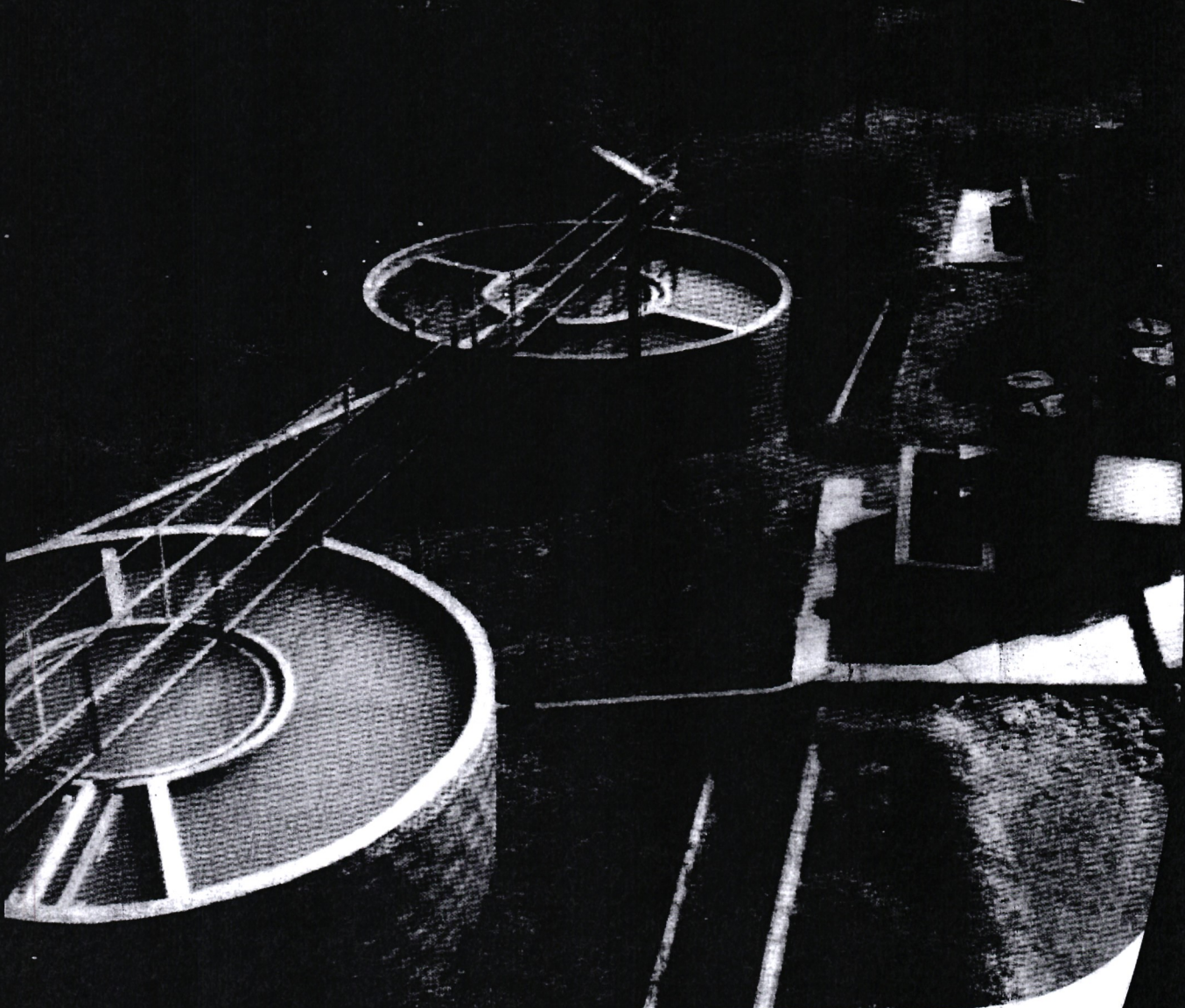


Ensuring Affordable Quality Water and Sanitation Services

RUIRU-JUJA WATER & SEWERAGE COMPANY LTD.

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**ANNUAL REPORT
& FINANCIAL STATEMENT
FOR THE YEAR
ENDED 30TH JUNE 2008**

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COMPANY DETAILS

REGISTERED OFFICE

Ruiru-Juja Water and Sewerage Company
Ruiru Town
District Officers Office
P.O. Box 1165-00232
RUIRU

BANKERS

Kenya Commercial Bank
Ruiru Branch
RUIRU.

Barclays Bank of Kenya
Juja Branch
JUJA

National Bank of Kenya
Ruiru Branch

AUDITORS

Controller and Audit General
Kenya National Audit Office
P.O. Box 30084-00100
NAIROBI.

RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD
DETAILS FOR THE YEAR ENDED 30TH JUNE 2008

The directors present their report and audited accounts for the year ended 30th June 2008 which disclose the state of affairs of the Company at that date.

PRINCIPAL ACTIVITY

The principal activity of the company is provision of quality and affordable water and sewerage services in its area of jurisdiction.

LEGAL FORM

Ruiru-juja Water and sewerage Company is a Public Company licensed by the Athi Water Services Board.

INCORPORATION

Ruiru-Juja Water and Sewerage Company is a Public company established under the Water Act 2002 and licensed by the Athi Water Services Board and is domiciled in Kenya. Its main place of business is:

Ruiru-Juja Water and Sewerage Company
Ruiru Town
District Officers Office
P.O. Box 1165-00232
RUIRU

VISION STATEMENT

To be a world class provider of water and sewerage services

MISSION STATEMENT

To provide quality and reliable water and sewerage services by embracing high standards of professionalism and integrity in our service delivery.

CORE VALUES

Our core values define our system of shared values and norms in our organizational setting.

The following are the RUJWASCO corporate values:

- Integrity in all our actions
- Key focus on customer service
- Efficiency in management of all resources
- High commitment to corporate social responsibility
- Embracing team work
- Passion of excellence
- Environmental sustainability
- Continuous staff development/ continuous professional development

RESULTS FOR THE YEAR

Profit for the year was **Kshs. 2,395,440** as presented on page 9

BOARD OF DIRECTORS

The Board of Directors who held office during the year were:

- Dr R. T. Kamau Chairman
- Mrs Teresia Kimani Chairperson - Finance and Administration
- Mrs Jane W. Ndonga Chairperson - Audit
- Mr Francis K. Thumbi Member
- Prof. J. Keriko Member
- Mrs Jane W. Gathenya Member
- Mr. Geoffrey M. Kaarah Member
- Eng S. Onyango Chairman - Technical Committee
- Mr Simon M. Kimani Member
- Mr Joseph R. Wanyoike Member

By Order of the Board

For and on its behalf



DR. R.T. KAMAU

CORPORATE GOVERNANCE STATEMENT

Ruiru-Juja Water and Sewerage Company is committed to operating under a clear governance framework and strongly adheres to sound management and control practices.

Ruiru-Juja Water and Sewerage Company is committed to ensuring compliance with the Service Provision Agreement signed with Athi Water Service Board among other regulatory and Supervisory corporate governance requirements.

Essential to the establishment of a good governance framework is formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision making process assessment and improvement of performance.

Board of Directors

Ruiru-Juja water and Sewerage Company is governed by a Board of Directors comprising of ten members representing various stake holders interests. The Board provides leadership, exercises enterprise, integrity and judgement in directing Ruiru-Juja Water and Sewerage company. The board also sets company policy.

The board is expected to determine the purpose and values of Ruiru-Juja Water and Sewerage Company, determine the strategy to achieve that purpose and implement its values in order to ensure the corporation survives and thrives.

The board is expected to embrace corporate governance practices in running of Ruiru-Juja Water and Sewerage Company and to bring the level of governance in the corporation in line with international standards. The essence of corporate governance is to protect stakeholder interests including the government, water services providers, consumers and the communities.

The Board has been trained in Corporate Governance and procurement procedures to ensure that the company is run effectively and efficiently.

Role of the Chairperson and Chief Executive

Local and international best practices require a separation of the roles of the chairperson and the chief executive.

Responsibility for execution of the Board's policies lies with the Managing Director. The Managing Director's role is to provide the strategic leadership for the organization and act as the link between the staff and the Board of Directors.

Governance Structures

Individual directors of the board are appointed according to the Water Act 2002 by various stakeholders.

Board Committees:

In ensuring that corporate governance is enhanced and that the power of Ruiru-Juja Water and Sewerage Company is exercised in the stewardship of the corporation's total portfolio of assets and resources with the objective of maintaining stakeholder value, the Board of Directors has established the following committees:

Staff and Welfare Committee

This committee ensures that RUJWASCO has the right staff and also ensures that the staff welfare is guaranteed.

Their terms of reference includes but not confined to human resource planning, employee welfare, recruitment, training, performance appraisal, discipline, health and safety and HIV/ AID.

Finance Committee

The finance committee is the overseer of the financial reporting process and the corporation's internal controls.

Finance is also responsible for efficient allocation and utilization of resources, proposing investment and funding programs for the corporation

Technical Committee

This committee has the oversight responsibility of ensuring that water and Sewerage infrastructures are developed and well maintained.

**RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD
STATEMENT OF THE BOARD OF DIRECTORS RESPONSIBILITIES
FOR THE YEAR ENDED 30TH JUNE 2008**

The Board of Directors is required to prepare financial statements which give a true and fair view of the state of affairs of Ruiru-Juja Water and Sewerage Company as at the end of the financial year and of its surplus or deficit for that year. The board of directors is required to ensure that Ruiru-Juja Water and Sewerage Company maintain proper accounting records which disclose, with reasonable accuracy, the position of the Board.

The Board of Directors accepts responsibility for the Financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, which are consistent, and in conformity with International Financial Reporting standards.

The Board of Directors is of the opinion that the Accounts give a true and fair view of the state of financial affairs of Ruiru-Juja Water and Sewerage Company as at 30th June 2008 and its surplus for the year then ended. The Board of Directors further confirms the accuracy and completeness of the accounting records maintained by Ruiru-Juja Water and Sewerage Company which has been relied upon in the preparation of financial statements, as well as on the adequacy of the systems of internal financial controls.

Nothing has come to the attention of the Board of Directors to indicate Ruiru-Juja Water and Sewerage Company will not remain a going concern for at least twelve months from the date of this statement.

This statement is approved by the Board of Directors and it's signed on its behalf by:



DR R.T. KAMAU
CHAIRMAN

DATE:



ELIZABETH NJOKI KIHARA
Ag: MANAGING DIRECTOR

DATE:

13/1/09



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF RUIRU-JUJA WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2008

I have audited the financial statements of Ruiru-Juja Water and Sewerage Company Limited set out on pages 8 to 17 which comprise the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements which give a true and fair view of the Company's state of affairs and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that 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 controls 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 controls. 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 the audit provides a reasonable basis for my opinion.

Opinion

In my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 June 2008 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap 486 of the Laws of Kenya.

P.N. Komora

**P.N. KOMORA, CBS.
CONTROLLER AND AUDITOR GENERAL**

Nairobi

21 January 2009

**RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD
BALANCE SHEET
AS AT 30TH JUNE 2008**

	NOTE	Ksh 2008	Ksh 2007
ASSETS			
NON CURRENT ASSETS			
Property, plant and Equipment	2	4,845,736	287,643
CURRENT ASSETS			
Debtors	3	3,101,534	2,779,922
Cash and Bank Balances	4	1,775,513	2,806,675
Total Current Assets		<u>4,877,047</u>	<u>5,586,397</u>
TOTAL ASSETS		<u>9,722,785</u>	<u>5,874,040</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	5		
Authorized 5,000 @ 20			
Issued 2 @ 20		40	40
Revenue reserves		5,290,541	2,026,571
Current Liabilities			
Creditors and accruals	6	3,638,054	3,318,429
Refundable Customers Deposit		794,150	529,000
Total Equity Liabilities		<u>9,722,785</u>	<u>5,874,040</u>

The notes to the accounts are on page 12 to 17 and form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 29th September 2008 and signed on its behalf by:


02/10/09

DR R.T. KAMAU
CHAIRMAN

DATE:



ELIZABETH NJOKI KIHARA
Ag: MANAGING DIRECTOR

DATE:

13/1/09

**RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD.
INCOME AND EXPENDITURE STATEMENT FOR THE
YEAR ENDED 30TH JUNE 2008**

	Note	June 2008 Kshs	June 2007 Kshs
REVENUE	7	22,366,710	7,983,673
TOTAL REVENUE		22,366,710	7,983,673
EXPENDITURE			
Administrative Expenses	8	8,101,811	1,343,269
Board Expenses	9	1,095,500	868,000
Staff Expenses	10	8,483,766	665,242
Operational Expenses	11	1,464,200	1,580,512
Lease fees to AWSB	12	825,993	631,549
TOTAL EXPENDITURE		19,971,270	5,088,572
PROFIT FOR THE YEAR		2,395,440	2,895,101

**RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD.
STATEMENT OF CHANGES IN EQUITY
AS AT 30TH JUNE 2008**

	SHARE CAPITAL Kshs	REVENUE RESERVE Kshs	TOTALS Kshs
Balance brought forward as at 1st July 2007	40	2,895,101	2,895,141
Surplus for the period		2,395,440	2,395,440
Balance carried down as at 30th June 2008	40	5,290,541	5,290,581

As at 30th June 2007

	SHARE CAPITAL Kshs	REVENUE RESERVE Kshs	TOTALS Kshs
Balance brought forward as at 1st July 2006	40		40
Surplus for the period		2,026,571	2,026,571
Balance carried down as at 30th June 2007	40	2,026,571	2,026,611

**RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD
CASH FLOW STATEMENT FOR THE
YEAR ENDED 30TH JUNE 2008**

	2008 Kshs	2007 Kshs
Cash flow from operating activities		
Surplus for the period	2,395,440	2,895,101
Adjustment for:		
Depreciation	611,970	33,447
Operating surplus before working Capital changes	3,007,410	2,928,548
(Increase)/ Decrease in Debtors	(321,612)	(2,779,772)
Increase in Creditors	584,775	2,978,899
Net cash flow from operating activities	3,270,573	3,127,725
Financing activities		
Purchase of Fixed Assets	(5,170,065)	(321,090)
Financing activities		
Tax reserved	868,530	
share capital recieved		40
Cash and cash equivalent at the Beginning of the year	2,806,675	
Cash and cash equivalent at the end of the year	1,775,513	2,806,675

1. ACCOUNTING POLICIES

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

- (a) **Basis preparation**
The financial statement are prepared under the historical cost convention and are in compliance with International Financial Reporting Standards.
- (b) **Revenue recognition**
Lease fees income is recognised in the year in which it is due.
- (c) **Reporting currency**
The reporting currency in Kenya Shillings.
- (d) **Translation of foreign Currencies**
Transaction in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction date. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at the rates ruling at that date. The resulting differences from conversations and translations are dealt with in the Income and Expenditure statements in the year which they arise.
- (e) **Inventory**
Inventories are stated at the lower of cost and net realizable value. Cost is determined by First in first out (FIFO) method. Net realizable value is the estimate of the selling price in the ordinary Course of business less the selling expense.
- (f) **Cash and cash equivalents**
For the purpose of cash flow statement, cash and cash equivalent comprise cash in hand and deposits held at call with local banks.
- (g) **Property, Plant and equipment**
Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated on the straight line basis. The annual depreciation rates in use are:

Office Equipment- Computer	33%
Furniture and fittings	10%
Plant & Equipment	10%
Pipes & infrastructure	10%

(h) National Social Security Fund

The corporation contributes to the statutory National Social Security Fund (NSSF). This is defined contribution scheme. The company's obligation under this scheme is limited to specific Contribution regulated from time to time and currently at Ksh 200 per employee. The company's contribution is charged to the income statement in the year to which they relate.

(i) Provisions

Provisions are recognised when the company has a legal or constructive obligation as a result of past events and it is probable that an outflow resources will be required to settle an obligation and a reliable estimate of the amount can be made.

(J) Taxation

Ruiru-Juja Water and Sewerage Company is a Public Company in the provision of essential services. Provision for taxation has not been made.

(k) Prior year adjustment

Changes in the prior year's financial statements resulting from the correction of expenses incorrectly accrued last year have been included in the following restated financial statements i.e. Provision for corporation tax made during the previous year has been reversed.

2. Fixed Assets Schedule for the year ended 30th June 2008

	Office Equipment	Plant Equipment	W & S Infrastructure	Furniture and Fittings	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Cost at 30th June 2007	60,090	261,000	-	-	321,090
Additions	213,200	-	4,766,309	190,556	5,170,065
Total assets at cost	273,290	261,000	4,766,309	190,556	5,491,155
Depreciation					
At 1.07.2007	6,259	27,188	-	-	33,447
Charge for the period	90,185	26,100	476,630	19,055	611,970
Accumulated depreciation	96,444	53,288	476,630	19,055	645,417
Net Book Value as at 30th June 2008	176,845	207,712	4,289,679	171,500	4,845,736
Net Book Value as at 30th June 2007	53,831	233,813	-	-	287,643

RUIRU-JUJA WATER AND SEWERAGE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2008

	June 2008 Kshs	June 2007 Kshs
3. Debtors		
Water Sales Debtors	3,264,772	2,779,722
Provision for bad debts at 5%	163,238	-
Total	3,101,534	2,779,722
4. Cash and Bank Balances		
Cash at Bank - KCB Revenue	546,473	2,755,025
Cash at Bank - KCB Expenditure	16,817	-
Cash at Bank - KCB Deposit	794,150	-
Cash at Bank - Barclays Revenue	52,481	-
Cash at Bank - National Revenue	336,665	-
Cash in Hand	28,927	51,650
Total	1,775,513	51,650
5. a) Accumulated Fund		
Opening balance	2,026,571	-
Prior year adjustment	868,530	-
Profit for the year	2,395,440	2,026,571
Total	5,290,541	2,026,571
b) Shared Capital		
Authorized:		
5,000 ordinary shares of Kshs. 20/= each		
Issued and fully paid	40	40
2 ordinary shares of Kshs. 20/= each		
6. Creditor and Accruals		
Trade and other payables	3,638,054	3,318,469
Refundable customer Deposits	794,150	529,000
Total	4,432,244	3,847,469
7. Revenue		
Water sales	16,392,510	7,983,673
Miscellaneous income	129,000	
Grant-salaries paid by government to employees	5,845,200	
Total	22,366,710	7,983,673
8. Administrative Expenses		
Rent and Rates	136,303	-
Advertising Expenses	111,775	403,925
General Office Running Expenses	313,520	99,578
Stationery, Printing & Photocopy	300,842	128,518

	June 2008 Kshs	June 2007 Kshs
Education and Training	42,600	33,500
Provision for bad Debts	163,238	-
Travel and Accommodation	375,358	161,709
Telephone Expenses & Postage	397,690	92,161
Audit Expenses & Professional fee	241,951	253,250
Bank Charges	65,255	96,000
I.T Costs	27,595	-
Depreciation	611,970	33,447
Office rehabilitation	392,479	-
Electricity	3,839,414	1,238,406
Security Expences	417,714	16,247
Environmental Conservation & Social Responsibility	58,342	-
Transport operating	414,670	74,876
Repairs and Maintenance	191,095	34,953
	8,101,811	109,829
9. Board Expenses		
Board allowance	1,095,500	868,000
	1,095,500	868,000
10. Staff Cost		
Salaries and wages	2,638,566	665,282
Salaries paid to government employees	5,845,200	
	8,483,766	665,282

	June 2008 Kshs	June 2007 Kshs
11. Operational Cost		
Chemicals	49,500	-
Billings	420,055	60,570
Water permits	40,000	-
Maintenance of water systems	571,245	281,496
Installation of meters	383,400	-
	1,464,200	281,496
12 Lease fee to AWSB	825,993	631,549

13 Comparative Information

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period. In particular, the comparative figures have been adjusted to show fair presentation of the financial statements that conforms to the international financial reporting Standards.