at Kshs.19,697,523.

The significant level of UFW may negatively impact on the Company's profitability and its long term sustainability.

2. Share Capital

As previously reported, the Kiambere-Mwingi Water and Sanitation Company Limited was registered with a share capital amount of Kshs.100,000 divided into 5,000 shares of Kshs.20 each. The shares were distributed to eleven individuals who have not paid for the shares. The Company has not provided explanation for this unsatisfactory state of affairs as at 30 June 2014.

3. Statement of Changes in Equity

The statement reflects, under revenue reserves, other prior year adjustment of Kshs.1,058,218 made up of loss for the year of Kshs.1,611,201 and an unexplained figure of Kshs.552,983.

In the circumstances, the accuracy of the statement could not be ascertained.

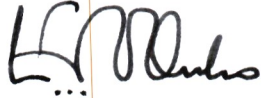
Qualified Opinion

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 Kiambere-Mwingi Water and Sanitation Company Limited 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 the Water Act, 2002 and the Companies Act, Cap 486 Law 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 examination of those books; and
- iii. The company's statement of financial position and statement of comprehensive income are in agreement with the books of account.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

4 September 2015

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements****For the year ended June 30, 2014****STATEMENT OF COMPREHENSIVE INCOME**

	NOTES	2013/2014(Kshs)	2012/2013(Kshs)
INCOME			
Revenue	2(a)	41,665,256	34,203,805
Other income	2(b)	2,183,990	0
Grants	3	39,660,133	32,521,702
TOTAL		83,509,379	66,725,507
EXPENDITURE			
Personnel expenses	4	21,988,243	17,639,487
Utilities	5	32,717,198	29,808,174
General maintenance	6	4,837,356	2,877,524
Motor vehicle running expenses	7	4,266,358	4,176,972
Administration	8(a)	3,112,988	5,861,958
Work in progress	8(b)	3,485,192	0
Suppliers and services	9	3,656,898	3,921,206
Board expenses	10	733,900	521,920
Levies	11	4,212,135	3,529,467
TOTAL		79,010,268	68,336,708
Operating profit/loss before taxation		4,499,111	(1,611,201)
Tax	h	-	-
Net Profit/ loss for the year after tax		4,499,111	(1,611,201)

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

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

STATEMENT OF FINANCIAL POSITION

ASSETS	NOTES	2013/2014 (Kshs)	2012/2013 (Kshs)
Non-current assets			
Property Plant and Equipments	12 (b)	11,258,314	8,303,107
Intangible assets	12 (c)	110,000	0
Total		11,368,314	8,303,107
Current assets			
Stock		908,905	613,170
Receivables and prepayments	13	15,382,668	15,566,422
Cash and cash equivalents	14(a)	2,909,874	948,300
Total current assets		19,201,447	17,127,892
Total assets		30,569,761	25,430,999
EQUITY AND LIABILITIES			
Current liabilities			
Payables and accruals	15(a)	26,197,142	28,366,229
Bank overdrafts	14(b)	0	922,756
Water deposits	16	2,700,223	1,885,863
Total current liabilities		28,897,365	31,174,848
Long term liabilities	15(b)	863,529	1,442,736
Total liabilities		29,760,894	32,617,584
Capital reserves			
Revenue reserves		(14,591,251)	(19,090,362)
Capital reserves	17	4,718,945	4,718,945
Development grant	18(a)	3,446,013	3,446,013
WSTF	18(b)	7,135,160	3,638,819
Authorised Share capital		100,000	100,000
Total capital and reserves		808,867	(7,186,585)
Total capital and liabilities		30,569,761	25,430,999

Director  Date 28/7/2015 Director  Date 28/7/2015

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2014

STATEMENT OF CHANGES IN EQUITY

2012/2013

	Share capital Kshs.	Capital reserves Kshs.	Revenue reserves Kshs.	Development grant	WSTF	Total Kshs.
Balance as at 30/6/2012	100,000	4,718,945	(18,537,379)	1,962,341	0	(11,756,093)
Net profit/loss	0	0	(1,611,201)	0	0	(1,611,201)
Increase in Fixed Assets	0	0	0	3,446,013	0	3,446,013
WIP prior year adjustment	0	0	0	(1,962,341)	0	(1,962,341)
WSTF prior year adjustment	0	0	0	0	1,962,341	1,962,341
Increase in WSTF fund	0	0	0	0	1,676,478	1,676,478
Other prior year adjustment	0	0	1,058,218	0	0	1,058,218
Balance as at 30/6/2013	100,000	4,718,945	(19,090,362)	3,446,013	3,638,819	(7,186,585)

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Reports and Financial Statements

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2013/2014

	Share capital Kshs.	Capital reserves Kshs.	Revenue reserves Kshs.	Development grant	WSTF	Total Kshs.
Balance as at 30/6/2013	100,000	4,718,945	(19,090,362)	3,446,013	3,638,819	(7,186,585)
Net profit/loss	0	0	4,499,111	0	0	4,499,111
Increase in WSTF fund	0	0	0	0	3,496,341	3,496,341
Balance as at 30/6/2014	100,000	4,718,945	(14,591,251)	3,446,013	7,135,160	808,867

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements****For the year ended June 30, 2014****STATEMENT OF CASHFLOW**

	2013/2014	2012/2013
	<u>KSHS</u>	<u>KSHS</u>
Cash flow from operating activities		
Net loss/profit	4,499,111	(1,611,201)
Depreciation	1,032,436	896,751
Operating profit before working capital changes	5,531,547	(714,450)
Changes in working capital		
Increase/ decrease in receivables and prepayments	183,754	(4,609,022)
Increase/decrease in stock	(295,735)	45,353
Increase/ decrease in creditors	(2,748,294)	4,214,659
Bank overdraft	(922,756)	7,021
Cash flow from working capital	(3,783,031)	(341,989)
Net cash inflow after working capital adjustments	(3,783,031)	(341,989)
Investing activities		
Increase in fixed assets	(4,097,643)	(4,480,650)
Net cash inflow after investing activities	(4,097,643)	(4,480,650)
Financing activities		
Water deposits	814,360	586,000
WSTF	3,496,341	2,936,177
Development grants	0	1,698,921
Net cash outflow after financing	4,310,701	5,221,098
Net cash flow	1,961,574	(315,991)
Cash and cash equivalent at the beginning of the year	948,300	1,264,291
Cash and cash equivalent at the end of the year	2,909,874	948,300

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a) Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB), interpretations issued by the Standing Interpretations Committee of the IASB and applicable requirements of the law.

The principal accounting policies adopted are set out below:

The financial statements are prepared on the historical cost concept.

b) Pronouncements from the Public Sector Accounting Standards Board (PSASB)

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the pronouncements made by the board have no significant impact on the entity's financial statement as Kiambere Mwingi Water and Sanitation Company has been preparing its financial statements in accordance to IFRS.

c) Revenue Recognition

This is composed of water billing and other related services.

d) 1. Bad debts

All debts which are three years and above have been treated as bad debts.

2. Provision for bad and doubtful debts

Provision for bad and doubtful debts is calculated at 1% of the the debtors.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements

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e) Fixed Assets and Depreciation

Fixed assets are stated at leased and purchase cost less accumulated depreciation.

Depreciation is calculated on a straight line basis to write off the cost of the assets over their useful lives.

The annual rates used are as follows:

Pipes & fittings	12.5%
Tools & Equipment	12.5%
Computers & accessories	33.3%
Motor vehicles & motorbikes	25%

f) Currency

The accounts are expressed in local currency Kenya shillings (Kshs.), which is the official currency of the Republic of Kenya.

g) Grants

The County Government of Kitui paid for electricity and water treatment chemicals.

WSTF paid for Work in Progress.

h) Taxation

The company has provided for taxation.

Period	Profit/ Loss (Kshs)	Carried forward (Kshs)
2009/2010	(5,514,667)	(5,514,667)
2010/2011	(14,477,278)	(19,991,945)
2011/2012	1,454,566	(18,537,379)

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

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For the year ended June 30, 2014

2012/2013	(1,611,201)	(20,148,580)
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2013/2014	4,499,111	(20,587,590)
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Loss of Kshs. 4,060,101 was carried forward from Financial Year 2009/2010 to Financial Year 2012/2013.

The Company did not charge tax because of other losses carried forward from Financial Year 2010/2011 to Current period.

i) Retirement Benefits Obligations

The company contributes 15% of staff basic pay for staff pension while individual staff contribute 7.5% of the basic pay.

j) Reserves

Capital reserves represent inherited debtors, customer deposits and creditors.

k) Related party transactions

a) Subsidies from the County Government of Kitui.

The Company received Subsidies from the County Government during the year as follows:

	2013/14 KShs	2012/13 KShs
Electricity grant	34,699,392	30,539,202
Chemicals grant	1,464,400	1,982,500
	=====	=====
Total Grants	36,163,792	32,521,702
	=====	=====

b) Board of Directors.

During the period under review, the Company held three full board committees and four sub- committees.

The chairman of the Board of Directors is paid Monthly Honoraria of Kshs.20,000

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

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

Total allowances paid were as follows:

	2013/2014	2012/2013
	KSh	KSh
Board allowances	493,900	281,920
Honoraria	240,000	240,000
	=====	=====
Total Board allowances	733,900	521,920
	=====	=====

I) Financial Risk Management Policies.

The Company's financial risk management objectives and policies are detailed below:

a) Credit risk

Kiambere Mwingi Water and Sanitation credit risk is primarily attributable to its funds with financial institutions, debtors and staff receivables .

The amount that best represents the company's maximum exposure to credit as at 30 June 2014 is made up as follows:

	Fully Performing KShs	Past due KShs	Impaired KShs	Total KShs
At 30 June 2014				
Cash at bank	2,909,874	-	-	2,909,874
Customer receivables	14,944,501	-	1,957,054	16,901,555
Staff receivables	338,167	-	-	338,167
	-----	-----	-----	-----
	18,192,542	-	1,957,054	20,149,596
	=====	=====	=====	=====

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

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

At 30 June 2013

Cash at bank	948,300	-	-	948,300
Customer receivables	15,196,522	-	585,727	15,782,249
Staff receivables	269,900	-	-	269,900
	<hr/>	<hr/>	<hr/>	<hr/>
Total	17,586,176	-	585,727	17,000,449
	=====	=====	=====	=====

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with Kiambere Mwingi Water and Sanitation Company, which have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The table below analyses the fund's financial liabilities.

	Total
	KShs
As at 30 June 2014	
Trade payables	26,313,142
Customer deposits	<u>2,700,223</u>
Total	<u>29,013,365</u>
As at 30 June 2013	
Trade payables	28,366,229
Customer deposits	<u>1,885,863</u>
Total	<u>30,252,092</u>

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements
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2(a). Revenue	2013/2014	2012/2013
Water sales (Billings)	29,149,098	24,025,319
Water sales - Kiosks	8,759,272	5,833,256
Water sales – Boreholes	1,373,356	1,168,199
Water sale (Tankering)	2,383,530	1,890,736
Miscellaneous income - sale of tender	0	66,000
- Reconnection fee	0	146,500
- Meter testing and other charges	0	118,445
-Meter rent	0	955,350
Total	41,665,256	34,203,805
2(b). Other income:	2013/2014	2012/2013
- sale of tender	129,000	0
- Reconnection fee	358,500	0
- Meter testing and other charges	8,500	0
-Meter rent	971,100	0
- Penalties	706,390	0
- Public toilet lease	10,500	0
Total	2,183,990	0

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements
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3. Grants	2013/2014	2012/2013
MOW & I (power)	34,699,392	30,539,202
MOW & I (chemicals)	1,464,400	1,982,500
WSTF	3,496,341	0
Total	39,660,133	32,521,702
4. Personnel expenses	2013/2014	2012/2013
Basic salaries	7,722,880	6,491,260
Allowances	4,931,368	4,170,137
Pension contribution	1,034,754	886,376
NSSF contribution	90,800	83,400
Leave allowance	336,942	131,065
Medical allowance	833,400	720,360
Casual wages	597,849	732,651
Travelling & subsistence	2,462,468	1,964,750
Gratuity	24,000	86,920
Commission – kiosk operators	2,850,515	1,825,624
Staff welfare	857,012	368,236
Top up allowance	0	178,708
Staff insurance cover (WIBA/GPA)	246,255	0
Total	21,988,243	17,639,487

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements
For the year ended June 30, 2014**

5. Utilities	2013/2014	2012/2013
Electricity	32,504,198	29,677,518
Telephone	204,150	120,450
Water	8,850	10,206
Total	32,717,198	29,808,174
6. General maintenance	2013/2014	2012/2013
Plant and machinery maintenance	3,276,189	783,807
Pipe laying and maintenance	1,398,337	2,018,717
Office equipment maintenance	162,830	75,000
Total	4,837,356	2,877,524
7. Motor vehicle running expenses	2013/2014	2012/2013
Motor vehicle fuel	2,639,318	2,583,096
Motor vehicle maintenance	1,465,073	1,441,975
Motor vehicle insurance	161,967	151,901
Total	4,266,358	4,176,972
8.(a) Administration	2013/2014	2012/2013
Office rent	216,000	216,000
Printing and photocopy	21,250	51,639
Staff training	8,000	52,100
Official entertainment	209,315	43,712
Public relations/ donations	25,300	1,000

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements
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Bank charges	149,910	106,398
Security expenses	1,092,000	1,092,000
Domestic taxes	0	12,000
Depreciation	1,032,436	896,751
Accrued interest	0	4,557,163
Provision for bad debts	138,390	(1,547,029)
Interest on bank loan	220,387	380,224
Total	3,112,988	5,861,958

8.(b) Work in progress	2013/2014	2012/2013
Work in progress	3,485,192	0
Total	3,485,192	0

9. Suppliers and services	2013/2014	2012/2013
Water chemicals	2,206,441	2,652,973
Stationery	130,803	208,835
Computer consumables	240,600	289,450
EMS/Securicor services	27,650	28,155
Hire of machinery	29,160	87,220
Hire of transport	380,160	193,520
Professional fees	232,000	348,000

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements
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Office general expenses	125,934	65,353
Water analysis	34,098	15,000
Advertising and publicity	227,372	13,500
News papers	22,680	19,200
Total	3,656,898	3,921,206
10. Board expenses	2013/2014	2012/2013
Board allowances	493,900	281,920
Honoraria	240,000	240,000
Total	733,900	521,920
11. Levies	2013/2014	2012/2013
TAWSB	3,684,605	3,072,797
WASREB	409,401	341,422
WARMA	118,129	115,248
Total	4,212,135	3,529,467

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements****For the year ended June 30, 2014****12 a. Property, Plant and Equipment**

Assets with estimated value of **Ksh. 630,482,219** in 2005 were handed over to TAWSB by TARDA in 2009. Kiambere - Mwingi Water & Sanitation Company Ltd has been operating these assets since May 2009 although they have not been handed over to the company officially. These assets have not been included in the financial statements.

12 b. Net book value and depreciation**2012/2013**

	Motor vehicle	Motor cycle	Furnitures & office equipments	Computer & accessories	Water meters	Lab equipments	WIP	Total
Dep rate	25%	25%	12.5%	33.3%	2.5%	12.5%	0	
Cost as at 1 st July 2013	2,732,000	346,280	258,976	113,450	1,594,823	137,002	4,896,960	10,079,491
Additions during the year	0	273,000	21,426	184,700	0	25,500	3,483,017	3,987,643
Cost as at 30 th June 2014	2,732,000	619,280	280,402	298,150	1,594,823	162,502	8,379,977	14,067,134
Accm dep as at 1 st July 2013	1,366,000	204,710	57,182	90,733	40,634	17,125	0	1,776,384
Depreciation	683,000	154,820	35,050	99,382	39,871	20,313	0	1,032,436
Accm dep as at 30 th June 2014	2,049,000	359,530	92,232	190,115	80,505	37,438	0	2,808,820
NBV as at 30th June 2014	683,000	259,750	188,170	108,035	1,514,318	125,064	8,379,977	11,258,314
NBV as at 30th June 2013	1,366,000	141,570	201,794	22,717	1,554,189	119,877	4,896,960	8,303,107

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements
For the year ended June 30, 2014**

12 c. Intangible fixed asset.	2013/2014	2012/2013
Quickbooks software: Cost as at 30 th June 2014	110,000	0
Total	110,000	0
13(a). Receivables and prepayments	2013/2014	2012/2013
Receivables (Water billings) - Active	8,729,673	10,516,855
-Inactive	7,066,363	5,265,394
Less: Bad debts	(1,957,054)	(585,727)
Provision for bad debts	(138,390)	0
Staff debtors	0	236,884
Kiosk and borehole debtors	0	33,016
Share capital	0	100,000
Sub total	13,700,592	15,566,422
Staff debtors		
Staff debtors	294,158	0
Kiosk and borehole debtors	44,009	0
Sub total	338,167	0
Share capital		
Share capital	100,000	0
Subt total	100,000	0
Prepayments		

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements
For the year ended June 30, 2014**

Electricity prepayment	1,231,424	0
WARMA prepayment	12,485	0
Sub total	1,243,909	0
Total debtor and prepayments	15,382,668	15,566,422
14.(a) Cash and cash equivalents	2013/2014	2012/2013
Cash in hand	1,012	1,970
KCB account (Collection)	110,922	7,105
Equity account (Collection)	596,000	666,305
Equity account (Deposits)	1,018,266	192,898
Equity account (WSTF)	11,149	0
Co-operative account (Collection)	218,507	80,022
Co-operative account (Paying)	44,995	0
KCB account (Paying)	19,964	0
Equity account (Paying)	80,616	0
M-pesa account	808,443	0
Total	2,909,874	948,300
14. (b) Bank overdrafts	2013/2014	2012/2013
KCB account (Paying)	0	17,695
Equity account (Paying)	0	863,509
Co-operative account (Paying)	0	41,552
Total	0	922,756

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED**Reports and Financial Statements
For the year ended June 30, 2014**

15. (a). Payable and accrual	2013/2014	2012/2013
Trade payables	16,011,361	11,413,841
Payroll deductions	7,191,089	14,048,091
Kenya National Audit Office	928,000	0
Staff creditors	357,192	989,232
Provision for audit fees	232,000	348,000
Prepayments – Debtors	134,728	224,293
Customer deposits borrowed: - 2013 – 2014	1,342,772	800,100
-Prior year adjustments	0	542,672
Total	26,197,142	28,366,229
15. (b). Long term liabilities	2013/2014	2012/2013
Co-operative bank loan	863,529	1,442,736
Total	863,529	1,442,736
16. Water deposits	2013/2014	2012/2013
Balance b/f	2,209,035	1,581,035
Water deposits	646,260	394,000
Meter deposits	211,500	234,000
Inherited from TARDA	1,061,600	1,061,600
Meter deposit refund	(85,400)	(42,000)
Customer deposits borrowed	(1,342,772)	(1,342,772)
Total	2,700,223	1,885,863

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

Reports and Financial Statements

For the year ended June 30, 2014

17. Capital reserves	2013/2014	2012/2013
Debtors	6,477,891	6,477,891
Customer deposits	(1,061,600)	(1,061,600)
Creditors	(697,346)	(697,346)
Total	4,718,945	4,718,945

18. (a) Development grant

Water meters from TAWSB:	Kshs. 802,980
Computer from WASREB:	Kshs. 33,990
Four chairs from WASREB:	Kshs. 48,000
Water meters from WSTF 4 th call	Kshs. 761,343
Motor vehicle payment advance by TAWSB	Kshs. 540,000
Two water kiosks from WSTF 4 th call	<u>Kshs. 1,259,700</u>
Total:	<u>Kshs. 3,446,013</u>

18.(b) Water Services Trust Fund

Grants received during Financial Year 2013/2014	Kshs. 3,496,341.25
Grants received during Financial Year 2012/2013	<u>Kshs. 3,638,819.00</u>
Grand total funds from WSTF	<u>Kshs. 7,135,160.25</u>

19. Share capital

The Company has an authorized share capital of 5,000 shares of Kshs. 20 each.

KIAMBERE-MWINGI WATER & SANITATION COMPANY LIMITED

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

20. Stock

Particulars	Quantity(Kgs)	Market price(Kshs)	Amount(Kshs)
Chlorine	2,655	180	477,900
Lime	5,577	33.39	186,205
Alumn	7,200	34	244,800
Total			908,905