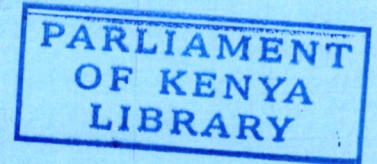


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2014**



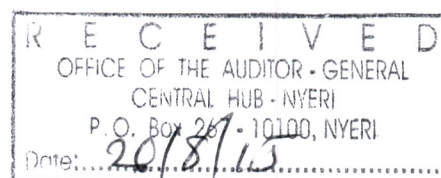
LIMURU WATER AND SEWERAGE COMPANY LTD

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2014

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, 2014**

KEY ENTITY INFORMATION

Background information

Limuru Water and Sewerage Company Limited was incorporated on 13th March 2006 under the Companies Act (Cap. 486) and is one of the many agents appointed by the Athi Water Services Board (AWSB) and 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 Kiambu County Government 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 Kiambu County Government.
3. The Company is responsible for the Operations of Bathi Water Treatment Scheme Kijabe Water Supply

Limuru Water and Sewerage Company Ltd

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

Directors

The Directors who served the entity during 2013-2014 Financial year were as follows:

1. Mr. George K Ruria Chairman - Appointed on 1st October 2013
2. Mrs. Margaret W Maina Managing Director
3. Professor Steven Njuguna - Left on 1st October 2013
4. Mr. Joseph N Kamau - Left on 1st October 2013
5. Mr. Eliud K Karanja - Left on 1st October 2013
6. Mrs. Helima Ngure - Appointed on 1st October 2013
7. Mr. Joseph N Mbugua - Left on 1st October 2013
8. Mr. Nelson A T Okenye - Appointed on 1st October 2013
9. Mr. Francis Ndirangu - Appointed on 1st October 2013
10. Mr. Esther Njuguna - Appointed on 1st October 2013
11. Mr. Peter Kabunya - Alternate to Mrs. Esther Njuguna

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

Corporate Bankers

Kenya Commercial Bank
Limuru Branch
P.O Box
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

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



THE BOARD OF DIRECTORS

<p>1. Mr. George K Ruria</p> 	<p>Date of Birth:24/07/1942 Key Qualifications: Bcom(Honours)2nd Upper Division(Accounting Option) Member of Association of certified Accountants. Work Experience: 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>Date of Birth <u>Managing Director</u> Professional Qualifications: -Water Chemist-Msc.Public health (Kenyatta University) Continuing. -Bachelor of philosophy Applied Biology (Technical University). Experience: 28yrs experience in water sector i.e. Min. of water, NWSC, AWSB and Limuru water & sewerage company.</p>
<p>3. Professor Steven Njuguna</p> 	<p>Date of Birth:12/09/1950 Key Qualifications: PHD Aquatic Ecology, University of Nairobi.(1983) Work Experience: Associate Professor Department of Environmental Science Kenyatta University.</p>
<p>4. Mr. Joseph N Kamau</p> 	<p>Date of Birth:1945 Key Qualifications: Bachelor of Education, University of Nairobi. Work Experience: Worked in the teaching field in the senior level of Deputy and Headmaster. Worked in the Education sector in administrative level of Education Officer and Assistant Director of Education. Vice-Chairman Bibirioni water project.</p>





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

<p>5. Mr. Eliud K Karanja</p> 	<p>Date of Birth: Key Qualifications: Bsc. (Honours) Chemical Engineering-Birmingham UK. Work Experience: Have a wide Knowledge in area of Engineering having worked in various companies in senior positions; Managing Director-Alpha Beta products Ltd.Nairobi. Technical Director-Lubeschem Kenya Ltd.</p>
<p>6. Mrs. Helima Ngure</p> 	<p>Date of Birth:23/07/1962 Key Qualifications: Full secretarial course passed in advanced level.(Commercial college) Work Experience: Secretary in various institutions. Director Kongothiria water project.</p>
<p>7. Mr. Joseph N Mbugua</p> 	<p>Date of Birth:03/01/2014 Key Qualifications: Technical Training-Kenya Government central workshop & mechanical school, attained; Government trade test grade 3 Motor mechanic & plant mechanic grade 3. Work Experience: Worked in the airline industry in various companies in the capacity of station engineer and maintenance supervisor line station.</p>
<p>8. Mr. Nelson A T Okenye</p> 	<p>Date of Birth:31/12/1964 Key Qualifications: DBA at Washington International University MCom and BCom at DAVV University Diploma in M.A and B.M. at I.M.T Research Institute Work Experience: 17Years -Administrator – County Government of Kiambu. -Finance & Administrative Officer in -Limuru Municipal Council, Garissa County Council, Kajiando Town Council and Iten Town Council</p>

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

<p>9. Mr. Francis Ndirangu</p> 	<p>Date of Birth:07/08/1960 Key Qualifications: PHD-Human resource Management and Organizational theory and behaviour.(University of Nairobi) Work Experience: Town Clerk-Limuru Municipal Council. HOD/Director social services and Housing-Thika municipal council. Municipal Education Officer-Thika Municipal council.</p>
<p>10. Mrs. Esther Njuguna</p> 	<p>Date of Birth: 10/2/1962 Key Qualifications: OD & HND Water Engineering (Kenya Polytechnic) BSc. Soil, Water and Environment Engineer (JKUAT), MA Project Planning and Management (UON), Senior Management Course (GTI Mombasa), EIA Lead Expert, Certificate in M& E (KIM) Work Experience: (30 Years) - Water Engineering Assistant- - Head Planning and Design- Thika District - Deputy District Water Officer, -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> Professional Qualifications: -Water Chemist-Msc.Public health (Kenyatta University) Continuing. -Bachelor of philosophy Applied Biology (Technical University). Experience: 28yrs experience in water sector i.e. Min. of water, NWSC, AWSB and Limuru water & sewerage company.</p>
<p>2. Charles Wahogo Muiru</p> 	<p><u>Finance and Administration Manager</u> Professional Qualifications: Accountant Academic Qualifications: CPA Part Two B.E.D, Accounts and Economics(U.O.N) Experience: 12yrs Experience in water sector and different institutions</p>
<p>3. Teresia N Mwaura</p> 	<p><u>Technical Manager</u> Professional Qualifications: Diploma Water Engineering-Kenya Polytechnic. -Higher diploma construction-Kenya Polytechnic. Academic Qualifications: A-Level-St Brigids Kitale Experience: 29yrs experience in water sector i.e.Ministry of water & Limuru Water.</p>
<p>4. Joseph M Kyule</p> 	<p><u>Commercial Manager</u> Professional Qualifications: Diploma-Water Technology(KEWI) Academic Qualifications: A-Level-Kenyatta High School Mwatate Experience: 25yrs Experience in water sector in different institutions i.e. NWSC, Limuru water & Sewerage Ltd.</p>

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

CHAIRMAN'S STATEMENT.

1.0: INTRODUCTION.

It is my pleasure to present to you an overview of our Company's performance in this financial year 2013/2014.

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 Km² 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 provisional agreement to supply water in our area of jurisdiction and improve on the coverage.

1.2 PERFORMANCE

Within the financial year, the Company celebrated 8 years since its inception on 13th March 2006. Within the period one of our milestone project, Misiri –Karanjee water project was commissioned which was under WSTF financing and its objective was to increase water in Karanje 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 160m³/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, 201/2014 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 are operating with the same tariffs for the past 4 years.

1.4 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 also 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 CHIEF EXECUTIVE OFFICER

1.0 Introduction.

It gives me great pleasure to present this report on behalf of the Management Team the financial year 2013/ 2014.

1.1 Performance.

The Company started the financial year with the completion of the office block In Limuru Town and the offices were moved to the new offices in October 2013 after 7 years of renting offices at Ushirika Centre. The construction was done using internally generated revenues. This was a great achievement for the Company which started with zero budget 7 years ago.

The Company performance in the previous year was very good compared to the previous year in the IMPACT report of 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 is 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 lying of pipes in the three 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 260 new connections. The company also procured 350 consumer meters for new connections and replacement of non-working meters. This was aimed at reducing non-revenue water form 34% to 32%. The Company also procured 1850 pieces of pipes to increase coverage in the company's area of operation. The developments are as shown.

1. The Company constructed 100m³ ground masonry tank for a new water project at Karambaini. The project was financed by AWSB Kshs 1.6 million and the company contributed Kshs1.6 million from internally generated funds. The Company also paid power connection fee to KPLC. After completion of the project, the Company is targeting to serve 3,584 people, with 900 connections. The project has since been commissioned towards the end of this financial year.
2. The Company undertook WSTF UPC 5th call and the scope of the project was 18.3km of pipeline rehabilitation, an elevated of 100m³ capacity and three water kiosks. The status of the project was as follows; 16.3km are laid, elevated tank and three kiosks are complete. After completion of the project, the Company anticipates to reduce the UFW of Karanjeje and Misiri zones 25%. The project was commissioned by the end of April 2014.

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

3. Tutu primary school borehole was equipped and a rising main of 600m was laid. This increased hour of service and billing in Kanyayo and Ndarakwa zones in Thigio scheme. Gathima borehole was operationalized and 320m of UPVC 11/2" laid. This increased service hours and billing in this zone. Kijabe springs were developed and boosted the production for the institutions.
4. To enhance waste water treatment the Company constructed ponds to receive the effluent for further treatment before discharge to the natural pond.

These projects have translated to increased revenue as shown in our financial statement.

1.3 Appreciation.

The financial year 2013/ 2014 was a good year despite the challenges of the NRW 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.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT
ADOPT A SCHOOL**

As Limuru Water and Sewerage Company we acknowledge our responsibility to the environment and to our local communities in which we work and with which we do business. The company actively encourages our staff to recognize those responsibilities and behave in a responsible manner toward the society in which we function. We regard the setting of good example as an important practice in this regard. Below are a few examples of how our company and our staff have shown their commitment to practice responsible corporate behaviour and to establish and support initiatives in our offices.

Environment

We actively plant trees in every occasion the company participates and also make sure that we plant more trees at the treatment plants. The company also participated in the Lari Marathon on February 2014 that was organized by the County Government of Kiambu.

Community Involvement

He 2013/2014 financial year, the company identified a school in Thigio scheme which was Kiriri primary school, whereby the company had to forego newspapers so as to use the money in supporting the school. So far the company has bought reference books and story books, Geometrical sets for those children that were sharing and uniforms to the needy children for the school. The Company Pensioner which is County Pension Fund formerly LAPTRUST sponsored the adopt a school with Kshs.100,000.

Employees

The success as a water and sewerage services provider company is based on our people and we seek to recruit, retain, reward and develop the best creative talent in our organisation. We continually seek to improve through training the needs of our employees

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

This is one of the photos during one of our visits to this school:



REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 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, 2014 are set out on pages 16-19.

Dividends

The Directors do not recommend payment of any dividend for the year ended 30th June 2014.

Directors

The members of the Board of Directors who served during the year are shown on page 4,5 and 6 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

30th September 2014

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

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, 2014. 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, 2014, 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 30th September 2014 and signed on its behalf by:

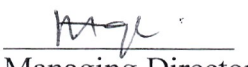
Mr. George K Ruria

Mrs. Helima Ngure

Mrs. Margaret W Maina


Chairman Board Director


Director


Managing Director

REPUBLIC OF KENYA

Telephone: +254-20-342330
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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 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Limuru Water and Sewerage Company Limited set out on pages 16 to 28, which comprise the statement of financial position as at 30 June 2014, 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 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 of Kenya. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Note 10 to the financial statements reflects trade and other receivables amounting to Kshs.36,224,082 as at 30 June 2014, and out of this figure the Company made a provision of Kshs.21,158,448 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.15,563,417 could not be confirmed as at 30 June 2014.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2014, 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 Companies Act, Cap. 486 of the Laws of Kenya.

Other Matters

1. Financial Performance

During the year under review, the Company recorded a deficit of Kshs.2,339,097 (2012/2013-deficit Kshs.1,673,998) which increased the accumulated by from negative Kshs.19,064,580 to negative Kshs.21,403,676.

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

2. Unaccounted For Water

During the year under review, the Company produced 1,207,523 cubic meters (m³) of water supply and out of this volume only 831,309m³ of water were billed to customers. The balance of 376,214m³ or approximately 31% of the total volume represented Unaccounted for Water (UFW) which is 6% over and above the allowable loss of 25% in accordance with Water Services Regulatory Board guidelines. The UFW of 376,214m³ may have resulted in loss of sales estimated at Kshs.34,954,857. 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; 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.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

15 September 2015

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

STATEMENT OF COMPREHENSIVE INCOME

<u>INCOME</u>	Notes	2014 Kshs	2013 Kshs
Operating Income	1	80,013,013	68,322,960
Grant Income	2	<u>2,845,125</u>	<u>4,116,149</u>
		<u>82,858,139</u>	<u>72,439,109</u>
 <u>EXPENSES</u>			
Staff Costs	3	26,448,746	24,521,479
Operations Costs	4	36,911,896	27,064,169
Administration Costs	5	8,360,521	9,054,788
General Expenses	6	11,868,515	11,010,575
Board Expenses	7	<u>1,607,557</u>	<u>2,462,095</u>
		<u>85,197,235</u>	<u>74,113,107</u>
 <u>SURPLUS (DEFICIT) FOR THE YEAR</u>			
		<u>(2,339,097)</u>	<u>(1,673,998)</u>

Limuru Water and Sewerage Company Ltd

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

STATEMENT OF FINANCIAL POSITION

	Notes	2014 Kshs	2013 Kshs
<u>NON-CURRENT ASSETS</u>			RESTATED
Property, Plant and Equipment's	8	15,290,227	12,151,840
		<u>15,290,227</u>	<u>12,151,840</u>
<u>CURRENT ASSETS</u>			
Trade and Other Receivables	10	15,563,417	12,842,977
Cash and Cash Equivalent	11	4,406,301	8,956,148
Inventory	9	30,546	179,910
<u>TOTAL CURRENT ASSETS</u>		<u>20,000,264</u>	<u>21,979,035</u>
<u>LESS CURRENT LIABILITIES</u>			
Customer Deposits	16	6,227,500	5,093,000
Trade and Other Payables	15	11,518,585	9,154,371
<u>TOTAL CURRENT LIABILITES</u>		<u>17,746,085</u>	<u>14,247,371</u>
<u>NET CURRENT ASSETS</u>		<u>2,254,179</u>	<u>7,731,664</u>
 <u>TOTAL ASSETS</u>		 <u><u>17,544,407</u></u>	 <u><u>19,883,503</u></u>
<u>FINANCED BY</u>			
Share Capital	12	40	40
Revenue Reserve	14	(21,403,676)	(19,064,580)
Capital Reserve	13	38,948,043	38,948,043
		<u>17,544,407</u>	<u>19,883,503</u>

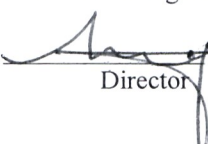
The financial statements were approved by the Board on 30th September 2014 and signed on its behalf by:

Mr. George K Ruria



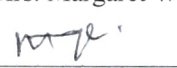
Chairman Board Director

Mrs. Helima Ngure



Director

Mrs. Margaret W Maina



Managing Director

**Reports and Financial Statements
For the year ended June 30, 2014****STATEMENT OF CHANGES IN EQUITY**

	Share Capital Kshs	Revenue Reserves Kshs	Capital Reserves Kshs	Total Amount Kshs
Balance as at 1st July 2012	40	(16,639,775)	38,948,043	22,308,308
Prior Year Adjustment		(750,807)		(750,807)
Restated Balance as at 30th June 2012	40	(17,390,582)	38,948,043	21,557,501
Deficit for the year 2012-2013	-	(1,673,998)	-	(1,673,998)
Restated Balance as at 30th June 2013	40	(19,064,580)	38,948,043	19,883,503
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

Prior year adjustment has been done due to understated netbook value for the financial year 2012-2013. The balance as at 30th June 2013 has also been restated to that effect with an amount of Kshs 750,807. The prior year adjustment was as a result of erroneous calculation of the net book value of meters and Computers as indicated in note 8.

Limuru Water and Sewerage Company Ltd

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STATEMENT OF CASH FLOWS

	2014	2013
	Kshs	Kshs
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Surplus (Deficit) for the year before taxation	(2,339,097)	(1,673,998)
Adjustments for: Depreciation	1,479,707	1,473,269
Operating Surplus (Deficit) before working capital changes	(859,389)	(200,729)
WORKING CAPITAL CHANGES		
(Increase) Decrease in Trade and Other Receivables	(2,720,440)	207,803
(Increase) Decrease in Inventories	149,364	(179,910)
Increase (Decrease) in Trade and Other Payables	2,364,213	4,561,346
Increase (Decrease) in Customer Deposits	1,134,500	1,042,500
<u>Net Cash Flow from Operating Activities</u>	68,248	5,431,011
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Purchase of fixed assets - Note 8	(4,618,095)	(8,234,624)
<u>Net Cash Flow from Investing Activities</u>	(4,618,095)	(8,234,624)
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Net investment from Projects	-	-
<u>Net Cash Flow from Financing Activities</u>	-	-
<u>NET CASH INFLOWS (OUTFLOW)</u>	(4,549,847)	(2,803,613)
CASH AND CASH EQUIVALENT BROUGHT FORWARD	8,956,148	11,759,761
CASH AND CASH EQUIVALENT CARRIED FORWARD	4,406,301	8,956,148

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. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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.

4. 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.

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5. **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.

6. **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.

7. **Taxation**

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

8. **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.

9. **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.

10. **Comparative figures**

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

11. **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, 2014.

Limuru Water and Sewerage Company Ltd

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NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	Kshs	Kshs
1 Operating Income		
Billings for the Year	77,802,746	65,961,491
Miscellaneous Income - Connection Fee	1,641,900	1,617,064
Commission / Earned Interest	568,368	290,426
Kiosk Collections	-	453,980
	<u>80,013,013</u>	<u>68,322,960</u>
2 Grant Income		
Electricity Paid by GOK	1,073,399	808,000
Lap Trust	100,000	-
Athi Water Services Board	1,671,726	3,308,149
	<u>2,845,125</u>	<u>4,116,149</u>
3 STAFF COSTS		
Basic Salaries	16,394,040	15,555,000
House Allowance	2,747,356	2,385,600
Company Statutory Contribution	2,904,730	2,234,640
Leave Allowance	198,000	240,000
Medical Allowance	871,200	823,200
Other Allowance	2,602,000	2,436,000
Medical Expenses	285,126	335,934
Casual Wages	114,447	140,700
Staff Welfare	331,847	370,405
	<u>26,448,746</u>	<u>24,521,479</u>
4 OPERATIONS COST		
Electricity - Operations	30,109,036	21,872,301
Maintenance of Water Supply	3,091,560	2,945,607
Maintenance of Sewerage Works	1,414,490	1,014,749
Maintenance of Plant & Equipments	1,324,700	87,243
Maintenance of Building & Stations	52,480	353,260
Chemicals	919,630	791,010
	<u>36,911,896</u>	<u>27,064,169</u>
5 ADMINISTRATION EXPENSES		
Rent - Office	286,713	557,017
Electricity - Office	207,378	195,631
Transport Expenses - Fuel	1,239,000	1,149,800
Maintenance of Motor Vehicle	528,422	565,177
Telephone	358,689	346,840
Stationery	155,187	222,814
Computer Stationery	304,409	376,563
Printing and Publishing	21,931	66,914
Official Entertainment	194,410	157,310

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

Agency Fees	458,075	469,660
Billing Fee	1,131,960	1,027,470
Abstractions (WARMA) Fees	531,753	600,836
Advertising and Publicity	185,947	311,557
Miscellaneous	244,834	183,047
Postage and Postal Charges	7,010	8,040
Library	79,550	77,980
Audit Fee	232,000	232,000
Fees and other Charges	1,213,317	857,383
Bank Charges	71,417	84,644
Staff Uniform	32,036	242,006
Provision for Bad and Doubtful Debts	876,484	1,322,100
	<u>8,360,521</u>	<u>9,054,788</u>

6 GENERAL EXPENSES

Travelling and Accommodation	704,781	917,895
Maintenance of Office Equipment	318,220	26,407
Training and Education	316,635	120,150
Hire of Plant and Vehicles	464,500	437,800
Insurance of Vehicles	44,260	34,684
Security Services	1,522,884	269,775
Conference and workshop	414,500	1,320,078
Corporate Social Responsibility	192,500	-
WASREB Levy	1,060,701	1,060,692
Lease Fee	5,349,826	5,349,826
Depreciation	1,479,707	1,473,269
	<u>11,868,515</u>	<u>11,010,575</u>

7 BOARD EXPENSES

Directors Sitting Allowances	1,344,200	2,207,530
Directors Expenses	263,357	254,565
	<u>1,607,557</u>	<u>2,462,095</u>

Limuru Water and Sewerage Company Ltd

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

NOTES TO THE FINANCIAL STATEMENTS (Continue)

8 PROPERTY, PLANT AND EQUIPMENT MOVEMENT SCHEDULE (RESTATED)

COST	Motor Cycle & Vehicle	Land	Meters	Computer	Tanks and Building	Pump & Motors	Pipeline (Water)	W I P	Equipments & Furniture	TOTALS
AT 1ST July 2013	2,521,000	1,308,500	3,938,020	639,970	1,404,518	6,588,485	2,655,560	4,154,834	752,770	23,963,657
Additions				308,000	2,722,029			1,446,066	142,000	4,618,095
Transfer				-	4,154,834			(4,154,834)		-
At 30th June 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
DEPRECIATION										-
AT 1ST July 2013	2,521,000		3,885,520	530,647	140,452	4,098,643	265,556	-	370,000	11,811,817
Charge for the Year			52,500	211,990	207,035	829,948	66,389	-	111,846	1,479,707
Less Accumulated								-		-
At 30th June 2014	2,521,000		3,938,020	742,637	347,486	4,928,590	331,945	-	481,847	13,291,524
NET BOOK VALUE										-
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
At 30th June 2013	-	1,308,500	52,500	109,323	1,264,066	2,489,843	2,390,004	4,154,834	382,770	12,151,840

Net book value for 2012-2013 financial year has been restated due to understating the total figure by kshs 750,807. This has also been done in the statement of financial position for the same period. The figure is as a result of understating of Meters by Khs 787,604 and overstating of Computers by kshs 36,796. The figure for meters was supposed to be Khs 840,104 but what was indicated was Kshs 52,500 while the figure for Computers was supposed to be Kshs 72,527 but what was indicated was Kshs 109,323. The error was as a result of wrong calculation.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2014	2013
		Kshs	Kshs
9	INVENTORIES		
	Chlorine HTH – 65%	9,918	88,110
	Alum	-	91,800
	Soda Ash	<u>20,628</u>	<u>-</u>
		<u>30,546</u>	<u>179,910</u>
		=====	=====
10	TRADE AND OTHER RECEIVABLES		
	Total Trade Debtors	36,224,082	32,721,151
	Less Specific Provision for Bad and Doubtful Debts	(21,158,448)	(20,281,964)
	Non Trade Debtors (DIT)	96,000	149,000
	Deposit for Rent, Electricity and Rural Roads	337,880	236,408
	Prepayments	<u>63,903</u>	<u>18,382</u>
	Total Trade Debtors & Other Receivables	<u>15,563,417</u>	<u>12,842,977</u>
		=====	=====
11	BANK AND CASH BALANCES		
	KCB - Expenditure Account Cash at Bank	(158,415)	193,189
	KCB - Main Revenue Account Cash at Bank	2,314,576	1,271,171
	KCB - Customer's Deposit Accounts Cash at Bank	867,771	189,855
	KCB - Fixed Deposit Account Cash at Bank	-	4,000,000
	Money Market (money at call)	4,631	2,551,539
	Cash held by Postal Corporation (Revenue Collecting Agent)	437,485	316,706
	Cash held by Post Bank (Revenue Collecting Agent)	348,930	304,536
	Cash held by Safaricom (Revenue Collecting Agent)	591,309	129,011
	Cash held in Petty Cash Book	<u>15</u>	<u>142</u>
		<u>4,406,301</u>	<u>8,956,148</u>
		=====	=====

Bulk of the cash at bank was held at Kenya Commercial Bank, the Company's main bankers.

12 ORDINARY SHARE CAPITAL

Authorised:

5,000 Ordinary Shares of Kshs. 20.00 par value each

	100,000	100,000
	=====	=====

Issued and fully paid:

2 Ordinary Shares of Kshs.20.00 par value each

	40	40
	=====	=====

Limuru Water and Sewerage Company Ltd

**Reports and Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 CAPITAL RESERVE

Capital reserve represents opening balances of trade debtors when the company started its operations in September 2006 which was inherited from Ahi Water Services Board and also other Trade debtors, Cash and Liabilities taken over by Limuru Water and sewerage The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

14 REVENUE RESERVE

The revenue reserve comprises of Kshs 21,403,676 which is a cumulative of surpluses (deficit) for the previous financial years as shown in page 18. This fund is meant for infrastructure development.

The retained earnings represent amounts available for distribution to the Company's shareholders. Undistributed retained earnings are utilised to finance the Company's business activities.

15 TRADE AND OTHER PAYABLES

Athi Water Services Board	4,012,372	3,566,554
Thika Water & Sewerage Co. Ltd	194,460	361,515
Auditor General	464,000	464,000
Water Resource Management Authority	284,859	137,833
Kenya Power & Lighting Co. Ltd	3,853,702	1,937,646
Kijabe Station Management	86,568	61,888
Gratom Babz Services	180,000	-
City General	-	138,666
Sunkun	-	19,500
Wanjao & Wanjau Advocates	-	137,220
Davis & Shirtliff	-	221,050
Salaries & Allowances	2,442,625	2,108,499
	<u>11,518,585</u>	<u>9,154,371</u>

16 CUSTOMERS DEPOSITS

Opening Balances	5,093,000	4,050,500
Deposits Received	1,222,000	1,042,500
Less Refunds	(87,500)	-
Closing Balances	<u>6,227,500</u>	<u>5,093,000</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 RELATED PARTY DISCLOSURES

Government of Kenya

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

During the financial year County Government of Kiambu had the following pending water bills as at 30th June 2014

<u>Account NO.</u>	<u>Account name</u>	<u>Amount due</u>
180200146	Kiambu County Government - Main Office	9,410.00
180200223	Kiambu County Government - Open Air Market	16,025.00
180200178	Kiambu County Government - Model Nursery School	12,350.00
180200601	Kiambu County Government - Rongai Market.	<u>10,390.00</u>
	Total Amount	<u>48,175.00</u>

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

18 INCOPORATION

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