

REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
LIMURU WATER AND SEWERAGE COMPANY  
LIMITED**

**FOR THE YEAR ENDED  
30 JUNE 2015**



**LIMURU WATER AND SEWERAGE COMPANY LTD**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2015**

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

*Limuru Water and Sewerage Company Ltd*

**Reports and Financial Statements  
For the year ended June 30, 2014**

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**Reports and Financial Statements  
For the year ended June 30, 2015**

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**KEY ENTITY INFORMATION**

**Background information**

Limuru Water and Sewerage Company Limited was incorporated on 13<sup>th</sup> March 2006 under the Companies Act (Cap. 486) and is one of the agents appointed by the Athi Water Services Board (AWSB). The Company is responsible for the efficient and economical provision of water and sewerage services.

The Company is registered as a Private Company Limited by Shares. The Company is wholly owned by County Government of Kiambu and is Governed by a memorandum and articles of Association.

**Vision**

The Company's vision is to be the centre of excellence in the provision of water and sewerage services within our area of jurisdiction.

**Mission**

The mission is to provide adequate and quality water and efficient sewerage services to the satisfaction of our customers within our area of jurisdiction

**Principal Activities**

The principal activity of Limuru Water and Sewerage Company is to ensure efficient and effective provision of water and sewerage services in our area of jurisdiction. The mandate and objective of Limuru Water and Sewerage Company is enshrined in the memorandum and articles of association. The principal objective of the company is to carry out the business of water and sewerage services provision within the area under its Jurisdiction as provided for in the Service Provision Agreement with Athi Water Services Board.

The key objects of the company as enumerated in the Memorandum and Articles of Association includes :

1. Carrying on business of water and sewerage services in Limuru and Lari Districts
2. Managing the assets leased to the company by the Athi Water Services Board (AWSB) and now owned by County Government of Kiambu.
3. The Company is responsible for the Operations of Limuru Sewerage Plant, Bathi Water Treatment Plant, Kijabe Water Supply and Boreholes in Limuru and Lari Districts

*Limuru Water and Sewerage Company Ltd*

**Reports and Financial Statements  
For the year ended June 30, 2015**

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**KEY ENTITY INFORMATION Continues..)**

**Registered Officer**

Maji Centre Building  
Hospital Road  
P.O. Box 1286-00217  
Limuru, Kenya

**Corporate Headquarters**

P.O. Box 1286-00217  
Maji Centre Building  
Hospital Road  
Limuru, KENYA

**Corporate Contacts**

Telephone: (254) 725054212  
E-mail: [liwaseco@yahoo.com](mailto:liwaseco@yahoo.com)

**Corporate Bankers**

Kenya Commercial Bank  
Limuru Branch  
P.O Box 00217  
Limuru

**Independent Auditors**

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

**Principal Legal Advisers**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

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**Board of Directors**





The Directors who served the entity during 2014-2015 Financial year were as follows:

1. Mr. George K Ruria( Chairman B.O.D) - Appointed on 1<sup>st</sup> October 2013
2. Mrs. Margaret W Maina (Managing Director)
3. Prof. Steven G. Njuguna - Left on 1<sup>st</sup> October 2013  
- Appointed on 1<sup>st</sup> July 2014
4. Mrs. Helima Wangari Ngure - Appointed on 1<sup>st</sup> October 2013
5. Mr. Joseph N Mbugua - Left on 1<sup>st</sup> October 2013  
- Appointed on 1<sup>st</sup> July 2014
6. Mr. Nelson A T Okenye - Appointed on 1<sup>st</sup> October 2013  
- Left on 29<sup>th</sup> September 2013
7. Mr. Francis Ndirangu - Appointed on 1<sup>st</sup> October 2013  
- Left on 1<sup>st</sup> July 2014
8. Mrs. Esther Njuguna - Appointed on 1<sup>st</sup> October 2013  
- Left on 1<sup>st</sup> July 2014
9. Eng. Lucas Wahinya - Appointed on 1<sup>st</sup> July 2014
10. Mr. Peter Kubunya - Alternate to Mr. Lucas Wahinya
11. Rev. Lydia Kamau - Appointed on 1<sup>st</sup> July 2014
12. Mr. Harrison Njaaga Ngigi - Appointed on 1<sup>st</sup> July 2014
13. Mrs. Joyce W Gathuku - Appointed on 1<sup>st</sup> July 2014  
- Left on 29<sup>th</sup> September 2014
14. Mr. Steven Kiiru - Appointed on 29<sup>th</sup> September 2014
15. Ms. Justa Mwangi - Appointed on 29<sup>th</sup> September 2014  
- Left on 23<sup>rd</sup> March 2015
16. Mr. Justus Gicobi Mucira - Appointed on 23<sup>rd</sup> March 2015

**THE BOARD OF DIRECTORS**


 <p>1. Mr. George K Ruria</p>	<p><b>Date of Birth:</b>24/07/1942  <b>Key Qualifications:</b>                  B.Com(Honours)2<sup>nd</sup> Upper Division(Accounting Option)                  Member of Association of certified Accountants.  <b>Work Experience:</b>                  Have extensive knowledge in area of accounting, finance and auditing having worked in several companies as an accountant and Financial Controller.                  Management of Tigoni Water project.</p>
 <p>2. Mrs. Margaret W Maina</p>	<p><b>Date of Birth</b>  <u>Managing Director</u>  <b>Key Qualifications:</b>                  -Water Chemist-MSc. Public health (Kenyatta University) Continuing.                  -Bachelor of philosophy Applied Biology (Technical University).  <b>Experience:</b>                  28yrs experience in water sector i.e. Min. of water, NWSC, AWSB and Limuru water &amp; sewerage company.</p>
 <p>3. Professor Steven Njuguna</p>	<p><b>Date of Birth:</b>12/09/1950  <b>Key Qualifications:</b>                  PHD Aquatic Ecology, University of Nairobi.(1983)  <b>Work Experience:</b>                  Associate Professor                  Department of Environmental Science                  Kenyatta University.</p>
 <p>4. Rev Lydia Kamau</p>	<p><b>Date of Birth:</b>  <b>Key Qualifications:</b>  <b>Work Experience:</b>                  -1968-1997: Barclays bank (Rose from clerical to managerial position).                  -C.E.O Elshaddai children centre.                  -Pastoring work at Christ at work ministries (Limuru).                  -Awarded Head of state Commendation (HSC).</p>

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For the year ended June 30, 2015




 <p>5. Mr. Harrison Njaaga</p>	<p><b>Date of Birth:</b>27/07/1976  <b>Key Qualifications:</b> MBA-Nairobi University.                  BED Arts-Nairobi University.  <b>Work Experience:</b>  <b>2000-2002:</b>Vision Christian College                  Limuru(Lecturing CPA)  <b>2002-2004:</b>Enkare Naruowa girls school Narok                  (Business Studies teacher)  <b>2004 to date:</b> Ndungu girl's secondary school                  Limuru (Business studies teacher).</p>
 <p>6. Mrs. Helima Ngure</p>	<p><b>Date of Birth:</b>23/07/1962  <b>Key Qualifications:</b>                  Full secretarial course passed in advanced                  level.(Commercial college)  <b>Work Experience:</b>                  Secretary in various institutions.                  Director Kongothiria water project.</p>
 <p>7. Mr. Joseph N Mbugua</p>	<p><b>Date of Birth:</b>03/01/1947  <b>Key Qualifications:</b>                  Technical Training-Kenya Government central                  workshop &amp; mechanical school, attained;                  Government trade test grade 3                  Motor mechanic &amp; plant mechanic grade 3.  <b>Work Experience:</b>                  Worked in the airline industry in various companies                  in the capacity of station engineer and maintenance                  supervisor line station.</p>
 <p>8. Mr. Stephen Kiiru</p>	<p><b>Date of Birth:</b>  <b>Key Qualifications:</b> MBA Strategic Management                  (KEMU).                  -BA Health Services&amp; Social Services (University of                  South Africa).                  -Diploma Business Management (KIM).  <b>Work Experience:</b>                  -Policy Development, planning &amp; Implementation.                  -Public Administration.                  -Solid waste Management.                  -Human Resource Management.</p>

*Limuru Water and Sewerage Company Ltd*





**Reports and Financial Statements  
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	<p><b>Date of Birth:</b> <b>Key Qualifications:</b> <b>Work Experience:</b></p>
9. Mr. Justus G Mucira	<p><b>Date of Birth:</b></p> <p><b>Key Qualifications:</b> Bachelor of science in civil Engineering(UON) -Registered Engineer (ERB). -Member of Institute of Engineers of Kenya.</p> <p><b>Work Experience:</b> Several years Experience in the water sector(NWCPC, Kikuyu Water Company &amp;Kiambu County Government)</p>
10. Eng. Lucas Wahinya	<p><b>Date of Birth:</b> <b>Key Qualifications</b> <b>Work Experience:</b></p>
11. Mr. Peter M Kubunya	<p><b>Date of Birth:</b> <b>Key Qualifications:</b> <b>Work Experience:</b></p>
12. Ms. Justa Mwangi	<p><b>Date of Birth:</b> <b>Key Qualifications:</b> <b>Work Experience:</b></p>

Reports and Financial Statements  
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 <p>13. Mrs. Joyce W Gathuku</p>	<p><b>Date of Birth:</b> November 1969</p> <p><b>Key Qualifications:</b> CPS(K)</p> <p><b>Work Experience:</b> -Worked in administrative position in various areas. -Currently Lari Sub-County Administrator</p>
 <p>14. Mr. Nelson A T Okenye</p>	<p><b>Date of Birth:</b>31/12/1964</p> <p><b>Key Qualifications:</b> DBA at Washington International University M.Com and B.Com at DAVV University Diploma in M.A and B.M. at I.M.T Research Institute</p> <p><b>Work Experience:</b> 17Years -Administrator – County Government of Kiambu. -Finance &amp; Administrative Officer in -Limuru Municipal Council, Garissa County Council, Kajiando Town Council and Iten Town Council.</p>
 <p>15. Mr. Francis Ndirangu</p>	<p><b>Date of Birth:</b>07/08/1960</p> <p><b>Key Qualifications:</b> PHD-Human resource Management and Organizational theory and behaviour.(University of Nairobi)</p> <p><b>Work Experience:</b> Town Clerk-Limuru Municipal Council. HOD/Director social services and Housing-Thika municipal council. Municipal Education Officer-Thika Municipal council.</p>
 <p>16.Mrs. Esther Njuguna</p>	<p><b>Date of Birth:</b> 10/2/1962</p> <p><b>Key Qualifications:</b> OD &amp; HND Water Engineering ( Kenya Polytechnic) BSc. Soil, Water and Environment Engineer (JKUAT), MA Project Planning and Management (UON)</p> <p><b>Work Experience:</b> ( 30 Years) -Operations Manager – EPZA Water and Sewerage - Department, Managing Director Gatundu South Water Company, -CECM Water, Environment and Natural Resources- Kiambu County</p>

**MANAGEMENT TEAM**

<p>1. Margaret W Maina</p> 	<p><u>Managing Director</u> <b>Professional Qualifications:</b> -Water Chemist-Msc.Public health (Kenyatta University) Continuing. -Bachelor of philosophy Applied Biology (Technical University). <b>Experience:</b> 28yrs experience in water sector i.e. Min. of water, NWSC, AWSB and Limuru water &amp; sewerage company.</p>
<p>2. Charles Wahogo Muiuru</p> 	<p><u>Finance and Administration Manager</u> <b>Professional Qualifications:</b> Accountant <b>Academic Qualifications:</b> CPA Part Two B.E.D, Accounts and Economics(U.O.N) <b>Experience:</b> 12yrs Experience in water sector and different institutions</p>
<p>3. Teresia N Mwaura</p> 	<p><u>Technical Manager</u> <b>Professional Qualifications:</b> Diploma Water Engineering-Kenya Polytechnic. -Higher diploma construction-Kenya Polytechnic. <b>Academic Qualifications:</b> A-Level-St Brigid's Kitale <b>Experience:</b> 29yrs experience in water sector i.e. Ministry of water &amp; Limuru Water.</p>
<p>4. Joseph M Kyule</p> 	<p><u>Commercial Manager</u> <b>Professional Qualifications:</b> Diploma-Water Technology(KEWI) <b>Academic Qualifications:</b> A-Level-Kenyatta High School Mwatate <b>Experience:</b> 25yrs Experience in water sector in different institutions i.e. Min. Water,AWSB,NWCPC, Limuru water &amp; Sewerage Ltd.</p>

**Reports and Financial Statements  
For the year ended June 30, 2015**

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**CHAIRMAN'S STATEMENT.**

**1. INTRODUCTION**

It is my pleasure to present to you and overview of our Company's performance in this financial year 2014/2015.

**1.1 AREA OF COVERAGE**

The Company's area of coverage has since changed from what we had during inception to enable us serve all the areas in Limuru sub-County and part of the western part of Lari Sub-County. The area covered is 286 Km<sup>2</sup> with a total population of 280,000. The Company is divided in three administrative schemes namely, Limuru, Bathi (Bathi, Kijabe, Uplands,) and Thigio. The Company has partnered with some community water projects, Bibirioni and Kamirithu through a third party service provincial agreement to supply water in our area of jurisdiction and improve on the coverage.

**1.2 PERFORMANCE**

Within the financial year, the Company celebrated 9 years since its inception on 13<sup>th</sup> March 2006. Within the period one of our milestone project, Misri-Karanjee water project was commissioned which was under WSTF financing and its objective was to increase water in Karanjee and Misiri Estates. Karambaini Water Project is another community project which was initiated by the Company and completed and commissioned to supply water to the residents of Karambaini Location.

Roromo boreholes were also drilled within this period with very good water yields of about 160m/hr. These were done through a contract under AWSB through drought mitigation program of the World Bank. These boreholes will supply water to Thigio and will go a long way in enhancing the supply of water in this scheme.

Just like in the previous year, 2014/2015 financial year had its challenges with high cost of production due to high electricity bills which have impacted negatively on our balance sheet. It is hoped that things will stabilize with the expected improvement in the general economic activities of our Country. However, increasing electricity bills by KPLC had a negative impact on the revenue generated and also the Company sustainability since we were operating with the same tariffs for the past 5 years.

**1.3 APPRECIATION**

Finally, on behalf of the Board of Directors I would like to appreciate and thank all our stakeholders for their support and we are delighted to be associated with them in many different ways. I would like to thank our esteemed customers for their loyalty and the County Government of Kiambu for the trust they have given us to serve. Thank you

**REPORT OF THE MANAGING DIRECTOR**

**1. INTRODUCTION**

It gives me great pleasure to present this report on behalf of the Management Team the financial year 2014/2015.

**1.1 PERFORMANCE**

The Company performance in the previous year was very good compared to the previous year in the IMPACT report our regulator, WASREB. In the medium category of the WSPs, our Company was number 2 and nationally out of 63 urban WSPs, our Company was number 10. This was a great achievement and we are hoping to do even better this financial year.

**1.2 INFRASTRUCTURE DEVELOPMENTS**

To increase coverage the Company initiated laying of pipes in the tree schemes to make sure that more people get water at their household levels where 25.75 km were laid with pipes of assorted sizes. This increased number of connections by 311 new connections. The Company also procured 800 consumer meters for new connections and replacement of non-working meters. This was aimed at reducing non-revenue water from 33% to 30%.

The developments are as shown.

The Company completed constructed 100m<sup>3</sup> ground masonry tank for a new water project at Karambaini. The project was financed by AWSB Kshs 1.6 million and the Company contributed Kshs.1.6 million from internally generated funds. The Company also paid power connection fee to KPLC. After completion of the project, the Company is targeting to service 3,584 people, with 900 connections.

**1.3 APPRECIATION**

The financial year 2014/2015 was a good year despite the challenges of the NRV which we are committed to sort out. The commitment and teamwork exhibited by all the members of staff cannot be ignored which has translated to good working relationships. To all of us, let us keep our spirits high to serve our customers beyond their expectations. Thank you.

**Reports and Financial Statements  
For the year ended June 30, 2015**

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**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

**GITITHIA SECONDARY SCHOOL**

During the financial year Limuru Water and Sewerage Company Limited contributed Kshs 7,000 to Gitithia Secondary School towards raising funds in support of bright but very needy girls and boys. This was as a result of an invitation and a report from the school which showed that over 30 students are total orphans, 36 are partial orphan while many other hails from poor background.

These students cannot raise school fees and personal upkeep and that is why Limuru water and sewerage came in to support them through the school endowment fund/ program which address the challenge and enable these bright students to continue learning without interruption.

**KIRIRI PRIMARY SCHOOL-ADOPT A SCHOOL**

Limuru water and sewerage company limited identified Kiriri Primary School as one of the school that it will adopt and therefore help the school to improve its performance through the adopt a school initiative.

In the process of adopt a school initiative the company committed its self to help the needy pupils by supporting them with reference books, learning materials like geometric set, uniform and support the clinic day.

During the financial year the company bought some uniforms worth Kshs 34,270. The uniform was to be given to the needy girls and boys so that they don't drop out of the school and they also feel being part of the others who can afford the uniform. The uniform the company bought comprised of dresses for young needy girls, khaki shorts for young needy boys, pullovers and khaki shirts.

During the financial year the company also financed the clinic day for the school and spent Kshs 28,704 for purchase of snacks during the school clinic day. The lunches were for the teachers, the pupils and the parents involved. The clinic day brings together the teachers, pupils and the parents to evaluate the performance of the pupils which also improves the performance of the school.

**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 Limuru Water and Sewerage Company's affairs.

**Principal activities**

The principal activities of the entity are provision of water and sewerage services in Limuru and Lari Districts as indicated in the Company's Articles and Memorandum of Association.

**Results**

The results of the entity for the year ended June 30, 2015 are set out on pages 16-19.

**Dividends**

The Directors do not recommend payment of any dividend for the year ended 30<sup>th</sup> June 2015.

**Directors**

The members of the Board of Directors who served during the year are shown on page 4 to 8 In accordance with Regulation of Company's Articles of Association,


**Auditors**

The Auditor General is responsible for the statutory audit of Limuru Water and Sewerage Company in accordance with the Section 15 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.

**By Order of the Board**

Mr. George K Ruria

Sign



**Chairman Board of Directors**

28<sup>th</sup> September 2015

**Reports and Financial Statements  
For the year ended June 30, 2015**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 15 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of Limuru Water and Sewerage Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of Limuru Water and Sewerage Company Ltd.

The Directors are responsible for the preparation and presentation of Limuru Water and Sewerage Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year 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 the entity; (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 the Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Company 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 the Company financial statements give a true and fair view of the state of Company transactions during the financial year ended June 30, 2015, and of the Company financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company'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 Limuru Water and Sewerage Company Ltd will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

Limuru Water and Sewerage Company's financial statements were approved by the Board on 28<sup>th</sup> September 2015 and signed on its behalf by:

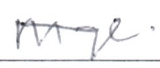
Mr. George K Ruria

  
Chairman Board of Director

Rev. Lydia Kamau

  
Director

Mrs. Margaret W Maina

  
Managing Director

# REPUBLIC OF KENYA

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NAIROBI



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR GENERAL ON LIMURU WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2015

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Limuru Water and Sewerage Company Limited set out on pages 14 to 34, which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

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

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

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

My responsibility is to express an independent 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 the 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

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*Limuru Water and Sewerage Company Limited – Annual Report and Financial Statements for the year ended 30 June 2015*

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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**

#### **Trade and Other Receivables**

As previously reported in 2013/2014, note 10 to the financial statements reflects gross Trade and Other Receivables amounting to Kshs.35,370,469 as at 30 June 2015, and out of this figure the Company made a provision of Kshs.22,334,635 for bad and doubtful debts. However, no age analysis and Board approval for the provision for bad and doubtful debts was made available for audit review.

Consequently, the accuracy of the trade and other receivables balance of Kshs.13,852,071 as at 30 June 2015 could not be confirmed.

### **Qualified Opinion**

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Limuru Water and Sewerage Company Ltd as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2002 and the Kenyan Companies Act.

### **Other Matter**

#### **1. Going Concern**

During the year under review, the company recorded a deficit of Kshs.6,582,615 (2013/2014 deficit of Kshs.2,339,097), which increased the accumulated loss from Kshs.21,403,676 as at 30 June 2015 to Kshs.27,986,291 as at 30 June, 2015.

Further, current liabilities balance of Kshs.24,145,131 exceeded the total current assets balance of Kshs.16,308,872 by a negative working capital of Kshs.7,836,259 as at 30 June 2015. This is an indication that the company may be experiencing difficulties in meeting its obligations as and when they fall due. The Company's financial position is

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

## **2. Unaccounted For Water**

During the year under review, the company produced 1,303,199 cubic meters (m<sup>3</sup>) of water supply and out of this volume only 884,268m<sup>3</sup> were billed to customers. The balance of 418,931m<sup>3</sup> or approximately 32% of the total volume represented Unaccounted for (UFW) which is 7% over and above the allowable loss of 25% in accordance with Water Services Regulatory Board guidelines. The UFW of 418,931m<sup>3</sup> may have resulted in loss of sales estimated at Kshs 25,135,860. The significant level of UFW may negatively impact on the Company's profitability and its long term sustainability.

My opinion is not qualified in respect of these matters.

## **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**

**Reports and Financial Statements  
For the year ended June 30, 2015****STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2015	2014
<b><u>INCOME</u></b>		<b>Kshs</b>	<b>Kshs</b>
Operating Income	1	84,093,175	80,013,013
Grant Income	2	-	2,845,125
		<b><u>84,093,175</u></b>	<b><u>82,858,139</u></b>
<b><u>EXPENSES</u></b>			
Staff Costs	3	29,194,719	26,448,746
Operations Costs	4	36,093,675	36,911,896
Administration Costs	5	9,185,345	8,360,521
General Expenses	6	13,793,614	11,868,515
Board Expenses	7	2,408,437	1,607,557
		<b><u>90,675,790</u></b>	<b><u>85,197,235</u></b>
<b><u>DEFICIT FOR THE YEAR</u></b>		<b><u>(6,582,615)</u></b>	<b><u>(2,339,097)</u></b>

*Limuru Water and Sewerage Company Ltd*

**Reports and Financial Statements  
For the year ended June 30, 2015**

**STATEMENT OF FINANCIAL POSITION**

	Notes	2015 Kshs	2014 Kshs
<b><u>NON-CURRENT ASSETS</u></b>			
Property, Plant and Equipment's	8	18,798,051	15,290,227
		<b>18,798,051</b>	<b>15,290,227</b>
<b><u>CURRENT ASSETS</u></b>			
Trade and Other Receivables	10	13,852,071	15,563,417
Cash and Cash Equivalent	11	2,320,401	4,406,301
Inventories	9	136,400	30,546
<b>TOTAL CURRENT ASSETS</b>		<b>16,308,872</b>	<b>20,000,264</b>
<b><u>LESS CURRENT LIABILITIES</u></b>			
Customer Deposits	16	7,027,000	6,227,500
Trade and Other Payables	15	17,118,131	11,518,585
<b>TOTAL CURRENT LIABILITES</b>		<b>24,145,131</b>	<b>17,746,085</b>
<b><u>NET CURRENT ASSETS</u></b>		<b>(7,836,259)</b>	<b>2,254,179</b>
<b><u>TOTAL ASSETS</u></b>		<b>10,961,792</b>	<b>17,544,407</b>
<b><u>FINANCED BY</u></b>			
Share Capital	12	40	40
Revenue Reserve	14	(27,986,291)	(21,403,676)
Capital Reserve	13	38,948,043	38,948,043
		<b>10,961,792</b>	<b>17,544,407</b>

The financial statements were approved by the Board on 28<sup>th</sup> September 2015 and signed on its behalf by:

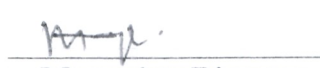
Mr. George K Ruria

  
Chairman Board Director

Rev. Lydia Kamau

  
Director

Mrs. Margaret W Maina

  
Managing Director

**Reports and Financial Statements  
For the year ended June 30, 2015**
**STATEMENT OF CHANGES IN EQUITY**

	<b>Share Capital</b>	<b>Revenue Reserves</b>	<b>Capital Reserves</b>	<b>Total Amount</b>
	Kshs	Kshs	Kshs	Kshs
Balance as at 1st July 2013	40	(19,064,580)	38,948,043	19,883,503
Deficit for the year 2013-2014	-	(2,339,097)	-	(2,339,097)
Balance as at 30th June 2014	40	(21,403,676)	38,948,043	17,544,407
Balance as at 1st July 2014	40	(21,403,676)	38,948,043	17,544,407
Deficit for the year 2014-2015	-	(6,582,615)	-	(6,582,615)
Balance as at 30th June 2015	40	(27,986,291)	38,948,043	10,961,792

*Limuru Water and Sewerage Company Ltd*

**Reports and Financial Statements  
For the year ended June 30, 2015**

**STATEMENT OF CASH FLOWS**

	2015	2014
	Kshs	Kshs
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Deficit for the year before taxation	(6,582,615)	(2,339,097)
Adjustments for: Depreciation	1,832,569	1,479,707
Operating Surplus (Deficit) before working capital changes	<b>(4,750,046)</b>	<b>(859,389)</b>
<b><u>WORKING CAPITAL CHANGES</u></b>		
(Increase) Decrease in Trade and Other Receivables	1,711,346	(2,720,440)
(Increase) Decrease in Inventories	(105,854)	149,364
Increase ( Decrease) in Trade and Other Payables	5,599,547	2,364,213
Increase ( Decrease) in Customer Deposits	799,500	1,134,500
<b>Net Cash Flow from Operating Activities</b>	<b>3,254,493</b>	<b>68,248</b>
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>		
Purchase of Fixed Assets - Note 8	(5,340,393)	(4,618,095)
<b>Net Cash Flow from Investing Activities</b>	<b>(5,340,393)</b>	<b>(4,618,095)</b>
<b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>		
Net Investment from Projects	-	-
<b>Net Cash Flow from Financing Activities</b>	<b>-</b>	<b>-</b>
<b><u>NET CASH INFLOWS (OUTFLOW)</u></b>	<b>(2,085,900)</b>	<b>(4,549,847)</b>
<b>CASH AND CASH EQUIVALENT BROUGHT FORWARD</b>	<b>4,406,301</b>	<b>8,956,148</b>
<b>CASH AND CASH EQUIVALENT CARRIED FORWARD</b>	<b>2,320,401</b>	<b>4,406,301</b>

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

1. **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 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.

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.

2. **Application of new and revised International Financial Reporting Standards (IFRSs)**

(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'. The amendments require retrospective application. The application of the new standard has not had any impact on the disclosures or the amounts recognised in these financial statements as the Company does not have any offsetting arrangements

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Application of new and revised International Financial Reporting Standards (IFRSs) Continues....)**

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial 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. The amendments require retrospective application

The application of the new standard has not had any impact on the disclosures or the amounts recognized in these financial statements as the Company does not have any goodwill or other intangible assets with indefinite useful lives

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Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments require retrospective application.

The application of the new standard has not had any impact on the disclosures or the amounts recognised in these financial statements as the Company does not have any derivatives.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and introduce an exception from the requirement to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is an investment entity when it:

- obtains funds from one or more investors for the purpose of providing them with investment management services;

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**  
**Application of new and revised International Financial Reporting Standards (IFRSs)**  
**Continues....)**

- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities. The application of the new standard has resulted in more extensive disclosures in the consolidated financial statements. (See note 14 for details)

IFRIC 21 Levies

IFRIC 21 addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. IFRIC 21 requires retrospective application.

The application of the new standard has not had any impact on the disclosures or the amounts recognized in these financial statements as the Company did not have any levies accounted for as a liability

(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 14	1 January 2016
IFRS 15	1 January 2017
Amendments to IAS 16 and IAS 38	1 January 2016
Amendments to IFRS 11	1 January 2016

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Company 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 the Company's activities, net of value-added tax (VAT), where applicable, 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) **Grants from National Government** are recognised in the year in which the Company actually receives such grants.
- iii) **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
- iv) **Other income** is recognised as it accrues.

**4. 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-evaluation 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

5. **Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings, tanks and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings, Tanks, Pipeline and civil works	40 years or the unexpired lease period
Plant, Motors and machinery	4 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	8 years
Water Meters	5 Years

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

6. **Critical accounting estimates and judgments**

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain accounting estimates. It also requires directors to exercise judgment in the process of applying the company's accounting policies. In the process of applying the company's accounting policies, directors have made estimates and assumptions that affect the reported amounts of assets and liabilities within current and future financial periods. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical areas of accounting estimates and judgments in relation to the preparation of these financial statements are as set out below:

**(i) Property and equipment**

Critical estimates are made by directors in determining the useful lives of property, plant and equipment based on the intended use and economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Critical accounting estimates and judgments (continues....)**

**(ii) Critical judgments in applying the entity's accounting policies**

In the process of applying the company's accounting policies, the directors have made judgments in determining:

- The classification of financial assets.

7. **Inventories**

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

8. **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.

9. **Taxation**

The Company did not report profits so it was not liable for income tax.

10. **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call accounted for at the end of financial year.

11. **Trade and other payables**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

12. **Retirement benefit obligations**

The company adopted three defined pensions' schemes namely Local Authorities Pension Fund (Currently County Pension Fund-CPF), National Water Pension Scheme and Ministry of Water Pension Scheme for all permanent employees.

The schemes are administered by Lap trust, Standard Chartered Bank and British American Insurance respectively. The employees contributes 12% of the Basic salary and house allowance and the employer contributes 15% of the basic salary and house allowance for Laptrust scheme while the employees contribute 7.5% of the basic and house allowance and the employer contributes 15% of the basic and house allowance for both Minisrty of water Pension Scheme and National Water Pension Scheme.

The company also contributes to the statutory National Social Security Fund (NSSF) for employees on employed on casual basis and those on probation. This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.400 per employee per month.

13. **Comparative figures**

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

14. **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.

*Limuru Water and Sewerage Company Ltd*

**Reports and Financial Statements  
For the year ended June 30, 2015**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>1 <u>Operating Income</u></b>	<b>2015 Kshs</b>	<b>2014 Kshs</b>
Billings for the Year	81,894,927	77,802,746
Miscellaneous Income	2,195,905	1,641,900
Commission and Interest Earned	2,343	568,368
	<b><u>84,093,175</u></b>	<b><u>80,013,013</u></b>
<b>2 <u>Grant Income</u></b>		
Electricity Paid by GOK	-	1,073,399
Lap trust	-	100,000
Athi Water Services Board	-	1,671,726
	<b><u>-</u></b>	<b><u>2,845,125</u></b>
<b>3 <u>Staff Costs</u></b>		
Basic Salaries	18,210,060	16,394,040
House Allowance	2,810,818	2,747,356
Company Statutory Contribution	2,794,250	2,904,730
Leave Allowance	206,000	198,000
Medical Allowance	1,575,500	871,200
Other Allowance	2,643,000	2,602,000
Medical Expenses	253,361	285,126
Casual Wages	67,000	114,447
Staff Welfare	634,730	331,847
	<b><u>29,194,719</u></b>	<b><u>26,448,746</u></b>
<b>4 <u>Operations Costs</u></b>		
Electricity - Operations	28,485,123	30,109,036
Maintenance of Water Supply	2,025,230	3,091,560
Maintenance of Sewerage Works	1,352,770	1,414,490
Maintenance of Buildings and Stations	440,073	52,480
Maintenance of Plant and Equipment	2,932,051	1,324,700
Chemicals	858,428	919,630
	<b><u>36,093,675</u></b>	<b><u>36,911,896</u></b>

Reports and Financial Statements  
For the year ended June 30, 2015

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**NOTES TO THE FINANCIAL STATEMENTS (Continues..)**

<b>5 Administration Expenses</b>	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Rent - Office	120,000	286,713
Electricity - Office	183,769	207,378
Transport Expenses - Fuel	1,111,500	1,239,000
Maintenance of Motor Vehicle	499,568	528,422
Telephone	510,796	358,689
Stationery	211,650	155,187
Computer Stationery	136,800	304,409
Printing and Publishing	19,428	21,931
Official Entertainment	156,290	194,410
Agency Fees	563,563	458,075
Billing Fee	1,252,052	1,131,960
Abstruction (WARMA) Fees	1,109,909	531,753
Advertising and Publicity	135,164	185,947
Miscellaneous	265,304	244,834
Postage and Postal Charges	4,080	7,010
Library	30,820	79,550
Audit Fee	232,000	232,000
Fees and other Charges	1,075,260	1,213,317
Bank Charges	75,830	71,417
Staff Uniform	315,375	32,036
Provision for Bad and Doubtful Debts	1,176,187	876,484
	<b><u>9,185,345</u></b>	<b><u>8,360,521</u></b>
<b>6 General Expenses</b>		
Travelling and Accommodation	721,500	704,781
Maintenance of Office Equipment	17,989	318,220
Training and Education	78,825	316,635
Hire of Plant and Vehicles	485,500	464,500
Insurance of Vehicles	238,431	44,260
Security Services	2,160,000	1,522,884
Conference and workshop	1,243,565	414,500
Corporate Social Responsibility	69,974	192,500
WASREB Levy	1,048,714	1,060,701
Lease Fee	5,896,548	5,349,826
Depreciation	1,832,569	1,479,707
	<b><u>13,793,614</u></b>	<b><u>11,868,515</u></b>

*Limuru Water and Sewerage Company Ltd*

**Reports and Financial Statements  
For the year ended June 30, 2015**

**NOTES TO THE FINANCIAL STATEMENTS (Continues..)**

**7 Board Expenses**

	<b>2015</b>	<b>2014</b>
	<b>Kshs</b>	<b>Kshs</b>
Directors Sitting Allowances	2,008,500	1,344,200
Directors Expenses	399,937	263,357
	<b>2,408,437</b>	<b>1,607,557</b>

**8. A. Property, Plant and Equipment Movement Schedule 2013-2014**

COST	Motor Cycle & Vehicle	Land	Meters	Computer	Tanks and Building	Pump & Motors	Pipeline (Water)	WIP	Equipments & Furniture	TOTALS
AT 1ST July 2014	2,521,000	1,308,500	3,938,020	947,970	8,281,380	6,588,485	2,655,560	1,446,066	894,770	28,581,752
Additions			1,120,000		292,250	941,920	1,194,581	1,706,142	85,500	5,340,393
Transfers					293,845			(293,845)		-
At 30th June 2015	2,521,000	1,308,500	5,058,020	947,970	8,867,475	7,530,405	3,850,141	2,858,363	980,270	33,922,144
DEPRECIATION										
AT 1ST July 2014	2,521,000	-	3,938,020	742,637	347,486	4,928,590	331,945	-	481,847	13,291,525
Charge for the Year			224,000	102,667	221,687	1,065,428	96,254		122,534	1,832,569
										-
At 30th June 2015	2,521,000	-	4,162,020	845,304	569,173	5,994,018	428,199	-	604,381	15,124,094
NET BOOK VALUE										
At 30th June 2015	-	1,308,500	896,000	102,666	8,298,302	1,536,388	3,421,942	2,858,363	375,889	18,798,050
At 30th June 2014	-	1,308,500	-	205,333	7,933,894	1,659,895	2,323,615	1,446,066	412,924	15,290,227

**8. B Property, Plant and Equipment Movement Schedule 2014-2015**

COST	Motor Cycle & Vehicle	Land	Meters	Computer	Tanks and Building	Pump & Motors	Pipeline (Water)	WIP	Equipments & Furniture	TOTALS
AT 1ST July 2014	2,521,000	1,308,500	3,938,020	947,970	8,281,380	6,588,485	2,655,560	1,446,066	894,770	28,581,752
Additions			1,120,000		292,250	941,920	1,194,581	1,706,142	85,500	5,340,393
Transfers					293,845			(293,845)		-
At 30th June 2015	2,521,000	1,308,500	5,058,020	947,970	8,867,475	7,530,405	3,850,141	2,858,363	980,270	33,922,144
DEPRECIATION										
AT 1ST July 2014	2,521,000	-	3,938,020	742,637	347,486	4,928,590	331,945	-	481,847	13,291,525
Charge for the Year			224,000	102,667	221,687	1,065,428	96,254		122,534	1,832,569
										-
At 30th June 2015	2,521,000	-	4,162,020	845,304	569,173	5,994,018	428,199	-	604,381	15,124,094
NET BOOK VALUE										
At 30th June 2015	-	1,308,500	896,000	102,666	8,298,302	1,536,388	3,421,942	2,858,363	375,889	18,798,050
At 30th June 2014	-	1,308,500	-	205,333	7,933,894	1,659,895	2,323,615	1,446,066	412,924	15,290,227

**Notional depreciation**

The gross carrying amount of fully depreciated assets still in use as at 30<sup>th</sup> June 2015 was Kshs 2, 521,000, such assets should have attracted depreciation of Kshs 630,250.

**NOTES TO THE FINANCIAL STATEMENTS (Continues..)**

**9 Inventories**

	2015	2014
	Kshs	Kshs
Chlorine HTH 65%	-	9,918
Soda Ash	136,400	20,628
	<u>136,400</u>	<u>30,546</u>

**10 Trade and Other Receivables**

	2015	2014
	Kshs	Kshs
Trade Receivables		
Bata shoe Co Ltd	12,669,963	12,781,789
Limuru Milk Processor	32,408	117,506
Kenya Railways	1,151,798	1,151,798
Lari Police	398,235	523,740
Other Trade Receivables	21,118,065	21,649,249
Total Trade Receivables	<u>35,370,469</u>	<u>36,224,082</u>
Less Specific Provision for Bad and Doubtful Debts	(22,334,635)	(21,158,448)
Non Trade Debtors	201,605	96,000
Deposit for Rent, Electricity and Rural Roads	357,880	337,880
Prepayments	256,752	63,903
<b>Total Trade and Other Receivables</b>	<u><b>13,852,071</b></u>	<u><b>15,563,417</b></u>

**11 Cash And Cash Equivalent**

KCB - Expenditure Account	Cash at Bank	699,095	(158,415)
KCB - Main Revenue Account	Cash at Bank	364,057	2,314,576
KCB - Customer's Deposit Accounts	Cash at Bank	667,779	867,771
Money Market (money at call)		-	4,631
Postal Corporation(Revenue Collecting Agent)		147,850	437,485
Post Bank (Revenue Collecting Agent)		387,519	348,930
Safaricom Limited (Revenue Collecting Agent)		54,004	591,309
Petty Cash Book		98	15
		<u>2,320,401</u>	<u>4,406,301</u>

**12 Ordinary Share Capital**

Authorized: 5,000 Ordinary Shares of Kshs 20 each	<u>100,000</u>	<u>100,000</u>
Issued: 2 Ordinary Shares of Kshs 20 each	<u>40</u>	<u>40</u>

Reports and Financial Statements  
For the year ended June 30, 2015

**NOTES TO THE FINANCIAL STATEMENTS (Continues..)**

**13 Capital Reserve**

Capital reserve represents opening balances of trade debtors when the company started its operations in September 2006 which was inherited from Athi Water Services board and also other trade debtors, cash and liabilities taken over by Limuru Water and Sewerage Company Limited.

**14 Revenue Reserve**

The revenue reserve comprises of Kshs (27,986,291) which is a cumulative of surpluses (deficit) for the previous financial years as shown in page 18. This fund is meant for infrastructure development.

**15 Trade and Other Payables**

	2015	2014
	Kshs	Kshs
Athi Water Services Board	4,012,372	4,012,372
Thika Water & Sewerage Co. Ltd	205,095	194,460
Auditor General	464,000	464,000
Water Resource Management Authority	304,110	284,859
Kenya Power & Lighting Co. Ltd	2,469,106	3,853,702
Kijabe Station Management	85,991	86,568
Gratom Babz Services	-	180,000
Water Services Regulatory Board	786,535	-
Sondot Capital Agencies	39,500	-
MFI Solution	11,600	-
Safaricom Limited	17,400	-
Paymaster General-Directors Allowances PAYE	46,410	50,310
Salaries and Allowances	2,779,464	2,392,315
	<b><u>11,221,583</u></b>	<b><u>11,518,585</u></b>

**16 Customers Deposits**

Opening Customers Deposit Balances	6,227,500	5,093,000
Deposits Received from Customers	799,500	1,222,000
Less Refunds	-	(87,500)
	<b><u>7,027,000</u></b>	<b><u>6,227,500</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (Continues...)**

**17 Financial risk management objectives**

The organisation's overall risk management programme focuses on unpredictability of changes in the operating environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The major types of financial risks faced by the organisation are:

- Market risk
- Credit risk
- Liquidity risk

**Market risk**

- (i) Currency risk: the company is not exposed to such risk
- (ii) Interest rate risk: the company is not exposed to such risk
- (iii) Price risk: the company is not exposed to such risk

**Credit risk management**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the organisation. The organisation measures, monitors and manages credit risk for each receivable. The organisation's credit risk is primarily attributable to bank balances, trade and other receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the organisation's management based on prior experience and their assessment of the current economic environment. The credit risk on trade receivables is limited because the nature of the organisation's business is such that the services provided are not chargeable. The bulk of income to the organisation relates to grants from various donors. The credit risk on grants receivable is limited because funds are sourced from credible donors. The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings.

**Credit risk**

The company's credit risk is primarily attributable to its trade receivable. The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings.

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**NOTES TO THE FINANCIAL STATEMENTS (Continues...)**

**Financial Risk Management Objectives (continues.....)**

The amount that best represents the company's maximum exposure to credit as at year end is made up as follows

As at 30<sup>th</sup> June 2015

	Total Amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
Trade Receivables	35,370,469	13,035,834	-	(22,334,635)
Other Receivables	704,632	704,632	-	-
Cash in bank	2,320,303	2,320,303	-	-
As at 30 <sup>th</sup> June 2014				
Receivables	36,224,082	15,065,634	-	(21,158,448)
Cash in bank	4,406,286	4,406,286	-	-
Other Receivables	497,783	497,783	-	-

**Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors through the senior management of the company. Management has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

The table below shows the maturity analysis of the financial liabilities that affect liquidity:

	Total Amount Kshs	Less than 1month Kshs	Between 1-3months Kshs	Over 3months Kshs
As at 30 <sup>th</sup> June 2015				
Accounts payables	17,118,131	5,449,471	509,205	4,798,907
As at 30 <sup>th</sup> June 2014				
Accounts payables	11,518,585	4,314,730	284,859-	4,476,372

**NOTES TO THE FINANCIAL STATEMENTS (Continues...)**

**18 Related Party Disclosures**

**a. Government of Kenya and County Government of Kiambu**

The Government of Kenya through County Government of Kiambu is the principal shareholder of the Company, holding 100% of the Company's equity interest.

During the financial year County Government of Kiambu had Kshs 598,164 as the pending water bills as at 30<sup>th</sup> June 2015, Water Billed to them during the financial year was Kshs 895,475

There were no other Company's transactions involving the Government of Kenya and County Government of Kiambu.

**b. Directors**

The Directors sitting allowances for the financial year was Kshs 2,008,500 as shown in note 7.

**c. Key Management Staff**

The gross salary for key management staff was Kshs 7,562,900 during the financial year.

**d. Transaction With Staff**

Water billed and sold to staff during the financial year was Kshs 37,745 while the amount of water bill owed to the company by the staff was Kshs 1,235.

**19 Incorporation**

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

