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REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2015**

NYERI WATER & SEWERAGE COMPANY LIMITED



FINANCIAL STATEMENTS FOR THE YEAR ENDED

30TH JUNE, 2015



**NYERI WATER AND SEWERAGE COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30TH JUNE 2015**

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**NYERI WATER AND SEWERAGE COMPANY LIMITED
COMPANY INFORMATION FOR THE YEAR ENDED 30th JUNE 2015**

INCORPORATION

The Company is incorporated under the Kenyan Companies Act. Cap 486.

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

**OFF/KENYATTA ROAD
P.O. BOX 1520-10100
NYERI.**

Tel: 061-2034548, 061-2034623, 061-2034617

Fax: 061-2032734

Email: info@nyewasco.co.ke

Website: www.nyewasco.co.ke

CURRENT DIRECTORS

1. Mr. Joseph M. Wachiuri



Chairman BOD. Joined on 2nd April 2015. **Representing professionals.** He is a holder of MBA (Finance)

2. Robert G. Wanjau



Joined the Board on 2nd April 2015. **Representing business community.** He is a holder of BED (sci) Hons

3. Ms. Purity G. Ngunjiri



Joined the board on 2nd April 2015. **Representing women.** She is a graduate in development studies

4 Mr. Jackson G. Kanyingi



Joined the board on 2nd April 2015. **Representing consumers.** He is a teacher by profession

5. Mr. Walter O. Ogwindo



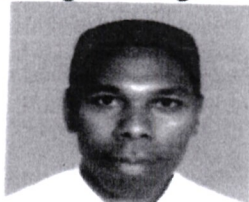
Representing Cabinet Secretary, Ministry of Finance. He is a holder of B.Sc. B, Phil (Economics), Msc (Dev. & Project Planning and Organization)

6. Mr. Stephen N. Githinji



Joined the Board on 17th April 2015. **Representing County Government of Nyeri.** He is a holder of BSC civil Engineering

7. Mr. George Mwangi



Joined the board on 17th April 2015. Representing county Government of Nyeri. He holds Bachelor of development studies

8 Mr. Peter Gichaga



Represents the C.E.O Tana Water Services Board. He is a Certified Public Accountant, Certified Public Secretary and holds Master of Science (Finance) and Master of Business Administration

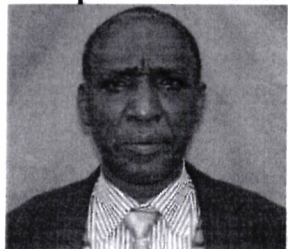
1. Eng. Joseph Muciri



Ag. Managing Director. He holds MBA (JKUAT) Bsc civil Engineering, Dip Business Management (KIM) Registered Engineer. Registered E/A Lead Auditor

RETIRED DIRECTORS

1. Mr. Joseph Nderitu Guandaru



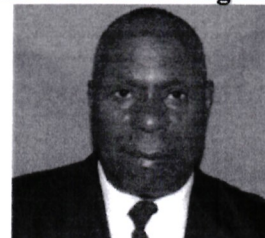
Chairman, Representing Business Community. He is a holder of Diploma (Guidance & Counseling) Cert. Public Relations.

2. Ms. Grace. G Mukuha



Representing Registered Women Organizations (2) Maendeleo ya Wanawake. She is a holder of Degree in Law.

3. Mr. Patrick I. Muguara



Representing Water Consumers/Business Community and he is a holder of E.A.C.E certificate.

4. Ms. Elizabeth M. Wanjau



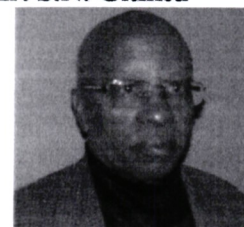
Representing Women. She is a holder of Diploma in Business Management.

5.. Mr. Duncan M. Mathenge



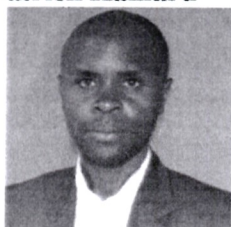
Joined on 20th September 2013. Representing Nyeri County Government. He is a holder of Diploma in Dental Technology

6. Mr. S.N. Githitu



Representing Local Professional Organization. He is a holder of CPA, CPs, DIP (G&C)

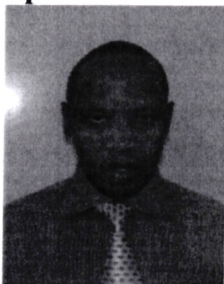
7. Mr. Patrick Kamaru



Representing Resident Organization and Disability Organizations. He is a holder of Bachelor Degree in Business Administration.

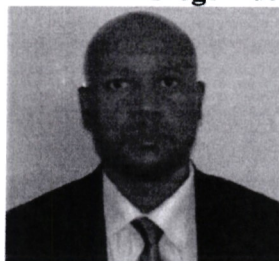
CORPORATE MANAGEMENT TEAM

1. Eng. Joseph Muchiri



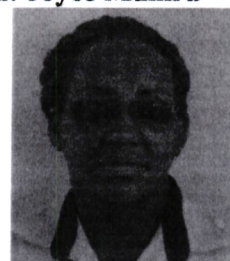
Ag. Managing Director. Holder of MBA (JKUAT), Bsc Civil Engineering (UON), Dip Business Management (KIM), Reg. Engineer, Member of IEK, and Reg EIA Lead Expert.

2. Mr. Samuel Karogo Ndung'u



Head of Finance and Administration. C.P.A.K, C.P.S.K Also holds an MBA in Finance and Bachelor of commerce in Accounts

3. Ms. Joyce Munira



Senior Human Resources and Admin Officer. Holds MBA, BA (HRM) - KU Dip Business Management (KIM)

4. Wilson Mwai Karuga



Chief Internal Auditor, CPA (K), Certified In Risk and Information Control (ISACA), Dip. Technical education

SECRETARY

**Gikuhikiana and Company
P.O. Box 1271-10100,
NYERI.**

ADVOCATES

1. **G.K. Kibira Advocates** 2. **Muthoga Gaturu & Company**
P.O. Box 681-10100, P.O. Box 1294-10100
NYERI. NYERI.

AUDITORS

Auditor General
P.O. Box 30084-00100,
NAIROBI.

BANKERS

1. **Barclays Bank of Kenya Limited** 2. **National Bank of Kenya Limited**
Nyeri Business Centre, Nyeri Branch
P.O. Box 239-10100, P.O. Box 1629-10100
NYERI. NYERI.
3. **Consolidated Bank** 4. **Equity Bank**
Nyeri Branch Nyeri Branch
P.O. Box 10100 P.O. Box 10100
NYERI. Nyeri



NYERI WATER AND SEWERAGE COMPANY LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED
30TH JUNE 2015

The Directors submit their report and the audited financial statements for the Year ended 30th June 2015

1 PRINCIPAL ACTIVITIES

The principal activities of the company are the provision of water and sewerage services within the area of the defunct Municipal Council of Nyeri and its environs .

2 RESULTS

During the year, the company made a surplus before and after tax of Kshs 42,594,657 as shown by results for the year set out on page 14.

3 DIVIDEND

The directors do not recommend the payment of a dividend.


4 DIRECTORS

Directors who served during the year are shown on page 2.

5 AUDITORS

The Accounts are Audited by the Kenya National Audit Office, in accordance with the provisions of Article 229 of Constitution of Kenya and Section 14 of the public Audit Act 2003.

By order of the Board


Secretary

DATE: 30/06/2015



NYERI WATER AND SEWERAGE COMPANY LIMITED.

CHAIRMANS REPORT

It is a great honour and privilege to present to you my 1st report as the Third Chairman of Nyeri Water and Sewerage Company Limited.

Business Turn over

During the year 2014-2015, the Kenyan Economy experienced a stable macroeconomic environment with single digit inflation. Similarly our operations in the year 2014-2015 were stable, a turnover of Kshs 387,661,520 compared to Kshs 376,455,714 in the year 2013-2014.

Governance

I am pleased to report that the Company is committed to good corporate governance. The Board of Directors seeks to adhere to and comply with the principles for Corporate Governance in Kenya as well as Guidelines issued and published by Water Services Regulatory Board.

My Board promotes a culture that values and recognizes the highest ethical standards as well as personal and corporate integrity. The Board is responsible for setting the direction of the Company through establishment of key Strategic Objectives, key policies and the approval of budget. It monitors the implementation of strategies and policies through a structured system which ensures reporting by the executive management and consequent accountability. The following Board committees have been established and meet quarterly as the minimum.

- 1 Finance and Administration Committee
- 2 Technical Committee
- 3 Audit Committee

During the Year, six members of the Board retired and five others appointed to serve in the Board as follows.

Retired

- 1 Joseph Nderitu Guandaru.
- 2 Patrick I. Muguara.
- 3 Samuel N. Githitu.
- 4 Elizabeth M. Wanjau
- 5 Duncan Maina Mathenge
- 6 Patrick Kamaru
- 7 Grace Gathoni Mukuha
- 8 Eng MM Thuita

Appointed

- 1 Joseph M. Wachiuri
- 2 Walter Ogwindo (Re-appointed)
- 3 Robert Gitahi Wanjau
- 4 Jackson Githigi Kanyingi
- 5 Purity Gathoni Ngunjiri
- 6 Stephen Ndung'u Githinji
- 7 George M. Muriithi

Service Coverage

Our Company continue to implement the 2nd Service provision agreement with Tana Water services Board, which gives it mandate to provide services to area around the defunct Municipal council of Nyeri and its environments. It is our hope that with availability of resources the company will continue to grow to areas outside this jurisdiction.

National Recognition

I am extremely delighted to report that once again the company was ranked No 1 in the WASREB performance Impact Report No. 7 of Kenya's Water Sector release for the year

2012-2013. This is the sixth time in a row the Company has achieved this position No one (1). I wish to congratulate the Management, Nyewasco, the customers, the shareholders and all Nyewasco Stakeholders in general, for making this happen.

Appreciation.

We have enjoyed incredible support and goodwill from diverse stakeholders, development partners and customers. I would like to appreciate and most sincerely thank my fellow directors both the current and the retired for their selfless services. I wish also to note with appreciation the support extended to us by the County Government of Nyeri, Water Services Trust Fund, Water Services Regulatory Board, Tana Water Services Board among others.

We greatly value and appreciate this support and trust that we can continue to count on it in the future.

We look forward with the conviction that Nyewasco will remain not just a place but a good place to be.

God Bless You all.


Joseph M. Wachiuri



NYERI WATER AND SEWERAGE COMPANY LIMITED.

MANAGING DIRECTORS REPORT

I feel privileged to present to you my report on the performance of the Company for the year 2014-2015.

1 Water Production

During the year the company produced 5,577,184 cubic metres of water. The company billed for 4,577,366 cubic metres while the non revenue water amounted to 999,818 cubic metres. This is 18%, a performance that is better than the Global benchmark of non revenue water of 20%.

The company's water production averages 15,300 daily against a capacity 27,000 cubic meters a day, a capacity utilisation of about 56%. The reserve capacity is meant to cater for the future Growth in our service area while at the same time may be temporally used to meet the shortage in the neighbouring area. However this is subject to capital development being done to connect to these areas.

2 Financial Results For the Year 2014-2015

The following is a summary of the key Highlights of the financial statements.

a) Turnover

The company's Sales turnover during the year was Kshs 387,661,520 against Kshs 376,455,714 for the year 2013-2014. This is about 3% increase. The Increase in sales turnover was purely as a result of internal growth within the service provision area. Water charges remained the same during the year, the current Tariff having expired on 31st December 2013. The Management looks forward hoping to implement a new tariff structure, of which approval is at an advanced stage.

b) Expenses

The operating expenses during the year under review were Khs 332,475,357 against Kshs 326,037,603 reported in the year 2013-2014.

During the year the company also provide for Kshs 21,844,437, being loan interest on KFW loan , compared to Kshs 23,121,108 provided in the previous year.

The company also claimed Kshs 9,252,931 V.A.T refunds from Kenya Revenue Authority, compared Kshs 10,491,499. Unlike the previous year processing of these refunds has been slow and has also been compounded by a demand from Kenya Revenue Authority to levy V.A.T. on sewer services. The company looks forward with hope and belief that that the Government will clear this problem the soonest.

c Profit for the year

The company made a profit of Kshs 42,594,657 before and after Tax , compared to Kshs 37,788,502 made in the year 2003-2004. Whilst we recognise that the profit compares favourably with prior years reported figure, it's worth noting that it is still not enough to cover the capital loan repayment of about Kshs 50 million as well as the intended capital investments. The company therefore continue to rely on the provision made for depreciation to meet the two obligations. However the situation will be collected once to a full cost recovery Tariff is put in place.

d Loan Repayment

During the year the Company mad Ks as KFW Loan repayment too the treasury. This comprise of Kshs 50,417,076 capital repayment and Kshs 21,742,364 on interest. The company remains focused in ensuring that its ability to service this loan is not affected by other Factors

e Capital Grants

During the year the company commissioned the Ksh 4,461,500 Whispers park sanitation block funded by the Water Services Board.

3 The Catchment area, our challenge

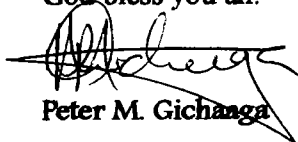
During the feasibility study of Nyeri water extension project, it had been foreseen that the project will serve demand growth up to year 2017 when dam reservoir storage will be needed for sustainability and full capacity utilization.

In recent times, however, due to climate change the dry weather flow has reduced to the extent that the water flowing is not enough to sustain full capacity utilization.

In order to meet the future water demand, a dam is needed upstream of the Ihwa intake. This will store water during the rainy seasons for use during the dry seasons. The is already is already is sourcing for funding to finance feasibility studies as well as construction of the dams from the county, and National Government as well as the development partners.

Despite the fact that this is a tall obligation, we look forward hoping and trusting it will be attained in the near future.

God bless you all.



Peter M. Gichanga



NYERI WATER AND SEWERAGE COMPANY LIMITED.

CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

We are committed to Continuous improvement in our Corporate and Social Responsibility by acting in a socially responsible way, Continually improving our performance and meeting all relevant legislation and Encouraging our staff to be mindful of the effect of their actions on any natural resource.

Specifically, Nyewasco has a Workplace Environmental Policy and continues to implement environmental awareness programmes among staff. Nyewasco ensures that projects implemented as well as activities under its operations comply with the National Environmental Management Authority (NEMA) requirements.

Our Mission is in tandem with our mandate and defines the goals for which we will undertake activities in the context of sustainability, as well as social well-being.

We consider the community we operate in as a key stakeholder in our business initiatives and our CSR activities aim to make a difference under one of the key pillars of vision 2030 ie the social pillar.

We devote resources to support projects such as tree planting through chania water users association. We have over the years supported water harvesting in schools, community water points and places of worship.

Our concern for the less fortunate members of the society is reflected by the support we give to:

- 1 Children homes such as Huruma, Child support Network and New life home.
- 2 Nyeri Hospice, Nyeri , PGH paediatric ward and Operation smile Kenya, Nyeri activity.

Our hands and though also reflect concern for the young ones by supporting the International Breast Feeding day.

We also recognition and appreciate beauty by extending support and participation in Miss Tourism, Nyeri County.



NYERI WATER AND SEWERAGE COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR YEAR ENDED 30TH JUNE 2015

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

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

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.

DIRECTOR

DIRECTOR

DATE:...

30/09/15

DATE:

30/09/15

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Nyeri Water and Sewerage Company Limited set out on pages 14 to 28, 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 Cashflows 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 opinion on the 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 of Kenya. 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 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 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

Nyeri Water and Sewerage Company Limited – Financial Statements for the year ended 30 June 2015

accounting policies used and 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 audit opinion.

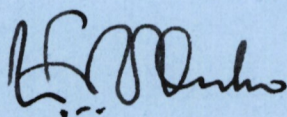
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2015, and of its financial performance and its cash flows for the year ended, in accordance with International Financial Reporting Standards, and comply with both the Water Act, 2002 and Company's Act, Cap 486 of the Laws of Kenya.

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 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

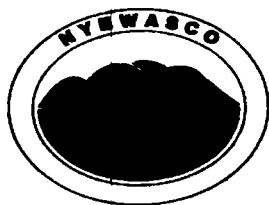
Nairobi

13 June 2016



NYERI WATER AND SEWERAGE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 <u>Kshs</u>	2014 <u>Kshs</u>
Turnover	3a	367,531,863	358,795,223
Other Income	3b	<u>14,191,976</u>	<u>10,975,988</u>
Total Income from Operations		381,723,839	369,771,211
Amortisation of Grant	13	<u>5,937,681</u>	<u>6,684,503</u>
		<u>387,661,520</u>	<u>376,455,714</u>
EXPENSES:			
Administration and Establishment	4	(131,648,945)	(133,804,024)
Selling and Distribution	5	(152,083,203)	(142,065,796)
Depreciation		<u>(48,743,209)</u>	<u>(50,167,783)</u>
		<u>(332,475,357)</u>	<u>(326,037,603)</u>
Surplus from Operating Activities		55,186,163	50,418,111
V.A.T Refunds		9,252,931	10,491,499
Net Finance Costs		<u>(21,844,437)</u>	<u>(23,121,108)</u>
Surplus Before Taxation	6	42,594,657	37,788,502
Taxation	7	-	-
Surplus After Taxation		<u>42,594,657</u>	<u>37,788,502</u>



NYERI WATER AND SEWERAGE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2015

	Notes	Share Capital Kshs	Reserves Kshs	Capital Grant	Total Kshs
At 01.07.2013		75,000,000	121,745,977	49,841,128	246,587,105
Additions during the year				5,512,496	5,512,496
Amortisation				(6,684,503)	(6,684,503)
Surplus for the period		-	<u>37,788,502</u>	-	<u>37,788,502</u>
At 30.06.2014		<u>75,000,000</u>	<u>159,534,479</u>	<u>48,669,121</u>	<u>283,203,600</u>
At 01.07.2014		75,000,000	159,534,479	48,669,121	283,203,600
Additions during the year				2,577,206	2,577,206
Amortisation				(5,937,681)	(5,937,681)
Surplus for the period		-	<u>42,594,657</u>	-	<u>42,594,657</u>
At 30.6.2015		<u>75,000,000</u>	<u>202,129,136</u>	<u>45,308,646</u>	<u>322,437,782</u>



NYERI WATER AND SEWERAGE COMPANY LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2015

	Notes	2015 <u>Kshs</u>	2014 <u>Kshs</u>
Cash Generated from Operations			
Surplus before taxation		42,594,657	37,788,502
Adjustments for:			
Depreciation	8	48,743,209	50,167,799
Amortisation of Grant	13	(5,937,681)	(6,684,503)
Interest income	3b	(2,786,921)	(1,836,874)
KFW loan interest Charge	14	21,742,364	23,107,298
Operating profit before changes in working capital		104,355,628	102,542,222
Changes in Working Capital			
Inventories	9	(6,436,656)	76,564
Trade and other receivables	10	(1,765,442)	(19,547,969)
Consumer deposits	15	5,533,068	4,867,668
Trade and other creditors	16	34,117,237	1,552,355
Cash generated from operations		135,803,835	89,490,840
Income Tax Paid	17	(324,154)	(801,537)
Net cash generated from operations		<u>135,479,681</u>	<u>88,689,303</u>
Investing Activities			
Interest received	3b	2,786,921	1,836,874
KFW Interest Charged	14	(21,742,364)	(23,107,298)
Purchase of fixed assets	8	(27,140,927)	(27,897,542)
Net cash used in investing activities		<u>(46,096,370)</u>	<u>(49,167,966)</u>
Financing Activities			
Proceeds from Grants	13	2,577,206	5,512,496
KFW loan Interest Accrued but Capitalised		10,713,629	11,343,842
KFW Loan Capital Repaid		(61,760,918)	(62,391,130)
Net cash from financing activities		<u>(48,470,083)</u>	<u>(45,534,792)</u>
Net increase in cash and cash equivalents		40,913,228	(6,013,455)
Cash and cash equivalents:			
At the start of the year	11c	<u>53,898,307</u>	<u>59,911,762</u>
At the end of the year	11c	<u>94,811,535</u>	<u>53,898,307</u>



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of accounting

The financial statements are prepared on the historical cost basis and in accordance with International Financial Reporting Standards (IFRS)

b) Revenue Recognition

Revenue is recognized to the extent that it is probable that its economic benefits will flow to the company and the revenue can be reliably measured. Revenue from provision of water and sewerage is recognized when these services are delivered to customers and billed by the company.

c) Capital Development Project

With the assistance of the Government of the Republic of Kenya and the Kreditanstalt für Wiederaufbau (KfW), of the Federal Republic of Germany, the company embarked on a Rehabilitation and Extension of Water and Sewerage services. The project has now been completed.

d) Property, Plant & Equipment

Property, Plant & Equipment are stated at cost, less accumulated depreciation and any impairment in value.

The cost of laying new pipes, installing new meters, replacing old pipes and meters is capitalised under plant and machinery.

e) Depreciation

Depreciation is calculated on the reducing balance basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives. The annual depreciation rates in use are:

Company assets		KfW funded assets	
Freehold Land	Nil	Buildings	2.50%
Buildings	2.00%	Infrastructural assets	2.50%
Furniture and equipment	12.50%	Plant and machinery	7.00%
Motor vehicles	25.00%	Equipment	12.50%
Plant and machinery	12.50%	Computer hardware and software (GIS)	20.00%
Computers and typewriters	30.00%		

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the last cost basis. Net Realizable Value is the estimated selling price in the ordinary course of the business less estimated costs of completion and costs necessary to make the sale.

g) Deferred Taxation

No deferred taxation is provided as there are no timing differences.

h) Lease Charges

Operating lease charges are charged to profit and loss account on the accrual basis.



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015 (CONT'D)

i) Retirement benefits

The company operates a defined contribution scheme. The scheme is open to employees who qualify as Local Government Officers and is funded from contributions by both the company and employees. Employees who are not members of the Kenya Local Government Officers Super-annuation Fund are members of the National Social Security Fund, a statutory pension scheme. The company's contributions to the schemes are charged to the income statement in the year to which they relate.

The company has also established a contributory Staff Retirement Benefit and Life Assurance Scheme. The assets of this scheme are held in a separate Trustee administered fund in compliance with Retirement Benefit Authority Regulations.

j) Provision for Staff Leave Entitlement

A provision is made to recognise staff entitlement in respect of annual leave not taken as at the end of the financial year. The monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

k) Foreign Currency

Transactions during the year in foreign currency are converted into Kenya shillings at rates ruling at the transaction date. Assets and liabilities denominated in foreign currency are translated into Kenya Shillings at the rates of exchange ruling at the balance sheet date.

l) Trade Receivables

Accounts receivable are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts.

m) Trade Payables

Trade payables are stated at their nominal value.

n) Amortisation of Capital Grant

Grants received for capital assets are credited to the capital grant account net of amortisation which is released to the income statement over the life of the relevant assets.

o) Fair Statement of Trade Receivables

General provisions are made based on the management's evaluation of the trade receivables' balance and other exposures in respect of losses, which although not specifically identified, are known from experience to be present in the trade receivables balance.

Bad debts are written off when all reasonable steps to recover them have been taken without success.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, in hand and short term deposits with a maturity of 3 months or less.

For purpose of the cash flow statement, cash and cash equivalents comprise of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

q) Reserves

Surpluses / (Deficits) from income statement are accumulated in the reserve account.

NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2015 (CONT'D)

r) Comparatives

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

s) Provisions

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

Where the company expects a provision to be reimbursed, for example under insurance, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually uncertain.

t) Impairment

At each balance sheet date, the company reviews the carrying amounts of its financial assets to determine whether there is any indication that these assets have suffered an impairment loss.

Impairment loss occurs where the asset is carried at more than its recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset.

If such an indication exists, the recoverable amount is estimated. An impairment loss is recognized as an expense unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

2 (a) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

i) Critical accounting estimates and assumptions:

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in note 1(e) above.

ii) Critical judgements in applying the entity's accounting principles

In the process of applying the company's accounting policies, management has made judgements in determining:

- The classification of financial assets and leases.
- Whether the assets are impaired.

2 (b) RISK EXPOSURE

- (i) The company continues to be negatively affected by increase in inflation and commodity prices while the income remains relatively static due to the Rigid Tarriff approval process. However the Mangemnt and The Board is actively following up on a Regular Tarriff Review which will ensure a cost recovery Tarrif is in Place. This will mitigate agains rising commodity pricies as well as power costs.
- (ii) The catchment area degradation has continued to affect the miinimum dry weather flow at the company raw water intake. This means that in the nera feature te company cpacity to abstract 27,000 cubic of water daily may be adversely affected. However the management and the board are agresively following up the possibility of having an upstream storage by constructing a resouvor or dam.



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR 30TH JUNE 2015 (CONT'D)

	2015 Kshs	2014 Kshs
3a TURN OVER		
Water billings and Meter Rent	262,585,109	247,948,734
Sewer billings	<u>104,946,754</u>	<u>110,846,489</u>
	<u>367,531,863</u>	<u>358,795,223</u>
3b OTHER INCOME		
Reconnection fees	6,155,500	3,551,000
Application and Water connection fee	2,706,000	2,689,284
Sewer connection fees	222,909	118,053
Sale of tender forms	79,921	150,000
Rent	857,750	842,850
Interest Income	2,786,921	1,836,874
Miscellaneous	<u>1,382,975</u>	<u>1,787,927</u>
	<u>14,191,876</u>	<u>10,975,988</u>
4 ADMINISTRATION AND ESTABLISHMENT EXPENSES		
Salaries, wages and allowances	34,612,220	39,962,198
Lease charges	45,861,301	45,792,932
Printing and Stationery	934,366	808,810
Repairs and maintenance	2,377,993	2,025,128
Telephone	918,888	963,780
Training	2,462,319	2,364,619
Catering	782,512	635,010
Audit fees	580,000	660,000
Education Tour	998,257	2,441,150
Travelling and Subsistence	1,328,651	1,131,825
Directors fees and allowances	6,660,189	4,700,244
Electricity	1,040,214	973,060
Donations and subscriptions	471,881	669,344
Advertising and public relations	823,752	1,248,699
Professional fees	717,168	1,413,122
Water and sewerage	1,062,966	812,760
Cleaning materials	147,779	109,481
Security	1,604,746	1,106,462
Insurance and licenses	10,384,370	9,365,004
Periodicals	157,080	173,410
Uniforms and laundry	658,197	408,134
Sports and staff welfare	4,861,120	4,750,628
Functions	420,500	1,134,696
Postage	2,619,088	6,854,585
Transport	17,640	37,341
Motor vehicle fuel and maintenance	247,805	406,269
Provision for unpaid leave	28,015	(2,925,505)
Water resources and Environment protection	3,404,157	2,318,530
Accreditation of Laboratories	1,764,305	1,140,050
ISO 9001 2008	43,420	1,867,000
Provision for Bad Debts	3,258,285	-
Statutory levies	395,271	451,634
Miscellaneous expenses	<u>4,490</u>	<u>3,624</u>
Total	<u>131,648,945</u>	<u>133,804,024</u>



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR 30TH JUNE 2015 (CONT'D)

	2015 Kshs	2014 Kshs
5 SELLING AND DISTRIBUTION EXPENSES		
Salaries, wages and allowances	79,199,632	76,984,582
Printing and stationery	1,010,555	1,751,711
Repairs and maintenance	31,292,422	29,947,782
Training	619,410	608,957
Telephone	400,049	355,574
Catering	91,925	141,718
Travelling and subsistence	468,055	334,130
Electricity	17,005,580	13,536,315
Water and sewerage	591,233	262,606
Cleaning materials	793,957	697,943
Security	5,309,678	4,668,328
Uniforms and laundry	2,574,469	1,253,438
Chemicals	7,349,671	6,604,911
Transport	324,953	266,755
Motor vehicle fuel and maintenance	4,603,357	3,995,564
ASK Show expenses	267,737	253,302
Disludging of Lagoons	108,720	211,320
Claims	<u>71,800</u>	<u>190,860</u>
Total	<u>152,083,203</u>	<u>142,065,796</u>

6 SURPLUS BEFORE TAXATION

The Profit before taxation is stated after charging:

Depreciation	48,743,209	50,167,799
Directors' emoluments - fees	410,000	410,000
-other	6,250,189	4,096,705
Auditor's remuneration net of VAT	580,000	580,000
Net finance costs	<u>21,844,437</u>	<u>23,107,298</u>

7 No provision for Tax has been made for the year as the Company has Taxable Losses carried forward on huge investments deductions made in year 2006.



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2015 (CONT'D)

8 a) Property, Plant & Equipment

	Freehold Land Kshs.	Buildings Kshs.	Plant & Machinery Kshs.	Furniture & Equipment Kshs.	Motor Vehicles Kshs.	Computers & Typewriters Kshs.	Work in Progress	Total Kshs.
COST								
At 1st July 2013	8,775,830	102,787,358	1,263,782,583	19,136,659	21,337,930	42,312,644	13,108,005	1,471,241,009
Additions for the Year	-	4,559,111	10,463,694	1,932,358	-	3,408,965	7,533,414	27,897,542
Transfer during the year	-	-	19,016,402	-	-	-	(19,016,402)	-
At 30th June 2014	8,775,830	107,346,469	1,293,262,679	21,069,017	21,337,930	45,721,609	1,625,017	1,499,138,551
At 1st July 2014	8,775,830	107,346,469	1,293,262,679	21,069,017	21,337,930	45,721,609	1,625,017	1,499,138,551
Additions for the Year	-	1,576,680	17,665,957	1,877,216	763,000	1,282,324	3,975,750	27,140,927
Transfer during the year	-	4,461,500	-	-	-	-	(4,461,500)	-
At 30th June 2015	8,775,830	113,384,649	1,310,928,636	22,946,233	22,100,930	47,003,933	1,139,267.00	1,526,279,478
DEPRECIATION								
At 1st July 2013	-	16,755,756	274,494,247	10,724,573	13,668,128	30,547,387	-	346,190,091
Charge for the year	-	2,133,964	41,089,788	1,293,076	1,917,450	3,733,521	-	50,167,799
At 30th June 2014	-	18,889,720	315,584,035	12,017,649	15,585,578	34,280,908	-	396,357,890
At 1st July 2014	-	18,889,720	315,584,035	12,017,649	15,585,578	34,280,908	-	396,357,890
Charge for the year	-	2,203,997	40,382,369	1,366,094	1,628,838	3,161,911	-	48,743,209
At 30th June 2015	-	21,093,717	355,966,404	13,383,743	17,214,416	37,442,819	-	445,101,099
NET BOOK VALUE								
At 30th June 2015	<u>8,775,830</u>	<u>92,290,932</u>	<u>954,962,232</u>	<u>9,562,490</u>	<u>4,886,514</u>	<u>9,561,114</u>	<u>1,139,267</u>	<u>1,081,178,379</u>
At 30th June 2014	<u>8,775,830</u>	<u>88,456,749</u>	<u>977,678,644</u>	<u>9,051,368</u>	<u>5,752,352</u>	<u>11,440,701</u>	<u>1,625,017</u>	<u>1,102,780,661</u>

Leased assets

Assets valued at Kshs 509,716,093 by Uniconsult Kenya Limited in 1998, have been leased to Tana Water Services Board by the Defunct Municipal Council of Nyeri. The assets, comprising of land, building structures, plant, machinery, tanks, reservoirs, sewerage works and fish ponds, are utilised by the company in the provision of water and sewerage services under Services Provision agreement with Tana Water Services Board. These assets are not included in the books of the company as they continue to be owned by the Defunct Municipal Council of Nyeri.



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2015 (CONT'D)

8 b) Property, Plant & Equipment

	Freehold Land Kshs.	Buildings Kshs.	Plant & Machinery Kshs.	Furniture & Equipment Kshs.	Motor Vehicles Kshs.	Computers & Typewriters Kshs.	Work in Progress	Total Kshs.
COST								
At 1st July 2013	8,775,830	26,837,972	222,294,752	10,711,744	21,337,930	14,899,026	13,108,005	317,965,259
Additions for the Year	-	4,559,111	10,463,694	1,932,358	-	3,408,965	7,533,414	27,897,542
Transfer during the year	-	-	19,016,402	-	-	-	(19,016,402)	-
At 30th June 2014	<u>8,775,830</u>	<u>31,397,083</u>	<u>251,774,848</u>	<u>12,644,102</u>	<u>21,337,930</u>	<u>18,307,991</u>	<u>1,625,017</u>	<u>345,862,801</u>
At 1st July 2014	8,775,830	31,397,083	251,774,848	12,644,102	21,337,930	18,307,991	1,625,017	345,862,801
Additions for the Year	-	1,576,680	17,665,957	1,877,216	763,000	1,282,324	3,975,750	27,140,927
Transfer during the year	-	4,481,500	-	-	-	-	(4,481,500)	-
At 30th June 2015	<u>8,775,830</u>	<u>37,435,263</u>	<u>269,440,805</u>	<u>14,521,318</u>	<u>22,100,930</u>	<u>19,590,315</u>	<u>1,139,267.00</u>	<u>373,003,728</u>
DEPRECIATION								
At 1st July 2013	-	5,236,510	107,232,986	6,361,122	13,668,128	11,321,193	-	143,819,939
Charge for the Year	-	523,211	18,067,733	785,393	1,917,450	2,096,037	-	23,389,824
At 30th June 2014	-	<u>5,759,721</u>	<u>125,300,719</u>	<u>7,146,515</u>	<u>15,585,578</u>	<u>13,417,230</u>	-	<u>167,209,763</u>
At 1st July 2014	-	5,759,721	125,300,719	7,146,515	15,585,578	13,417,230	-	167,209,763
Charge for the Year	-	633,513	18,017,513	921,871	1,628,839	1,651,923	-	23,053,658
At 30th June 2015	-	<u>6,393,234</u>	<u>143,318,232</u>	<u>8,068,386</u>	<u>17,214,416</u>	<u>15,269,153</u>	-	<u>190,263,421</u>
NET BOOK VALUE								
At 30th June 2015	<u>8,775,830</u>	<u>31,042,029</u>	<u>126,122,573</u>	<u>6,452,932</u>	<u>4,886,514</u>	<u>4,321,162</u>	<u>1,139,267</u>	<u>182,740,307</u>
At 30th June 2014	<u>8,775,830</u>	<u>25,637,362</u>	<u>125,474,129</u>	<u>5,497,587</u>	<u>5,752,352</u>	<u>4,890,761</u>	<u>1,625,017</u>	<u>178,653,038</u>



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2015 (CONT'D)

8 c) Property, Plant & Equipment (Nyeri Water Extension and Rehabilitation Project)

	Buildings Kshs.	Plant & Machinery Kshs.	Furniture & Equipment Kshs.	Computers Hardware and Software Kshs.	Total Kshs.
COST					
At 1st July 2013	75,949,386	1,041,487,831	8,424,915	27,413,618	1,153,275,750
Additions for the year	-	-	-	-	-
At 30th June 2014	<u>75,949,386</u>	<u>1,041,487,831</u>	<u>8,424,915</u>	<u>27,413,618</u>	<u>1,153,275,750</u>
At 1st July 2014	75,949,386	1,041,487,831	8,424,915	27,413,618	1,153,275,750
Additions for the year	-	-	-	-	-
At 30th June 2015	<u>75,949,386</u>	<u>1,041,487,831</u>	<u>8,424,915</u>	<u>27,413,618</u>	<u>1,153,275,750</u>
DEPRECIATION					
At 1st July 2013	11,519,246	167,261,261	4,363,451	19,226,194	202,370,152
Charge for the Year	<u>1,610,753</u>	<u>23,022,055</u>	<u>507,683</u>	<u>1,637,484</u>	<u>26,777,975</u>
At 30th June 2014	<u>13,129,999</u>	<u>190,283,316</u>	<u>4,871,134</u>	<u>20,863,678</u>	<u>229,148,127</u>
At 1st July 2014	13,129,999	190,283,316	4,871,134	20,863,678	229,148,127
Charge for the Year	<u>1,570,484</u>	<u>22,364,856</u>	<u>444,223</u>	<u>1,309,988</u>	<u>25,689,551</u>
At 30th June 2015	<u>14,700,483</u>	<u>212,648,172</u>	<u>5,315,357</u>	<u>22,173,666</u>	<u>254,837,678</u>
NET BOOK VALUE					
At 30th June 2015	<u>61,248,903</u>	<u>828,839,659</u>	<u>3,109,558</u>	<u>5,239,952</u>	<u>898,438,072</u>
At 30th June 2014	<u>62,819,387</u>	<u>851,204,515</u>	<u>3,553,781</u>	<u>6,549,940</u>	<u>924,127,623</u>



NYERU WATER AND SEWERAGE COMPANY LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2015 (CONT'D)

	2015 Kshs	2014 Kshs	
9 INVENTORIES			
Pipes and fittings	15,564,811	9,345,011	
Chemicals	1,087,904	762,346	
Clotting and Uniform Stationery	-	89,425	
Cleaning Materials	256,865	395,177	
Hardware and Tools	1,705	1,580	
	<u>673,642</u>	<u>554,732</u>	
	<u>17,584,927</u>	<u>11,148,271</u>	
10 TRADE AND OTHER RECEIVABLES			
Trade receivables	136,127,649	137,706,363	
Provision for doubtful debts	<u>(28,792,633)</u>	<u>(25,534,348)</u>	
	107,335,016	112,172,015	
V.A.T. Refunds	12,078,235	6,853,591	
Other receivables, deposits and prepayments	<u>8,360,197</u>	<u>6,982,400</u>	
	<u>127,773,448</u>	<u>126,008,006</u>	
11 CASH AND CASH EQUIVALENT			
(a) Water Accounts Deposits	National Bank Fixed Deposit account	40,000,000	31,006,722
Loan Repayment Deposits	Consolidated Bank Fixed Deposit account	-	-
		<u>40,000,000</u>	<u>31,006,722</u>
(b) Cash at Bank: Current accounts	Barclays Operation Account	11,071,961	3,771,734
	National Bank collection account	21,384,004	12,149,908
	National Bank Deposit account	13,315,544	6,696,665
	National Bank Contingency Account	8,937,648	-
	National Bank WSTF account	-	273,278
	Equity Collection Account	102,378	-
		<u>54,811,535</u>	<u>22,891,585</u>
(c) Total Cash and Cash Equivalent		<u>94,811,535</u>	<u>53,898,307</u>
12 SHARE CAPITAL			
Authorised share capital:			
3,750,000 ordinary shares of Kshs 20 each	<u>75,000,000</u>	<u>75,000,000</u>	
Issued and fully paid:			
3,750,000 ordinary shares of Kshs 20 each	<u>75,000,000</u>	<u>75,000,000</u>	
13 CAPITAL GRANT			
Balance at 1st January	48,669,121	49,841,128	
Additional Grants During the Year	2,577,206	5,512,496	
Less: Amortisation During the Year	<u>(5,937,681)</u>	<u>(6,684,503)</u>	
Balance at 31st December	<u>45,308,646</u>	<u>48,669,121</u>	
This relates to :			
a	Computers valued at Kshs. 2,506,500 donated by GTZ in 1999 less amortisation charged to the income statement.		
b	Additional Grants From Water Services Trust Fund less amortisation charged to the income statement.		
14 BORROWINGS			
National Treasury Loan			
Amount as at 1st January	918,851,202	969,898,490	
Payment made during the year	(72,789,653)	(74,050,079)	
Interest Charged During the year	21,742,364	23,002,791	
Total outstanding at 30th June	<u>867,803,913</u>	<u>918,851,202</u>	
Amount due within one year (Current Portion)	<u>50,417,076</u>	<u>50,417,076</u>	
Amount due after one year (Non -Current Portion)	<u>817,386,837</u>	<u>868,434,126</u>	



NYERU WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2015 (CONT'D)

	2015	2014
15 CONSUMER DEPOSITS	<u>64,240,250</u>	<u>58,707,182</u>
These are refundable deposits paid by customers. The deposits are refunded on closure of a Water Account.		
16 TRADE AND OTHER PAYABLES		
Trade payables	45,117,981	14,385,493
Accruals and Provision for unpaid leave	9,382,882	8,867,486
Prepaid Water accounts	3,168,012	3,076,575
Unidentified Customer Payments	102,378	-
Other payables	<u>3,503,583</u>	<u>828,045</u>
	<u>61,274,836</u>	<u>27,157,599</u>
17 TAXATION		
Balance b/w	5,915,662	6,717,199
Payment During the Year	<u>(324,154)</u>	<u>(801,537)</u>
Charge for the year	-	-
Balance as at 30th June	<u>5,591,508</u>	<u>5,915,662</u>
18 RELATED PARTY DISCLOSURE		
A) County Government of Nyeri		
The Company is 100 percent owned by the County Government of Nyeri. The County has leased its Assets to the Company at an annual Fee of KShs 20,973,951.		
During the year the Company collected Kshs 13,228,394 refuse fees on behalf of the County Government of Nyeri and remitted Kshs 12,201,531 for the same. The balance was remitted after the year end.		
B) Tana Water Services Board		
The Company has a Service provision agreement with Tana Water Services Board to provide water and sewerage services to the defunct Nyeri Municipality and its environments. Tana Water Services Board Charges Annual Administration Fee amounting to Kshs 21,148,095.		
C) Water Services Regulatory Board		
The Company is Regulated by Water Services Regulatory Board. During the year the Company paid Ksh 3,739,254 to Water Services Regulatory Board as regulatory fee.		
19 NUMBER OF EMPLOYEES		
As at 30th June	<u>102</u>	<u>105</u>
20 CONTINGENT LIABILITIES		
Bank Guarantee	-	-
Legal Claims Against the Company	<u>700,000</u>	<u>-</u>
Total Estimated Amount	<u>700,000</u>	<u>-</u>
The Above claims related to Suits against the company for general and special damages in two Cases.		
The company has lodged defense against the two cases and the lawyers are of the opinion that the defense will be successful.		
21 CAPITAL COMMITMENTS		
Authorized and contracted:	<u>-</u>	<u>-</u>
Authorized but not contracted	<u>94,655,655</u>	<u>59,478,000</u>



NYERI WATER AND SEWERAGE COMPANY LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2015 (CONT'D)

22 FINANCIAL RISK MANAGEMENT

The company assesses, forecasts as well as identifies risk through its Audit and Risk Management Board Committee. However the company is exposed to the following risks:

a) Liquidity Risks

This is the risks that the company is unable to meet its obligations as they fall due as a result of sudden and potentially protracted increase in cash outflows. These outflows could be principally through increase of general wages through industrial action and court awards, inflationary pressure, currency depletion or unexpected operational, maintenance costs due to an Act of God eg earthquake, floods or Landslides. This risk is inherent in any water Company or utility based organisation.

The company manages this risk by properly maintaining stringent cashflow management and adherence to the budgets. A contingency account is in place to mitigate some of the factors. Known Risks have been insured against.

b) Operational Risk.

This is a risk attributable to direct impacts resulting from human factors, inadequate or failed internal processes and systems or external events. Operational risks are inherent in the Company business activities and are typical of any water Provider.

Losses from operational risks of small significance are expected to occur and are accepted as part of normal course of service delivery. Those of material significance are rare and the company seeks to reduce the likelihood of these.

23 INCORPORATION

The company is incorporated under the Kenyan Companies Act.

24 CURRENCY

The financial statements are presented in Kenya Shillings (Kshs).