

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2016**

NYERI WATER & SEWERAGE COMPANY LIMITED



OFFICE OF THE AUDITOR GENERAL
CENTRAL HUB

29 SEP 2016

RECEIVED
P. O. Box 267 - 10100, NYERI

FINANCIAL STATEMENTS FOR THE YEAR ENDED

30TH JUNE, 2016



NYERI WATER AND SEWERAGE COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30TH JUNE 2016

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**NYERI WATER AND SEWERAGE COMPANY LIMITED
COMPANY INFORMATION FOR THE YEAR ENDED 30th JUNE 2016**

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. **Representing professionals.** He is a holder of MBA (Finance) and a business man.

2. Robert G. Wanjau



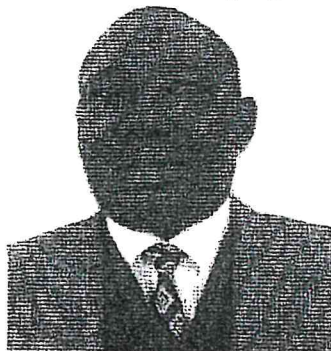
Representing business community. He is a holder of BED (sci) Hons and a teacher by profession.

3. Ms. Purity G. Ngunjiri



Representing women. She is a graduate in development studies and a business Lady.

4 Mr. Jackson G. Kanyingi



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



Representing County Government of Nyeri. He is a holder of BSC Civil Engineering, MBA (Strategic Management and MA in project management.

7. Mr. George Mwangi



Representing county Government of Nyeri. He is an Administrator by Profession. He holds Bachelor of development studies, Diploma in Business Management (KIM) and Advanced Certificate in Democracy leadership and Governance, Marquette University and Les ASPIC center for Governance, Washington, DC, USA.

8 Mr. Nicholas Kariuki



Represents the C.E.O Tana Water Services Board. He holds Master of Business Administration in strategic Management, B.Com in Accounts. He is also a Certified Public Accountant, and Certified Public Secretary

C.S. Richard K. Gikuihi



The Company Secretary. He is a Fellow Certified Public Secretary of Kenya, FCPSK, MBA, MKIM AND HSC. Representing Gikuihi Kiana and Company, P.O. Box 1271-10100, NYERI.

CORPORATE MANAGEMENT TEAM

1. Mr. Peter Gichaga



Managing Director. He is a Certified Public Accountant, Certified Public Secretary and holds Master of Science (Finance), Master of Business Administration, Bachelor of Business Administration and diploma in business management (KIM).

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. Eng. Joseph Muchiri



Head of Technical Services . He holds MBA (JKUAT) Bsc civil Engineering, Dip Business Management (KIM) Registered Engineer. Registered E/A Lead Auditor. left on 1st March 2016

4. Ms. Joyce Munira



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

5. Wilson Mwai Karuga



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

ADVOCATES

1. G.K. Kibira Advocates
P.O. Box 681-10100,
NYERI.
2. Muthoga Gaturu & Company
P.O. Box 1294-10100
NYERI.
3. Sichangi Partners Advocates
P.O. Box 983-10100
NYERI

AUDITORS

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

BANKERS

1. Barclays Bank of Kenya Limited
Nyeri Business Centre,
P.O. Box 239-10100,
NYERI.
2. National Bank of Kenya Limited
Nyeri Branch
P.O. Box 1629-10100
NYERI.
3. Consolidated Bank
Nyeri Branch
P.O. Box 935-10100
NYERI.
4. Equity Bank
Nyeri Branch
P.O. Box 2064- 10100
Nyeri
5. KCB Bank Limited
Nyeri Branch
P.O. Box 215-10100
NYERI.



NYERI WATER AND SEWERAGE COMPANY LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED
30TH JUNE 2016

The Directors submit their report and the audited financial statements for the Year ended 30th June 2016

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 66,485,110 as shown by the 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: 2016



NYERI WATER AND SEWERAGE COMPANY LIMITED.

CHAIRMANS REPORT

It gives me great honour and privilege to present to you my 2nd report as the Third Chairman of Nyeri Water and Sewerage Company Limited..

Business Turn over

During the year 2015-2016, the Kenyan Economy experienced a stable macroeconomic environment with single digit inflation. Similarly our operations in the year 2015-2016 were stable, a turnover of Kshs 413,291,692 compared to Kshs 387,661,520 in the year 2014-2015 was realised.

Governance

I am pleased to report that the Company continued to observe 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

The following are the persons who served as directors during the year:

- 1 Joseph M. Wachiuri
- 2 Walter Ogwindo
- 3 Robert Gitahi Wanjau
- 4 Jackson Githigi Kanyingi
- 5 Purity Gathoni Ngunjiri
- 6 Stephen Ndung'u Githinji
- 7 George M. Muriithi (replaced James Kiretai in 27th June 2016)

Managing Director

During the year my Board completed the long process of recruiting A Managing Director. Mr. Peter Mwangi Gichaaga was recruited as the company's second Managing Director effective from 7th October 2015. The board also filled the position of Head of Technical Services and the Chief Water and Sewerage Engineer. We wish the well and look forward to improved management of the company. We are confident that a solid management team will continue to exist in NYEWASCO.

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 the residents of Nyeri Sub County and its environments. It is our hope that with availability of resources the company will continue to grow to areas outside this jurisdiction. My Board awaits the actualisation of the proposed National Water Act and the Nyeri County Government Water Act in order to provide a clear institutional and legal framework that will continue to guide on how to execute our mandate.

National Recognition

I am extremely delighted to report that once again the company was ranked No 1 in the WASREB performance Impact Report No. 8 of Kenya's Water Sector release for the year 2013-2014. This is the seventh time in a row the Company has achieved this position

No one (1). I wish to congratulate the Board of Directors, Management, the staff of Nyewasco, the customers, the shareholders and all Nyewasco Stakeholders in general, for the successful achievement.


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. Wachuiuri



NYERI WATER AND SEWERAGE COMPANY LIMITED.

MANAGING DIRECTORS REPORT

I am delighted to present to you my report on the performance of the Company for the year 2015-2016.

1 Water Production

During the year the company produced 6,018,382 cubic metres of water. The company billed for 4,881,506 cubic metres while the non revenue water amounted to 1,136,876 cubic metres. This is 18.89%, a performance that is better than the Global benchmark of non revenue water of 20%.

The company's water production averages 16,444 daily against a capacity 27,000 cubic meters a day, a capacity utilisation of about 60%. 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 2015-2016

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 413,291,692 against Kshs 387,661,520 for the year 2014-2015. This is about 6.6% 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. The approval has already been granted and only awaiting gazettment.

b) Expenses

The operating expenses during the year under review were Kshs 341,272,233 against Kshs 332,475,357 reported in the year 2014-2015.

During the year the company also provide for Kshs 17,292,436, being loan interest on KFW loan, compared to Kshs 221,844,437 provided in the previous year.

The company also claimed Kshs 11,758,087 V.A.T refunds from Kenya Revenue Authority, compared Kshs 9,252,931. Unlike the previous year processing of these refunds continue to be hampered by a dispute on 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 dispute will be resolved the soonest.

c Profit for the year

The company made a profit of Kshs 66,485,110 before and after Tax, compared to Kshs 42,594,657 made in the year 2014-2015. 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 corrected once a full cost recovery Tariff is put in place.

d Loan Repayment

During the year the Company made Kshs 71,529,226 as KFW Loan repayment to the National treasury. This comprise of Kshs 50,417,076 capital repayment and Kshs 21,112,150 on interest. The company remains focused in ensuring that its ability to service this loan is not affected by other Factors

e Capital Investments

With all the challenges, during the year the managed to invest Kshs 37,576,640 of capital works against Ksh 29,251,694 done in the previous year.

3 Management Staff

During the year Engineer Joseph Kagwi Muchiri resigned as the head of the Technical services in search of greener pasture. The management wish him well in his future endeavours. The Board of Directors has since recruited Peter Kahuthu as the 4th Head of Technical Services and also recruited James Ngunjiri as the Chief operations engineer

4 The Catchment area, our challenge

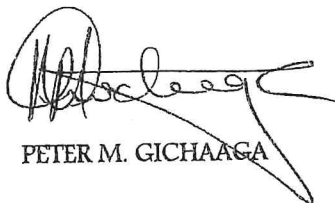
During the feasibility study of Nyeri water extension project, it had been foreseen that the project will serve demand growth up to year 2017 when dam reservoir storage will be needed for sustainability and full capacity utilization.

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 Company is already liasing with various development partners including both the County and National Governments for funding to finance feasibility studies as well as construction of the dam.

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

May God bless you.



PETER M. GICHAAGA



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, New life home and Amani empowerment foundation.
- 2 Nyeri Hospice, Nyeri , PGH paediatric ward and Nyeri young women empowerment initiative.

Our hands and thoughts also reflect concern for the education by supporting Dedan Kimathi University International Conference on Science and Technology.



NYERI WATER AND SEWERAGE COMPANY LIMITED.

STATEMENT OF DIRECTORS RESPONSIBILITY

The Company Act requires the directors to prepare financial statements for each financial year, which give a true and Fairview 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 Kenya Companies Act. this responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material statement, weather 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 Company 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. 23.09.2016

DATE. 23.09.2016

REPUBLIC OF KENYA

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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 2016

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 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

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

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

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

Unsupported Inventory Balance

The statement of financial position reflects inventories balance of Kshs.15,626,167 as at 30 June 2016. However, there was a difference of Kshs.8,399,496 between the ledgers and the support documents that had not been reconciled. In the absence of proper reconciliations, the accuracy and completeness of the inventories balance of Kshs15,626,167 as at 30 June 2016 could not be confirmed.

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 Nyeri Water and Sewerage Company limited as at 30 June 2016, 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.

Other Matter

Unpaid Lease Fees

The trade and other payables balance, includes trade payables totaling Kshs.72,429,570 as detailed under Note 22 to the financial statements. Included in the balance are lease fee payables and board administration fee payables of Kshs.31,635,071 and Kshs.34,284,671 respectively or Kshs.65,919,742 in aggregate. The unpaid board administration fee amount of Kshs.31,635,071 relates to unremitted fee owed to Tana Water Services Board.

Further, the Company deposits the unpaid lease fees in a special account under instructions from the County Government of Nyeri, although this practice is not supported by legislation. The management of the company has not provided any plausible reason for depositing the unpaid lease fees in a special account.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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



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

Nairobi

30 May 2017



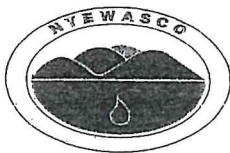
NYERI WATER AND SEWERAGE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2016

	Notes	2016 <u>Kshs</u>	2015 <u>Kshs</u>
Turnover	3a	390,503,047	367,531,863
Other Income	3b	<u>17,118,864</u>	<u>14,191,976</u>
Total Income from Operations		407,621,911	381,723,839
Amortisation of Grant	13	<u>5,669,781</u>	<u>5,937,681</u>
		<u>413,291,692</u>	<u>387,661,520</u>
EXPENSES:			
Administration expenses	4	(63,457,101)	(58,641,155)
Staff Expenses	5	(125,802,978)	(114,441,628)
Board of Directors Expenses	6	(6,849,801)	(6,660,189)
Operations Expenses	7	(59,401,532)	(58,127,872)
Water Service Board Fee and Lease Fee	8	(31,635,071)	(42,122,046)
Regulatory Fee	9	(3,986,335)	(3,739,253)
Depreciation	14	<u>(50,139,415)</u>	<u>(48,743,214)</u>
		<u>(341,272,233)</u>	<u>(332,475,357)</u>
Surplus from Operating Activities		72,019,459	55,186,163
V.A.T Refunds	10	11,758,087	9,252,931
Net Finance Costs	11	<u>(17,292,436)</u>	<u>(21,844,437)</u>
Surplus Before Taxation	12	66,485,110	42,594,657
Taxation	13	-	-
Surplus After Taxation		<u>66,485,110</u>	<u>42,594,657</u>



NYERI WATER AND SEWERAGE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2016

Notes	Share Capital Kshs	Reserves Kshs	Capital Grant	Total Kshs
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	-	42,594,657	-	42,594,657
At 30.06.2015	<u>75,000,000</u>	<u>202,129,136</u>	<u>45,308,646</u>	<u>322,437,782</u>
At 01.07.2015	75,000,000	202,129,136	45,308,646	322,437,782
Additions during the year			-	-
Amortisation			(5,669,781)	(5,669,781)
Surplus for the period	-	66,485,110	-	66,485,110
At 30.6.2016	<u>75,000,000</u>	<u>268,614,246</u>	<u>39,638,865</u>	<u>383,253,111</u>

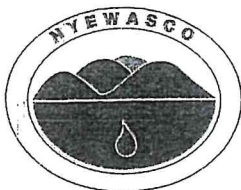


NYERI WATER AND SEWERAGE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2016

	Notes	2016 <u>Kshs</u>	2015 <u>Kshs</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	14	<u>1,067,476,337</u>	<u>1,081,178,379</u>
		<u>1,067,476,337</u>	<u>1,081,178,379</u>
CURRENT ASSETS			
Inventories	15	15,626,167	17,584,927
Trade and other receivables	16	147,440,507	127,773,448
Fixed Deposits	17(a)	115,049,196	40,000,000
Cash and cash equivalents	17(b)	<u>19,780,518</u>	<u>54,811,535</u>
		<u>297,896,388</u>	<u>240,169,910</u>
TOTAL ASSETS		<u>1,365,372,725</u>	<u>1,321,348,289</u>
FINANCED BY			
SHAREHOLDERS' EQUITY			
Share capital	18	75,000,000	75,000,000
Accumulated reserves		268,614,246	202,129,136
Capital grant	19	<u>39,638,865</u>	<u>45,308,646</u>
		<u>383,253,111</u>	<u>322,437,782</u>
NON-CURRENT LIABILITIES			
Borrowings	20	<u>762,978,410</u>	<u>817,386,837</u>
		<u>762,978,410</u>	<u>817,386,837</u>
CURRENT LIABILITIES			
Borrowings	20	50,417,076	50,417,076
Consumer deposits	21	70,461,189	64,240,250
Trade and other payables	22	93,163,241	61,274,836
Taxation	23	<u>5,099,698</u>	<u>5,591,508</u>
		<u>219,141,204</u>	<u>181,523,670</u>
TOTAL EQUITY AND NON-CURRENT LIABILITIES		<u>1,365,372,725</u>	<u>1,321,348,289</u>

The accounts were signed on behalf of the Board of Directors on 23.07.2016 by:

.....)	DIRECTOR
.....)	
.....)	
.....)	DIRECTOR



NYERI WATER AND SEWERAGE COMPANY LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2016

	Notes	2016 Kshs	2015 Kshs
Cash Generated from Operations			
Surplus before taxation		66,485,110	42,594,657
Adjustments for:			
Depreciation	14	50,139,415	48,743,209
Amortisation of Grant	19	(5,669,781)	(5,937,681)
Interest income	3b	(6,329,784)	(2,786,921)
KFW loan interest Charge	20	17,292,436	21,742,364
Operating profit before changes in working capital		121,917,396	104,355,628
Changes in Working Capital			
Inventories	15	1,958,760	(6,436,656)
Trade and other receivables	16	(19,667,059)	(1,765,442)
Consumer deposits	21	6,220,939	5,533,068
Trade and other creditors	22	31,888,405	34,117,237
Cash generated from operations		142,318,441	135,803,835
Income Tax Paid	23	(491,810)	(324,154)
Net cash generated from operations		141,826,631	135,479,681
Investing Activities			
Interest received	3b	6,329,784	2,786,921
KFW Interest Charged	20	(17,292,436)	(21,742,364)
Purchase of fixed assets	14	(36,437,373)	(27,140,927)
Net cash used in investing activities		(47,400,025)	(46,096,370)
Financing Activities			
Proceeds from Grants	19	-	2,577,206
KFW loan Interest Accrued but Capitalised		6,722,278	10,713,629
KFW Loan Capital Repaid		(61,130,705)	(61,760,918)
Net cash from financing activities		(54,408,427)	(48,470,083)
Net increase in cash and cash equivalents		40,018,179	40,913,228
Cash and cash equivalents:			
At the start of the year	17c	94,811,535	53,898,307
At the end of the year	17c	134,829,714	94,811,535



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

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

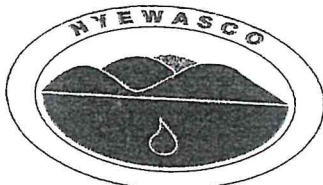
Inventories are valued at the lower of cost and net realisable value. Cost is determined on the last cost basis. Net Realizable Value is the estimated selling price in the ordinary course of the business less estimated costs of completion and costs necessary to make the sale.

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 2016 (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.



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016 (CONT'D)

- r) 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 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 Tariff approval process. However the Management and The Board is actively following up on a Regular Tariff Review which will ensure a cost recovery Tariff is in Place. This will mitigate against rising commodity prices as well as power costs.
- (ii) The catchment area degradation has continued to affect the minimum dry weather flow at the company raw water intake. This means that in the near future the company capacity to abstract 27,000 cubic of water daily may be adversely affected. However the management and the board are aggressively following up the possibility of having an upstream storage by constructing a reservoir or dam.



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR 30TH JUNE 2016 (CONT'D)

3a TURN OVER

Water billings and Meter Rent
Sewer billings

2016
Kshs

2015
Kshs

281,590,746	262,585,109
<u>108,912,301</u>	<u>104,946,754</u>
<u>390,503,047</u>	<u>367,531,863</u>

3b OTHER INCOME

Reconnection fees
Application and Water connection fee
Sewer connection fees
Sale of tender forms
Rent
Interest Income
Laboratory testing
Meter calibration and Testing
Miscellaneous

4,888,500	6,155,500
3,198,300	2,706,000
220,500	222,909
110,000	79,921
822,400	857,750
6,329,784	2,786,921
531,400	539,000
359,580	142,725
<u>658,400</u>	<u>701,250</u>
<u>17,118,864</u>	<u>14,191,976</u>

4 ADMINISTRATION AND ESTABLISHMENT EXPENSES

Training, Workshops & Education Tours
Environmental Protection & Social R.
Veh. Fuel & Maint.
Transport
Uniforms, Laundry & Cleaning Materials
Electricity
Tel. & Postage
Security
Insurance
Audit Fees
Statutory levies
Professional fees
Stationery & Printing
I.S.O 9001 2015
Water & Sewerage Charges
Catering
Donations & Subscriptions
Advert. & P. Relations
Business Travel & Allowances
Water Abstraction
A.S.K Show & Functions
Periodicals
Provision For Bad Debts
Sports, OHS & H.I.V Mgt & Resource C
Long Service Award
Provision For Unpaid Staff Leave
Water Safety Plan & Risk Management
NEMA & KEBS & WRMA
Dislodging, Investigations & Fitness C
Sample Analysis
Office Furniture Repairs
Claims

3,852,708	3,953,546
196,140	165,000
5,355,437	4,851,162
553,875	342,593
2,704,286	4,174,402
1,090,923	1,040,214
2,793,274	3,938,025
7,407,006	6,914,425
11,500,938	10,384,370
600,000	580,000
266,450	183,550
1,466,414	717,168
1,994,115	1,944,920
1,500,500	43,420
1,418,305	1,654,198
1,253,376	874,437
488,429	471,881
1,878,653	823,752
2,886,185	1,796,706
3,019,340	3,389,157
664,503	688,237
179,746	157,080
-	3,258,452
4,501,976	3,627,363
233,600	402,500
1,398,780	28,015
1,656,827	126,440
590,000	658,621
731,900	666,134
895,311	682,347
51,409	31,240
<u>326,695</u>	<u>71,800</u>
<u>63,457,101</u>	<u>58,641,155</u>



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR 30TH JUNE 2016 (CONT'D)

	2016 Kshs	2015 Kshs
5 STAFF EXPENSES		
Salaries, Wages & Allowances	125,310,598	113,811,852
Staff Welfare	492,380	629,776
	<u>125,802,978</u>	<u>114,441,628</u>
6 BOARD OF DIRECTORS EXPENSES		
	<u>6,849,801</u>	<u>6,660,189</u>
7 OPERATIONS EXPENSES		
Repairs & Maint.	30,033,137	31,645,390
Chemicals	9,058,170	7,349,671
Re-agents & Apparatus	568,336	794,825
Electricity	17,902,930	17,005,580
Accreditation ISO 17025	1,838,959	1,332,405
	<u>59,401,532</u>	<u>58,127,871</u>
8 WATER SERVICE BOARD EXPENSES AND LEASE FEE		
Provision for county Lease fee	10,486,975	20,973,951
Water S. Board Admin. fees	21,148,096	21,148,096
	<u>31,635,071</u>	<u>42,122,047</u>
9 REGULATORY FEES		
Water Services Regulatory Board Fees	3,986,335	3,739,253
10 V.A.T REFUNDS		
This amount include claims lodged with K.R.A for V.A.T due to water Services being zero rated.	<u>(11,758,087)</u>	<u>(9,252,931)</u>
11 FINANCE CHARGE		
Finance Costs include KFW Loan Interest	<u>17,290,786</u>	<u>21,844,437</u>
12 SURPLUS BEFORE TAXATION		
The Profit before taxation is stated after charging:		
Depreciation	50,139,415	48,743,214
Directors' emoluments	6,849,801	6,660,189
Auditor's remuneration net of VAT	600,000	580,000
Net finance costs	<u>17,292,436</u>	<u>21,844,437</u>
13 No provision for Tax has been made for the year as the Company has Taxable Losses carried forward on huge investments deductions claimed in year 2009.		



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016 (CONT'D)

14 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 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	1,526,279,478
At 1st July 2015	8,775,830	113,384,649	1,310,928,636	22,946,233	22,100,930	47,003,933	1,139,267	1,526,279,478
Additions for the Year	225,000	92,500	24,508,594	4,100,013	4,855,776	2,655,490	-	36,497,373
Transfer during the year	-	-	1,139,267	-	-	-	(1,139,267)	-
At 30th June 2016	<u>9,000,830</u>	<u>113,477,149</u>	<u>1,336,576,497</u>	<u>27,046,246</u>	<u>26,956,706</u>	<u>49,659,423</u>	-	<u>1,562,716,851</u>
DEPRECIATION								
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
At 1st July 2015	-	21,093,717	355,966,404	13,383,743	17,214,416	37,442,819	-	445,101,099
Charge for the year	-	2,153,916	40,701,110	1,707,834	2,435,572	3,140,983	-	50,139,415
At 30th June 2016	-	<u>23,247,633</u>	<u>396,667,514</u>	<u>15,091,577</u>	<u>19,649,988</u>	<u>40,583,802</u>	-	<u>495,240,514</u>
NET BOOK VALUE								
At 30th June 2016	<u>9,000,830</u>	<u>90,229,516</u>	<u>939,908,983</u>	<u>11,954,669</u>	<u>7,306,718</u>	<u>9,075,621</u>	-	<u>1,067,476,337</u>
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>1,061,178,379</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.

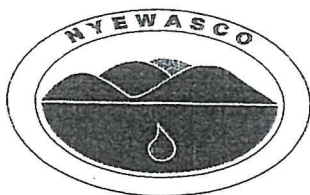


NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016 (CONT'D)

14 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 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	3,875,750	27,140,927
Transfer during the year	-	4,461,500	-	-	-	-	(4,461,500)	-
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</u>	<u>373,003,728</u>
At 1st July 2015	8,775,830	37,435,263	269,440,805	14,521,318	22,100,930	19,590,315	1,139,267	373,003,728
Additions for the Year	225,000	92,500	24,508,594	4,100,013	4,855,776	2,655,490	-	36,437,373
Transfer during the year	-	-	1,139,267	-	-	-	(1,139,267)	-
At 30th June 2016	<u>9,000,830</u>	<u>37,527,763</u>	<u>295,088,666</u>	<u>18,621,331</u>	<u>26,956,706</u>	<u>22,245,805</u>	-	<u>409,441,101</u>
DEPRECIATION								
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	1,628,838	1,851,923	-	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>
At 1st July 2015	-	6,393,234	143,318,232	8,068,386	17,214,416	15,269,153	-	190,263,421
Charge for the Year	-	622,694	18,971,307	1,319,139	2,435,572	2,092,993	-	25,441,705
At 30th June 2016	-	<u>7,015,928</u>	<u>162,289,539</u>	<u>9,387,525</u>	<u>19,649,988</u>	<u>17,362,146</u>	-	<u>215,705,126</u>
NET BOOK VALUE								
At 30th June 2016	<u>9,000,830</u>	<u>30,511,835</u>	<u>132,799,127</u>	<u>9,233,806</u>	<u>7,306,718</u>	<u>4,883,659</u>	-	<u>193,735,975</u>
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>182,720,307</u>

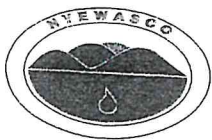


NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016 (CONT'D)

14 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 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>
At 1st July 2015	75,949,386	1,041,487,831	8,424,915	27,413,618	1,153,275,750
Additions for the year	-	-	-	-	-
At 30th June 2016	<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 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>
At 1st July 2015	14,700,483	212,648,172	5,315,357	22,173,666	254,837,678
Charge for the Year	<u>1,531,222</u>	<u>21,729,803</u>	<u>388,695</u>	<u>1,047,990</u>	<u>24,697,710</u>
At 30th June 2016	<u>16,231,705</u>	<u>234,377,975</u>	<u>5,704,052</u>	<u>23,221,656</u>	<u>279,535,388</u>
NET BOOK VALUE					
At 30th June 2016	<u>59,717,681</u>	<u>807,109,856</u>	<u>2,720,863</u>	<u>4,191,962</u>	<u>873,740,362</u>
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>



NYERI WATER AND SEWERAGE COMPANY LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016 (CONT'D)

	2016 Kshs	2015 Kshs	
15 INVENTORIES			
Pipes and fittings			
Chemicals	13,220,156	15,564,811	
Clotting and Uniform	1,978,354	1,087,904	
Stationery		-	
Cleaning Materials	178,855	256,865	
Hardware and Tools	1,580	1,705	
	<u>247,222</u>	<u>673,642</u>	
	<u>15,626,167</u>	<u>17,584,927</u>	
16 TRADE AND OTHER RECEIVABLES			
Trade receivables	144,224,770	136,127,649	
Provision for doubtful debts	<u>(28,792,633)</u>	<u>(28,792,633)</u>	
V.A.T. Refunds	115,432,137	107,335,016	
Other receivables, deposits and prepayments	23,836,322	12,078,236	
	<u>8,172,048</u>	<u>8,360,197</u>	
	<u>147,440,507</u>	<u>127,773,448</u>	
17 CASH AND CASH EQUIVALENT			
(a) Water Accounts Deposits			
Special Fund	National Bank Fixed Deposit account	60,000,000	40,000,000
Loan Repayment Deposits	National Bank Fixed Special account	25,000,000	-
	Consolidated Bank Fixed Deposit account	30,049,196	-
		<u>115,049,196</u>	<u>40,000,000</u>
(b) Cash at Bank: Current accounts			
	Barclays Operation Account	3,524,704	11,071,961
	National Bank collection account	2,745,809	21,384,004
	National Bank Deposit account	6,524,003	13,315,544
	National Bank Contingency Account	454,876	8,937,648
	National Bank special account	3,049,365	-
	National Bank WSTF account	-	-
	Equity Collection Account	1,450,843	102,378
	KCB Gratuity Account	<u>2,030,918</u>	<u>-</u>
		<u>19,780,518</u>	<u>54,811,535</u>
(c) Total Cash and Cash Equivalent		<u>134,829,714</u>	<u>94,811,535</u>
18 SHARE CAPITAL			
Authorised share capital:			
3,750,000 ordinary shares of Kshs 20 each			
Issued and fully paid:			
3,750,000 ordinary shares of Kshs 20 each	<u>75,000,000</u>	<u>75,000,000</u>	<u>75,000,000</u>
	<u>75,000,000</u>	<u>75,000,000</u>	<u>75,000,000</u>
19 CAPITAL GRANT			
Balance at 1st January			
Additional Grants During the Year	45,308,646	48,669,121	
Less: Amortisation During the Year	-	2,577,206	
Balance at 31st December	<u>(5,669,781)</u>	<u>(5,937,681)</u>	
	<u>39,638,865</u>	<u>45,308,646</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.		
20 BORROWINGS			
National Treasury Loan			
Amount as at 1st January	867,803,913	918,851,202	
Payment made during the year	<u>(71,529,226)</u>	<u>(72,789,653)</u>	
Interest Charged During the year	17,120,799	21,742,364	
Total outstanding at 30th June	<u>813,395,486</u>	<u>867,803,913</u>	
Amount due within one year (Current Portion)	50,417,076	50,417,076	
Amount due after one year (Non -Current Portion)	<u>762,978,410</u>	<u>817,386,837</u>	



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016 (CONT'D)

2016

2015

21 CONSUMER DEPOSITS

These are refundable deposits paid by customers. The deposits are refunded on closure of a Water Account.

70,461,189

64,240,250

22 TRADE AND OTHER PAYABLES

Trade payables
Accruals and Provision for unpaid leave
Prepaid Water accounts
Unidentified Customer Payments
Other payables

72,429,570

11,548,823

6,076,581

3,108,267

93,163,241

45,117,981

9,382,882

3,168,012

102,378

3,503,583

61,274,836

23 TAXATION

Balance b/w
Payment During the Year
Charge for the year
Balance as at 30th June

5,591,508

(491,810)

5,099,698

5,915,662

(324,154)

5,591,508

24 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.

25 NUMBER OF EMPLOYEES

As at 30th June

26 CONTINGENT LIABILITIES

Bank Guarantee
Legal Claims Against the Company
Total Estimated Amount

99

102

700,000

700,000

700,000

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.

27 CAPITAL COMMITMENTS

Authorized and contracted:

Authorized but not contracted

87,169,000

94,655,655



NYERI WATER AND SEWERAGE COMPANY LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2016 (CONT'D)

28 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.

29 INCORPORATION

The company is incorporated under the Kenyan Companies Act.

30 CURRENCY

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

