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REPUBLIC OF KENYA

KENYA NATIONAL AUDIT OFFICE

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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF TILILBEI WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE 2013

REPUBLIC OF KENYA

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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR GENERAL ON TILILBEI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Tililbei Water and Sanitation Company set out at pages 4 to 13, which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of changes in equity and the 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 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.

Responsibility of Directors for the Financial Statements

The Directors of Tililbei Water and Sanitation Company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are 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 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, 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 directors, 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

During the year under review, the Company produced 3,486,702 cubic meters (m3) of water. However, out of this volume, only 1,380,600 cubic meters (m3) of water were billed to the customers. The balance volume of 2,106,099 or approximately 60% of the total volume of water produced represented Unaccounted for Water (UFW) which is 35% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines. The UFW may have resulted in a loss of sales estimated at Kshs.74,255,359. This high level of UFW negatively affects the Company's profitably and its long term sustainability.

2. Trade and Other Receivables

As previously reported, the trade and other receivables balance of Kshs.75,376,017 as at 30 June 2013 includes long outstanding receivables totaling Kshs.31,421,989 inherited from the Ministry of Water and whose recoverability is doubtful. No provision for bad and doubtful debts has been made against these debts in the financial statements. Consequently, the accuracy and recoverability of the trade and other receivables balance of Kshs.75,376,017 as at 30 June 2013 could not be confirmed.

3. Customers' Water Deposit Account

The statement of financial position reflects customer deposits of Kshs.6,247,015 while the corresponding deposits bank accounts show amounts totaling Kshs.1,919,398.40. The difference of Kshs.4,330,616.60 has not been explained or reconciled. Consequently, the accuracy of customers' deposit balance of Kshs.6,247,015 as at 30 June 2013 could not be confirmed.

Basis for Qualified Opinion

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements presents fairly, in all material respects the financial position of the company as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with both the Water Act and the Kenya Companies Act, Cap. 486 of the laws of Kenya.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

i) I have obtained all 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 accounts have been kept by the company, so far as appears from my examination of these books; and,

iii) The Company's statement of financial position and statement of comprehensive income are in agreement with the books of accounts.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

25 August 2014

TILILBEI WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2012/2013

TILILBEI WATER AND SANITATION COMPANY LIMITED
Statement of Directors' Responsibilities
For the Year Ended 30th June 2013

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

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

Director:..............................

Date 03/06/2014

Director:..............................

Date 03-06-2014

TILILBEI WATER AND SANITATION COMPANY LIMITED
Financial Statements
For the Year Ended 30th June 2013

Statement of Comprehensive Income

	Notes	2013 KSHS	2012 KSHS
Sales	1	51,777,612	49,724,791
Less:Cost of Sales	2	31,679,108	47,044,481
Gross Profit/(Loss)		20,098,504	2,680,310
Other Incomes			
WSTF Grant		6,921,080	
Exhauster Income		4,578,065	4,164,044
Sale of Tender Documents		294,000	0
Others ie Connection /Reconnection		778,833	1,796,344
Grants	3	27,875,685	50,221,456
Bank Interest		31,794	32,314
		60,577,961	58,894,468
WSTF Project Expenses		620,670	
Administrative and other expenses	4	53,494,177	57,907,522
Finance costs	5	164,482	50,187
Profit before Tax		6,298,632	936,759
Tax	6		
Profit (Loss)		6,298,632	936,759

TILILBEI WATER AND SANITATION COMPANY LIMITED
Financial Statements
For the Year Ended 30th June 2013

Statement of Financial Position as at 30th June 2013

	Notes	2,013 KSHS	2,012 KSHS
Non-current assets			
Property,plant and equipment	7	537,025	466,449
WIP WSTF projects		8,117,720	
Intangible Assets		188,700	363,900
		8,843,445	830,349
Current assets			
Inventories	8	673,911	1,556,350
Trade and other receivables	9	75,247,354	64,325,181
Cash and cash equivalents	10	7,038,065	6,015,559
		82,959,330	71,897,089
		91,802,775	72,727,438
Share capital	11	100,000	100,000
Capital Reserve	12a	31,421,989	31,421,989
Revenue Reserve	12b	7,150,170	851,538
Shareholders' funds		38,672,159	32,373,527
Current liabilities			
Trade and other payables	13a	25,070,403	17,855,319
Customer Deposits	13a	6,247,015	5,254,915
Related Party Transaction	13b	21,813,198	17,243,676
		53,130,617	40,353,910
		91,802,775	72,727,438

Director:..............................
Date 03/06/2014

Director:..............................
Date 03-06-2014

Statement of changes in equity

	Share capital KSH	Capital Reserves KSH	Revenue Reserves KSH	Total KSH
As at 1st July 2011	100,000	31,421,989	(85,221)	31,436,768
Profit for the year	-	-	936,759	936,759
As at 30th June 2012	100,000	31,421,989	851,538	32,373,527
As at 1st July 2012	100,000	31,421,989	851,538	32,373,527
Profit for the year	-	-	6,298,632	6,298,632
As at 30th June, 2013	100,000	31,421,989	7,150,170	38,672,159

TILILBEI WATER AND SANITATION COMPANY LIMITED
Financial Statements
For the Year Ended 30th June 2013

Statement of Cash flows

	Notes	2013 KSH	2012 KSH
Cash flows from operating activities			
Profit/(loss) before tax		6,298,632	936,759
Adjustments for:			
Depreciation on stolen laptop		(26,462)	
Depreciation on property,plant&equipment(note 11)		83,845	101,929
Amortization		175,200	152,100
Interest Income		(31,794)	(32,314)
Changes in working capital			
(Increase)/Decrease in Inventories		882,439	(841,057)
(Increase)/Decrease Trade and other receivables		(10,922,173)	(8,153,357)
Increase/(Decrease)Trade and other payables		11,784,605	8,236,401
		8,244,292	400,461
Tax paid			
Cash generated from/(used in) operations		8,244,292	400,461
Investing activities			
Interest Received		31,794	32,314
WIP WSTF Projects		(8,117,720)	
Purchase of property,plant and equipment		(185,800)	(140,000)
Net cash (used in) investing activities		(8,271,726)	(107,686)
Cash flows from financing activities			
Cost of Stolen Laptop		57,840	
Customer Deposits		992,100	1,338,550
Net cash generated from financing activities		1,049,940	1,338,550
Increase/(decrease)in cash and cash equivalents		1,022,506	1,631,325
As at the start of the year		6,015,559	4,384,233
Cash and Cash equivalent at the end of the year		7,038,065	6,015,559

Accounting Policies

The Principal accounting policies adopted in the preparation of these financials statements are set out below:-

a) **Basis of preparation**

The financial statements are prepared in accordance with and comply with International Financial Reporting Standard (IFRS). The financial statements are presented in Kenya Shillings (Ksh) rounded to the nearest thousand and prepared under the historical cost convention.

b) **Revenue Recognition**

Revenue is recognized when products are supplied to and accepted by customers and are stated net of VAT and discounts.

c) **Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date that are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at profit and loss account in the year in which they arise.

d) **Property, plant and equipment**

All property,plant and equipment is intially recorded at cost and subsequently stated at historical cost less depreciation

Depreciation is calculated on the reducing balance basis to write down the cost of each assets to its residual value over its estimated useful life as follows:.

Buildings	10%
Office Equipment	12.50%
Computer Equipment	30%
Furniture and Fittings	12.50%

Property,plant and equipment are periodically reviewed for impairement. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

15.Comparatives

Where necessary ,comparative figures have been adjusted to conform with changes in presentation in the current year.

16.Country of incorporation

Tililbei Water and Sanitation Company is incorporated in Kenya under the Companies Act as a private limited liability and domiciled in Kenya.

17.Currency

These financial statements are presented in Kenya shillings (Shs.).