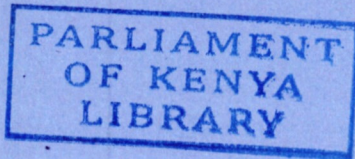


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE 2015**





**KIRINYAGA WATER & SANITATION COMPANY  
(KIRIWASCO)**

**P.O BOX 360-10300, KERUGOYA**

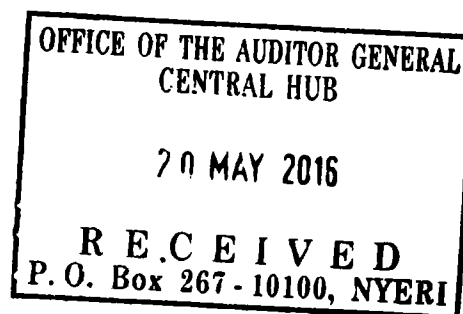
**0715413591**

Email – [kinwasco@yahoo.co.uk](mailto:kinwasco@yahoo.co.uk)/[kinwasco@gmail.com](mailto:kinwasco@gmail.com)

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**KIRINYAGA WATER AND  
SANITATION COMPANY LTD**

**FINANCIAL STATEMENTS AND  
REPORT FOR THE YEAR ENDED  
30 JUNE 2015**



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# **KIRINYAGA WATER AND SANITATION COMPANY LIMITED**

## **1. KEY ENTITY INFORMATION**

### **BACKGROUND INFORMATION**

The enactment of Water Act 2002, led to the creation of Water Services Regulatory Board (WASREB), Water Services Board and Water Services Providers to spearhead the water sector reform programme. Kiriwasco is a Water Service Provider Company Limited by shares and incorporated under the Companies Act Cap 486 of the laws of Kenya and operates under the supervision of Tana Water Services Board.

KIRIWASCO has been mandated by Tana Water Services Board through a Service Provision Agreement (SPA) to carry out water and sewerage services in both urban and rural areas of Kirinyaga District. The Company takes charge of public resources in order to provide quality, affordable, reliable, sustainable and portable water and sewerage services in the target community. KIRIWASCO is jointly owned by the Government of Kenya, Kirinyaga County Council, Kerugoya-Kutus Urban Council, Sagana Urban Council and the Local Community

### **PRINCIPAL ACTIVITY**

The principal activity of KIRIWASCO is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in Kirinyaga District and part of Mbeere District.

### **MAIN BUSINESS OPERATING OBJECTIVES**

The Company's main business operating objectives include, but not limited to, the following:

- (a) Increase stake holder's awareness on water sector reforms
- (b) Improve access to sustainable and safe water
- (c) Increase the demand for available safe water
- (d) Increase the access to improved sanitation
- (e) Achieve operational financial sustainability

### **RESULTS**

The entity's results for the year ended 30<sup>th</sup> June 2015 are set out on page 14

### **DIRECTORS**

The members of the Board of Directors who served during the year are shown on page 3 & 4.

### **AUDITORS**

The Auditor General is responsible for the statutory audit of the entity in accordance with the Section 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.



### **VISION**

To be a role model water services provider in Kenya

### **MISSION**

To provide safe and clean water through, reliable, affordable and sustainable water services to our customers by developing facilities and managing systems in the most efficient and effective manner.








NO	NAMES AND ADDRESS	REPRESENTING INTEREST	REMARKS	Y.O.B	QUALIFICATIONS	PASSPORT
9	<b>Obadiah K. Kiburi</b> P O Box 360, KERUGOYA	Professional bodies	Member	1956	B.A in Education	
10	<b>Mr. Charles Wachira Maina</b> P O Box 360, KERUGOYA	Managing Director KIRIWASCO		1984	<b>Bachelor of commerce(Accounting option)and CPA (K)</b>	

By ORDER OF THE Board  
For and on its behalf

.....*Ch*.....Date .....19/05/2015.....  
MANAGING DIRECTOR

# KIRINYAGA WATER AND SANITATION COMPANY LIMITED

## 3. MANAGEMENT TEAM

Designation	Name	Y.O.B	Qualifications	Passport
Managing Director	Mr. Charles Wachira Maina	1984	Bachelor of commerce(Accounting option)and CPA (K)	
Technical Manager	Mr. Joseph Karani Mutugi	1959	Diploma in Water Technology	
Internal Auditor	Mr. Wilfred Njoroge Gathieya	1979	Diploma in Purchasing and Supplies	
Commercial Manager	Mr. Samuel Kamau Wakabu	1965	Bachelor of science (MIS )and CPA (K)	
Human Resources and Administration Manager	Ms. Susan Wambui Mbuco	1980	Diploma in Public relation and Journalism and Bachelor in buss mgt (HR Option)	

# KIRINYAGA WATER AND SANITATION COMPANY LIMITED

## 4. REPORT OF THE CHAIRMAN

It is my pleasure to release our annual report and financial statements for the year ended 30<sup>th</sup> June 2015. The company performance improved whereby gross revenue rose from 111,854,271 to Kshs.124, 834,355. We also increased the number of active connections from 15,284 to 16,649.

In this financial year we held a Stakeholders Conference on 11<sup>th</sup> March 2015, an Annual General Meeting on 15<sup>th</sup> April 2015 and an Extra-Ordinary General Meeting on 10<sup>th</sup> August 2015. During the stakeholders Forum, the process of amending Memorandum & Article of Association (MAA) was initiated and was approved by stakeholders in an Extra-Ordinary General Meeting

It is our mandate to provide water and sanitation services in the most affordable, reliable and sustainable manner by operating and maintaining water and sanitation systems efficiently and effectively. We are calling upon all the stakeholders to continue supporting us by helping us to reach available partners so as to grow our company and bring the unserved population on board. We are also requesting that you be on the forefront in advocating that treated water is a necessity and should not be substituted. All Kirinyaga residents should not rest until they get and tap it.

The Board of Directors in conjunction with the County Government recruited some members of the Core Management. The positions of Managing Director, Human Resource & Administration Manager and Internal Auditor are now filled substantively. We feel that the move will facilitate the conclusion of staff establishment issues that are pending

After the promulgation of the new constitution, the company has continued working with the County Government. It is important to note that there has been a smooth handover from our Principal Tana Water Services Board (TWSB) as the county assumes full oversight responsibility in due course. We call upon the board members who represent the County Government in our board to educate other stakeholders on corporate governance in regard to water sector reforms as we wait for the Revised Water Act which is still in the parliament.

Finally, I would wish to extend my sincere gratitude to the KIRIWASCO Board of Directors, County Government of Kirinyaga, Water Services Regulatory Board, Tana Water Services Board, and all stakeholders for their support. I would also extend my vote of thanks to management and staff of KIRIWASCO for their continued support throughout the year.

Thank you and God bless you all.



James W. Gachibiri

**Chairman, KIRIWASCO Board of Directors**



# **KIRINYAGA WATER AND SANITATION COMPANY LIMITED**

## **5. REPORT OF THE MANAGING DIRECTOR**

### **Introduction**

KIRIWASCO is subdivided into four schemes within Kirinyaga County and some parts in Mbeere namely Ndia, Kerugoya, Sagana and Wang'uru. The Company's area of jurisdiction is about 1,479 Km<sup>2</sup> with a population of about 458,350 and the approximate population served was 163,896 as at 30<sup>th</sup> June 2015.

Our mission has been one of the key drivers towards achieving our objectives. With the support of key stakeholders such as Tana Water Services Board and the County Government of Kirinyaga, the company was able to operate sustainably throughout year 2014/2015.

### **New county dispensation**

It's noteworthy that we are in a transition period where the function of water and sanitation services was transferred to the County Government. This will take full effect when the Water Act 2002 is repealed by a new Act and that will most likely happen in this year (2015).

### **Capital projects**

The company management endeavors to offer water and sanitation services in an affordable, reliable and sustainable manner. To improve in deliverance of sanitation services, the company has with the help of Water Services Trust Fund (WSTF) constructed two sanitation blocks in Wang'uru and Kutus town.

In addition, through WSTF we are constructing subsidized household toilets in Wang'uru town and its environs. Through this project we intend to upscale the sanitation in the urban poor by improving the existing toilets to meet a set standard. When a household improves its toilet at modest cost of between Ksh 35,000 and Ksh 60,000 the household automatically qualifies for a subsidy of Ksh 20,000.

In addition, with regard to water supply projects, the management continuously seeks to mobilize funds to develop new pipelines, storage facilities and maintain the existing infrastructure to ensure sufficient water supply to served and unserved population areas especially in Kirinyaga South.

### **Performance**

This year we achieved gross revenue of Ksh. 124.8 million up from Ksh. 111.8 million achieved last year which shows a growth of 11.6%. It should be noted that overall deficit of Ksh 15.4 Million includes some provisions of bad debts that did not involve movement of funds.

The company had 16,649 active connections as at June 2015. This is a growth compared to last year's 15,284. For proper management of those connections, there are 137 employees engaged. That means the staff per a thousand connections is 9 which is within WASREB recommendations of 9 to 14 under a rural set up.

### **Automation**

Recently, the company was able to automate billing. Customers are now receiving bills via SMS. They can also pay their bills from wherever they are through Mpesa. We have also brought on board business partners such as Family bank, Post Bank, Postal Corporation, Equity bank, K-Rep Bank and Fortune Sacco who have been collecting water bills on our behalf.

## **Water tariffs**

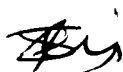
Water Services Regulatory Board (WASREB) approved our tariffs this financial year 2014/2015 after going through a rigorous vetting. Tana Water and Services Board will be gazzeting the same for it to become law.

## **Challenges**

One major challenge that the Company is facing is Non Revenue Water (NRW). Despite other minor causes of Water losses along the pipeline such as burst, overflows, water theft etc we have come to realize that the water system (pipeline) is old and dilapidated; thus leading to underground leakages that has led to losses. The solution is to focus on this problem area so that we can increase the saleable water and revenue as well. This will be achieved after investing to replace the old system with a new one, staff training to enable the company embrace best practices for improved efficiency and culture change.

## **Conclusion**

Finally I take this opportunity to thank KIRIWASCO stakeholders who through the Board of Directors have offered valuable oversight. I also thank TWSB and the County Government of Kirinyaga for their support during the year, all our customers and suppliers who were all instrumental to our success this year. I am also grateful to our staff for their commitment in the running of the company. God bless you all.



**Charles Wachira**

**Ag. MANAGING DIRECTOR**

# KIRINYAGA WATER AND SANITATION COMPANY LTD

## 6. CORPORATE GOVERNANCE STATEMENT

KIRIWASCO is committed to operating under a clear governance framework and strongly adheres to sound management and control practices.

KIRIWASCO is committed to ensuring compliance with the provisions of Water Act 2002 among other regulatory and supervisory corporate governance requirements. Essential to the establishment of a good governance framework are formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision making process, assessment and improvement of conformances.

### **Board of Directors**

The structure of KIRIWASCO starts with the Board members comprising of nine (9) members representing various stakeholders' interests. The Board members exercise leadership, enterprise, integrity and judgment in directing KIRIWASCO.

They are expected to determine the purpose and values of KIRIWASCO, determine the strategy to achieve that purpose and implement its values in order to ensure the Company survives and thrives.

The Board members are expected to enhance the corporate governance practices in running of KIRIWASCO to bring the level of governance in the Company in line with international standards. The essence of corporate governance is to protect stakeholder's interest including the government, Tana Water Services Board, consumers and the communities.

### **Board Committees**

In ensuring that corporate governance is enhanced and that the power of KIRIWASCO is exercised in the stewardship of the Company's total portfolio of assets and resources with the objective of maintaining stakeholder's values, the board of directors has constituted the following committees:

1. *Human Resources, Administration, Commercial and Technical Committee*  
It's the duty of this committee to ensure that KIRIWASCO has the right staff at the right place and doing the right thing. More so, the committee will ensure that the staff welfare is guaranteed.  
The Committee will also oversee the financial reporting process, Company's internal controls and efficient allocation and utilization of resources.  
The committee also ensures that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water and sewer infrastructure. The committee will also propose investment and funding programs for the organization.
2. *Audit Committee*  
It's the duty of this committee to ensure that the internal audit department performs its function of an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. It helps the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.



# KIRINYAGA WATER AND SANITATION COMPANY LIMITED

## 7. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In our Corporate Social Responsibility (CSR) policy, we aim for the integration of our business operations and values in a way that ensures that the interests of all stakeholders including shareholders, customers, employees, the community and the environment are reflected in our policies and actions.

We are committed to Continuous improvement in our Corporate and Social Responsibility (CSR) strategy; Encouraging our business partners to strive for matching performance; Acting in a socially responsible way; Continually improving our performance and meeting all relevant legislation; and Encouraging our staff to be mindful of the effect of their actions on any natural resource.

KIRIWASCO has a CRS policy whose purpose is to make clear to all stakeholders what we mean by CSR and how we propose to work towards achieving it. The CSR policy applies throughout all our policies and processes and governs our approach to all our activities. In implementing this policy we aim to be responsible; and be an exemplar of good practice.

Our Mission is “To provide safe and clean water through, reliable, affordable and sustainable water services to our customers by developing facilities and managing systems in the most efficient and effective manner”. Our mission is in tandem with our mandate and defines the goals for which we will undertake activities in the context of sustainability, competition and social well-being.

We consider the community a key stakeholder in our business initiatives and our CSR activities aim to make a difference under key social pillars such as Education and Environment. We devote resources to support projects such as graduate youth internship and industrial attachment programs to facilitate skills transfer, environmental care in which we have committed to comply with the Environmental Management and Coordination Act (EMCA).

Specifically, Kiriwasco has a Workplace Environmental Policy and continues to implement environmental awareness programmes among staff. Kiriwasco also ensures that projects funded comply with the National Environmental Management Authority (NEMA) requirements. We recognise that good CSR embraces all aspects of sustainable development and the way we affect people through our business operations. KIRIWASCO operates in a way that safeguard against unfair business practices. We believe that a responsible approach to developing relationships between companies and the communities they serve is a vital part of delivering business success. When carrying out our business, in consultation with our customers, we determine the environmental, social and economic issues and continually review our policies and business practices to encourage engagement with small and medium enterprises.

The success of KIRIWASCO as a water service provider is based on our people and we seek to recruit, retain, reward and develop the best creative talent in our organisation. We continually seek to improve through training the needs of our employees.

# **KIRINYAGA WATER AND SANITATION COMPANY LIMITED**

## **8. BOARD OF DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2015**

The Board members present their report and audited accounts for the year ended 30 June 2015 which discloses the state of affairs of KIRIWASCO at that date. The financial statements cover a period of 12 months.

### **PRINCIPAL ACTIVITY**

The principal activity of KIRIWASCO is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in Kirinyaga District and part of Mbeere District.

### **MAIN BUSINESS OPERATING OBJECTIVES**

The Company's main business operating objectives include, but not limited to, the following:

- (a) Increase stake holder's awareness on water sector reforms
- (b) Improve access to sustainable and safe water
- (c) Increase the demand for available safe water
- (d) Increase the access to improved sanitation
- (e) Achieve operational financial sustainability

### **RESULTS**

The entity's results for the year ended 30<sup>th</sup> June 2015 are set out on page 14

### **DIRECTORS**

The members of the Board of Directors who served during the year are shown on page 3 & 4.

### **AUDITORS**

The Auditor General is responsible for the statutory audit of the entity in accordance with the Section 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.

### **VISION**

To be a role model water services provider in Kenya

### **MISSION**

To provide safe and clean water through, reliable, affordable and sustainable water services to our customers by developing facilities and managing systems in the most efficient and effective manner.

## KIRINYAGA WATER AND SANITATION COMPANY LTD

### 9. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements 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. It also requires the directors to ensure the Company keeps proper accounting records, which 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 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 and the requirements of the Kenyan 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 Company and of its operating results. The directors further accept responsibility for the maintenance of accounting records, which 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 Company will not remain a going concern for at least the next twelve months from the date of this statement.

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

19/05/16  
Date



# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

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

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kirinyaga Water and Sanitation Company Limited set out on pages 14 to 29, which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

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

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

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

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In 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

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



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 of Qualified Opinion**

### **1.0 Omitted Bank Balances**

The statement of financial position as at 30 June 2015 reflects cash and cash equivalent balance of Kshs.22,243. However, the following bank account balances held at Sidian Bank (KREP) were not included in the cash and cash equivalent balance or disclosed in the notes to the financial statements:

<b>Account number</b>	<b>Account name</b>	<b>Account balance (Kshs)</b>
Ac No 01013090012705	Loan liquidation group clients	308,869
Ac No 01013070002099	Cash collateral savings	743,595
<b>Total</b>		<b>1,052,464</b>

Consequently, the accuracy and completeness of the cash and cash equivalents balance as at 30 June 2015 could not be confirmed.

### **2.0 Capital Grants**

Capital grants balance increased by Kshs.13,199,756 from Kshs.12,749,604 as at 30 June 2014 to Kshs.25,949,360 as at 30 June 2015. However, as previously reported, the company did not explain the source and details of the grants, and how it was accounted for in the financial statements.

Consequently, the accuracy and completeness of capital grants balance of Kshs.25,949,360 could not be confirmed.

## **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kirinyaga Water and Sanitation Company Limited as at 30 June 2015, and of its financial performance and its cash flows for the year



then ended, in accordance with International Financial Reporting Standards and comply with the Water Act 2002 and the Kenyan Companies Act.

#### **Other matter**

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

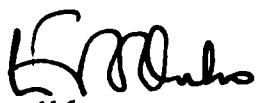
During the year under review, the Company produced 5,737,365 cubic meters (m<sup>3</sup>) of water. However, out of this volume only 2,056,881 m<sup>3</sup> of water was billed to consumers. The balance of 3,680,484 m<sup>3</sup> or approximately 64 % of total volume produced represented Unaccounted for Water(UFW) which is 39 % above the allowable water loss of 25% as per Water Service Regulatory Board guidelines. The UFW of 64 % may have resulted in loss of sales estimated at Kshs. 350,532,085. The significant level of UFW may negatively impact on the Company's profitability and its long term sustainability.

My opinion is not qualified in respect of this matter.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the 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; and
- ii. In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,
- iii. The Company's statement of financial position and statement of comprehensive Income are in agreement with the books of account.



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

**Nairobi**

**10 August 2016**



## KIRINYAGA WATER & SANITATION COMPANY LTD

### 11. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	NOTES	2014/2015	2013/2014
<b>REVENUES</b>	(10)		
WATER SALES	(10A.)	110,945,237	102,595,329
RECONNECTION FEE	(10B.)	415,050	4,248,150
GOK GRANTS	(10C.)	691,296	1,079,402
OTHER INCOMES	(10D.)	266,533	720,760
TENDER FEES, SALE OF JERICANS, FIREWOOD AND CAPITAL WORKS	(11)	<u>4,069,000</u>	<u>3,210,630</u>
		<b>116,387,116</b>	<b>111,854,271</b>
<b>EXPENDITURE</b>			
PERSONNEL COSTS	(12)	56,841,439	48,799,308
DIRECTORS COSTS	(13)	2,681,713	2,258,313
ADMINISTRATION COSTS	(14)	16,243,237	15,204,388
OPERATION & MAINTENANCE COSTS	(15)	33,382,770	33,962,596
PROVISION FOR DEPRECIATION	(16)	4,132,922	4,331,161
AMORTIZATION OF INTANGIBLE ASSETS	(17)	67,194	100,741
FINANCE COSTS	(18)	1,166,929	1,401,449
<b>TOTAL</b>		<b>114,516,204</b>	<b>106,057,955</b>
<b>(DEFICIT)/SURPLUS BEFORE TAX</b>		<b>1,870,912</b>	<b>5,796,315</b>
TAX	(18)	0	0
<b>(DEFICIT)/SURPLUS AFTER TAX</b>		<b>1,870,912</b>	<b>5,796,315</b>

# KIRINYAGA WATER AND SANITATION COMPANY LIMITED

## 12. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Notes	2014/2015 Kshs	2013/2014 Kshs
<b>ASSETS</b>			
<u>Non Current Assets</u>			
Properties, Plant and Equipment	2	48,181,915	43,193,864
Intangible Asset	2.a	<u>134,590</u>	<u>201,784</u>
		<b>48,316,505</b>	<b>43,395,648</b>
<u>Current Assets</u>			
Cash & Cash Equivalents	6	22,372,544	10,938,101
Inventories	5	10,509,670	9,877,335
Receivables	4	<u>58,369,551</u>	<u>53,997,755</u>
		<b>91,251,765</b>	<b>74,813,191</b>
<b>Total Assets</b>		<b>139,568,271</b>	<b>118,208,839</b>
 <u>LIABILITIES AND EQUITY</u>			
<u>Non Current Liabilities</u>			
Long term Loan	9.b	2,797,439	4,451,683
<u>Current Liabilities</u>			
Customer Deposits	7	19,192,925	15,681,925
Payment in Advance	8	2,071,180	618,625
Creditors & Accruals	9	55,972,805	53,276,885
Short term loan	9.a	<u>1,790,227</u>	<u>1,513,894</u>
		<b>79,027,136</b>	<b>71,091,839</b>
<b>TOTAL LIABILITIES</b>		<b>81,824,575</b>	<b>75,543,012</b>
 <u>EQUITY</u>			
Capital Reserves		43,587,914	43,587,914
Capital Grants		25,949,360	12,749,604
Revenue Reserves		<u>(11,793,579)</u>	<u>(13,671,691)</u>
<b>Total Equity</b>		<b>57,743,695</b>	<b>42,665,826</b>
<b>TOTAL</b>		<b>139,568,271</b>	<b>118,208,839</b>

The Financial Statements on Pages 14 to 29 were approved for release by Board of Directors on

.....  
  
 .....  
 Chairman-Board of Directors

.....  
  
 .....  
 Managing Director

and were signed on its behalf by:

Date.....19/05/2016.....

Date.....19/05/2016.....

## KIRINYAGA WATER AND SANITATION COMPANY

### 13. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	<b>Capital reserves KShs</b>	<b>Revenue reserves KShs</b>	<b>Capital Grants KShs</b>	<b>Total KShs</b>
<b>Balance as at 1 July 2013</b>	43,587,914	(15,189,930)	8,955,364	37,353,348
Profit / (Loss) for the year		5,796,315		5,796,315
Capital Grants			3,794,239	3,794,239
Prior year adjustments		(4,278,077)		(4,278,077)
<b>Balance as at 30 June 2014</b>	<b>43,587,914</b>	<b>(13,671,691)</b>	<b>12,749,604</b>	<b>42,665,826</b>
<b>Balance as at 1 July 2014</b>	<b>43,587,914</b>	<b>(13,671,691)</b>	<b>12,749,604</b>	<b>42,665,826</b>
Profit / (Loss) for the year		1,870,912		1,870,912
Capital Grants			13,199,757	13,199,757
Prior year adjustments (i)		7,200		7,200
<b>Balance as at 30 June 2015</b>	<b>43,587,914</b>	<b>(11,793,579)</b>	<b>25,949,360</b>	<b>57,743,695</b>

(i) Prior year adjustment was as a result of a stale cheque that had paid an expense (Training) in year 2013/2014.

# KIRINYAGA WATER AND SANITATION COMPANY LIMITED

## 14. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Notes	<u>2014/2015</u> Kshs	<u>2013/2014</u> Kshs
<b><u>Cash flow from Operating Activities</u></b>			
Net (Deficit) / surplus before tax		1,870,912	5,796,315
<b><u>Adjustments for:</u></b>			
Provision for Depreciation	2 & 2.a	4,132,922	4,331,161
Amortization of intangible Assets		67,194	100,741
Provisions for Bad Debts		144,554	802,372
Interest Income(Net)		(42,795)	(37,025)
Amortization of capital Grants		(649,111)	(817,434)
Prior year adjustment		7,200	(4,278,077)
		<b><u>5,530,877</u></b>	<b><u>5,898,054</u></b>
<b><u>Adjustments for working capital changes:</u></b>			
Increase)/Decrease in Receivables		(4,516,349)	(9,801,949)
(Increase)/Decrease in WIP		(5,887,771)	(5,048,623)
(Increase)/Decrease in Inventories		(632,335)	4,502,104
Increase/(Decrease) in Customers Deposits		3,511,000	3,563,290
Increase/(Decrease) in Prepayments(i.e prepaid debtors)		1,452,555	(959,559)
Increase/(Decrease) in Creditors & Accruals		2,695,920	3,725,242
Increase/(Decrease) in Short term Loan		276,332	1,513,894
Increase/(Decrease) in Bank overdraft		-	-
<b>Changes in working capital</b>		<b>(3,100,649)</b>	<b>(2,505,600)</b>
<b>Cash generated from operations</b>		<b><u>2,430,227</u></b>	<b><u>3,392,453</u></b>
<b><u>Cashflow from Investing Activities</u></b>			
Purchase of property, plant & equipment	2	(3,233,202)	(6,192,360)
Interest Income(Net)		42,795	37,025
<b>Net Cash generated from/(used in) investing Activities</b>		<b>(3,190,407)</b>	<b>(6,155,335)</b>
<b><u>Cashflow from Financing Activities</u></b>			
Grants		13,848,867	4,611,673
Loan		(1,654,244)	(2,968,334)
<b>Net Increase/(decrease) in Cash and Cash Equivalents</b>		<b>11,434,444</b>	<b>(1,119,544)</b>
<b><u>Cash and Cash Equivalents at Year End</u></b>			
<b>Balance at the start of the year</b>		10,938,101	12,057,645
<b><u>Balance at the end of the year</u></b>			
<b>Balance as at 30 June 2015</b>	6	22,372,544	10,938,101

**KIRINYAGA WATER AND SANITATION COMPANY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**15. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

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

**(a) Statement of compliance and Basis of preparation**

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

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

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

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 Kirinyaga Water and Sanitation Company has been preparing its financial statements in accordance to IFRS.

**Application of new and revised IFRS**

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 entity has adopted the pronouncements made by the IPSAS board in preparation of its current year financial statements.



**KIRINYAGA WATER AND SANITATION COMPANY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICES – (continued)

**(b) Revenue Recognition and treatment of Government (GOK) Grant**

• **Water sales**

The company adopts the accrual basis of accounting for revenue. Revenue /sales is recognized upon billing to the customers.

• **(GOK) Grant**

The amount of government grants comprises both capital and recurrent expenditure. The grants have been recognized and accounted for as per IAS N0.20.

Revenue Government grant has been recognized as income over a period necessary to match it with the expenditure for the period it was intended to support (i.e. June-July 2014-2015). Specifically this grant relates to salaries and no basis existed for allocating the grant to periods other than the one in which it was received (i.e. salaries for ministry of Water and irrigation staff paid on behalf of The Company).Therefore grants in recognition of specific expenses are recognized as income in the same period as the relevant expense.

• **Reconnection fee**

Revenue is recognized upon billing to the customers once their water is disconnected on ground.

• **Tender and miscellaneous**

Relates to sale of tender, jericans and payment of capital works on new connection

• **Other incomes**

Relates to Surcharges to customers on illegal connections, Bank interest, Amortization of capital grants and commission

**(c) Property, Plant and Equipment**

Items of property, plant and equipment are stated at historical costs less accumulated depreciation. Depreciation is charged on a reducing balance basis over the estimated useful lives of the asset.

The annual rates of the depreciation used are as follows:

• Motor Vehicles/Cycles	25.0%
• Computer Equipment/Mobile phones	33.3%
• Furniture, Fittings and Office Equipments, Plant	12.5%
• Water Meters	20.0%
• Dozers	12.5%
• Bicycles, Water Kioks	12.5%
• Office building	2.00%

**(d) Intangible Assets**

Intangible assets relate to software applications and are amortized at the rate of 33.3%

**(e) Inventories**

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, duties, transportation and handing charges, and is determined on the moving average price method.

## KIRINYAGA WATER AND SANITATION COMPANY LTD

### 16. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### **(f) Trade and Other Debtors**

Trade and other debtors are stated at amortized costs less an estimate made for doubtful receivables based on a review of all outstanding amounts at year end. The provision for doubtful debts is at 10% and is applied to water sales customer debtors only.

#### **(g) Taxation**

The company is registered under the Company's Act Cap 470 of the laws of Kenya and is therefore liable to corporate tax at 30% of taxable income.

Judgment is required in determining the tax liability due to the complexity of legislation. There are many transactions and calculations for which tax determination is uncertain during ordinary course of business. The company recognizes tax liability for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from amounts that were initially anticipated, such different will impact the income tax in the period in which such determination is made.

The calculation for corporate tax for the year 2014/2015 is as depicted in note 20.

#### **(h) Cash and cash equivalent**

For the purposes of cash flow statements, cash and cash equivalents comprise of bank balances and short term deposits net of banks overdrafts.

#### **(i) Risk Management**

This section provides details of the Company's exposure to risks and describes the method used by the management to control risks. The most important type of financial risk to which the company is exposed are:-

##### **(ii) Credit risk**

To manage the level of credit risk, the company focuses on customer satisfaction as a key performance indicator. It also maintains a short credit period.

Due to the nature of the company's activities credit risks concentrations are high and as such close monitoring of credit relationships is carried out.

##### **(iii) Liquidity risk**

Liquidity risk arises in the general funding of the company's activities and in the management of positions.

The company continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall company strategy.

##### **(iv) Market risk**

The company had no any interest bearing financial instrument or obligation as at the end of financial year and there was no significant currency risk as no foreign transaction ensued during the year.

	AS AT 30 <sup>TH</sup> JUNE 2015	AS AT 30 <sup>TH</sup> JUNE 2014
CASH AT HAND	81,927	0
BANK BALANCE	22,290,617	10,938,101

## **KIRINYAGA WATER AND SANITATION COMPANY LTD**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015-  
(continued)

### **(i) Incorporation**

The Company is incorporated in Kenya under the Companies Act.

### **(j) Currency**

The Financial Statements have been prepared using Kenya Shillings (KShs.)

### **(k) Trade and other payables**

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

### **(l) Comparative figures**

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

### **(m) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the Financial statements for the year ended June 30, 2015

### **(n) In-kind contributions**

In-kind contributions are donations that are made to the entity in the form of actual goods and/or services rather than in money or cash terms. These donations include Motor bikes and water meters donated by Tana Water Services Board.

### **(o) Related parties**

The company is a limited company by guarantee established under the companies Act Cap 486 and licensed by Tana Water Services Board through a Service Provision Agreement (SPA). Funds received from the government through Tana Water Services Board are disclosed under note 19. The company is headed by the Board of directors and corporate management team. At the end of the financial year the company had related parties as indicated in note 21.

### **(p) Reserves**

#### **I. Capital reserves**

Capital reserves represent net assets capitalized at the formation of the company and represent the book values of those assets.

#### **II. Revenue reserves**

Revenue reserves represent the excess of the income over recurrent expenditure. This is as a result accumulation of surplus and deficits over the years

#### **III. Capital grants**

G.O.K capital grants relates to Motor bikes and water meters donated by Tana Water Services Board and also an amount of subsidy on a loan given to the organization under the "Maji ni Maisha" World Bank funded project as depicted in note 19. The grants are treated as deferred income as per IAS No 20. Amortisation on these grants is calculated on reducing balance basis on cost over the life of the asset.

# KIRINYAGA WATER AND SANITATION COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015-(continued)

## 2 PROPERTY , PLANT & EQUIPMENT SCHEDULE(See appendix)

	Computers & Mobile Phones	Work in progress	Furniture, Plant & Equip.	Motor Vehicle/ cycles	Water Meters	Office Building	Total
COST	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
AT 1 July 2013	2,549,479	13,328,351	3,960,240	6,016,725	22,526,466	9,172,302	57,553,563
Additions	511,690	5,048,623	557,690	769,320	4,353,660		11,240,983
At 30 June 2014	3,061,169	18,376,974	4,517,930	6,786,045	26,880,126	9,172,302	68,794,546

COST	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
AT 1 July 2014	3,061,169	18,376,974	4,517,930	6,786,045	26,880,126	9,172,302	68,794,546
Additions	78,000	5,887,771	0	611,700	2,543,502		9,120,973
At 30 June 2015	3,139,169	24,264,746	4,517,930	7,397,745	29,423,628	9,172,302	77,915,520

ACCUMULATED DEPRECIATION	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2013	2,029,525		1,805,626	4,352,316	12,542,652	539,403	21,269,522
Charge for the yr	343,537		339,038	608,432.3	2,867,495	172,658	4,331,160.50
At 30 June 2014	2,373,062		2,144,664	4,960,748	15,410,147	712,061	25,600,683

ACCUMULATED DEPRECIATION	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 30 June 2014	2,373,062		2,144,664	4,960,748	15,410,147	712,061	25,600,683
Charge for the yr	255,114		296,658	609,249	2,802,696	169,205	4,132,922
At 30 June 2015	2,628,176		2,441,322	5,569,998	18,212,843	881,266	29,733,604

### NET BOOK VALUE

At 30 June 2015	510,993	24,264,746	2,076,608	1,827,747	11,210,785	8,291,036	48,181,915
At 30 June 2014	688,107	18,376,974	2,373,266	1,825,297	11,469,979	8,460,241	43,193,864

**NB:** Work in Progress was included as a separate item from additional assets hence the difference in the PPE's total and the additional assets.



**KIRINYAGA WATER AND SANITATION COMPANY LTD**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015-(continued)

**2 a) INTAGIBLE ASSETS**

<b>COST</b>	<b>Intangible assets Kshs</b>
<b>AT 1 July 2013</b>	<b>680,000</b>
<b>Additions</b>	<b>-</b>
<b>At 30 June 2014</b>	<b>680,000</b>
<b>COST</b>	<b>Kshs</b>
<b>AT 1 July 2014</b>	<b>680,000</b>
<b>Additions</b>	<b>-</b>
<b>At 30 June 2015</b>	<b>680,000</b>
<b>Amortization for intangible assets</b>	<b>Kshs</b>
<b>At 1 July 2013</b>	<b>377,475</b>
<b>Charge for the yr</b>	<b>100,741</b>
<b>At 30 June 2014</b>	<b>478,216</b>
<b>Amortization for intangible assets</b>	<b>Kshs</b>
<b>At 1 July 2014</b>	<b>478,216</b>
<b>Charge for the yr</b>	<b>67,194</b>
<b>At 30 June 2015</b>	<b>545,410</b>
<b>NET BOOK VALUE</b>	
<b>At 30 June 2015</b>	<b>134,590</b>
<b>At 30 June 2014</b>	<b>201,784</b>

**3. WORK IN PROGRESS**

Work in progress relates to an ongoing pipe network distribution/extension projects for Kamweli in Mbeere District and Mukangu in Kirinyaga West District which have not yet been commissioned and also Wanguru and Kutus sanitation blocks

# KIRINYAGA WATER AND SANITATION COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015-(continued)

	<u>2014/2015</u> KShs	<u>2013/2014</u> KShs
<b>4 Receivables</b>		
Trade receivables	55,208,091	53,762,550
Less provisions for bad debts 10% of closing receivables	(5,520,809)	(5,376,255)
	<b>49,687,282</b>	<b>48,386,295</b>
<p><b>NB</b> Trade debtors are stated less an estimate made for doubtful receivables based on a review of all outstanding amounts at year end. This general provision is at 10% of the gross amount. The provision is made on the water sales customer debtors only.</p>		
Salary Advances	838,131 ✓	518,170
Staff loans	170,114 ✓	170,114
Staff Debtors	4,434,400 ✓	1,737,815
Fortune Sacco	305,406 ✓	1,623,840
M-pesa Debtor	2,703,245 ✓	1,179,134
Kiriwasco Debtor	0	5,494
Rental/leases prepaid	0	10,000
Commissioner of Income Tax	11,973	5,554
K-rep Bank Debtor	0	361,340
Staff debtor Cashiers	219,000 ✓	0
	<b><u>58,369,550</u></b>	<b><u>53,997,755</u></b>
<b>5 Inventories</b>		
Chemicals	383,677	474,788
Motor Vehicle/Cycles Spares	272,505	316,276
Meters	4,293,153	3,336,655
Water Supply Rehabilitation	5,471,367	5,592,165
Buildings Repair & Renovation	88,968	157,450
	<b><u>10,509,670</u></b>	<b><u>9,877,334</u></b>
<b>6 Cash &amp; Cash Equivalent</b>		
<u>Cash at bank</u>		
Savings Account (Cooperative Bank)	8,084,721	4,305,900
Current Account (Cooperative Bank)	3,899,398	818,556
Current Account (Equity Bank)	256,372	330,007
k-Rep bank-SME Mukamgu	0	3,816,606
K-Rep bank-SME -WSTF	0	776,686
K-Rep bank-Savings	1,177,525	813,982
K-Rep bank-Current	95,719	76,365
Cooperative Bank-DTF	8,776,882	0
Cash in hand	81,927	=
	<b><u>22,372,544</u></b>	<b><u>10,938,101</u></b>
<b>7 Customers Deposits</b>		
These relates to refundable deposits paid upon application of water provision by water sales customers	19,192,925	15,681,925
<b>8 Payments in advance</b>	2,071,180	618,625
Payments in advance relates to debtors (water sales customers) with credit balances (overpayments)		

<b>9 Creditors and Accruals</b>		
Trade Creditors	9,476,982	11,701,023
Payroll deductions	2,430,085	2,043,347
Gratuity	262,671	623,177
Levies	42,274,658	38,879,097
Accrued leave allowancws	1,528,409	0
Kamweli Creditor	0	30,241
	<b>55,972,805</b>	<b>53,276,885</b>
<b>9.a Short term loan</b>		
This relates to the component of the loan repayable in the following year (i.e 2015/2016)	1,790,227	1,513,894
<b>9.b Long term Loan</b>		
This relates to the component of the loan not repayable in the following year (i.e 2015/2016)	2,797,439	4,451,683

The loan was acquired from K-rep Bank at an interest rate of 11.21% payable monthly. This loan was acquired for construction of projects such as Mukangu and Kamweli water project.

**KIRINYAGA WATER AND SANITATION COMPANY LTD**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015-(continued)

	<u>2014/2015</u> KShs	<u>2013/2014</u> KShs
<b>10. INCOME(GROSS TURNOVER/SALES)</b>		
a. Water Sales	110,945,237	102,595,329
b. Reconnection fee	415,050	4,248,150
c. GOK Grants	691,296	1,079,402
d. Other Incomes		
Surcharges/Illegal connections	0	75,750
Interest Earned	42,795	37,025
Amortization of capital grants	649,111	817,434
Fortune commission	(425,372)	(209,448)
<b>11 Tender Fee ,Sale of jericans, sale of firewood and capital works</b>		
Tender Fee	171,000	84,000
Sale of jericans	48000	28,750
Sale of firewood	0	3,750
Capital works	<u>3,850,000</u>	<u>3,094,130</u>
<b>TOTAL INCOME</b>	<b>116,387,116</b>	<b>111,854,271</b>
<b><u>EXPENDITURE</u></b>		
<b>12 <u>PERSONNEL COSTS</u></b>		
Regular Salary	52,956,533	44,069,183
Government Grants-Salary for the seconded staff	691,296	1,079,402
Casual Wages	1,888,510	1,125,505
Gratuity	1,092,100	2,074,458
Staff bonus	213,000	450,760
<b>TOTAL PERSONNEL COSTS</b>	<b>56,841,439</b>	<b>48,799,308</b>
<b>13 <u>DIRECTORS COSTS</u></b>		
Board meetings & conferences	<b>2,681,713</b>	<b>2,258,313</b>
<b>14 <u>ADMINISTRATION COSTS</u></b>		
Training Allowances(Capacity Building)	726,496	1,674,719
Water bill	154,699	174,430
Consultancy Fees	-	-
Public Relations	250,720	125,020
Security Expenses	3,628,460	3,614,580
Travelling & Accommodation	4,007,461	2,689,786
Staff Welfare	738,690	406,493
Staff Meetings	130,290	70,840
Postage & Telegram Expenses	893,109	2,190,965
Email & Internet Expenses	109,185	54,999
Telephone Expenses	1,006,365	1,011,706
Computer Expenses	285,359	374,318
Uniforms	0	260,155
AGM expenses	1,299,716	405,970
Library expenses	68,226	60,125



**KIRINYAGA WATER AND SANITATION COMPANY LTD**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015-(continued)

	<u>2014/2015</u>	<u>2013/2014</u>
	KShs	KShs
Rental/leases	201,400	171,000
Advertising and publicity	1,702,902	408,416
legal charges	576,160	1046866
Provision for Audit fees	464,000	464,000
<b>TOTAL ADMINISTRATIVE COSTS</b>	<b>16,243,237</b>	<b>15,204,388</b>
<b>15 <u>OPERATION &amp; MAINTENANCE COSTS</u></b>		
Water Regulatory Board Levies	11,349,682	9,975,982
Transport operating expenses	1,334,617	867,483
Fuels Diesel/Electricity for productions	3,387,367	2,622,642
Electricity for Lighting	606,130	683,762
Publishing & Printings	180,380	637,090
Chemicals	4,659,837	6,964,520
Transport fuels and diesel	1,647,666	1,790,087
Stationery	320,912	377,832
Office Repairs, Painting & Renovation	283,527	237,042
Maintenance of plant equipment	243,868	200,185
Insurance of Motor Vehicles & Other assets	121,395	175,437
Maintenance of furniture and fittings	740	3,000
Maintenance of Meters	4,625	22,000
Transport hire and machinery	364,190	319,020
Water supplies rehabilitation augmentation & maintenance works	6,032,997	5,860,453
Rerouting of pipeline network	-	-
Cleaning Materials	533,542	281,120
Increase/(Decrease) in Provision for bad debts	144,554	802,372
Subscription to Water Services Providers Association (WASPA)	75,000	75,000
Water Permits and subscriptions (WARMA Levy)	<u>2,067,568</u>	<u>2,067,568</u>
<b>TOTAL OPERATION &amp; MAINTENANCE COSTS</b>	<b>33,382,770</b>	<b>33,962,596</b>
<b>16. Provision for Depreciation</b>	<b>4,132,922</b>	<b>4,331,161</b>
<b>17. Amortization of intangible assets</b>	<b>67,194</b>	<b>100,741</b>
<b>18. <u>FINANCE COSTS</u></b>		
Loan interest	1,051,876	1,238,313
Bank Charges	115,053	163,136
Withholding Tax on Interest Earned	<u>0</u>	<u>0</u>
<b>TOTAL FINANCE COSTS</b>	<b>1,166,929</b>	<b>1,401,449</b>
<b>18a <u>TAX</u></b>		
Commissioner of income tax (Withholding Tax)	<u>0</u>	<u>0</u>

**KIRINYAGA WATER AND SANITATION COMPANY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015-(continued)**

<b>19 CAPITAL GRANTS</b>	<b><u>2014/2015</u></b>	<b><u>2013/2014</u></b>
	<b>KShs</b>	<b>KShs</b>
Brought forward	12,749,604	8,955,365
<u>Add</u>		
Water meters donation from Tana Water Services Board		
Loan subsidy under "Maji ni Maisha" World Bank Funded Project	13,848,868	4,611,673
<u>Less</u>		
Amortization on Capital Grants	649,112	817,434
 Total	 <b><u>25,949,360</u></b>	 <b><u>12,749,604</u></b>
 <b>20 CORPORATE TAX COMPUTATION</b>		
 <b>Surplus/(Deficit) before tax as per Financial Statements</b>	 1,880,912	 5,796,315
 <b>Add:</b> Depreciation of property, plant and equipment	 4,132,922	 4,331,161
Amortization	67,194	100,741
Provision for bad debts	144,554	802,372
Legal charges	576,160	1,046,866
	<u>6,801,742</u>	<u>12,077,456</u>
 <b>Less:</b> Wear and tear allowances	 3,558,861	 3,766,707
Amortization of Capital Grants	649,111	817,434
Withholding tax on interest earned	11,973	5,554
	<u>4,219,945</u>	<u>4,589,695</u>
 <b>ADJUSTED SURPLUS/(DEFICIT) FOR TAX PURPOSE</b>	 <u>2,581,798</u>	 <u>7,487,761</u>
<b>TAX THEREON @ 30%</b>	<u>0</u>	<u>0</u>
 <b>TAX DEFICIT BROUGHT FORWARD</b>	 <u>(7,652,569)</u>	 <u>(15,140,330)</u>
 <b>TAX DEFICIT BROUGHT FORWARD</b>	 <u>(5,070,772)</u>	 <u>(7,652,569)</u>

**21. Related Party Disclosure**

	<b>2014/2015</b>	<b>2013/2014</b>
MANAGEMENT SALARIES	4,281,000	6,711,335
B.O.D EXPENDITURE	2,681,713	2,258,313
Gratuity	262,671	623,177
Regulatory board Levies	11,349,682	9,975,982
WASPA	75,000	75,000
WARMA	2,067,568	2,067,568
WSTF- Funding	13,848,868	4,611,673
Government Salary	691,296	1,079,402

**22. Contingent Liability**

The organization has an ongoing legal case with a former employee which the amount of the loss cannot be indicated at the moment as it has not been concluded.

<b>23. Capital Commitments</b>	<b>2015/2016</b>	<b>2014/2015</b>	<b>2013/2014</b>
Amounts budgeted and Approved		6,022,980	10,799,000
Amounts budgeted and Approved and contracted for		2,463,202	6,192,360
Amounts Budgeted for in (2015/2016)	9,973,700		