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REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2015**



KARURI WATER AND SANITATION COMPANY LIMITED



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

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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KARURI WATER AND SANITATION COMPANY
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Background Information

Karuri Water and Sanitation Company Limited is a public company (herein referred to as KAWSCO) which was registered under the Companies Act on 24th April 2007 and in accordance with the Water Act 2002. The Company started its operations on 1st June 2008 and had its first board meeting on 4th November 2008. The company has seven directors and its core function is water delivery within Kiambaa division or Kiambaa Sub-County's area of jurisdiction which covers four administrative wards namely Kiambaa, Muchatha, Ndenderu and Kihara. The County Government of Kiambu is the shareholder of the company. During the period under review, the company had twenty-two (24) permanent staff.

Principal Activity

The principal activity of the company is to distribute water from our sources to individual and commercial consumers within our jurisdiction.

Directors

The board of directors who held office during the year is as follows:

- | | |
|---------------------------|--|
| 1. Eng. Andrew Muigai | Chairman (<i>Assumed Chairmanship to the Board with effect from 26th February 2013</i>) |
| 2. Mrs. Esther W. Njuguna | Representing the County Government of Kiambu |
| 3. Mrs. Peris .N. Wanjiru | Representing Farmers Association |
| 4. Mrs. Mary Wambui | Representing Chamber of Commerce |
| 5. Mr. David N. Nga'ng'a | Kiambu Sub-County Administrator |
| 6. Mr. David N. Kiarie | Kiambaa Sub-County Administrator |
| 7. Mr. John P. Karioki | Managing Director |

Registered Office

Davekon Palace
Banana-Limuru Road
P.O Box 818-00219,
Karuri, KENYA

Corporate Contacts

Telephone: (254) 0727484139
Email: info@karuriwater.co.ke

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Website: www.karuriwater.co.ke

Corporate Bankers

Post Bank- Karuri branch

Head Office

P.O. Box 30311-0100

Nairobi, Kenya

Family Bank- Banana branch

Head Office

P.O. Box 74145-00200

Nairobi, Kenya

Co-operative bank

Ruaka branch

Jamii Bora Bank- Banana branch

Head Office

P.O. Box 22741-00400

Nairobi, Kenya

Safaricom M-Pesa money transfer service

Paybill No. 544500

Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O Box 30084



GPO 00100

NAIROBI, Kenya



KARURI WATER AND SANITATION COMPANY
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Board of Directors




The core functions of the board of directors are to formulate policies to ensure sustainability of the company, effective and efficient management of the company's resources geared towards equitable supply of water within the company's area of jurisdiction.

1	<p>Eng. Andrew Muigai-Chairman</p> 	<p>Representing the Chamber of Commerce</p>
2	<p>Mrs. Peris Njenga Wanjiru-Member</p> 	<p>Representing Farmers' Association</p>

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3	<p>Mrs. Mary M. Wambui –Member</p> <hr/> 	Representing Chamber of Commerce
4	<p>Mr. David N. Kiarie –Member</p> 	Sub County Administrator- Kiambaa Sub County




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5	<p>Mrs. Esther W. Nuguna-Member</p> 	<p>Chief Executive Committee Member Water, Environment & Natural Resources-Kiambu County</p>
6	<p>Mr. David N. Ng'ang'a –Member</p> 	<p>Kiambu sub County Administrator-Kiambu Sub County</p>
7	<p>Mr. John P. Karioki-Secretary</p> 	<p>Managing Director</p>

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Management Staff

The management staff during the year was as follows:

1	<p>Mr. John P. Karioki- Managing Director</p> 	<p>He is responsible for: Coordinating the day to day management of the Company</p> <p>Monitoring and assessing management's performance</p> <p>Ensuring that the company complies with the legal and governance framework of the company</p> <p>Ensuring institutional transformation in accordance with corporate strategy</p>
2	<p>Mr. Stephen Gateru Mbugua- Technical Manager</p> 	<p>He is responsible for all the technical aspects of water production and distribution. He oversees the field staff and he also deputizes the managing director.</p>
3	<p>Mr. Reuben Kamau- Commercial Manager</p> 	<p>He is in charge of all commercial aspects of water distribution which include, new water connections, meter reading, billing, revenue collection and disconnection.</p>

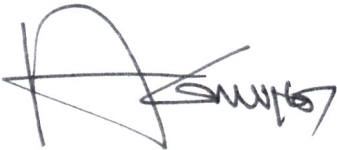
KARURI WATER AND SANITATION COMPANY
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Chairman's Statement

Karuri Water and Sanitation Co. Ltd has had a relatively good financial year, some of the key highlights are that the water project funded by Water Services Trust Fund was officially opened and is in operation hence increased water coverage and revenue collection. We also acquired new water tariff which has been in use in the year under review.

The single biggest challenge in that financial year, like in past years, has been the rising cost of water operations. Our highest expenditure remains electricity and the purchase of bulk Water from Nairobi Water Co. Ltd accounting for 11% and 42% of our total expenditure respectively. This has also been a basis for qualification of our financial statements by the Auditor General in the past financial years.

Chairman of the Board,

A handwritten signature in black ink, appearing to read 'AMUIGAI', with a stylized flourish above it.

Eng. Andrew Muigai

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Report of the Managing Director

The financial year ending 30th June 2015 has had both challenges and achievements, it has seen us continue to implement our core mandate of water distribution in Kiambaa Sub-County.

Achievements

The WSTF funded project targeting Gachie zone was completed and we have been supplying water in the area hence satisfying customer needs and increasing our revenue collection. The proposed new tariffs upward adjustment was approved and taken effect. This has resulted to the company making an increasing revenue collection.

In the year under review, despite the financial constraints the company bought meter reading smart phones for piloting and two motorcycles. This will facilitate timely production of bills and faster distribution as well as faster response to bursts. It will hopefully increase customer satisfaction hence efficient collection. To enhance billing efficiency, the company procured its own in house billing system which is expected to be fully operational in the first quarter of 2015/2016.

Challenges

The company has reported a loss of Ksh. 3,497,928 compared to a loss of Ksh. 3,626,069 last year, this represents a 4% drop in the loss reported. This reduction can be attributed to the upward tariff adjustment and measures that has been put across to reduce expenditure as well as improve on the collection efficiency of water sales.

The company continues to pay the largest portion of its revenue to operation costs specifically electricity and purchase of bulk water, in the year ended 30th June 2015 the company incurred Ksh. 9,121,142.11 and Ksh. 33,162,717 on these two items respectively. This represents 42% of the total expenditure in the year. The company is exploring cheaper sources of energy, in particular solar energy, to reduce the electricity costs. The costs of purchasing bulk water to supplement our production, would reduce or be eliminated if the company had ground water sources; proposals of development of such sources have been submitted to the county Government of Kiambu and other donors.

Managing Director,



John P. Karioki

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Corporate Governance Statement

The Company regards good corporate governance as crucial to the success of the business and is committed to practice it so that it remains a sustainable and viable business. This Statement sets out the main corporate governance practices and structures in the Company.

The following Corporate governance guidelines and principles are applied in the Company to govern directors and staff. WASREB guidelines on Corporate Governance for Water companies specify best corporate governance principles and others like the Code of Ethics for directors and the Public Officer Ethics Act, 2003 that applies to public officers.

Directors exercise independent judgment and professional competencies for effective governance of the Company as set out in their terms of reference which clearly spells out important governance arrangements covering appointment of directors.

The Directors' Code of Conduct sets out rules that govern the conduct of individual directors in order to enable the Board to operate effectively and in the best interests of the Company. The Code of Conduct sets out rules for directors to among others: act honestly, in good faith and for the best interest of the Company, exercise duty with care and diligence, avoidance and management of conflict of interest, maintain confidentiality of information about the Company, showing commitment to and attend to Company's business and respect to fellow directors.

Conflict of Interest

Directors are required to make a written disclosure of any transaction in which they have interest and which would constitute a conflict of interest and to abstain from voting when such matters are being considered. Business transactions with all parties, directors or their related parties are carried out at arms' length.

Role and Responsibilities of the Board

The Board provides leadership and strategic direction to the Company. Their main responsibilities are:

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- Establishing the short and long-term goals of the Company and strategic plans to achieve those goals.
- Ensuring preparation of the annual, half-year and quarterly financial statements.
- Approval and review of the annual budgets.
- Setting and periodically reviewing key performance indicators and management performance.
- Ensuring that the Company has adequate systems of internal controls.
- Ensuring that the Company has adequate risk management plans to ensure business continuity.

Role of Chairman of the Board of Directors

The Chairman is primarily responsible for providing leadership to the Board, Chairing Board meetings and general meetings of members. The chairman also ensures that the Board is supplied with timely and sufficient information to enable it to discharge its duties effectively.

Managing Director

The Managing Director is the chief executive of the company responsible for the day to day management of the Company. He is also the secretary of the board.

Directors Training and Development

The Company recognizes the importance of having a well informed and fully empowered Board of Directors. In this regard, relevant training and capacity development opportunities are organized to equip directors with skills and knowledge necessary to effectively perform their responsibilities when funds are available.

Board Work plan and Meetings

A work plan and schedule of meetings is prepared annually in advance. The Board meets at least once a month or more depending on the requirements of the business. Directors receive adequate notice for meetings and detailed papers on issues to be discussed

KARURI WATER AND SANITATION COMPANY
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Corporate Social Responsibility Statement

KAWSCO's Corporate Social Responsibility focus on Education, Health and Environment. These initiatives portray the company's commitment to businesses that contribute to sustainable economic development by working with local communities and the society at large, to improve their lives.

KAWSCO participates in Corporate Responsibility activities in order to support situations that enable the community in our area of jurisdiction realize their full potential and empower people in terms of information, education and communication. All our initiatives aim at enhancing social welfare. Our Corporate Social Responsibility Practice will also continue to focus on understanding of the community's need and improving strategic interactions.

During the period under review the company undertook the following activities:

- In partnership with the Kiambu County Government, the company was able to plant 32 bamboo seedlings plus 59 Miiri and Mitamaiyu seedlings in 11 primary schools, Ite Dam in Kiambaa and Gathiri Springs.
- The company also managed to visit one children's home (Junior Shelter Center in Gachie) within our area of jurisdiction and donated food stuff worth Kshs 18, 910.00

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of KAWSCO's affairs.

Principal activities

The principal activities of KAWSCO are to distribute water from our sources to individual and commercial consumers within our jurisdiction.

Results

The results of KAWSCO for the year ended June 30, 2015 are set out on pages 17-32

Dividends

Subject to the approval of the shareholders, the Directors do not recommend the payment any dividend since the company is still making losses.

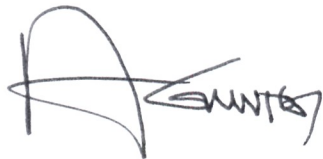
Directors

The members of the Board of Directors who served during the year are shown on pages 5-7.

Auditors

The Auditor General is responsible for the statutory audit of KAWSCO in accordance with the Section 5 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.

Chairman of the Board

A handwritten signature in black ink, appearing to read 'A. Muigai', with a stylized flourish extending to the right.

Eng. Andrew Muigai

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Statement of Directors' Responsibilities

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

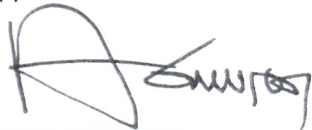
The Directors are responsible for the preparation and presentation of KAWSCO's financial statements, which give a true and fair view of the state of affairs of KAWSCO for and as at the end of the financial year (period) ended on June 30, 2015. This responsibility includes:

- (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 KAWSCO;
- (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 KAWSCO;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for KAWSCO's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements 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 KAWSCO's financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2015, and of KAWSCO's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for KAWSCO, which have been relied upon in the preparation of KAWSCO'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 KAWSCO will not remain a going concern for at least the next twelve months from the date of this statement.

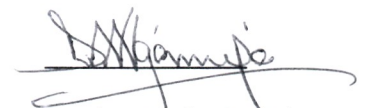
Approval of the financial statements



Chairman of the Board



Managing Director



Member of the Board

REPUBLIC OF KENYA

Telephone: +254-20-342330
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 KARURI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Karuri Water and Sanitation Company Limited set out on pages 16 to 37, 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 these 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 in 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

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

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. Trade and other receivables

As previously reported, the trade and other receivables balance of Kshs.18,295,208 as at 30 June 2015, includes gross balance of water sales of Kshs.19,258,071, out of which Kshs.977,464 was inherited from the Ministry of Water and Irrigation at the inception of the Company, which have been outstanding for a long period. The recoverability of these debts is uncertain and a provision of Ksh.962,904 for bad and doubtful debts made in the financial statements appears inadequate.

Under the circumstances, the accuracy and full recoverability of trade and other receivables balance of Kshs. 18,295,208 as at 30 June 2015 could not be confirmed.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Karuri 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 both the Water Act, 2002 and the Companies Act, Cap 486 of the Laws of Kenya.

Other Matter

Sustainability of Service

During the year under review, the company recorded a loss of Kshs.3,497,928 (2013/2014 loss of Kshs.3,626,069), which increased the accumulated loss from Kshs.10,232,800 to Kshs.14,068,644 as at 30 June 2015. Further, the current liabilities balance of Kshs.47,005,456 as at 30 June 2015 exceeded the current assets balance of Kshs.33,914,316 resulting in a negative working capital of Kshs.13,091,140. This is an indication that the company may be experiencing difficulties in settling its obligations as and when they fall due. The Company's

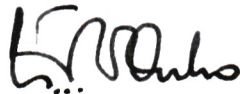
financial position, therefore, is precarious and its continued existence as a going concern is dependent upon continued support from the Government and creditors.

My opinion is not qualified in respect of this matter.

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 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

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

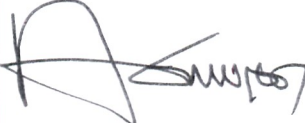
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 Kshs	2014 Kshs
REVENUES			
Sales	1	63,340,410	37,415,550
Grants	2	9,799,747	6,448,592
Other Income	3	3,075,240	1,284,605
TOTAL REVENUES		<u>76,215,397</u>	<u>45,148,747</u>
OPERATING EXPENSES			
Administration Costs	4	78,936,875	48,148,399
Depreciation of property, plant & Equipment	5	776,450	626,417
TOTAL OPERATING EXPENSES		<u>79,713,325</u>	<u>48,774,816</u>
OPERATING PROFIT/(LOSS)		(3,497,928)	(3,626,069)
PROFIT/(LOSS) BEFORE TAXATION		(3,497,928)	(3,626,069)
INCOME TAX EXPENSE/(CREDIT)		-	-
PROFIT/(LOSS) AFTER TAXATION		<u>(3,497,928)</u>	<u>(3,626,069)</u>

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

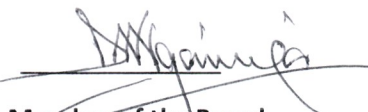
	Note	2015 Kshs	2014 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	<u>7,106,049</u>	<u>5,881,383</u>
Total Non-Current Assets		<u>7,106,049</u>	<u>5,881,383</u>
Current Assets			
Inventories	6	1,528,147	1,083,849
Trade and other receivables	7	18,295,208	7,925,549
Bank and cash balances	8	<u>6,984,912</u>	<u>3,058,413</u>
Total Non-Current Assets		<u>26,808,267</u>	<u>12,067,811</u>
TOTAL ASSETS		<u>33,914,316</u>	<u>17,949,194</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	9	40	40
Retained earnings	10	(14,068,644)	(10,570,716)
Capital Reserve	11	<u>977,464</u>	<u>977,464</u>
Capital and Reserves		<u>(13,091,140)</u>	<u>(9,593,212)</u>
Current Liabilities			
Trade and other payables	12	41,068,306	23,788,256
Customer Refundable Deposits	13	<u>5,937,150</u>	<u>3,754,150</u>
Total Current Liabilities		<u>47,005,456</u>	<u>27,542,406</u>
TOTAL EQUITY AND LIABILITIES		<u>33,914,316</u>	<u>17,949,194</u>



Chairman of the Board



Managing Director



Member of the Board

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

	Ordinary Share Capital	Retained Earnings	Capital Reserve	Total
	Kshs	Kshs	Kshs	Kshs
Balance Brought Forward as at July 1, 2013	40	(6,944,647)	977,464	(5,967,143)
Total comprehensive income	-	(3,626,069)	-	(3,626,069)
Balance Carried down at June 30, 2014	40	(10,570,716)	977,464	(9,593,212)
Balance Brought Forward as at July 1, 2014	40	(10,570,716)	977,464	(9,593,212)
Total comprehensive income	-	(3,497,928)	-	(3,497,928)
Balance Carried down at June 30, 2015	40	(14,068,644)	977,464	(13,091,140)

KARURI WATER AND SANITATION COMPANY
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STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 Kshs	2014 Kshs
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	14	<u>5,927,615</u>	<u>1,065,288</u>
Net cash generated from/(used in) operating activities		<u>5,927,615</u>	<u>1,065,288</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	<u>(2,001,116)</u>	<u>(902,710)</u>
Net cash generated from/(used in) investing activities		<u>(2,001,116)</u>	<u>(902,710)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,926,499	162,578
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8	3,058,413	2,895,835
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	8	<u><u>6,984,912</u></u>	<u><u>3,058,413</u></u>

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2015

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognized in the Company's financial statements.

IAS 36 Recoverable Amount Disclosures for Nonfinancial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. As the Company does not have any cash-generating units (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated, the application of the amendments has had no impact on the disclosures or on the amounts recognized in the Company's financial statements.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2015

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 9	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2017
Amendments to IFRS 11	1 January 2016
Amendments to IAS 16 and IAS 38	1 January 2016

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(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 June 2015

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the Company do not anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current

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revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue; or
- b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Company uses the straight-line method for depreciation and amortisation for its property and equipment, and intangible assets respectively. The directors of the Company do not anticipate that the application of the standard will have a significant impact on the Company's financial statements.

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Annual Improvements 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- a) The property meets the definition of investment property in terms of IAS 40; and
- b) The transaction meets the definition of a business combination under IFRS 3

The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

The amendments to IFRS 5 adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

The amendments to IFRS 7 adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. Clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

The amendments to IAS 19 clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The amendment to IAS 34 clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying KAWSCO's accounting policies.

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

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.

ii. Revenue Recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to KAWSCO and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of KAWSCO's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of KAWSCO's activities as described below.

- (a) Revenue from the sale of goods and services** is recognised in the year in which KAWSCO delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- (b) Grants from National Government** are recognised in the year in which KAWSCO actually receives such grants.
- (c) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- (d) Other income** is recognised as it accrues.

iii. In-Kind Contributions

In-kind contributions are donations that are made to KAWSCO in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

personnel services. Where the financial value received for in-kind contributions can be reliably determined, KAWSCO includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

iv. Property, Plant And Equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

v. Depreciation and Impairment of Property, Plant and Equipment

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line method on a pro-rata basis. The annual rates in use are:

Office equipment-computers	33%
Motor Vehicles & Motor Cycles	25%
Plant Equipment	10%
Furniture and fittings	10%
Water meters	10%

vi. Inventories

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

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

vii. Trade and other Receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

viii. Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Through the notice issued by treasury on 30 November 2010 the company is required to pay taxes on their profit or surplus. However, since the company made losses, it has not made any provision for taxes.

ix. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

x. Comparative Figures

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

xi. 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.

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

xii. Provisions

Provisions are recognized when a company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision for bad and doubtful debts is provided at 5% of the trade debtors.

xiii. Service Pension

Employees on both permanent employment as well as contract basis contribute Kshs. 200 to NSSF and the company contributes the same per person. The company pays a 5% special contribution on casuals engaged in the month preceding the contribution.

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described above, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the periods of the revision and future periods if the revision affects both current and future periods.

Critical Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Revenue recognition

Water revenue includes an assessment of water supplied to customers between the date of the last meter reading and the year end. The water sales is estimated using historical consumption patterns taking into account the total water usage by the customer.

Water deposits

Money received from water customers as deposit is held as a non-current liability because the Company will continue to offer services to the customers for the foreseeable future and the customers are not expected to discontinue their use of water in the short run.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Property Plant & Equipment

Critical estimates are made by the Directors in determining depreciation rates of property plant & equipment. Property and equipment is depreciated over its useful life taking into account residual values, where appropriate.

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Provision for doubtful debts

The estimated provision for doubtful debts is based on the period for which the debt was outstanding. General provisions are established where full recovery of the principal is considered doubtful which is made against finalized customer accounts net of deposits.

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS

	2015	2014
	Kshs	Kshs
1 SALES		
Customer Billing	63,340,410	37,415,550
	63,340,410	37,415,550
2 GRANTS		
Grants received from Water Services Trust Fund	9,799,747	5,734,692
Grants received for Water Awareness Campaign	-	550,000
Grants received for Public Consultative Forum	-	163,900
	9,799,747	6,448,592
3 OTHER INCOME		
New Connection Fees	1,924,240	1,142,000
Reconnection Fees	131,500	117,000
Meter	1,019,500	-
Fines	-	4,000
Decrease in Provision for Bad Debts	-	21,605
	3,075,240	1,284,605
4 ADMINISTRATION COSTS		
4a Staff costs		
Salaries & Wages	10,971,150	8,773,124
Staff Training and Allowances	482,750	563,140
N.S.S.F- Employer's Contribution	540,619	87,658
	11,994,519	9,423,921
4b Operational expenses		
Electricity	9,121,142	11,178,931
Abstraction Fees (WARMA)	258,308	436,809
Maintenance of Water System	2,461,183	2,719,289
Water Quality Testing	182,000	228,000
Tools	0	5,000
Survey	51,000	264,000
Bulk Water Expenditure	33,162,718	7,842,901
Billing Fees	1,049,849	948,008
WSTF (Gachie Water Project)	10,089,287	5,445,152
	56,375,487	29,068,090

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

4c Administrative Expenses	2015	2014
Rent and Rates	609,000	441,000
Advertising Expenses	15,000	1,007,322
General Office Maintenance	207,787	52,271
Stationery, Printing and Photocopies	192,983	187,394
Office and Computer Accessories	32,943	37,064
Telephone, Internet & Postage	434,895	411,941
Bank Charges	604,751	629,922
Fuel for Vehicles & Cycles	841,104	720,013
Audit expenses	141,000	322,000
Motor cycle & Vehicle Maintenance	516,315	422,687
Travelling Allowance and Busfare	209,700	175,300
Security	277,075	271,767
Insurance	176,215	10,085
IT costs	270,176	92,500
	4,528,944	4,781,266
	<hr/> <hr/>	<hr/> <hr/>
4d Board Expenses	2015	2014
Board Allowances	730,438	646,211
	730,438	646,211
	<hr/> <hr/>	<hr/> <hr/>
4e General Expenses	2015	2014
Uniform	294,427	86,000
Miscellaneous	361,419	190,433
Office Tea & Entertainment	315,599	198,683
Provision for bad and doubtful debts -increase	556,298	-
AGM Expenses	165,200	181,575
Corporate Social Responsibility	18,910	10,000
Benevolent Fund	10,000	5,000
Membership to WASPA	50,000	50,000
	1,771,853	721,691
	<hr/> <hr/>	<hr/> <hr/>
4f Lease and regulatory fee	2015	2014
Lease Fee to AWSB	2,961,326	3,145,130
Regulatory Fee to WASREB	574,308	362,089
	3,535,634	3,507,219
	<hr/> <hr/>	<hr/> <hr/>

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

5	2014	Plant and Equipment	Motor Vehicles & Cycles	Computers & Office Equipment	Furniture & Fittings	Meters	Total
	COST OR VALUATION						
	At July 1, 2013	5,512,524	-	225,400	666,696	1,045,000	7,449,620
	Additions	462,302	206,482	79,000	154,926	-	902,710
	Transfers	-	-	-	-	-	-
	Disposals	-	-	-	-	-	-
	At June 30, 2014	5,974,826	206,482	304,400	821,622	1,045,000	8,352,330
	DEPRECIATION						
	At July 1, 2013	1,343,475	-	133,893	167,038	200,125	1,844,530
	Charge for the year	432,391	12,905	36,715	59,918	84,488	626,417
	Impairment loss	-	-	-	-	-	-
	Eliminated on disposal	-	-	-	-	-	-
	At June 30, 2014	1,775,866	12,905	170,608	226,956	284,613	2,470,947
	NET BOOK VALUE						
	At June 30, 2014	4,198,960	193,577	133,792	594,666	760,388	5,881,383

5	2015	Plant and Equipment	Motor Vehicles & Cycles	Computers & Office Equipment	Furniture & Fittings	Meters	Total
	COST OR VALUATION						
	At July 1, 2014	5,974,826	206,482	304,400	821,622	1,045,000	8,352,330
	Additions	890,016	199,000	326,000	36,500	549,600	2,001,116
	Transfers	-	-	-	-	-	-
	Disposals	-	-	-	-	-	-
	At June 30, 2015	6,864,842	405,482	630,400	858,122	1,594,600	10,353,446
	DEPRECIATION						
	At July 1, 2014	1,775,866	12,905	170,608	226,956	284,613	2,470,947
	Charge for the year	440,313	85,707	106,906	61,292	82,232	776,450
	Impairment loss	-	-	-	-	-	-
	Eliminated on disposal	-	-	-	-	-	-
	At June 30, 2015	2,216,179	98,612	277,514	288,247	366,845	3,247,397
	NET BOOK VALUE						
	At June 30, 2015	4,648,663	306,870	352,886	569,875	1,227,755	7,106,049

The Company also has (2) motor vehicles and five (5) motor cycles which are the property of Athi Water Services Board and the District Water Office.

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 INVENTORIES	2015	2014
Fittings	1,436,027	922,413
Stationery	92,120	161,435
	1,528,147	1,083,849
7 TRADE AND OTHER RECEIVABLES	2015	2014
Shareholders	40	40
AWSB-Public Consultative Forum	-	200,000
Water sales	19,258,071	8,132,115
less provision for bad debts	(962,904)	(406,606)
	18,295,208	7,925,549
8 BANK AND CASH BALANCES	2015	2014
Cash at Bank		
Post Bank 6116	8,940	5,796
Post Bank 108	73,015	50,740
Family Bank 232 Revenue	117,777	203,913
Family Bank 5874 Operation	498,550	(61,653)
Family bank 3050 (Deposit)	5,921,334	2,426,400
Family Bank 10288 Collection	102,380	140
Family bank 10287(Gachie WP)	-	289,540
Co-op Collection A/c	60,137	13,399
M-Pesa Collection	114,605	76,990
Jamii Bora A/c	58,174	35,816
Cash in Hand		-
Petty Cash	30,000	17,333
	6,984,912	3,058,413
9 ORDINARY SHARE CAPITAL	2015	2014
Authorised		
5000 ordinary shares of Ksh. 20 par value each	100,000	100,000
Issued and fully paid		
2 ordinary shares of Kshs. 20 par value each	40	40
10 RETAINED EARNINGS	2015	2014
Opening Balance	(10,570,715.83)	(6,944,646)
Surplus/Deficit for the period	(3,497,928.38)	(3,626,069)
	(14,068,644.21)	(10,570,715)

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 CAPITAL RESERVE	2015	2014
Opening Balance	977,464.00	977,464
As at year end	-	-
	977,464	977,464

12 TRADE AND OTHER PAYABLES	2015	2014
Trade Payables	40,775,124	23,657,353
Debtors with Credit Balances	293,182	130,903
	41,068,306	23,788,256

13 CUSTOMER REFUNDABLE DEPOSITS	2015	2014
Opening Balance	3,754,150	2,944,150
Additions	2,223,000	826,000
Less (Refunds)	(40,000)	(16,000)
	5,937,150	3,754,150

14 NOTES TO THE STATEMENT OF CASH FLOWS	2015	2014
Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(3,497,928)	(3,626,069)
Depreciation	776,450	626,417
Operating profit/(loss) before working capital changes	(2,721,478)	(2,999,652)
(Increase)/decrease in inventories	(444,298)	(441,986)
(Increase)/decrease in trade and other receivables	(10,369,659)	210,495
Increase/(decrease) in trade and other payables	17,280,051	3,486,432
Increase in refundable customer deposits	2,183,000	810,000
Cash generated from/(used in) operations	5,927,615	1,065,288

15. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks as a result of its financial instruments:

- i. Credit risk
- ii. Liquidity risk
- iii. Capital Management

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

i. Credit risk

The Company has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Credit risk mainly arises from water sales receivables and bank balances.

Credit risk arising from bank balances are low because the counter parties are financial institutions with high credit ratings.

The carrying amount of financial assets recorded in the financial statements representing the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Fully Performing	Past due	Impaired	Total
At 30 June 2015				
Trade and other receivables	11,713,385.00	6,581,822.91	-	18,295,207.91
Cash & bank balances	6,984,912.00	-	-	6,984,912.00
At 30 June 2014				
Trade and other receivables	5,556,715.00	2,368,834.00	-	7,925,549.25
Cash & bank balances	3,058,413.00	-	-	3,058,413.00

ii. Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows from revenue and capital and operational outflows.

The objective of the Company's liquidity management is to ensure that all foreseeable operational, capital expansion and loan commitment expenditure can be met under both normal and stressed conditions.

The table below summarizes the maturity profile of the Company's financial liabilities based on the remaining period using 30 June 2015 as a base period to the contractual maturity date:

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Less Than 1 Month	Between 1- 3 months	Between 3 -12 months	Over 1 year	Total
At 30 June 2015					
Trade and other payables	22,206,438.00	895,575	17,336,244	630,049	41,068,306
At 30 June 2014					
Trade and other payables	3,335,660	2,766,086	5,386,998	12,299,512	23,788,256

iii. Capital Management

The water business is currently in a major expansion phase driven by a rise in demand and Government policy. The funding of additional transmitting and other distribution capacity is to be obtained from cash generated by the business and Government support. The adequacy of water tariffs allowed by WASREB and the level of Government support are key factors in the sustainability of the Company.

16. RELATED PARTY DISCLOSURES

a) Nature Of Related Party Relationships

Companies and other parties related to the company include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Karuri Water & Sanitation Co. Ltd is related to:

- (i) The County Government of Kiambu (CGK)
- (ii) Water Service Trust Fund (WSTF)
- (iii) Water Services Regulatory Board (WASREB)
- (iv) Water Resources Management Authority (WARMA)
- (v) Athi Water Services Board (AWSB)
- (vi) Key Management
- (vii) Board of Directors
- (viii) Nairobi Water Company Ltd

KARURI WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

b) Related Party Transactions	2015	2014
Grants Received From Related Parties	9,799,747	6,448,592
c) Key Management Remuneration		
Directors	730,438	646,211
Key Management Compensation	3,074,810	2,456,163
	3,805,248	3,102,374
d) Due to Related Parties		
Due to WASREB	1,010,816	936,508
Due to AWSB	11,749,450	10,288,124
Due to Nairobi Water	23,665,500	7,106,117
Due to WARMA	456,357	853,641
	36,882,123	19,184,390

17. CONTINGENT LIABILITIES & ASSETS

There were no contingent assets or liabilities in the period.

18. INCORPORATION

KAWSCO is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.