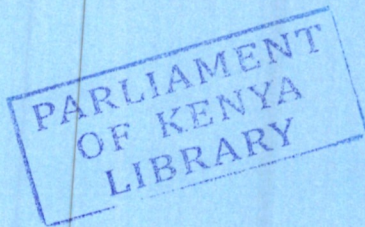


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NYAHURURU WATER AND SANITATION
COMPANY LIMITED

FOR THE YEAR
ENDED 30 JUNE 2016

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**NYAHURURU WATER & SANITATION COMPANY LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

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**NYAHURURU WATER & SANITATION CO. LTD
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

CORPORATE INFORMATION

BACKGROUND INFORMATION

Nyahururu Water & Sanitation Company Limited was established by the Water Act 2002 on 18th February 2002. The company is incorporated in Kenya under the Companies Act. Cap 486 of the laws of Kenya. At cabinet level the company is represented by the Cabinet Secretary for Water, Environment and Natural Resources who is responsible for the general policy and direction of the water sector.

PRINCIPAL ACTIVITIES

The principal activity of the company is to provide water and sanitation services to Nyahururu Town and its environs.

DIRECTORS

The directors and the management team who served the company during the year are shown in page 2 below.

CORPORATE SECRETARY

Mr. Richard Gikuhi Kiana
P.O. Box 1271-10100
Nyeri.

REGISTERED OFFICE

Nyahururu Water & Sanitation Company Ltd.
Hekima Building -Kenyatta Avenue,
P.o Box 952-20300
Nyahururu Kenya.

CORPORATE CONTACTS

Telephone: 065-2032774
Email: Nyahuwasco@yahoo.com
Website: www.nyahuwasco.co.ke

CORPORATE BANKERS

Cooperative Bank of Kenya Ltd
Nyahururu Branch
P.O.Box 307-20300
Nyahururu.

Equity Bank Ltd
Nyahururu Branch
P.O.Box 1048-20300
Nyahururu.

INDEPENDENT AUDITORS










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

PRINCIPAL LEGAL ADVISER





Njeri Wamithi & Co. Advocates
KCB Building ,Nyahururu
P.O Box 506-20300,
Nyahururu, Kenya

**NYAHURURU WATER & SANITATION CO. LTD
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

BOARD OF DIRECTORS

<u>Director's Name</u>		<u>Date Of Appointment</u>	<u>Key Qualifications and Work Experience</u>
Chege Gakuhi		June 2014	Bachelor of Law (LLB)
Director			An advocate of the high court
Githua Karangu		June 2014	MSC Psychology and Counselling
Director/Chairman			Vice chair Laikipia County Public Service Commission
Wilfred Kimotho		January 2012	Higher Dip. Theology
Director			The chairman of 4NTE Sacco
Walter Ogwindo		January 2014	BSC Economics
Director			An Economist at the National Treasury
John Kahwai		June 2014	O- Level. Civic Leader 15 Years
Director			Business man for over 20years
Jane W. Wahome		January 2012	O-Level
Director			A Rep. of Special interest groups.
Grace Wanjiru		June 2014	Business woman
Director			A Rep. of Jua Kali Artisan's association
Grace Nyambura		January 2012	P1
Director			Manager Amazing grace schools Nyahuruu.
Catherine Njoroge		June 2014	Bachelor of Law.
Director			County legal adviser

MANAGEMENT TEAM

<u>Manager's Name</u>		<u>Area of Responsibility</u>	<u>Qualifications</u>
Bernard Mwaura Mbuthia		Managing Director	BSC Information Science
James Macharia Mugo		Commercial Manager	CPA
Peter Kareithi Mwangi		Technical Manager	Masters In Project Management
Evelyne Mueni Muema		Human Resource Officer	BSC Human Resource Management

**NYAHURURU WATER & SANITATION COMPANY LIMITED.
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

CHAIRMAN'S STATEMENT

It is a great honour for me to present to you the company's performance report for the year ended 30 June 2016. It gives me a lot of pleasure to inform you that the company's leadership and staff under the capable guidance of the Board delivered another year of good performance despite operating in a very challenging environment.

Company's Performance:

The company recorded reasonable growth and good performance in key areas during the year. This performance was made possible by the diligent execution of our budget, strategic and business plans.

I am pleased to inform you that during the year, the company managed to expand the water treatment and sewerage treatment plants to increase capacity through the ADB funded project.

During the year, the company laid pipes to connect Asian Quarters - a previously unserved area to our sewer trunk network.

The company also managed to lay a dedicated water pipeline to Rumuruti township through the ADB funded project.

Corporate Governance:

During the year under review, the Board continued to provide strategic direction with dedication despite the numerous challenges encountered.

In line with provisions of the Corporate Governance Guidelines, two directors retired but were re elected. Further on, a casual vacancy that arose after promulgation of the new constitution was filled. This exercise was conducted through a stakeholders' participation process.

Way Forward:

The company has clear strategies in place to ensure continued growth year on. These strategies are guided by an emphasis on effective corporate governance principles, promotion of competence in the human resource and strategic partnerships with our stakeholders.

With these strategies in place, we will ensure that our mandate of providing high quality water and sanitation services is executed in the most efficient, economical and effective manner.

Conclusion:

In conclusion ladies and gentlemen, I wish to sincerely thank the management and staff for delivering impressive results under a challenging environment.

I also wish to appreciate my fellow Board members for their devotion, commitment and remaining steadfast during the challenging times. This has greatly contributed to the improved performance of the company.

Finally to all our members and stakeholders, on behalf of the Board, Management and staff we most sincerely thank you for your continued support to this great organization. We are grateful for the confidence you have shown in the team that serves you.

With your continued support and belief, we commit ourselves to delivering even better results in the coming years.

Thank you all.

**Githua Karangu
B.O.D. Chairman**

**NYAHURURU WATER & SANITATION COMPANY LIMITED.
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

REPORT OF THE MANAGING DIRECTOR

I am pleased to present to you the company's annual performance report for the year ended 30 June 2015. During the year, the company performed reasonably well despite facing numerous challenges. We continued living our purpose of providing high quality services (water and sanitation) to our customers in the most efficient and cost effective manner.

Financial Review:

During the year the company's posted a surplus of kshs 5.7 million an improvement from kshs 0.9 million posted in the previous year (2014/15).

The gross turnover or the total revenue generated increased from Kshs 154 Million to kshs 178 million due to improved efficiency in billing for services and revenue collection process.

The total operating expenses however shot up from kshs 152 million (2014/15) to kshs 171 million in the year 2015/2016. This increase in costs was caused by among other reasons; a rise in power costs due to multiple pumping, a rise in chemical costs due to inflation and increased production.

In addition, the company recorded growth in its customer base by connecting 1,236 new customers to its network during the year.

Future Outlook:

The company in its strategic plan for the period 2014-2019 has earmarked several key projects to help improve on the company's fortunes. These include the following:

- (i). Relocate the water abstraction site to a less polluted location downstream to cut down on chemical costs.
- (ii). Set up a mini-hydro or biogas power station for power generation. This will help cut down power costs.
- (iii). Setting up a water bottling plant to boost our revenue.
- (iv). Acquire ISO certification.

For this vision to become a reality, a lot of support both financial and otherwise is required from the Government (National and County), stakeholders and development partners.

Conclusion:

I wish to take this opportunity to sincerely thank the Board for the guidance and oversight provided during the year despite facing numerous challenges.

To all our customers and other stakeholders thank you for your unwavering trust, support and healthy partnership. You are a great companion.

To my colleagues and members of staff, I am grateful for your commitment, dedication and sacrifice. I am honoured to be your team leader.

With your continued support and unity of purpose, we are better positioned to face tomorrow and to deliver better results in the coming years.

Thank you.

Bernard Mwaura
Managing Director

NYAHURURU WATER & SANITATION COMPANY LIMITED.

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

CORPORATE GOVERNANCE STATEMENT

The company is governed by the Board of Directors whose conduct is guided by the articles and memorandum of association. These are further complemented by the Corporate governance guidelines from the Water Services Regulatory Board (WASREB).

Board Composition:

The board of directors draws its membership from various stakeholder groups namely; business community, professionals, special interest groups, national government, county government, schools & institutions, rural scheme representatives among others.

The company has 9 (nine) board members who represent each of the above stakeholder groups. The company has a succession plan at the board level where board members retire by rotation upon expiry of their contracts or can either be re-elected by the shareholders during the AGM as provided for (guided) by the Articles and Memo of the company

Board Committees:

The board of directors has established three (3) functional committees to assist in the execution of its responsibilities. The board has delegated its authority to the committees with specific terms of reference. These committees are;

- (i) Technical Committee
- (ii) Finance and administration committee
- (iii) Audit, risk and governance committee

Meetings:

The various sub-committees meet once per quarter to deliberate on issues requiring the board of directors' intervention before tabling their reports in the full board meetings. Full board meetings are held twice per year.

Annual General Meeting:

The company held its AGM in July 2016.

Remuneration:

The directors do not earn any fees but receive sitting allowances during meetings. To motivate the directors and enlighten them on any new developments in the sector, the company organizes an annual workshop for the directors on corporate governance.

Board Evaluation:

Performance of the Board is monitored and evaluated annually. This is done through the signing of performance contracts and annual evaluation of performance against the set targets. Further the conduct of the directors is guided by the code of ethics provided for all directors.

During the year, the company was ranked number one and awarded a trophy by transparency international for promoting and sustaining good corporate governance.

**NYAHURURU WATER & SANITATION COMPANY LIMITED
REPORT OF THE DIRECTORS,
FOR THE YEAR ENDED 30 JUNE 2016**

The directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of affairs of the company.

PRINCIPAL ACTIVITY

The principal activity of the company continues to be provision of Water supply and sanitation services within Nyahururu Municipality.

RESULTS

The results for the year are set out on page 5.

DIVIDENDS

The directors do not recommend payment of any dividend.

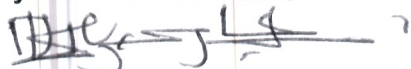
DIRECTORS

The Directors who held office as at 30th June 2016 are shown on page 2.

AUDITORS

The Auditor General is responsible for the statutory audit of the company in accordance with the provisions of Article 229 of the constitution of Kenya and Section 14 of the Public Audit Act, 2003.

By Order of the Board



Director

..... 16 / Sept 2016

**NYAHURURU WATER & SANITATION COMPANY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2016**

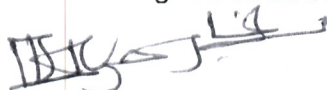
The Law requires the Directors to prepare financial statements for each financial year that gives a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. It also requires the Directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors accept responsibility for the annual financial statements that have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the Company's Act.

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

Approval of the Financial Statements

The company's financial statements were approved by the board of directors on 16th day of Sept....., 2016 and signed on its behalf by:



.....

Director

Bernard Mwaura



.....**Managing Director**

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NYAHURURU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Nyahururu Water and Sanitation Company Limited set out on pages 10 to 21 which comprise the statement of financial position as at 30 June 2016, 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 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with article 229 (7) of the Constitution. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

Report of the Auditor-General on the Financial Statements of Nyahururu Water and Sanitation Company Limited for the year ended 30 June 2016

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

1.0 Property, Plant and Equipment

The statement of financial position as at 30 June 20, 2016 reflects property, plant and equipment balance of KShs.70,875,592. However, as previously reported the fixed asset register maintained was not updated. Consequently, the completeness and accuracy of property, plant and equipment balance of KShs.70,875,592 could not be confirmed.

2.0 Consumer Deposits

The statement of financial position as at 30 June 2016 reflects consumer deposits' balance of Kshs.20,143,731. However, the consumer deposit bank account held at Equity Bank Nyahururu had a balance of Kshs.2,022,802 as at 30 June 2016 resulting in an unreconciled and unexplained difference of Kshs.18,120,929. Consequently, the completeness and accuracy of the consumer deposits' balance of Kshs.20,143,731 could not be confirmed.

3.0 Receivables

The statement of financial position reflects a receivables balance of Kshs.62,646,572 as at 30 June 2016. Included in the balance is sundry debtors (Laikipia County) balance of Kshs.17,092,141. However, the balance included was not analyzed, supported or explained. Consequently, the accuracy of receivables balance of Kshs.62,646,572 as at 30 June 2016 could not be confirmed.

4.0 Capital Reserves

As similarly reported in the 2014/2015 financial year, the capital reserves balance of Kshs.96,956,890 as at 30 June 2016 was not supported with adequate records. Further, no explanatory notes to the financial statements were provided to support the balance. In addition, an item titled, "charge to county", with a balance of Kshs.17,092,141 added to the capital reserve balance in the year under audit was not supported. Consequently, it has not been possible to confirm the accuracy and validity of the capital reserves balance of Kshs.96,956,890.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Nyahururu Water and Sanitation Company Limited as at 30 June 2016, and its financial performance and its cash flows for the year then ended, in

accordance with International Financial Reporting Standards and comply with the Water Act, 2002.

Other Matter

Unaccounted for Water (UFW)

During the year under review, the company produced 2,689,855 cubic meters (m³) of water. However, out of this volume, only 1,514,357m³ was billed to the customers. The balance of 1,175,498 m³ or approximately 44% of the total water produced represented unaccounted for water (UFW) which is 19% over and above the allowable loss of 25% in accordance with Water Services Regulations Guidelines. The UFW of 44% may have resulted in loss of sales estimated at Kshs.130,760,044. The significant level of UFW may negatively impact on the company's profitability and its long term sustainability.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit; and
- ii. In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,
- iii. The Company's statement of financial position and Statement of Comprehensive Income are in agreement with the books of account.



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

Nairobi

15 September 2017

NYAHURURU WATER & SANITATION COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

		JUNE 2015/2016 KSHS	JUNE 2014/2015 KSHS
<u>ASSETS</u>			
Non Current Assets			
Properties and equipments	1	70,875,592	68,291,934
		<u>70,875,592</u>	<u>68,291,934</u>
Current Assets			
Inventories	3	4,209,741	6,407,548
Receivables	4	62,646,572	47,901,184
Cash & cash equivalents	6(a)	1,161,542	(299,270)
		<u>68,017,855</u>	<u>54,009,462</u>
Less: Current Liabilities			
Trade Creditors & Others	7	44,225,537	43,403,622
Water Deposits	8	20,143,731	17,092,141
		<u>64,369,268</u>	<u>60,495,763</u>
Net Current Assets/ (Liabilities)		<u>3,648,587</u>	<u>(6,486,301)</u>
TOTAL ASSETS		<u>74,524,179</u>	<u>61,805,632</u>
<u>EQUITY & LIABILITIES</u>			
Share Capital	9	100,000	100,000
Revenue Reserves	10	(22,532,710)	(18,159,117)
Capital Reserves		96,956,890	79,864,749
TOTAL EQUITY & LIABILITY		<u>74,524,180</u>	<u>61,805,632</u>
		0	(0)

The financial statements set on pages 10 to 21 were approved by the Board of Directors on, 16/9/2016 2016 and signed on its behalf by:


 Director


 Bernard Mwaura Managing Director

**NYAHURURU WATER & SANITATION COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

	Share Capital	Capital Reserves	Revenue Reserves	Totals
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 July 2014	100,000	79,864,749	(19,105,723)	60,859,026
Net profit/(loss) After Tax	-	-	946,606	946,606
Balance as at 30 June 2015	100,000	79,864,749	(18,159,117)	61,805,632
Balance as at 1 July 2015	100,000	79,864,749	(18,159,117)	61,805,632
Charge to county		17,092,141		
Net profit/(loss) After Tax	-	-	(4,373,593)	(4,373,593)
Balance as at 30 June 2016	100,000	96,956,890	(22,532,710)	74,524,180

NYAHURURU WATER & SANITATION COMPANY LIMITED
STATEMENT OF CASHFLOWS
FOR YEAR ENDED 30 JUNE 2016

		Kshs
	JUNE	JUNE
	2015/2016	2014/2015
	Notes	Kshs
Cash flows from Operating activities		
Net loss/profit before Tax	(4,373,593)	946,606
Adjustments for:		
Depreciation	2,983,339	3,047,035
Prior year adjustment	17,092,141	
Net cash generated from Operating Activities	15,701,886	3,993,642
Changes in working capital		
Increase in Inventories	2,197,808	(3,664,497)
Increase in Receivables	(14,745,388)	(14,577,640)
Increase in Water deposits	3,051,590	1,410,675
Decrease in Creditors & Accruals	821,915	14,913,041
Changes in working capital	(8,674,076)	(1,918,420)
Cash flows from Investing activities		
Purchase of property and equipments	1 (5,566,998)	(3,348,728)
Net cash generated from investing activities.	(5,566,998)	(3,348,728)
Net cash inflow/(outflow)	1,460,813	(1,273,507)
Cash & Cash equivalents at the beginning of the year	(299,270)	974,236
Decrease/Increase during the year	1,460,813	(1,273,507)
Cash & Cash equivalents at the end of the year	6 1,161,542	(299,270)

**NYAHURURU WATER & SANITATION COMPANY LIMITED
REPORTS AND FINANCIAL STATEMENTS
OR THE YEAR ENDED 30 JUNE 2016**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of Compliance and Basis for Preparation

The financial statements cover a period of 12 months from July 2015 to June 2016 and have been prepared under the historical cost basis.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). 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 the company's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company and all values are rounded to the nearest thousand (Kshs'000).

The accounting policies adopted have been consistently applied to all the years presented.

Adoption of new accounting policies and amendments to the IFRS during the year had no effect on the financial statements of the company.

Use of Estimates and Judgements: Preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect application of accounting policies, reported amounts and disclosures. The estimates and assumptions are reviewed on an ongoing basis.

2. Revenue Recognition

Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the company's activities and when specific criteria have been met for each of the company's activities as described below:

(i). **Revenue from the sale of goods and services** is recognised in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii). **Chemical subsidies from National Government** are recognised in the year in which the entity actually receives such grants.

3. Plant, Property and Equipment.

(i) **All categories of plant, property and equipment** are initially stated at cost less accumulated depreciation and impairment losses.

(ii). **All the Company Assets** are held by Northern Water Services Board as per the SPA.

(iii). **Intangible Assets:** they comprise of computer software licenses which are capitalized on the basis of costs incurred to acquire and to bring

to use the specific software. These costs are amortised over the useful life of the intangible asset from the year they are available for use, usually over three years.

4. Depreciation of Plant, Property and Equipment

Depreciation is calculated on the reducing balance method to write off their cost over their estimated useful life. The annual rates in use are:

a). Plant and Machinery	12.5 years
b). Motor vehicles, including motor cycles	4 years
c). Computers and related equipment	3 years
d). Office equipment, furniture and fittings	12.5 years

5. Inventories

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

6. Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. An estimate is made of the doubtful debts at the rate of 30% of the aged debtors outstanding over three years. Bad debts are written off after all efforts at recovery have been exhausted.

7. Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, cash at bank and also short term cash imprests to authorised public officers which were not surrendered or accounted for at the end of the financial year.

9. Trade and Other Payables

Trade and other payables include contractual value of consideration to be paid in future in respect of goods and services supplied, less any payments to the suppliers, outstanding fees and levies and unremitted payroll liabilities.

10. Provision for Staff Leave Pay

Employees' entitlements to annual leave are recognised as they accrue for the employees. A provision is made for the estimated liability for annual leave at the reporting date.

11. Comparative figures

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

12. 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, 2016.

YAHURURU WATER & SANITATION COMPANY LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

FINANCIAL RISK MANAGEMENT POLICIES:

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

a. **Significant Accounting Policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and liability are disclosed in the notes to the financial statements.

b. **Financial risk management objectives**

The water company's activities expose it to a variety of risks including credit, market and liquidity risks. The company's overall risk management strategy seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk and drafting guidelines on the management of these risks.

c. **Credit Risk Management**

The water company's credit risk is mainly attributable to its liquid funds with financial institutions. However, the liquid funds with financial institutions is low because the counter parties are banks with high credit ratings.

The financial assets are fully performing as the company continues to enjoy services secured by this balance.

d. **Liquidity Risk Management**

The ultimate responsibility for liquidity risk management rests with the water company. The company has set up an appropriate liquidity risk management framework for the short, medium and longterm funding requirements.

The company manages the liquidity risk by maintaining banking facilities and through continuous monitoring of forecast cashflows as well as actual cashflows.

e. **Market Risk**

The water company takes on the exposure to market risk, which is the risk that changes in market prices will affect the company's surplus. Such changes in market prices cause fluctuations to the cashflows of the company and are generally caused by changes in interest rates.

Market risk monitoring is done by the management in conjunction with the Board of directors.

Market risk exposures are measured by sensitivity analysis and appropriate management measures instituted.

NYAHURURU WATER & SANITATION COMPANY LIMITED
 REPORTS AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS

1. PROPERTY, PLANT AND EQUIPMENT.

Movement Schedule	Sewer & water system	Motor Vehicles	Furniture, Fittings & Equipments	Computer Equipment	Tools	Office Design	Generator	Total
2014-2015	2.5%	25.0%	12.5%	30.0%	33.3%		25.0%	
At 1st July 2015	86,885,721	6,423,720	3,546,874	7,747,640	3,771,989	20,000	1,591,756	109,987,700
Additions	4,723,597	226,000	15,000	576,800	25,600			5,566,997
At 30 June 2016	91,609,318	6,649,720	3,561,874	8,324,440	3,797,589	20,000	1,591,756	115,554,697
DEPRECIATION								-
At 1st July 2015	22,853,697	5,467,345	2,386,256	6,442,174	3,237,836		1,308,458	41,695,766
Charge For the Period	1,718,891	295,594	146,952	564,680	186,398	-	70,825	2,983,339
At 30 June 2016	24,572,588	5,762,939	2,533,208	7,006,854	3,424,234	-	1,379,283	44,679,105
At 1st July 2015	64,032,024	956,375	1,160,618	1,305,466	534,153	20,000	283,298	68,291,934
At 30th June 2016	67,036,730	886,781	1,028,666	1,317,586	373,355	20,000	212,474	70,875,592

(ii) Depreciation rates applicable

Generator	25%
Computer equipments	30%
Furniture, fixtures and fittings	12.5%
Tools	33.3%
Office Equipment	12.5%
Water & sewer system	2.5%

2. RELATED PARTIES

The company relates to the National Government through the Ministry of Water & Irrigation which sets policy guidelines. Further on, the company draws its shareholders from the Laikipia County Government who participate in the AGM. In addition, the company is licensed, monitored and supervised by Northern Water Services Board

Key Management Compensation: The remuneration of the company employees and other key management during the year were as follows:

	2015/2016 kshs	2014/2015 kshs
Personnel Costs	74,857,771	67,511,638
Directors Allowances	2,313,350	1,508,500

NYAHURURU WATER & SANITATION COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2016

	JUNE 2015/2016 KSHS	JUNE 2014/2015 KSHS
3. INVENTORIES		
Stationery	575,310	317,915
Cleaning	71,645	35,190
Chemicals	402,169	472,754
Staff tea	30,324	1,617
Fittings	3,130,293	5,580,073
Closing inventory totals	4,209,741	6,407,548
4. RECEIVABLES		
Opening balance	38,527,595	23,464,354
Add: Total billings	162,179,325	146,060,173
Less: Total collections	(157,398,158)	(130,996,932)
Total Trade Receivables	43,308,762	38,527,595
Sundry Debtors(Laikipia county)	17,092,141	
Provision for doubtful debts	(1,326,145)	(1,179,743)
Prepayments and others (5)	3,571,814	10,553,331
Total receivables	62,646,572	47,901,184
5. PREPAYMENTS & OTHERS		
(a). Prepayments		
Insurance	3,191,443	-
Leave allowance	355,756	-
Office rent	-	-
	3,547,199	-
(b). Others		
Loans & Advances	24,616	-
Outstanding VAT Claim		10,553,331
	24,616	10,553,331
Grand Total	3,571,814	10,553,331
6. (a). CASH & CASH EQUIVALENTS		
Cash in Hand	27,985	104,604
Fixed Deposit investment	1,008,200	1,008,200
coop-maina	168,912	
coop-rumuruti	1,986,484	
Family bank	10,950	
Equity Bank	2,022,802	3,147,051
Equity Bank	187,935	
Sub Totals	5,413,268	4,259,855
6 (b). OVERDRAWN CASHBOOK BALANCE		
Cooperative Bank (Current Account)	(4,251,726)	(4,559,125)
Totals	1,161,542	(299,270)
7. TRADE AND OTHER PAYABLES		
Lease fees and conservancy	8,369,500	10,813,938
Trade creditors	10,432,610	17,146,477
payroll deductions	20,707,334	10,489,610
External auditors	464,000	463,956
Casual wages	10,200	108,505
Rent	263,750	270,000
Gratuity	404,710	1,052,285
Other accruals - agm expenses	600,000	600,000
Accrued leave	504,298	1,120,795
Warma	2,469,135	1,338,057
TOTAL	44,225,537	43,403,622

NYAHURURU WATER & SANITATION COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2016

8. WATER DEPOSITS

Opening balance
 Collected
 Paid \Refunded

JUNE 2015/2016 KSHS	JUNE 2014/2015 KSHS
17,092,141	15,681,466
3,705,700	2,033,700
(654,110)	(623,025)
<u>20,143,731</u>	<u>17,092,141</u>

9. SHARE CAPITAL

Authorised Share Capital: 5,000 Ordinary Shares @ Kshs.20
 Issued and fully Paid-up : 5,000 Ordinary Shares @ Kshs.20

100,000	100,000
100,000	100,000

10. REVENUE RESERVES

Constitute of the sum of accumulated deficits and surpluses over the years.

Balance at 1st july

(18,159,116)	(19,105,723)
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Prior year adjustment

-	-
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Net Profit/(loss) After Tax

(4,373,593)	946,606
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Balance at 30th june

<u>(22,532,709)</u>	<u>(18,159,116)</u>
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11. CAPITAL RESERVES

Amount charged to county for water deposits balances as per resolution

17,092,141

Constitute the reconciling difference between assets and liabilities

79,864,749

during handover from the municipal council to the company.

79,864,749

12. INSTITUTIONAL CAPACITY GRANT

96,956,890

The following items were received from Northern Water Services Board during the year:

79,864,749

Item Description

Quantity

(i).Meters:Volumetric Water Meters (Various sizes)
 :Prepaid Water Meters

(ii). Office Furniture & fittings were supplied

(iii). Laboratory equipments

13. ADB Funded Project

The ADB funded project for the rehabilitation of Water and Sewer treatment works and distribution networks was completed during the financial year.

The assets were handed over to Northern water services board the assets holders as per the SPA

Contract Data

Water Component - (NWSB/ICB/CW/006/2011-2012)

Sewerage Component - (NWSB/ICB/CW/007/2011-2012)

Total Contract Amount

14. REVENUE (TURNOVER)

- (a). Total Billings for the year
 (b). Subsidies for the year
 c). Other Income for the year

162,179,325

146,060,173

16,079,726

8,073,081

178,259,051

154,133,254

NYAHURURU WATER & SANITATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	<u>JUNE</u> 2015/2016	<u>JUNE</u> 2014/2015
	<u>ksh</u>	<u>ksh</u>
15(a) DIRECT COST OF SALES		
Chemicals costs	13,267,478.08	10,151,791.00
Electricity-technical	24,449,547.75	17,305,583.00
TOTAL COST OF SALES	37,717,025.83	27,457,374.00
15(b) Administrative Expenses		
advertising tenders	412,876.80	335,218.00
abstraction fees	1,512,695.22	1,400,681.00
assets lease fees	16,043,314.55	13,871,992.86
wasreb (1%)	1,782,590.51	1,541,332.54
audit fees	464,000.00	464,000.00
legal fees	71,020.00	341,062.00
professional fees	2,514,407.00	1,315,680.00
Full board allowances	1,304,000.00	440,000.00
Directors' functions & workshops	545,350.00	748,500.00
Sub committee Allowances	464,000.00	320,000.00
donations	588,965.00	521,454.00
Office water & lighting	632,003.74	843,782.66
Consumables	119,117.00	2,700.00
Entertainment costs	230,157.00	404,444.00
Licenses and Permits	684,499.00	321,099.00
Cleaning materials	868,108.65	715,570.00
Internet Charges	174,164.68	171,689.00
mobile phone cards	632,650.00	268,500.00
staff tea	1,147,054.50	341,800.00
transport costs	426,244.00	184,690.00
Other expenses-staff welfare	112,978.00	126,066.00
Periodicals and magazines	26,240.00	53,460.00
Printing & stationery	1,458,918.55	1,891,423.00
Rent	1,525,000.00	1,200,000.00
Security costs	5,029,516.00	4,377,200.00
functions,workshops & seminars	646,648.00	3,041,283.00
Sports & equivalents	4,071,315.00	3,256,785.00
Training	392,250.00	350,841.00
membership and subscriptions	5,568.00	75,000.00
Postage and Delivery	113,957.50	238,293.00
Telephone	146,850.00	181,584.16
Lunch allowance	1,795,040.00	1,407,481.27
Night out allowance	3,044,646.00	1,682,190.00
Provision-Agm expenses	300,000.00	300,000.00
VAT Claimable		(2,103,440.00)
Total Administrative Expenses	49,286,144.69	40,632,361.49

15(c) Operations and maintenance		
motor vehicles and others fuel	1,857,156.00	627,398.00
Exhausting-tractor/truck fuel	634,404.30	1,237,081.00
Building repairs	810,764.00	468,095.00
Computer repairs	109,450.00	167,700.00
Insurance costs	1,988,940	665,685.60
electric repairs	212,521.00	99,890.00
Equipment repairs	424,440.00	295,370.00
Manholes repairs	211,570.00	22,445.00
Water pumps repairs	449,680.00	12,500.00
repair & maintenance - (Marmanet)	202,405.00	1,730,351.00
repair materials (pipelines repair)	6,947,210.60	3,428,020.00
casual wages tech	145,900.00	778,329.00
motor vehicle repairs	1,305,642.00	3,085,334.00
Exhauster Repairs-tractor /truck	627,930.00	902,570.00
Uniforms	1,084,350.00	566,609.00
Provision for doubtful debts	146,402.00	254,302.00
Depreciation Charge provision	2,983,338.57	3,047,035.16
Total Operation & Maintenance	20,142,103.21	17,388,714.76
15(d) Personnel Costs		
Christmas bonus		204,000.00
Admin leave allowance	498,742.00	290,221.00
Comm leave allowance	486,798.00	125,368.00
marmanet leave allowance	66,423.00	63,801.00
Leave allowance (Tech)	693,212.00	125,906.00
Nssf contribution-Emp. Cont.	325,400.00	1,311,788.00
Provident Fund-Emp. Cont.	2,091,228.33	2,507,499.00
Marmanet pension-Emp. Cont.	212,029.80	418,950.00
Gratuity	1,334,334.46	988,080.00
Casual wages -adm		2,750.00
Casual wages -comm	39,500.00	359,286.00
Casual wages -marmanet	69,650.00	262,656.00
Lunch & Night out Allowance(Exhausting)	512,654.00	349,400.00
Cash handling allowance	50,400.00	151,600.00
Debt control allowances	40,600.00	88,300.00
extraneous allowances	429,330.00	161,123.00
marmanet staff allowances	4,000.00	64,835.00
Salaries	68,003,469.28	60,036,075.33
Total Personnel Costs	74,857,770.87	67,511,638.33
15(e) Finance costs		
Bank charges	629,599.06	196,559.00
GRAND TOTAL	182,632,643.66	153,186,647.58

NYAHURURU WATER & SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

16. TAX COMPUTATION

JUNE
2015/2016

KSHS

TAXATION

This is calculated on taxable profit at 30%

Profit/(loss) as per accounts	(4,373,593)
ADD:	
Prior Year Adjustment	-
Depreciation	2,983,339
Less: wear & tear	(2,983,339)
Adjusted tax profit (loss)	(4,373,593)
Profit (loss) b/f	(18,159,117)
Loss c/f	(22,532,710)
Corporation Tax Payable @30%	-

NYAHURURU WATER & SANITATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	<u>JUNE</u>	<u>JUNE</u>
(Appendix 1)	,2015/2016	2014/2015
<u>Turnover</u>		
<u>Billings</u>	<u>KSHS</u>	<u>KSHS</u>
July 2015	12,967,417.00	11,906,362.00
Aug 2015	12,531,083.00	11,921,744.00
Sep 2015	13,119,426.00	11,314,639.00
Oct 2015	14,855,078.00	11,921,511.00
Nov 2015	14,616,613.00	12,083,852.00
Dec 2015	12,689,489.00	10,708,766.00
Jan 2016	13,093,265.00	13,180,979.00
Feb 2016	14,382,331.00	14,038,004.00
Mar 2016	15,826,931.00	14,279,171.00
Apr 2016	15,789,668.00	14,036,587.00
May 2016	13,938,778.00	13,778,307.00
June 2016	14,490,146.00	13,665,851.00
LESS: Conservancy	(6,120,900.00)	(6,775,600.00)
Annual Billing	162,179,325.00	146,060,173.00
<u>other income</u>		
Rent	469,912.00	380,700.00
Revenue stamps sales	85,062.00	
Commission on conservancy	153,022.50	139,222.00
water and exhausting -county	3,111,851.00	
Exhauster charges	2,441,000.00	2,515,800.00
mileage	885,678.00	1,066,202.00
Miscellaneous income	419,459.00	-
penalty & fines	1,701,854.00	356,300.00
reconnection charges	3,925,100.00	757,003.00
sale of application forms		15,050.00
sale of drums	10,450.00	6,650.00
sale of water	349,124.00	312,134.00
Meter rentals		
search fee		1,750.00
sewer connection charges	270,250.00	411,446.00
Interest income on deposit		8,200.00
sewer inspection charges	84,000.00	30,750.00
unblocking fees	47,814.00	26,300.00
water connection charges	2,118,149.00	2,045,574.00
Tender sales	7,000.00	
<i>Total Other Income</i>	16,079,725.50	8,073,081.00
Total income	178,259,050.50	154,133,254.00