

REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
RUIRU-JUJA WATER AND SEWERAGE  
COMPANY**

**FOR THE YEAR ENDED  
30 JUNE 2014**

**RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014**

<b>TABLE OF CONTENTS</b>	<b>PAGES</b>
<b>COMPANY DETAILS</b>	<b>2-5</b>
<b>CORPORATE GOVERNANCE STATEMENT</b>	<b>6-7</b>
<b>DIRECTORS RESPONSIBILITY</b>	<b>8</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>9</b>
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>10</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>11</b>
<b>CASHFLOW STATEMENTS</b>	<b>12</b>
<b>NOTES TO THE FINANCIAL STATEMENT</b>	<b>13-18</b>

# **RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD**

## **REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014**

### **COMPANY DETAILS**

#### **REGISTERED OFFICE**

RUIRU-JUJA WATER AND SEWERAGE COMPANY  
RUIRU TOWN  
ADJACENT TO KENYATTA UNIVERSITY RUIRU CAMPUS, OPPOSITE KENYA POWER OFFICES  
P.O BOX 1165-00232  
RUIRU

### **CORPORATE BANKERS**

Kenya Commercial Bank  
Ruiru Branch  
P.O Box 400-00232  
Ruiru

Barclays Bank of Kenya  
Juja Branch  
P.O Box 580-01001  
JUJA

Family Bank  
Ruiru Branch  
P.O Box 788-00232  
RUIRU

### **INDEPENDENT AUDITORS**

Auditor General  
P.O Box 30084-00100  
NAIROBI

# **RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD**

## **REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014**

### **KEY INFORMATION**

#### **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended 30th June 2014 which show the state of affairs.

#### **PRINCIPAL ACTIVITIES**

The Principal activity of the company is provision of quality and affordable water and Sewerage services in Ruiru and Juja.

#### **RESULTS**

The results for the year ended 30th June 2014 are set out on page 9.

#### **DIRECTORS**

The members of the Board of Directors who served during the year are shown on page 4. in accordance with Ruiru-Juja Water and Sewerage Company Articles of Association.

#### **LEGAL FORM**


Ruiru-Juja Water and Sewerage Company is a Public Company licensed by Athi Water Services Board.

#### **BACKGROUND INFORMATION**

Ruiru-Juja Water and Sewerage Company is a public Company established under the Water Act 2002 and Licensed by Athi Water Services Board and is domiciled in Kenya. Its main place of business is:

**Ruiru-Juja Water and Sewerage Company Ltd  
Ruiru Town  
RUJWASCO Office  
P.O. BOX 1165-00232  
RUIRU**

**By Order of the Board**

  
**Secretary**

**DATE: .....19/08/..... 2015**

## RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD

### REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

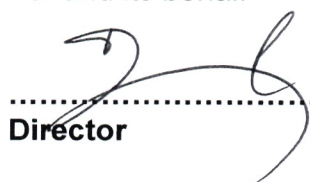
#### BOARD OF DIRECTORS

The Board of Directors who held office during the year were:

Prof. Joseph Keriko	Chairman
Mr. P.M Muro	Member
Dr. Mary Kimani	Member
Ms. Esther Njuguna	Member (From Nov. 2013- June 2014)
Ms. Susan Wamai	Member (From Nov. 2013)
Ms. L.A.Khayadi	Member (To Nov. 2013)
Mr. Cyrus M. Karanja	Member (To Nov. 2013)
Dr. Jane W. Gathenya	Member (To Nov. 2013)
Ms. Mary Mungai	Member (To Nov. 2013)
Mr. Fredrick M. Muiruri	Member (To Nov. 2013)
Ms. Emma Waithera Nganga	Member (From May 2014)
Mr. Anthony W. Kiritu	Member (From May 2014)
Prof. P.G. Ngunjiri	Member (From May 2014)
Eng. Lucas Wahinya	Member (From May 2014)
Mr. Michael Kariuki Kibathi	Member (From May 2014)
Eng. George Mungai	Managing Director

#### By Order of the Board

For and its behalf

  
.....  
**Director**

## **THE CHAIRMAN'S REPORT**

### **Overview**

Ruiru-Juja Water and Sewerage Company Limited (RUJWASCO) is wholly owned by the County Government of Kiambu in line with the Kenya Constitution 2010. The Company is licensed by Athi Water Services Board, through a Service Provision Agreement (SPA), as per the Water Act 2002 to provide water and sewerage services within Ruiru and Juja Constituencies that fall in the County of Kiambu.

The high cost of power continues to pose the greatest challenge to the Company's operations. The Company operates two pumping schemes. The Juja Scheme is supplied from the Ndarugu Water pumping Intake and the Ruiru Scheme is supplied from the Jacaranda pumping Intake.

### **Future Outlook**

The future of the RUJWASCO is very promising as the company looks forward to benefits from key development projects that are to be undertaken in the area. The following is a highlight of some of the key projects:

- i) The Ruiru Water Supply project. The completion of the WaSSIP project and its additional works that entail construction of 5000m<sup>3</sup> tank at the Jacaranda Water Treatment Plant would hugely enhance the water throughput capacities to 17,000 m<sup>3</sup>/day. The level of service to residents in this area is expected to improve considerably with commissioning of this project.
- ii) The water extension project to the entire greater Githurai area of Kahawa Sukari, Kahawa Wendani, Mwhoko and Mwiki areas. The project will be funded under the KfW Financing.
- iii) The Ruiru Sewerage Project. This project will be undertaken under the Nairobi Metropolitan Services Improvement Project (NAMSIP). The completion of the project together with the proposed associated secondary sewers will enable residents in Ruiru constituency in Ruiru Town, Gitambaya, Murera, Membley, and Gatongora benefit from provision of sewerage services.
- iv) The Juja Sewerage Project. The project will be undertaken under the Nairobi Metropolitan Services Improvement Project (NAMSIP). The project is aimed at addressing serious wastewater management issues in Juja constituency.

### **Appreciation**

The continued support that my Board continues to receive from our shareholder, stakeholders and customers is greatly appreciated. You all contribute to the success of the Company.

Finally, I appreciate the Management and Staff of RUJWASCO, who have all worked very hard with great motivation to ensure that the Company continues to register excellent performance.

  
**CHAIRMAN,  
BOARD OF DIRECTORS.**

## **RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD**

### **REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014**

#### **VISION STATEMENT**

To be a world class provider of water and sewerage services.

#### **MISSION STATEMENT**

To provide quality and reliable water and sewerage services by embracing high standards of professionalism and integrity in our service delivery.

#### **CORE VALUES**

Our core values define our systems of shared values and norms in our organizational setting.

#### **The following are the RUJWASCO corporate values:**

Integrity in all our actions

Key focus on customer service

Efficiency in management of all resources

High commitment to corporate social responsibility

Embracing team work

Passion for Excellence

Environmental sustainability

Continous staff development/continous professional development.

## **RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD**

### **REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014**

#### **CORPORATE GOVERNANCE STATEMENT**

Ruiru-Juja Water and Sewerage Company is committed to operating under a clear governance framework and strongly adheres to sound management and control practices.

Ruiru-Juja Water and Sewerage Company is committed to ensuring compliance with the Service Provision Agreement (SPA) signed with Athi Water Service Board among other regulatory and supervisory corporate governance requirements.

Essential to the establishments of a good governance framework is formal governance structures designed to ensure accurate reporting to the board to facilitate an informed decision making, progress assessment and improvement of performance.

#### **Board of Directors**

Ruiru-Juja water and Sewerage Company is governed by a Board of Directors comprising of Nine members representing various stake holders interests. The Board provides leadership, exercises enterprises integrity and judgement in directing Ruiru-Juja Water and Sewerage company. The Board also sets company policies.

The Board is expected to determine the purpose and values of Ruiru-Juja Water and Sewerage Company, determine the strategy to achieve that purpose and implement its values in order to ensure the company survives and thrives

The Board has been trained in Corporate Governance practices in running of Ruiru-Juja Water and Sewerage Company and to bring the level of governance in the company in line with international standards. The essence of corporate governance is to protect stakeholder interests including the government, water service providers, consumers and the communities.

The Board has been trained in Corporate Governance and Procurement procedures to ensure that the company is run effectively and efficiently.

#### **Role of the Chairperson and Chief Executive**

Responsibility for execution of the Board's policies lies with the Managing Director. The Managing Director's role is to provide the strategic leadership for the organisation and act as the link between the staff and the Board of Directors.

# **RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD**

## **REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014**

### **Governance Structures**

Individual directors of the Board are appointed according to the Water Act 2002 by various stakeholders.

### **Board Committees**

In ensuring that corporate governance is enhanced and that the power of Ruiru-Juja Water and Sewerage Company is exercised in the stewardship of the company's total portfolio of assets and resources with the the objective of maintaing stakeholders value, the Board of Directors has established the following committees:

#### **Finance and Administration Committee**

The Finance committee is the overseer of the financial reporting process and the corporation internal controls.

The Committee is also responsible for efficient allocation and utilization of resources,proposing investment and funding programs for the company.

In addition the Committee ensures that RUJWASCO has the right staff and also ensures that the staff welfare is guaranteed.

Their terms of reference includes but not confined to human resource planning,employee welfare,recruitment, training,performance appraissal,discipline,health and safety and HIV/AIDs.

#### **Audit Committee**

This Committee has the oversight responsibility of ensuring that the integrity of internal conntrols of the company are maintained.

It also reveiws financial statements to ensure compliance with accounting Standards and Legal Requirements.

**RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014**

**STATEMENT OF THE DIRECTORS' RESPONSIBILITIES.**

The Board of Directors is required to prepare financial statements which give a true and fair view of the state of affairs of Ruiru - Juja Water and Sewerage Company as at the financial year and of its surplus or deficit for that year. The Board of directors is required to ensure that Ruiru-Juja Water and Sewerage Company maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company.

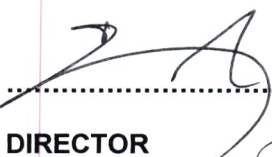
The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Ruiru-Juja Water and Sewerage Company for and as at the end of the financial year ended on June 30, 2014. This responsibility includes: (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 Company; (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's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS).

The Directors are of the opinion that the Financial Statements give a true and fair view of the state of Ruiru-Juja Water and Sewerage Company's transactions during the financial year ended June 30, 2014 and of the Company's financial position as at that date. The Board of Directors further confirms the accuracy and completeness of the accounting records maintained by Ruiru-Juja Water and Sewerage Company which has been relied upon in the preparation of financial statements, as well as on the adequacy of the systems of internal financial controls.

Nothing has come to the attention of the Board of Directors to indicate Ruiru-Juja Water and Sewerage Company will not remain a going concern for at least twelve months from the date of this statement.

The financial statements were approved by the Board of Directors and it's signed on its behalf by:

  
.....  
**DIRECTOR**

**DATE:** 19/08/2015

  
.....  
**MANAGING DIRECTOR**

**DATE:** 19/08/2015

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON RUIRU-JUJA 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 Ruiru-Juja Water and Sewerage Company Limited set out on pages 10 to 22, 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 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**

#### **1. Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.44,823,074 as at 30 June 2014 while the reconciled cash book balance amount to Kshs.45,323,590. The resultant difference of Kshs.500,517 was not explained or reconciled. Consequently, the accuracy of the cash and cash equivalent balance of Kshs.44,823,074 as at 30 June, 2014 could not be confirmed.

#### **2. Property, Plant and Equipment**

Included in property, plant and equipment balance of Kshs.43,106,821 as at 30 June 2014 are land parcels valued at Kshs.18,264,191 whose ownership documents were not made available for audit verification.

Consequently, the accuracy and ownership of the property, plant and equipment of Kshs.43,106,821 as at 30 June 2014 could not be confirmed.

### **Qualified opinion**

In my opinion, except for the effect of the matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of 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 both the Water Act 2002 and the Companies Act, Cap 486 of the Laws of Kenya.

### **Other Matter**

#### **Unaccounted for Water (UFW)**

During the year under review, the company produced 2,199,425 cubic meters (m<sup>3</sup>) of water supply. However, out of this volume only 1,605,977m<sup>3</sup> of water were billed to customers. The balance of 593,448m<sup>3</sup> or approximately 27% of the total volume, represented Unaccounted for Water (UFW) which is 2% over and above the allowable loss

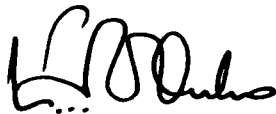
of 25% in accordance with Water Services Regulatory Board (WASREB) guidelines. The UFW of 593,448m<sup>3</sup> may have resulted in loss of sales estimated at Kshs.43,102,379.

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 this matter.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Companies Act Cap 486, I report based on my audit, that:

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



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

**Nairobi**

**16 September 2015**

**RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014**

**Statement of Comprehensive Income**

	<b>Notes</b>	<b>2014 KSh.</b>	<b>2013 KSh.</b>
<b>Turnover</b>	<b>2</b>	<b><u>127,440,316</u></b>	<b><u>93,052,194</u></b>
<b>EXPENSES:</b>			
Administration Expenses	<b>3</b>	9,306,927	8,170,115
Board Expenses	<b>4</b>	369,729	212,861
Staff Expenses	<b>5</b>	31,268,384	27,464,541
Operational Expenses	<b>6</b>	62,192,181	38,932,147
Administration Cost to AWSB	<b>7</b>	10,872,456	10,872,456
Regulatory Fees to WASREB	<b>8</b>	<u>1,147,164</u>	<u>801,627</u>
<b>Total Expenses</b>		<b><u>115,156,841</u></b>	<b><u>86,453,747</u></b>
<b>Profit Before Taxation</b>		<b><u>12,283,475</u></b>	<b><u>6,598,447</u></b>
Tax for the Year		<u>4,753,871</u>	<u>3,008,807</u>
<b>Profit After Taxation</b>		<b><u>7,529,604</u></b>	<b><u>3,589,640</u></b>

**RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014**

**Statement of Financial Position**

	Notes	2014 <u>KSh.</u>	2013 <u>KSh.</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	9	<u>43,106,821</u>	<u>45,661,103</u>
<b>CURRENT ASSETS</b>			
Inventories	10	5,539,178	6,103,724
Trade and other receivables	11	17,616,002	15,211,705
Cash and cash equivalents	12	<u>44,823,074</u>	<u>22,867,751</u>
		<b><u>67,978,254</u></b>	<b><u>44,183,180</u></b>
<b>TOTAL ASSETS</b>		<b><u>111,085,075</u></b>	<b><u>89,844,283</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	13	40	40
Revenue Reserve	13	42,735,901	32,899,872
Revaluation reserve	13	<u>5,889,458</u>	<u>5,889,458</u>
		<b><u>48,625,399</u></b>	<b><u>38,789,370</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred Grant Revenue	13	<u>20,757,821</u>	<u>22,927,446</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	27,926,171	15,795,367
Tax Liability	15	<u>13,775,084</u>	<u>12,332,100</u>
		<b><u>41,701,255</u></b>	<b><u>28,127,467</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>111,084,475</u></b>	<b><u>89,844,283</u></b>

The accounts were approved by the Board of Directors on 19/8/ 2015  
and signed on its behalf by:

.....  
.....

**DIRECTOR**

**MANAGING DIRECTOR**

**RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014**

**Statement of Changes in Equity**

	Share Capital <u>KSh.</u>	Capital Grants <u>KSh.</u>	Revaluation Reserve <u>KSh.</u>	Revenue Reserve <u>KSh.</u>	Total <u>KSh.</u>
<b>At 1st July 2012</b>	<b>40</b>	<b>12,211,844</b>	<b>5,889,458</b>	<b>26,762,738</b>	<b>44,864,080</b>
Capital Grants Received during the year	-	13,263,096	-	-	13,263,096
Amortisation for the year	-	(2,547,494)	-	2,547,494	-
Surplus for the period	-	-	-	3,589,640	3,589,640
<b>At 30th June 2013</b>	<b>40</b>	<b>22,927,446</b>	<b>5,889,458</b>	<b>32,899,872</b>	<b>61,716,816</b>
<b>At 1st July 2013</b>	<b>40</b>	<b>22,927,446</b>	<b>5,889,458</b>	<b>32,899,872</b>	<b>61,716,816</b>
Capital Grants	-	(22,927,446)	-	-	(22,927,446)
Amortisation for the year	-	-	-	2,306,425	2,306,425
Surplus for the period	-	-	-	7,529,604	7,529,604
<b>At 30th June 2014</b>	<b>40</b>	<b>-</b>	<b>5,889,458</b>	<b>42,735,901</b>	<b>48,625,399</b>

**RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014**

**Statement of cashflows**

	Notes	2014 <u>KSh.</u>	2013 <u>KSh.</u>
<b>Surplus for the period</b>		12,283,475	6,598,447
Adjustments:			
depreciation	9	5,010,101	4,592,055
Write off - computers		216,000	-
Adjustment for non operating (interest income)		(127,500)	-
Operating surplus before working capital changes		<u>17,382,076</u>	<u>11,190,502</u>
<b>Net cash generated from operations</b>			
Decrease in inventories		564,546	(3,905,357)
Decrease in Trade receivables		(2,404,297)	(3,424,145)
Increase in Trade payables		4,681,379	(330,401)
Increase in Refundable Customers Deposits		7,449,425	5,604,100
Tax paid		(3,309,687)	(1,370,991)
<b>Net cashflow from operating activities</b>		<u>24,363,442</u>	<u>7,763,708</u>
<b>Cashflow from Investing Activities</b>			
Purchase of fixed asset	9	(2,672,419)	(28,278,968)
Interest received		127,500	-
		<u>(2,544,919)</u>	<u>(28,278,968)</u>
<b>Cashflow from Financing Activities</b>			
Grants received		<u>136,800</u>	<u>13,263,096</u>
Increase in cash and cash equivalents		21,955,323	(7,252,164)
<b>Cash and Cash equivalents at the beginning of the year</b>		<u>22,867,751</u>	<u>30,119,915</u>
<b>Cash and Cash Equivalents at the end of the year</b>		<u>44,823,074</u>	<u>22,867,751</u>

# RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD

## REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

### Notes to the Financial Statements

#### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### a) Statement of compliance and basis of preparation

The Financial Statements have been prepared on a historical cost basis and are in compliance with International Financial Reporting Standards.

The financial statements have been prepared and presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest shilling.

The financial statements have been prepared in accordance with the PFM Act and International Financial reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

- i) Revenue from provision of water is recognized when the services are delivered to the customers and billed by the company.
- ii) Grants from Government are recognized in the year in which the company actually receives such grants.
- iii) Finance income comprises interest received from the fixed deposit and is recognised in the profit and loss on a time proportion basis using the effective interest rate method.
- iv) Other income is recognised as it accrues.

During the year we received grants from Aquaya under the Melinda Gates Foundation for water quality monitoring. The grant has been recognised as other incomes and their corresponding equipment procured recognised under PPE and depreciated in a straight line method.

##### c) Property, Plant & Equipment

Property, Plant and Equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Property, Plant & Equipment are subsequently carried at revalued amounts, being their fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses.

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.

# RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD

## REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

### Notes to the Financial Statements (CONT'D)

#### d) Depreciation on property, plant and equipment

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 depreciation rates used are:

Office Equipment-Computers	33 $\frac{1}{3}$ %
Motor Cycles	25%
Furniture and Fittings	10%
Plant and Equipment	10%
Pipes and Infrastructure	10%
Buildings	2.5%

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

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

#### e) Impairment of Property, Plant and Equipment

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 its recoverable amount if its carrying amount exceeds that 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.

#### 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 estimated as selling price in the ordinary course of the business less estimated costs of completion and costs necessary to make the sale.

## RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD

### REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

#### Notes to the Financial Statements (CONT'D)

**g) Trade and other receivables**

Trade receivable are stated at their fair values less allowances for any uncollectable amounts .A provision of 5% of outstanding amounts at the end of the year is made of doubtful receivables. Bad debts are written off after all efforts at recovery have been exhausted.

**h) Trade and other payables**

Trade payables are non interest bearing and are carried at their stated at their fair value of contractual value of 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.

**i) Cash and cash equivalentents**

Cash and cash equivalentents comprise cash at bank, in hand,deposits and interest earned on fixed deposits held at call with various commercial banks at the end of the financial year.

**j) Reserves**

Surpluses from income statement are accumulated in the reserve account.

**k) 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 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.

**l) National Social Security Fund**

The Company contributes to the statutory National Social Security Fund (NSSF).This is defined contribution scheme.The company obligation under this sceme is limited to specific contribution from time to time and currently at kshs 200 per Employee.The Company's contribution is charged to the income statement in the year to which they relate.

**m) Taxation**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date.

**n) Deferred Taxation**

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

**o) Related Party Disclosure**

**i) Athi Water Services Board**

The Company is licensed by Athi Water Services Board (AWSB) as per the provisions of Water Act 2002. The Company has a service provision agreement (SPA) with Athi Water Services Board. Accordingly, the Company remits an administration cost fee to AWSB, as per the Water Act 2002, that is charged to profit and loss account on an accrual basis.

**ii) Water Services Regulatory Board**

The Company remits Regulatory levy to Water Services Regulatory Board (WASREB), as per the provisions of Water Act 2002. The regulatory levy is charged to the profit and loss on an accrual basis.

**iii) Government of Kenya**

The Government of Kenya is the principal shareholder, through the County Government of Kiambu, of the Company, holding 100% of the Company's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Company, both domestic and external.

## RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD

### REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

#### Notes to the Financial Statements (CONT'D)

**p) Government Grant**

The Company received the following grants during the year:

a) The Salary for the Ministry of water and Irrigation staff working in the company.

The salary paid for is recognised as Income and a corresponding expenditure is included in the Statement of Comprehensive Income.

b) Capital Grants received from the Ministry of Water and Irrigation.

The Company received materials in form of Fixtures and fittings. The grant is recorded at fair value and presented as non-current liability in the statement of financial position as deferred grant revenue, which is recognised as income on a systematic basis over the useful life of the asset. The amortised grant portion is reflected in the statement of comprehensive income as grant revenue.

c) The Following are the assets received from Athi Water Services Board:

1. Two Double cabin Pickups
2. One Photocopier Machine
3. One complete Computer Server
4. Seven PC Work Station
5. PABX Complete with Telephone Handsets
6. One Exhauster Lorry
7. Pipes and Fittings

The above assets have not been included in the Financial statements as the same have been capitalised or Expensed by the Board.

**q) Comparative figures**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period. In particular, the comparative figures have been adjusted to show fair presentation of the financial statements that conforms to the International Financial Reporting Standards.

**r) Subsequent events**

There have been no events subsequent to the financial year end with significant impact on the financial statements for the year ended June 30, 2014.

**RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014 (CONT'D)**

	2014 KSh.	2013 KSh.
<b>2. Turnover</b>		
Water Sales	116,654,401	84,790,634
Miscellaneous Income	8,790,155	6,862,060
Grant Salary Paid by Government to Employees	854,580	762,000
Other incomes	1,127,500	637,500
Grant Revenue	13,680	-
AWSB Support	-	-
	<u>127,440,316</u>	<u>93,052,194</u>
<b>3. Administration Expenses</b>		
Rent and Rates	-	118,017
Advertising Expenses	352,756	85,000
General office running Expenses	584,950	761,646
Stationery Printing & Photocopy	193,895	291,283
Education and Training	1,077,320	341,250
Provision for Bad debts	96,901	81,443
Travel and Accomodation	34,700	27,080
Telephone Expenses & Postage fee	287,020	272,050
Audit Expenses & Professional fee	355,000	880,466
Bank Charges	808,340	239,978
I.T. Costs	209,842	221,235
Depreciation	1,555,961	1,171,594
Electricity	154,903	68,018
Security Expenses	391,840	119,411
Environmental Conservation & Social Responsibility	25,000	17,900
Transport Operating Expenses	1,613,415	1,364,809
Repairs and Maintenance	698,983	1,216,350
Insurance	146,581	221,001
Donations	-	10,000
Subscriptions	150,000	150,000
Annual General Meeting Expenses	425,120	-
VAT Expenses	-	337,424
Loss on Office Equipment (Computers)	144,400	-
Office planning and design	-	30,000
	<u>9,306,927</u>	<u>8,025,955</u>
<b>4. Board Expenses</b>	<u>369,729</u>	<u>212,861</u>
	<u>369,729</u>	<u>212,861</u>
<b>5. Staff Expenses</b>		
Salaries and Wages	29,925,706	26,512,057
Annual Staff Bonus	376,508	190,484
Medical Insurance	111,590	-
Salaries paid to Government Employee	854,580	762,000
	<u>31,268,384</u>	<u>27,464,541</u>
<b>6. Operational Expenses</b>		
Chemical	3,228,619	2,717,130
Billings	238,485	1,437,705
Water Permits	879,770	537,432
Electricity	18,684,784	14,406,550
Security	1,628,640	1,656,636
Depreciation	3,454,140	3,420,461
Maintenance of Water Systems	33,815,258	13,791,054
Grant depreciation expense	13,680	-
Bulk Water	-	610,606
Sewerage	14,100	337,710
Water Quality	234,705	11,064
Water Key Forbes	-	5,800
	<u>62,192,181</u>	<u>38,932,148</u>
<b>7. Administration Cost to AWSB</b>	10,872,456	10,872,456
<b>8. Regulatory Fees to WASREB</b>	<u>1,147,164</u>	<u>801,628</u>
	<u>12,019,620</u>	<u>11,674,084</u>

RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD

REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014

Notes to the Financial Statements(CONT'D)

9. Fixed Assets Schedule for the year ended 30th June 2014

Property, Plant & Equipment

	Office Building	Office Equipment <u>Kshs.</u>	Motor Vehicles/Cycles	Plant Equipment <u>Kshs.</u>	W& S Infrastructure <u>Kshs.</u>	Furniture & Equipment <u>Kshs.</u>	Total <u>Kshs.</u>
<b>COST</b>							
At 1st July 2013	18,264,191	1,375,681	404,490	2,117,924	32,086,681	1,598,920	55,847,887
Additions	-	939,080	-	200,000	136,800	1,396,539	2,672,419
Write off (Computers)	-	(216,600)	-	-	-	-	(216,600)
<b>At 30th June 2014</b>	<b>18,264,191</b>	<b>2,098,161</b>	<b>404,490</b>	<b>2,317,924</b>	<b>32,223,481</b>	<b>2,995,459</b>	<b>58,303,706</b>
<b>DEPRECIATION</b>							
At 1st July 2013	666,605	758,895	303,368	635,376	7,358,937	463,604	10,186,785
Depreciation Reversal	-	-	-	-	-	-	-
Charge for the year	456,605	698,687	101,123	231,792	3,222,348	299,546	5,010,101
<b>At 30th June 2014</b>	<b>1,123,210</b>	<b>1,457,582</b>	<b>404,490</b>	<b>867,168</b>	<b>10,581,285</b>	<b>763,150</b>	<b>15,196,886</b>
<b>NET BOOK VALUE</b>							
<b>At 30th June 2014</b>	<b>17,140,981</b>	<b>640,579</b>	<b>-</b>	<b>1,450,756</b>	<b>21,642,196</b>	<b>2,232,309</b>	<b>43,106,821</b>
<b>At 30th June 2013</b>	<b>17,597,586</b>	<b>616,786</b>	<b>101,123</b>	<b>1,482,548</b>	<b>24,727,744</b>	<b>1,135,316</b>	<b>45,661,103</b>

RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD

REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30TH JUNE 2014 (CONT'D)

	2014 KSh.	2013 KSh.
<b>10. Inventories</b>		
Fixtures & Fittings	5,276,806	5,771,424
Chemicals	<u>262,372</u>	<u>332,300</u>
	<b><u>5,539,178</u></b>	<b><u>6,103,724</u></b>
<b>11 Trade and other receivables</b>		
Water Sales Debtors	15,057,240	13,119,218
Provision for Bad Debts	<u>(752,862)</u>	<u>(655,961)</u>
	14,304,378	12,463,257
VAT Claim	1,977,622	2,577,103
Prepayments	<u>1,334,002</u>	<u>171,345</u>
	<b><u>17,616,002</u></b>	<b><u>15,211,705</u></b>
<b>12 Cash and cash Equivalents</b>		
Cash at bank-Kcb Revenue	710,894	2,058,194
Cash at bank-Kcb Expenditure	6,214,847	2,494,811
Cash at bank-Kcb Deposit	6,384,475	4,410,616
Cash at bank-Barclays Revenue	5,709,538	3,653,370
Cash at bank -Family Revenue	9,794,713	602,949
Cash at bank-Kcb fixed deposit	16,000,000	9,637,500
Cash in Hand	8,607	10,311
<b>Total</b>	<b><u>44,823,074</u></b>	<b><u>22,867,751</u></b>
<b>13 a) Revenue reserve</b>		
Opening Balance	32,899,872	26,762,738.00
Prior Year Adjustments	-	-
Amortisation for the year	2,306,425	2,547,494
Reversal of Depreciation	-	-
Profit for the year	<u>7,529,604</u>	<u>3,589,640</u>
<b>Total</b>	<b><u>42,735,901</u></b>	<b><u>32,899,872</u></b>
<b>b) Share capital</b>		
Authorized: 5000 ordinary shares of Kshs 20/= each Issued and fully paid		
<u>2 Ordinary shares of Kshs 20/= each</u>	<u>40</u>	<u>40</u>
<b>d) Revaluation reserve</b>	<b><u>5,889,458</u></b>	<b><u>5,889,458</u></b>
<b>c) Deferred Grant Revenue</b>		
<b>Fixtures and Fittings</b>		
Opening Balance	22,927,446	12,211,844
Prior year adjustments-Amortisation	-	-
Capital Grants during the Year	136,800	13,263,096
Amortisation for the year	<u>(2,306,425)</u>	<u>(2,547,494)</u>
<b>Closing Balance</b>	<b><u>20,757,821</u></b>	<b><u>22,927,446</u></b>
<b>14 Trade and Other Payables</b>		
Trade Payables	6,573,147	1,891,768
Refundable customer Deposits	<u>21,353,024</u>	<u>13,903,599</u>
	<b><u>27,926,171</u></b>	<b><u>15,795,367</u></b>
<b>15 Tax Liability</b>		
Opening Balance	12,332,100	10,694,284
Payment	<u>(3,310,287)</u>	<u>(1,370,991)</u>
Tax Provision for the Year	<u>4,753,871</u>	<u>3,008,807</u>
	<b><u>13,775,084</u></b>	<b><u>12,332,100</u></b>

**RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2014**

**TAX COMPUTATION**

	<b>KSH.</b>
	<b>2,014</b>
Profit Before Taxation	12,283,475
Add Back	
Depreciation	5,010,101
Provision for Bad Debts	96,901
Donations	-
Taxable Profit	17,390,477
Less Wear and Tear	1,544,240
	15,846,237
Tax @30%	4,753,871
Tax Liability	
Opening Balance	12,332,100
Tax Provision For The Year	4,753,871
Payment for the year	(3,310,287)
Balance as at 30th June 2014	13,775,684

**RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30TH 2014**

**WEAR AND TEAR SCHEDULE**

	<b>II 30%</b>	<b>III 25%</b>	<b>IV 12.5%</b>	<b>TOTAL</b>
<b>Cost as at 1/07/2011</b>	<b>549,003.00</b>	<b>303,367.50</b>	<b>9,878,086.62</b>	<b>10,730,457.00</b>
additions for the year	-	-	-	-
<b>Cost as at 30/06/2012</b>	<b>549,003.00</b>	<b>303,367.50</b>	<b>9,878,086.62</b>	<b>10,730,457.00</b>
Charge for the year	164,700.90	75,841.88	1,234,760.83	<b>1,475,304.00</b>
<b>W.D.V as at 30/06/2012</b>	<b>384,302.10</b>	<b>227,525.63</b>	<b>8,643,325.79</b>	<b>9,255,154.00</b>
additions for the year	-	-	-	-
cost as a 30/6/2013	384,302.10	227,525.63	8,643,325.79	<b>9,255,154.00</b>
Charge for the year	115,290.63	56,881.41	1,080,415.72	<b>1,252,588.00</b>
<b>W.D.V as at 30/06/2013</b>	<b>269,011.47</b>	<b>170,644.22</b>	<b>7,562,910.07</b>	<b>8,002,566.00</b>
additions for the year	939,080.00	336,800.00	1,396,539.00	<b>2,672,419.00</b>
disposals	216,600.00	-	-	<b>216,600.00</b>
<b>Cost as at 30/06/2013</b>	<b>991,491.47</b>	<b>507,444.22</b>	<b>8,959,449.07</b>	<b>10,458,385.00</b>
Charge for the year	297,447.44	126,861.05	1,119,931.13	<b>1,544,240.00</b>
<b>W.D.V as at 30/06/2014</b>	<b>694,044.03</b>	<b>380,583.16</b>	<b>7,839,517.93</b>	<b>8,914,145.00</b>