

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

**REPORT**

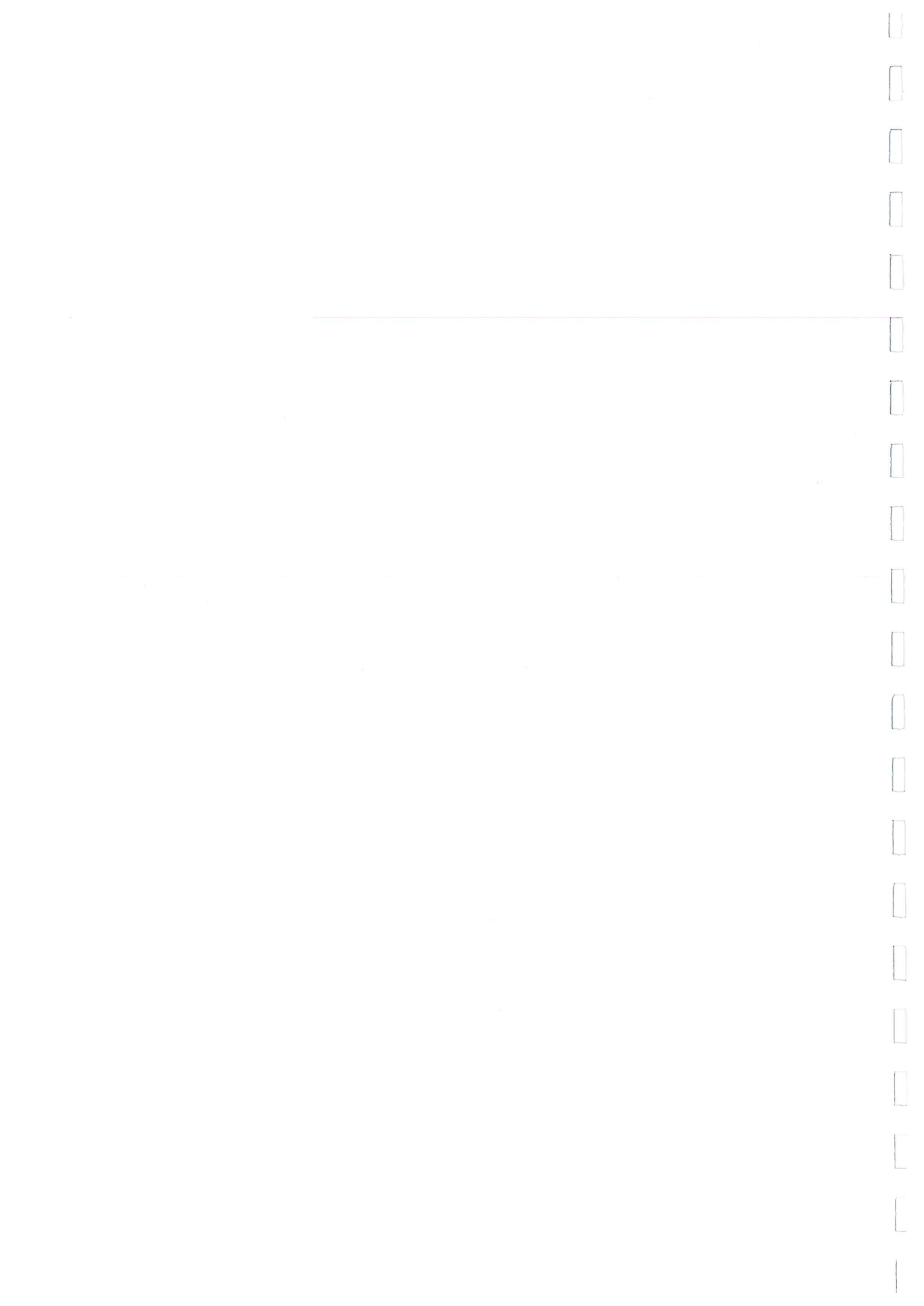
**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE 2017**



# NYERI WATER & SEWERAGE COMPANY LIMITED



## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2017**

**Prepared in accordance with the Accrual Basis of Accounting Method under the  
International Public Sector Accounting Standards (IPSAS)**



ISO 9001:2015 Certified



ISO/IEC 17025:2005 Accredited



**NYERI WATER AND SEWERAGE COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 30TH JUNE 2017**

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**NYERI WATER AND SEWERAGE COMPANY LIMITED  
COMPANY INFORMATION FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

**INCORPORATION**

The Company is incorporated under the Kenyan Companies Act.Cap486

**PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE**  
OFF/KENYATTA ROAD  
P.O BOX 1520-10100  
NYERI







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**Website:** [www.nyewasco.co.ke](http://www.nyewasco.co.ke)

**CURRENT DIRECTORS**

<p><b>1. Mr. Joseph M. Wachiuri</b></p>  <p><b>Chairman BOD. Representing professionals.</b> He is a holder of MBA (Finance) and a business man.</p>	<p><b>2. Mr. Robert G. Wanjau</b></p>  <p><b>Representing business community.</b> He is a holder of BED (sci) Hons and a teacher by profession.</p>	<p><b>3. Ms. Purity G. Ngunjiri</b></p>  <p><b>Representing women.</b> She is a graduate in development studies and a business Lady.</p>
<p><b>4 Mr. Jackson G. Kanyingi</b></p>  <p><b>Representing consumers.</b> He is a teacher by profession</p>	<p><b>5. Mr. Stephen N. Githinji</b></p>  <p><b>Representing County Government of Nyeri.</b> He is a holder of BSC Civil Engineering, MBA (Strategic Management &amp; MA in project management.</p>	<p><b>6. Mr. George Mwangi</b></p>  <p><b>Representing county Government of Nyeri.</b> He is an Administrator by profession .He holds Bachelor of development studies.</p>

**7 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

**8. C.S Richard K. Gikuhi**



**The Company Secretary.** He is a Certified Public Secretary of Kenya. Representing Gikuhi Kiana and Company, P.O. Box 1271-10100, NYERI.

**9. Mr. Walter O. Ogwindo**



**Representing Cabinet Secretary, Ministry of Finance.** He is a holder of B.Sc. B, PHD (Economist Msc (Dev. & Organization)

**Retired on 29<sup>th</sup> September 2016**

**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. Mr. Peter Kahuthu**



**Head of Technical Services** BSc Civil Engineering (UON) Registered Graduate Engineer, Associate Expert – EIA/EA

**4. Mr. James Ngunjiri**



**Chief Water & Sewerage Engineer**

BSc Technology in Civil Engineering, (Edgerton)), Dip Civil Engineering (JKUAT)

**5. Mr. Wilson Mwai**



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

**4. Ms. Joyce Munira**



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

## **ADVOCATES**

1. **G.K.Kibira Advocates**  
P.o Box 681-10100  
**NYERI**
2. **Muthoga Gaturu & Company**  
Po 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 2017

The Directors submit their report and the audited financial statements for the Year ended 30th June 2017

#### 1 PRINCIPAL ACTIVITIES

The principal activities of the company are the provision of water and sewerage services within the area of the Nyeri Sub-County and its environs .

#### 2 RESULTS

During the year, the company made a surplus before and after tax of Kshs 54,809,424 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

*Richard Kiara Gikumi*

DATE: 15.9.2017





## **CHAIRMAN'S REPORT**

It gives me great honor and privilege to present to you my 2<sup>nd</sup> report as the Third Chairman of Nyeri Water & Sewerage Company Limited.

### **The Strategy**

During the year 2016 -2017, the company Board developed the 4<sup>th</sup> Five (5) years strategic plan covering the period July 2016- June 2021. This was also validated by the Company Stakeholders.

The following are the highlights of the strategic plan:

#### **Vision**

“A world class water and sewerage services provider”

#### **Mission**

“To provide quality water, sewerage and allied services at commercially and environmentally sustainable levels through application of outstanding processes and technology to the delight of our customers and other stakeholders”

The Strategic Plan also envisage in realization of the following strategic objectives:

1. Ensure the company is driven by the principles & practices of good governance that can withstand the test of time.
2. Ensure that the company is financially viable.
3. Advance and automate operations and services for enhancement of service delivery.
4. Provide water and sanitation services in an efficient, effective, affordable and sustainable manner.
5. Attract, develop and maintain adequate, qualified and competent staff.

## **Governance**

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

## **Sewerage Coverage**

During the year the company continued to implement the 2<sup>nd</sup> 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. Though the service provision agreement expired on 2<sup>nd</sup> May 2017, it has been provisionally extended by Water Services Regulatory Board to allow time for negotiations on a new SPA with the County Government of Nyeri.

It is our hope that with the availability of resources the company will continue to grow and adopt new areas in the next service provision agreement.

## **National Recognition**

Am extremely delighted to report that once again the company was ranked no.1 in the WASREB performance impact report no.9 of Kenya's water sector release for the year 2014-2015. This is the eighth time in a row the Company has achieved this position no.1. Overall the company scooped 6 out of the 7 position one trophies available for various categories on key performance indicators.

During the Kenya Water Week event held during the year, the company was also recognized in KIPWA Award for its contribution to the water sector.

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 continue to enjoy 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, and Tana Water Services Board among others.

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

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

God bless you all.



Joseph M. Wachiuri.



## NYERI WATER AND SEWERAGE COMPANY LIMITED

### MANAGING DIRECTOR'S REPORT

I am delighted to present to you my report on the performance of the Company for the year 2016-2017.

#### 1. Water Production

During the year the company produced 6,366,236 cubic metres of water. The company billed for 5,246,480 cubic metres while the non-revenue water amounted to 1,119,756 cubic metres. This is 17.59%, a performance that is better than the Global benchmark of non-revenue water of 20%.

The company's water production averages 17,450 daily against a capacity 27,000 cubic meters a day, a capacity utilization of about 65%. 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 neighboring area. However this is subject to capital development being done to connect to these areas.

#### 2. Financial Results for the Year 2016-2017

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 434,380,765 against Kshs 406,961,908 for the year 2015-2016. This is about 6.7% 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. Further the company made Kshs 8,221,044 interest income on short term deposits against Kshs 6,329,784 for the year 2015-2016. The Management looks forward hoping to implement a new tariff structure. The approval has already been granted and tariff gazette and the only remaining thing is notification to the customers and implementation.

##### b) Expenses

The operating expenses during the year under review were Kshs. 378,201,964 against Kshs. 341,272,233 reported in the year 2015-2016. During the year the company also provided for Kshs 19,714,260 being loan interest on KFW loan, compared to Kshs 17,292,436 provided in the previous year. The company also claimed Kshs 10,123,839 V.A.T refunds from Kenya Revenue Authority compared kshs 11,758,087. 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 the dispute will be resolved the soonest.

### **C Profit for the year**

The company made a profit of Kshs 54,809,424 before and after Tax, compared to Kshs 66,485,110 made in the year 2015-2016. Whilst we recognize that the profit compares favorably 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 continues 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 70,268,799 as K.F.W Loan repayment to the National Treasury. This comprise of Kshs 50,417,076 capital repayment and Kshs 19,714,260 on interest. The company remains focused in ensuring that its ability to service this loan is not affected by other Factors.

### **e Capital Investment**

With all the challenges during the year, the company managed to invest Kshs 40,617,416 of capital works against Ksh 36,437,373 done in the previous year.

## **3 Management Staff**

Unlike the previous year, there were no Changes in Corporate Management Team during the year. The Board of directors remain focused there is stability in the Core Management staff.

## **4 The Catchment area our challenge**

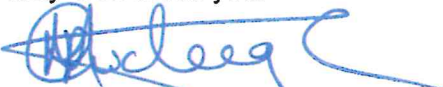
During the feasibility study of Nyeri water extension project, it had been foreseen the project will serve demand growth up to year 2017 when dam reservoir storage will be needed for sustainability and full capacity utilization.

In confirmation with this, and as well as 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. This Company is already liaising 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 focused on attainment of this reservoir and trust that it will be a reality 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 Environment 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 i.e. the social pillar.

We continue to 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, Amani empowerment and Ramadhan IFTAR Festivals.
2. Nyeri Hospice, Nyeri, PGH pediatric 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 RESPONSIBILITIES FOR THE YEAR ENDED 30TH JUNE 2017

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

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

The directors accept responsibility for the annual financial statements which have been prepared using accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Financial Reporting Standards and the requirement of the Kenyan Companies Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results.

The director 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.

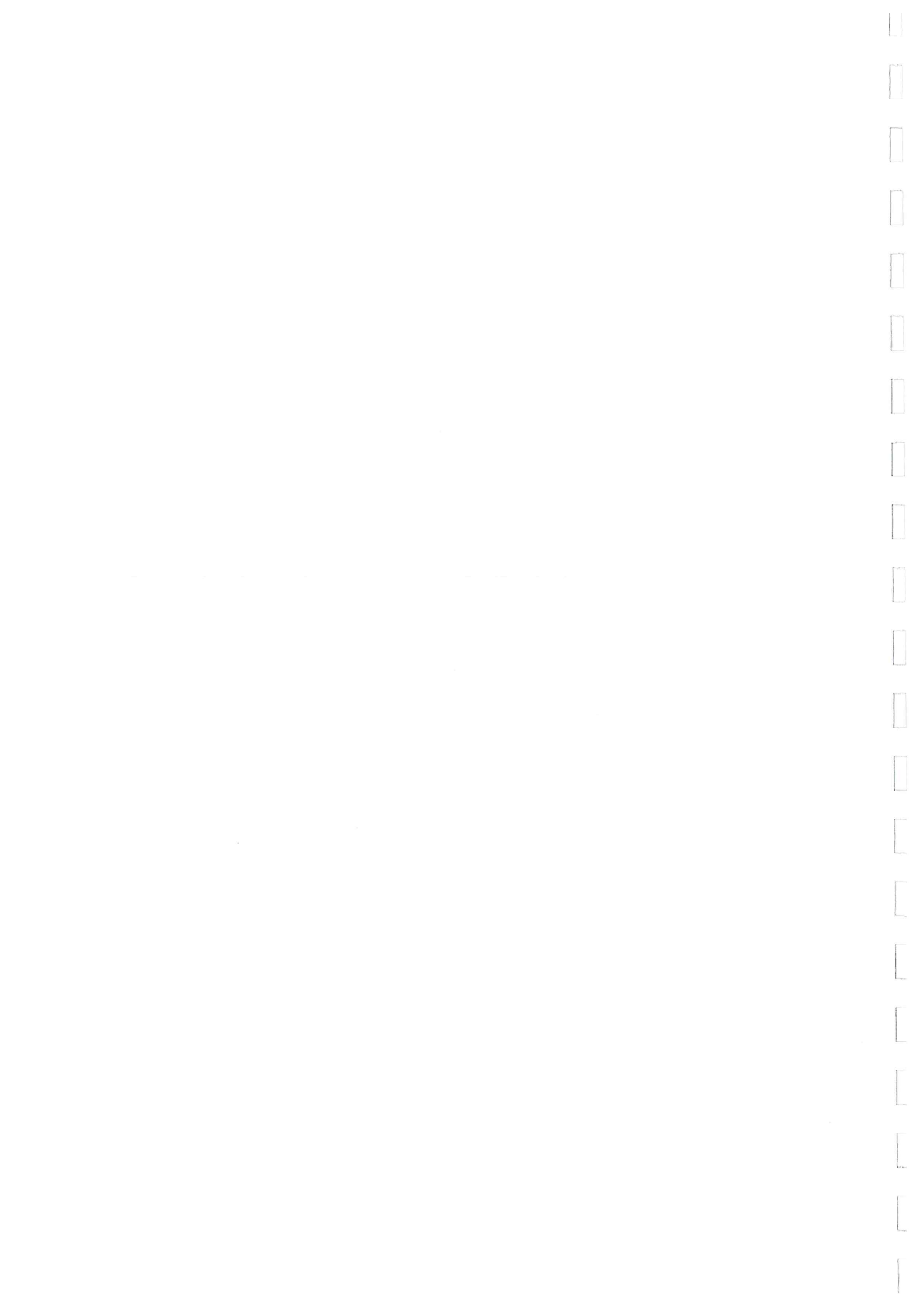
Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

DIRECTOR:

DIRECTOR:

DATE: 15.9.2017

DATE: 15.9.2017





**NYERI WATER AND SEWERAGE COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2017**

	Notes	2017 <u>Kshs</u>	2016 <u>Kshs</u>
<b>Turnover</b>	<b>3a</b>	417,836,715	390,503,047
Other Income	<b>3b</b>	<u>11,589,195</u>	<u>10,789,080</u>
<b>Total Income from Operations</b>		<b>429,425,910</b>	<b>401,292,127</b>
Amortisation of Grant	<b>13</b>	<u>4,954,855</u>	<u>5,669,781</u>
		<u>434,380,765</u>	<u>406,961,908</u>
<b>EXPENSES:</b>			
Administration expenses	<b>4</b>	(92,046,360)	(63,457,101)
Staff Expenses	<b>5</b>	(140,440,152)	(125,802,978)
Board of Directors Expenses	<b>6</b>	(8,732,824)	(6,849,801)
Operations Expenses	<b>7</b>	(61,313,855)	(59,401,532)
Water Service Board Fee and Lease Fee	<b>8</b>	(21,148,096)	(31,635,071)
Regulatory Fee	<b>9</b>	(4,257,407)	(3,986,335)
Depreciation	<b>13</b>	<u>(50,263,270)</u>	<u>(50,139,415)</u>
		<u><b>(378,201,964)</b></u>	<u><b>(341,272,233)</b></u>
Surplus from Operating Activities		56,178,801	65,689,675
V.A.T Refunds	<b>10</b>	10,123,839	11,758,087
Finance Income	<b>11</b>	8,221,044	6,329,784
Finance Costs	<b>12</b>	<u>(19,714,260)</u>	<u>(17,292,436)</u>
Surplus Before Taxation	<b>13</b>	54,809,424	66,485,110
Taxation	<b>14</b>	<u>-</u>	<u>-</u>
Surplus After Taxation		<u><b>54,809,424</b></u>	<u><b>66,485,110</b></u>



# REPUBLIC OF KENYA

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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 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

##### Opinion

I have audited the accompanying financial statements of Nyeri Water and Sewerage Company Limited set out on pages 14 to 27, which comprise the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts 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.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Nyeri Water and Sewerage Company Limited as at 30 June, 2017, 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, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, except for the matter described in the Other Matter Section of my report, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

##### Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Nyeri Water and Sewerage Company Limited in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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*Report of the Auditor-General on Nyeri Water and Sewerage Company Limited for the year ended 30 June 2017*

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter described in the Other Matter Section of my report, I confirm that there were no Key Audit Matters to report in the year under review.

## **Other Matter**

### **Unpaid Lease fees**

The trade and other payables includes trade payables totaling Kshs.90,361,864 as detailed under note 23 to the financial statements. As previously reported, included in the balances are lease fee payables and Board administration fee payables of Kshs.34,284,671 and Kshs.45,205,837.50 respectively or Kshs.79,490,508.50 in aggregate. The unpaid Board administrative fees amounts of Kshs.45,205,837.50 relates to unremitted lease fee owed to Tana Water Services Board. However, the company deposits the unpaid lease fees in a special account under instruction from the County Government of Nyeri, although the practice is not supported by relevant legislation.

## **Responsibilities of Management and those charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor-General's Responsibilities for the Audit of the Financial Statements**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.


I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- 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;
- In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- The Company's financial statements are in agreement with the accounting records and returns.



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

**Nairobi**


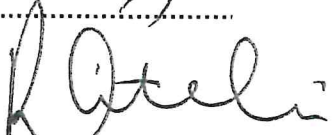
**04 July 2018**



**NYERI WATER AND SEWERAGE COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2017**

	Notes	2017 <u>Kshs</u>	2016 <u>Kshs</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	15	1,057,830,483	1,067,476,337
		<u>1,057,830,483</u>	<u>1,067,476,337</u>
<b>CURRENT ASSETS</b>			
Inventories	16	15,704,637	15,626,167
Trade and other receivables	17	162,680,649	147,440,507
Fixed Deposits	18(a)	142,069,591	115,049,196
Cash and cash equivalents	18(b)	27,347,561	19,780,518
		<u>347,802,438</u>	<u>297,896,388</u>
<b>TOTAL ASSETS</b>		<u>1,405,632,921</u>	<u>1,365,372,725</u>
<b>FINANCED BY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	19	75,000,000	75,000,000
Accumulated reserves		323,374,473	268,614,246
Capital grant	21	41,677,497	39,638,865
		<u>440,051,970</u>	<u>383,253,111</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	20	712,141,192	762,978,410
		<u>712,141,192</u>	<u>762,978,410</u>
<b>CURRENT LIABILITIES</b>			
Borrowings	21	50,417,076	50,417,076
Consumer deposits	22	77,096,637	70,461,189
Trade and other payables	23	121,939,798	93,163,241
Taxation	24	3,986,248	5,099,698
		<u>253,439,759</u>	<u>219,141,204</u>
<b>TOTAL EQUITY AND NON-CURRENT LIABILITIES</b>		<u>1,405,632,921</u>	<u>1,365,372,725</u>

The accounts were signed on behalf of the Board of Directors on...15.9.17... by:

..... )  
  
..... )  
  
..... )

**DIRECTOR**

**DIRECTOR**

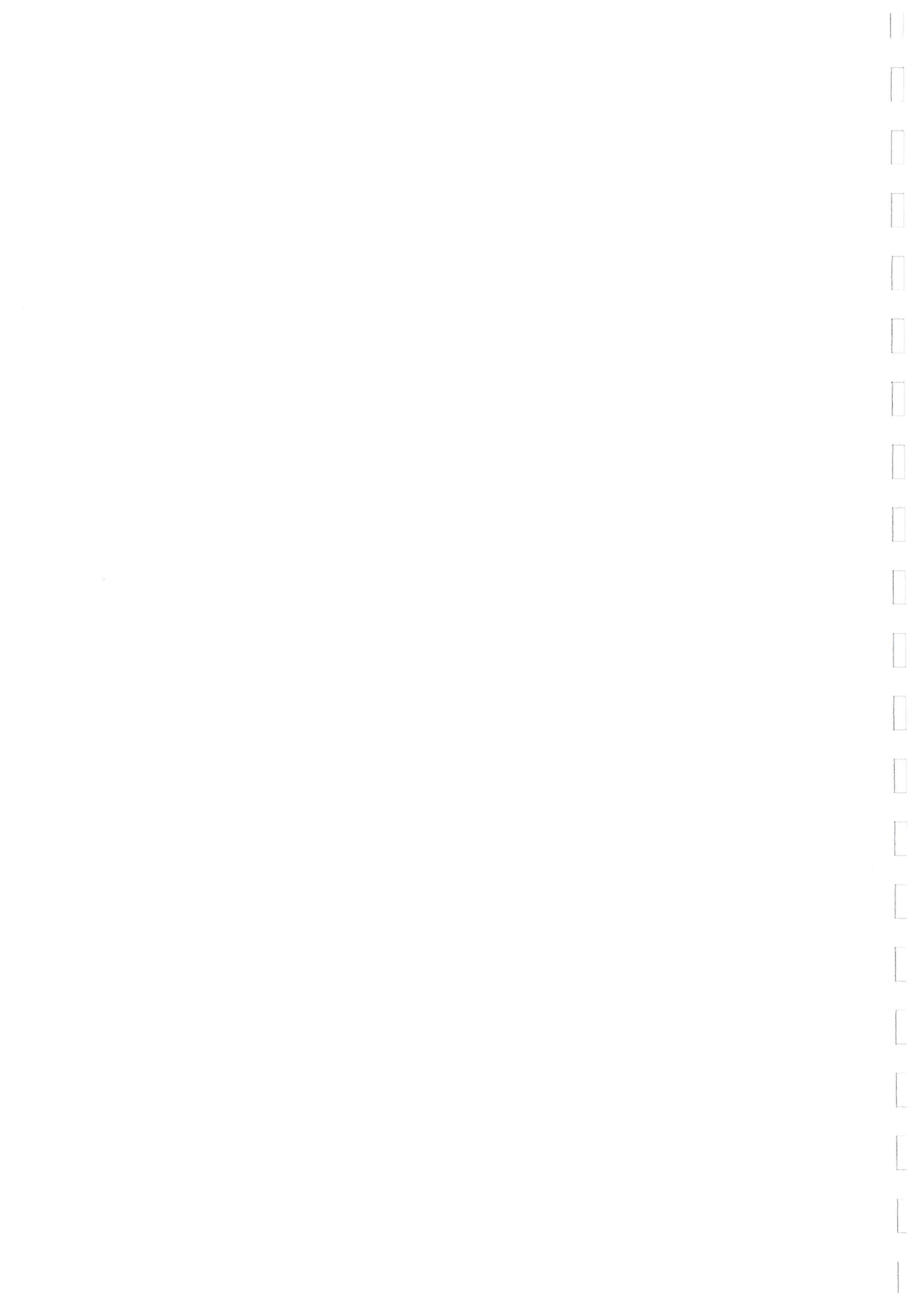




NYERI WATER AND SEWERAGE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2017

	Notes	Share Capital <u>Kshs</u>	Reserves <u>Kshs</u>	Capital Grant	Total <u>Kshs</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
<b>At 30.06.2016</b>		<b><u>75,000,000</u></b>	<b><u>268,614,246</u></b>	<b><u>39,638,865</u></b>	<b><u>383,253,111</u></b>
At 01.07.2016		75,000,000	268,614,246	39,638,865	383,253,111
Prior Year adjustment			(49,197)		
Additions during the year				6,993,487	6,993,487
Amortisation				(4,954,855)	(4,954,855)
Surplus for the period		-	54,809,424	-	54,809,424
<b>At 30.6.2017</b>		<b><u>75,000,000</u></b>	<b><u>323,374,473</u></b>	<b><u>41,677,497</u></b>	<b><u>440,101,167</u></b>

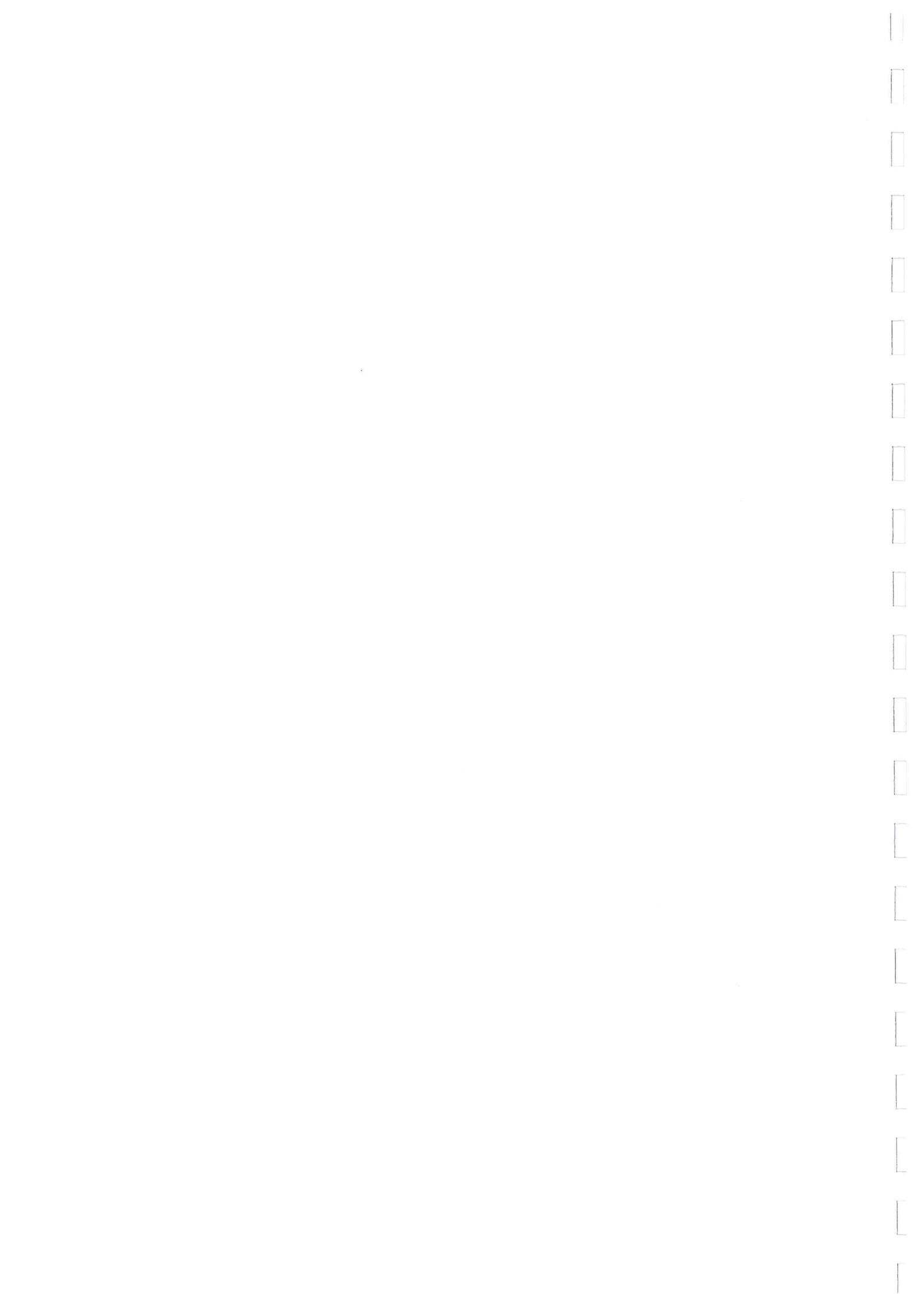




**NYERI WATER AND SEWERAGE COMPANY LIMITED**  
**STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2017**

	Notes	2017 <u>Kshs</u>	2016 <u>Kshs</u>
<b>Cash Generated from Operations</b>			
Surplus before taxation		54,809,424	66,485,110
Adjustments for:			
Depreciation	13	50,263,270	50,139,415
Amortisation of Grant	20	(4,954,855)	(5,669,781)
Interest income	11	(8,221,044)	(6,329,784)
KFW loan interest Charge	21	19,714,260	17,292,436
<b>Operating profit before changes in working capital</b>		111,611,055	121,917,396
<b>Changes in Working Capital</b>			
Inventories	16	(78,470)	1,958,760
Trade and other receivables	17	(15,240,142)	(19,667,059)
Consumer deposits	22	6,635,448	6,220,939
Trade and other creditors	23	28,776,557	31,888,405
Cash generated from operations		131,704,448	142,318,441
Income Tax Paid	24	(1,113,450)	(491,810)
<b>Net cash generated from operations</b>		<b><u>130,590,998</u></b>	<b><u>141,826,631</u></b>
<b>Investing Activities</b>			
Interest received	11	8,221,044	6,329,784
KFW Interest Charged	21	(19,714,260)	(17,292,436)
Purchase of fixed assets	15	(40,617,416)	(36,437,373)
<b>Net cash used in investing activities</b>	<b>20</b>	<b><u>(52,110,632)</u></b>	<b><u>(47,400,025)</u></b>
<b>Financing Activities</b>			
Proceeds from Grants	19	6,993,487	-
KFW loan Interest Accrued but Capitalised		6,302,135	6,722,278
KFW Loan Capital Repaid		(57,139,353)	(61,130,705)
<b>Net cash from financing activities</b>		<b><u>(43,843,731)</u></b>	<b><u>(54,408,427)</u></b>
<b>Net increase in cash and cash equivalents</b>		<b>34,636,635</b>	<b>40,018,179</b>
<b>Cash and cash equivalents:</b>			
At the start of the year	17c	<u>134,829,714</u>	<u>94,811,535</u>
<b>At the end of the year</b>	<b>17c</b>	<b><u>169,466,349</u></b>	<b><u>134,829,714</u></b>

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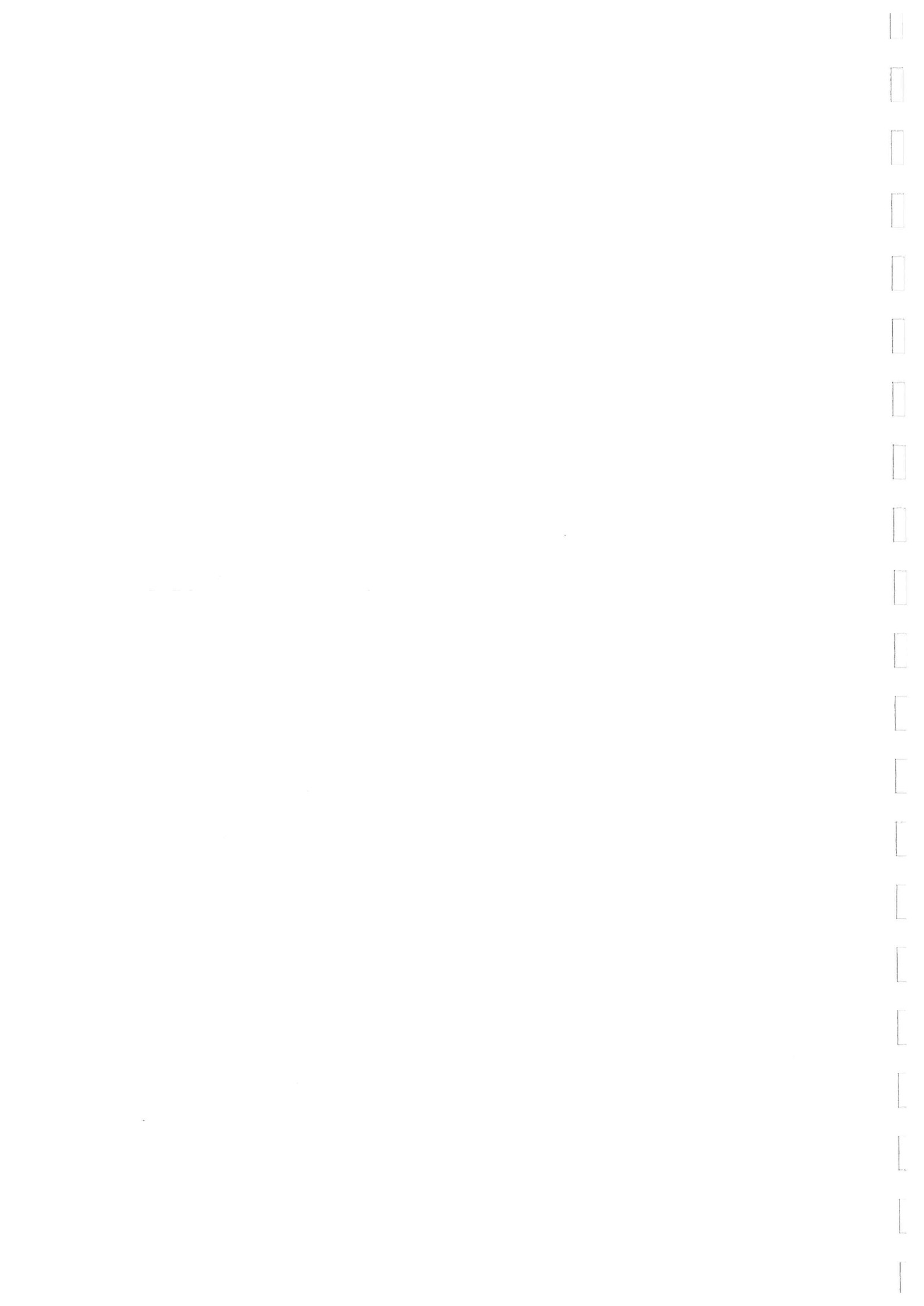


**NYERI WATER AND SEWERAGE COMPANY LIMITED**  
**STATEMENT OF COMPARISON OF BUDGET AND THE ACTUAL**  
**FOR THE YEAR ENDED 30TH JUNE 2017**

	Notes	Original Budget 2016-2017 Kshs	Adjustments 2016-2017	Final Budget 2016-2017 Kshs	Actuals on Comparable Basis 2016-2017 Kshs	Performance 2016-2017 Kshs
Income from Water	a)	319,112,037	-	319,112,037	303,889,246	(15,222,791)
Income From Sewer	b)	121,678,537	-	121,678,537	113,947,469	(7,731,068)
Other Income	c)	10,000,000	-	10,000,000	11,589,195	1,589,195
<b>Total Income from Operations</b>		<b>450,790,574</b>	-	<b>450,790,574</b>	<b>429,425,910</b>	<b>(21,364,664)</b>
Amortisation of Grant		4,954,855	-	4,954,855	4,954,855	-
<b>Total Income</b>		<b>455,745,429</b>	-	<b>455,745,429</b>	<b>434,380,765</b>	<b>(21,364,664)</b>
<b>EXPENSES:</b>						
Administration expenses	d)	(95,288,702)	-	(95,288,702)	(92,046,360)	3,242,342
Staff Expenses		(145,866,050)	-	(145,866,050)	(140,440,152)	5,425,898
Board of Directors Expenses		(9,000,000)	-	(9,000,000)	(8,732,824)	267,176
Operations Expenses	e)	(73,928,400)	-	(73,928,400)	(61,313,855)	12,614,545
Water Service Board Fee and Lease Fee	f)	(21,148,000)	-	(21,148,000)	(21,148,096)	(96)
Regulatory Fee		(4,500,000)	-	(4,500,000)	(4,257,407)	242,593
Depreciation		(50,263,270)	-	(50,263,270)	(50,263,270)	-
		<b>(399,994,422)</b>	-	<b>(399,994,422)</b>	<b>(378,201,964)</b>	<b>21,792,458</b>
<b>Surplus from Operating Activities</b>		<b>55,751,007</b>		<b>55,751,007</b>	<b>56,178,801</b>	<b>427,794</b>
V.A.T Refunds	h)	-		-	10,123,839	10,123,839
Finance Income		6,000,000		6,000,000	8,221,044	2,221,044
Finance Costs		(19,900,000)		(19,900,000)	(19,714,260)	185,740
<b>Surplus Before Taxation</b>		<b>41,851,007</b>		<b>41,851,007</b>	<b>54,809,424</b>	<b>12,958,417</b>
Taxation		-		-	-	-
<b>Surplus After Taxation</b>		<b>41,851,007</b>		<b>41,851,007</b>	<b>54,809,424</b>	<b>12,958,417</b>

**Explanation of Performance Difference Notes**

- The Performance difference of (-) 4.8% Water Revenue was due to delayed implementation of Water Extensions due to approvals required.
- The performance difference of (-)6.3% Sewer Revenue was due to delayed Output based Aid Projects being Funded Through Commercial Financing.
- The Performance difference of (+) 15.9% Other Income was more than budgeted due to intensified activities on disconnection and water connection charges.
- The management to put stringent measures to control Administration and Operations costs to cover for the Revenue Budgetary shortfalls.
- Water Services Board was Payable up to April 2017 when New Water Act 2016 became effective but has now been accrued upto June 2017 due to SPA extension





## NYERI WATER AND SEWERAGE COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017

#### 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.

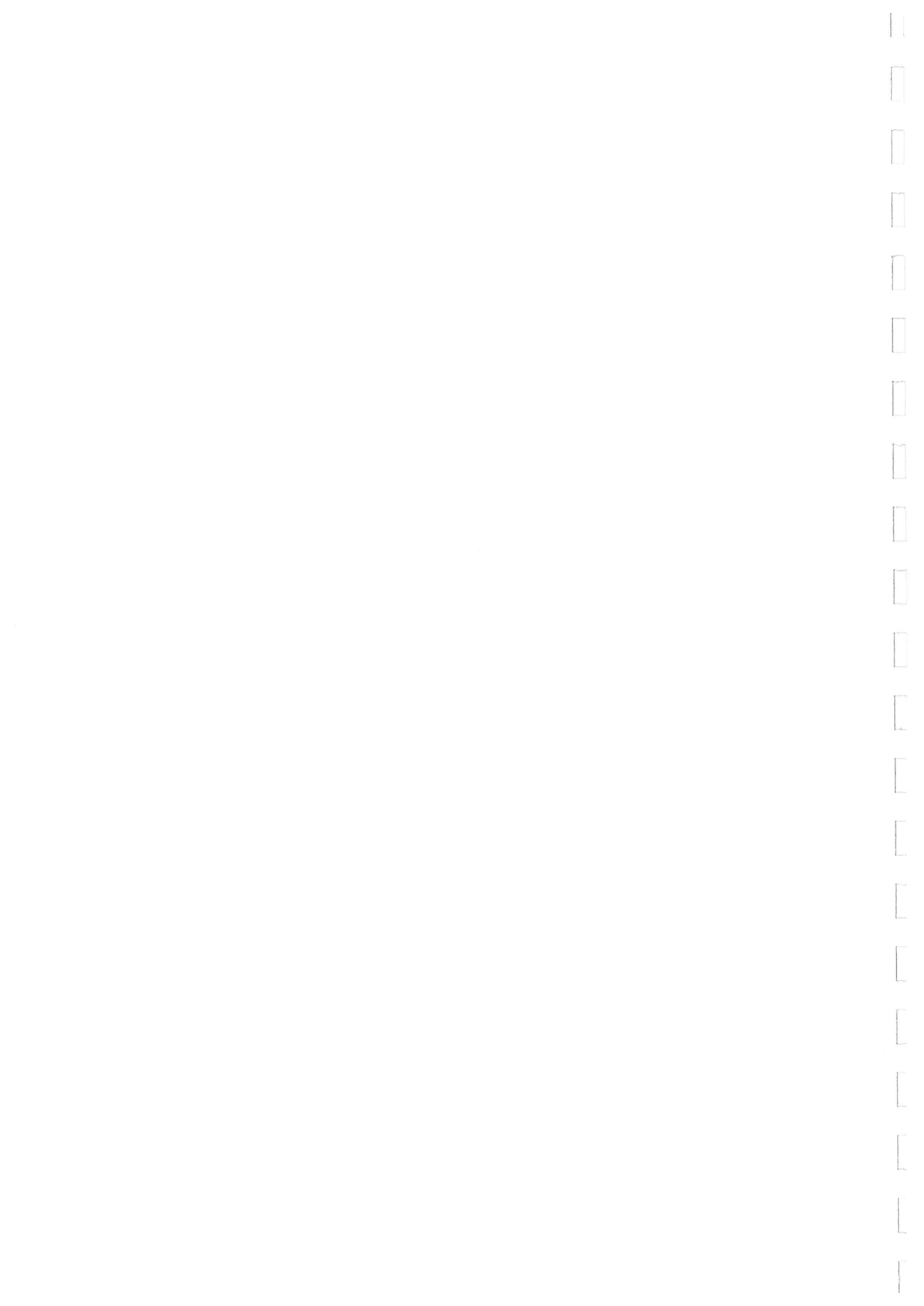
Net Realizable Value is the estimated selling price in the ordinary course of the business less estimated costs of completion and costs necessary to make the sale.

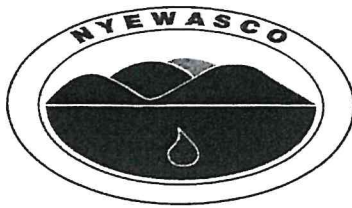
##### g) Deferred Taxation

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 2017 (CONT'D)**

**i) Retirement Benefits**

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

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

**j) Provision for Staff Leave Entitlement**

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

**k) Foreign Currency**

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

**l) Trade Receivables**

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

**m) Trade Payables**

Trade payables are stated at their nominal value.

**n) Amortisation of Capital Grant**

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

**o) Fair Statement of Trade Receivables**

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

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

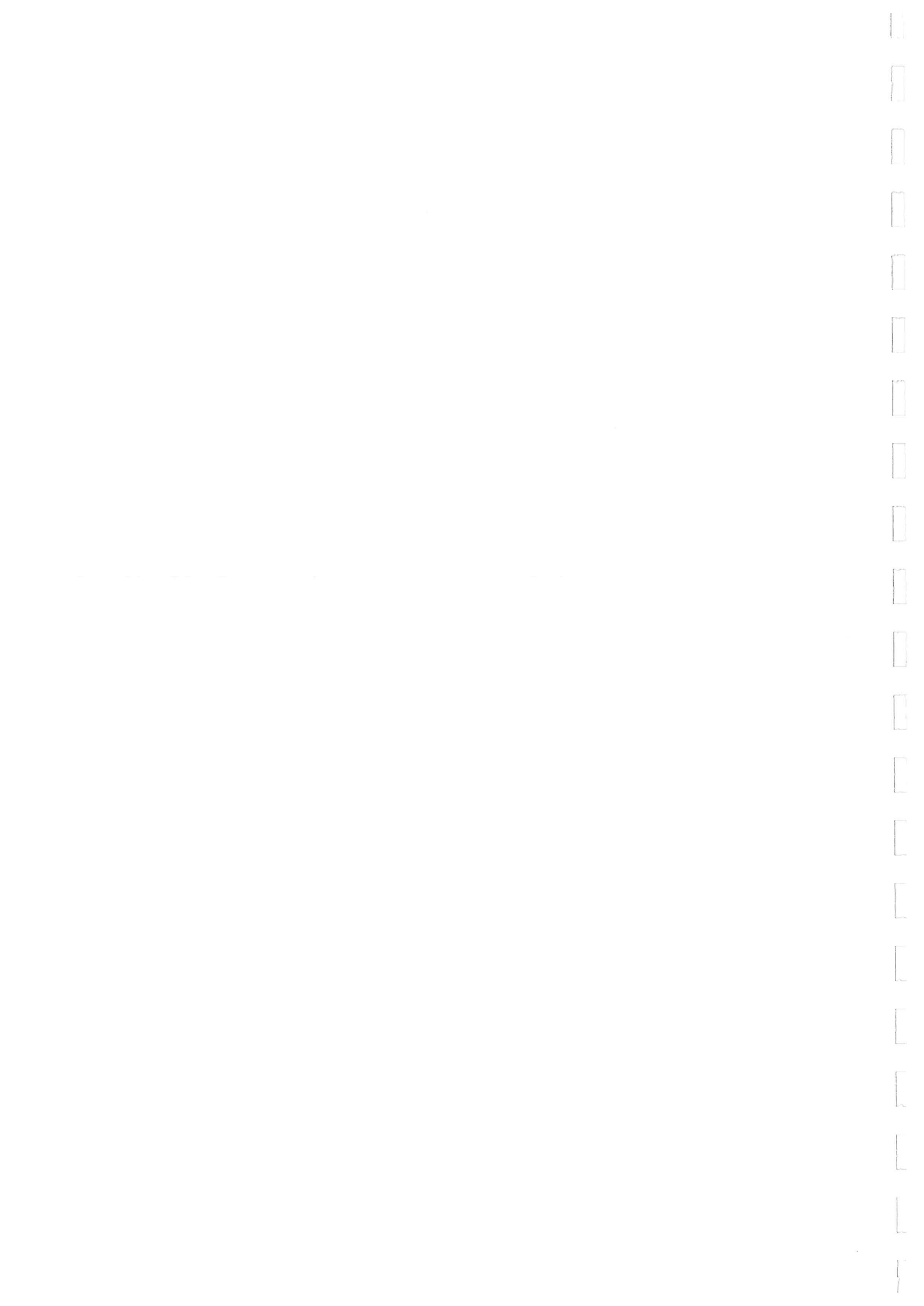
**p) Cash and cash equivalents**

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

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

**q) Reserves**

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





**NYERI WATER AND SEWERAGE COMPANY LIMITED**

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (CONT'D)**

**Comparatives**

- 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 than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset.

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

**2 (a) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

i) Critical accounting estimates and assumptions:

*Property, plant and equipment*

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

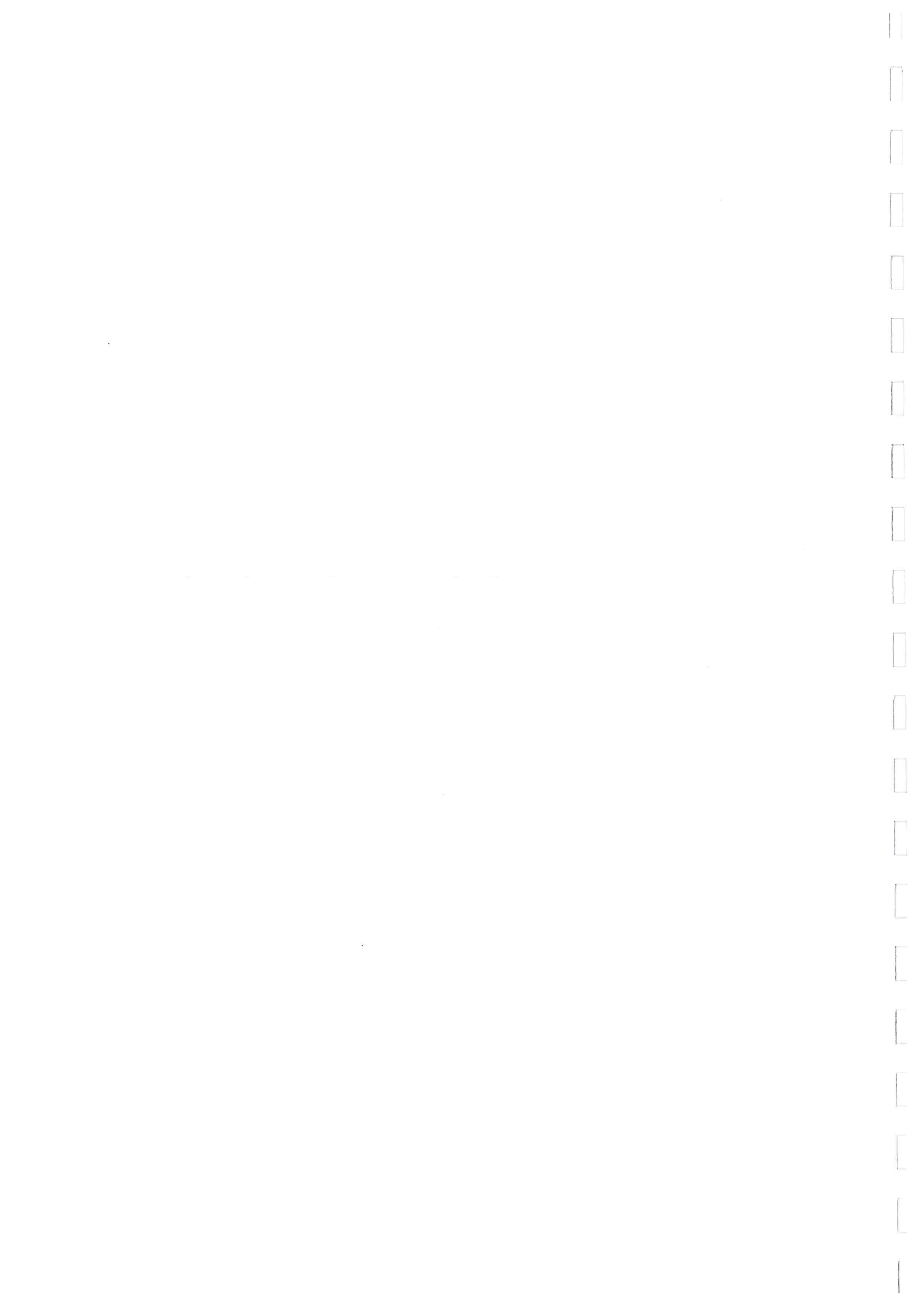
ii) Critical judgements in applying the entity's accounting principles

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

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

**2 (b) RISK EXPOSURE**

- (i) The company continues to be negatively affected by increase in inflation and commodity prices while the income remains relatively static due to the Rigid Tarriff approval process. However the Management and The Board is actively following up on a Regular Tarriff Review which will ensure a cost recovery Tarriff 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 m 35384476 affected. However the management and the board are aggressively following up the possibility of having an upstream storage by constructing a reservoir or dam.

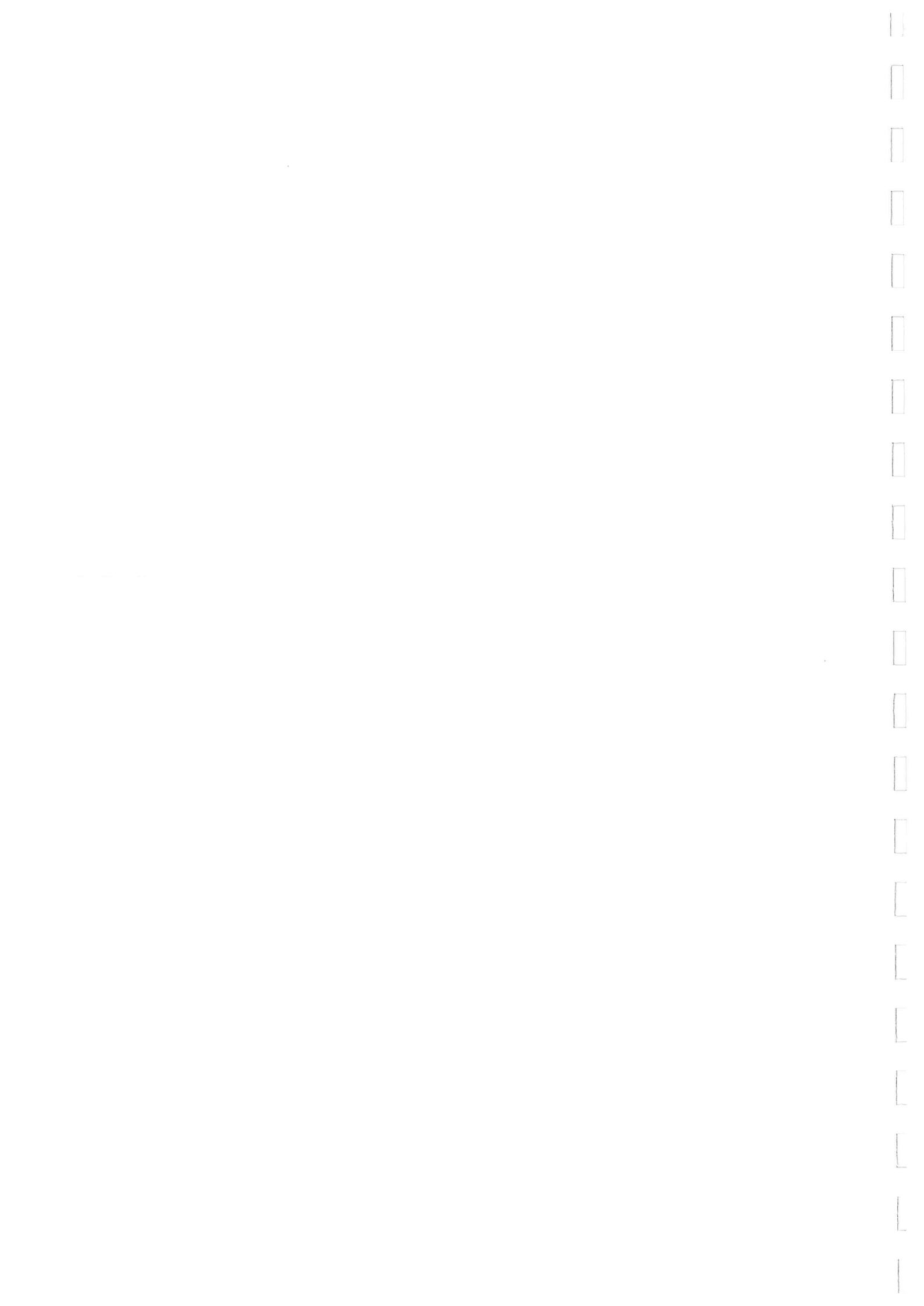




# NYERI WATER AND SEWERAGE COMPANY LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR 30TH JUNE 2017 (CONT'D)

	2017 Kshs	2016 Kshs
<b>3a TURN OVER</b>		
Water billings and Meter Rent	303,889,246	281,590,746
Sewer billings	113,947,469	108,912,301
	<u>417,836,715</u>	<u>390,503,047</u>
<b>3b OTHER INCOME</b>		
Reconnection fees	5,549,500	4,888,500
Application and Water connection fee	3,643,100	3,198,300
Sewer connection fees	182,000	220,500
Sale of tender forms	-	110,000
Rent	775,300	822,400
Laboratory testing	489,250	531,400
Meter calibration and Testing	218,780	359,580
Miscellaneous	731,265	658,400
	<u>11,589,195</u>	<u>10,789,080</u>
<b>4 ADMINISTRATION AND ESTABLISHMENT EXPENSES</b>		
Training, Workshops & Education Tours	5,878,777	3,852,708
Environmental Protection & Social R.	848,422	196,140
Veh. Fuel & Maint.	5,005,249	5,355,437
Transport	931,591	553,875
Uniforms, Laundry & Cleaning Materials	3,176,737	2,704,286
Electricity	1,017,021	1,090,923
Tel. & Postage	4,509,252	2,793,274
Security	8,206,837	7,407,006
Insurance	12,556,990	11,500,938
Audit Fees	580,000	600,000
Statutory levies	232,775	266,450
Professional fees	2,161,317	1,466,414
Stationery & Printing	2,452,388	1,994,115
I.S.O 9001 2015	1,873,937	1,500,500
Water & Sewerage Charges	1,299,572	1,418,305
Catering	1,971,703	1,253,376
Donations & Subscriptions	609,184	488,429
Advert. & P. Relations	1,953,431	1,878,653
Business Travel & Allowances	4,410,915	2,886,185
Water Abstraction	3,198,241	3,019,340
A.S.K Show & Functions	1,043,435	664,503
Periodicals	279,035	179,746
Provision For Bad Debts	14,721,564	-
Sports, OHS & H.I.V Mgt & Resource C	5,156,206	4,501,976
Long Service Award	190,680	233,600
Provision For Unpaid Staff Leave	2,630,735	1,398,780
Water Safety Plan & Risk Management	600,000	1,656,827
NEMA & KEBS & WRMA	604,000	590,000
Disludging, Investigations & Fitness C	411,114	731,900
Sample Analysis	774,744	895,311
Office Furniture Repairs	47,850	51,409
Strategic plan	2,712,658	
Claims	-	326,695
	<u>92,046,360</u>	<u>63,457,101</u>

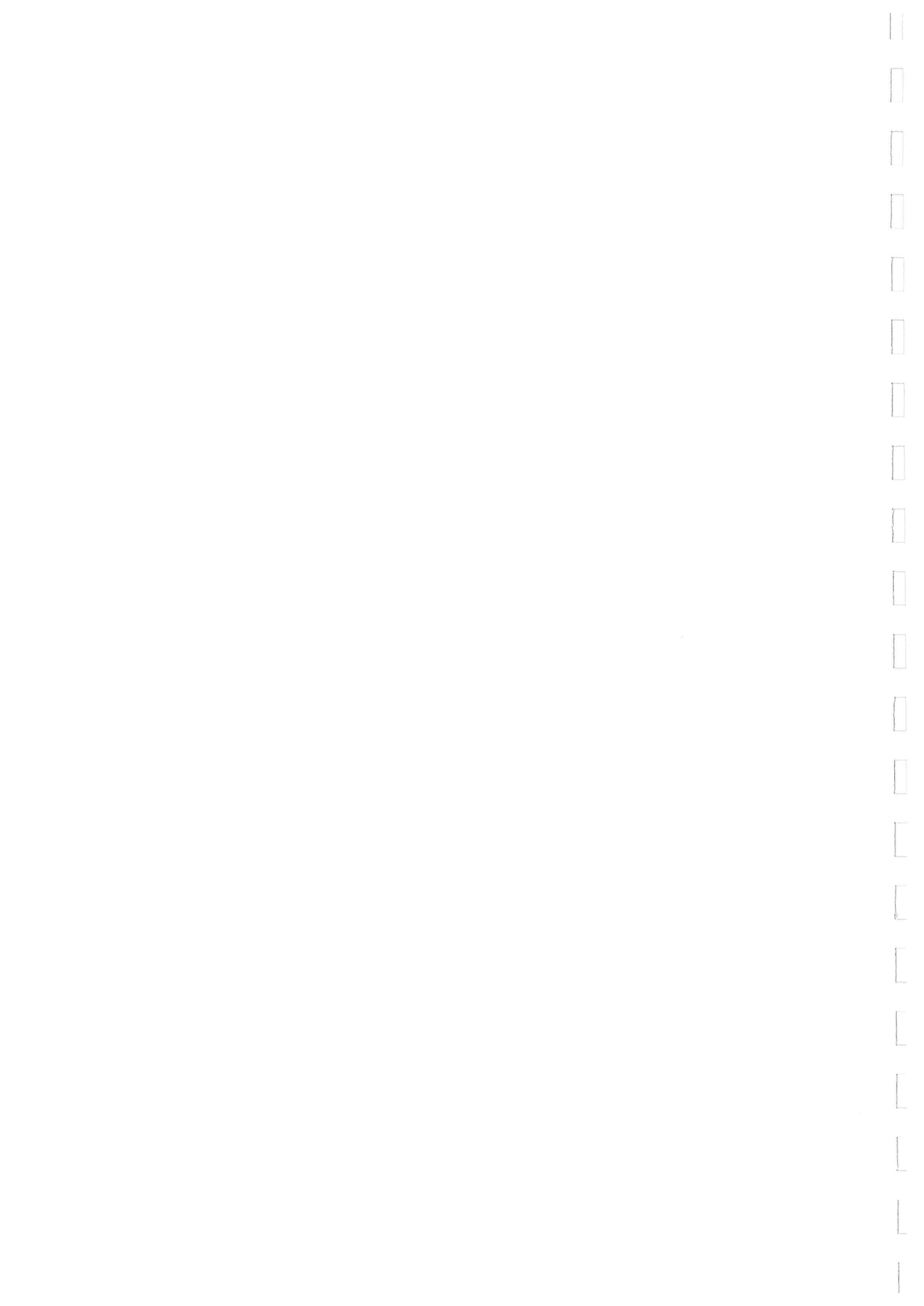




**NYERI WATER AND SEWERAGE COMPANY LIMITED**

**NOTES TO THE ACCOUNTS FOR THE YEAR 30TH JUNE 2017 (CONT'D)**

	2017 Kshs	2016 Kshs
<b>5 STAFF EXPENSES</b>		
Salaries,Wages & Allowances	139,180,848	125,310,598
Staff Welfare	1,259,304	492,380
	<u>140,440,152</u>	<u>125,802,978</u>
<b>6 BOARD OF DIRECTORS EXPENSES</b>	<u>8,732,824</u>	<u>6,849,801</u>
<b>7 OPERATIONS EXPENSES</b>		
Repairs & Maint.	28,299,717	30,033,137
Chemicals	9,702,770	9,058,170
Re-agents & Apparatus	799,350	568,336
Electricity	19,715,845	17,902,930
Accreditation ISO 17025	2,796,173	1,838,959
	<u>61,313,855</u>	<u>59,401,532</u>
<b>8 WATER SERVICE BOARD EXPENSES AND LEASE FEE</b>		
Provision for County Lease fee	-	10,486,975
Water S.Board Admin.fees	21,148,096	21,148,096
	<u>21,148,096</u>	<u>31,635,071</u>
<b>9 REGULATORY FEES</b>		
Water Services Regulatory Board Fees	4,257,407	3,986,335
<b>10 V.A.T REFUNDS</b>	<u>10,123,839</u>	<u>11,758,087</u>
This amount include claims lodged with K.R.A for V.A.T due to water Services being zero rated.		
<b>11 FINANCE INCOME</b>		
Interest on Short Term Deposits	<u>8,221,044</u>	<u>6,329,784</u>
<b>12 FINANCE CHARGE</b>		
Finance Costs Relates KFW Loan Interest	<u>19,714,260</u>	<u>17,290,786</u>
<b>13 SURPLUS BEFORE TAXATION</b>		
The Profit before taxation is stated after charging:		
Depreciation	50,263,270	50,139,415
Directors' emoluments	8,732,824	6,849,801
Auditor's remuneration net of VAT	580,000	600,000
Net finance costs	<u>19,714,260</u>	<u>17,292,436</u>
<b>14 No provision for Tax has been made for the year as the Company has Taxable Losess carried forward .</b>		



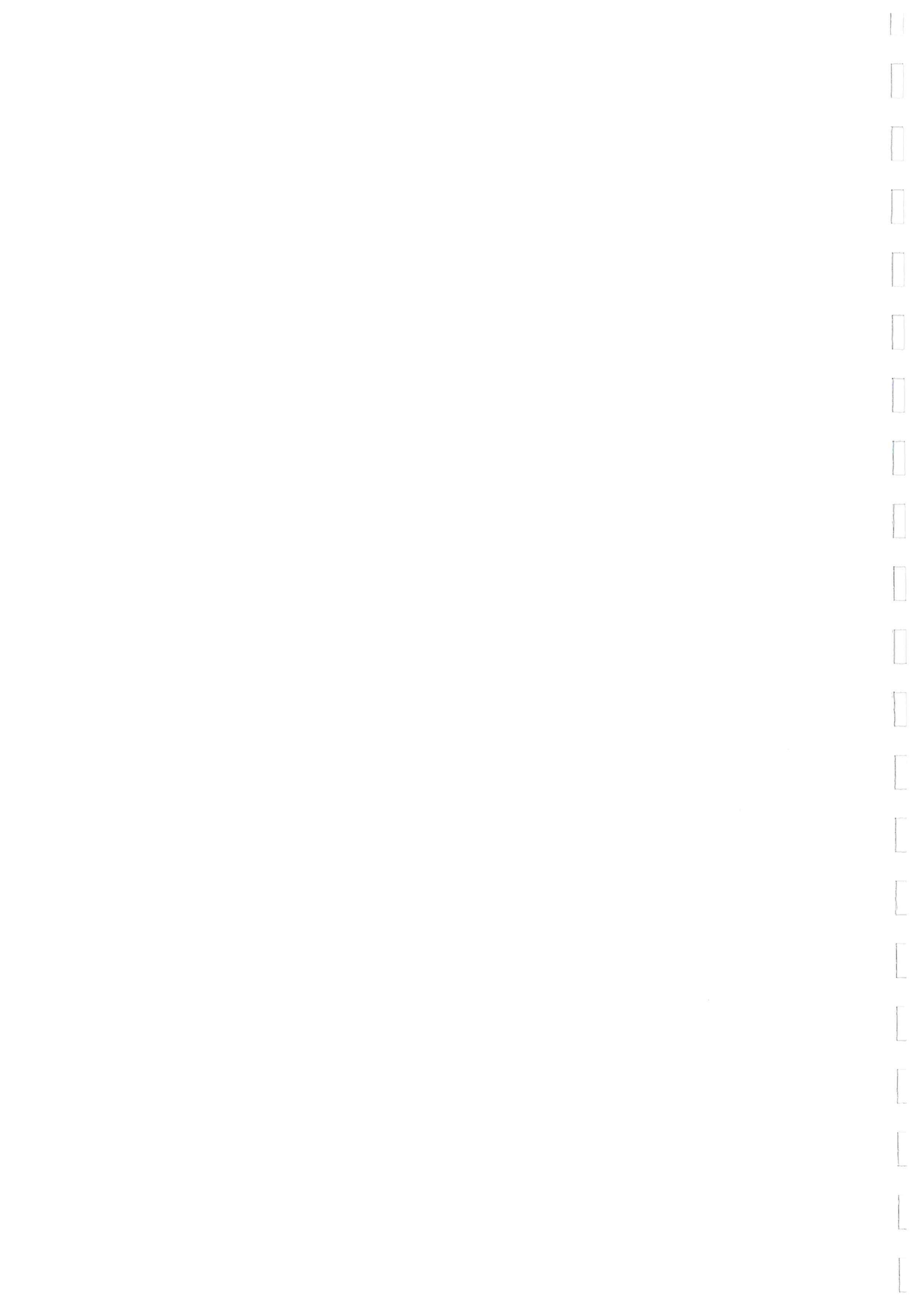


NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (CONT'D)

15 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.
<b>COST</b>								
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	-	36,437,373
Transfer during the year	-	-	1,139,267	-	-	-	(1,139,267)	-
At 30th June 2016	9,000,830	113,477,149	1,336,576,497	27,046,246	26,956,706	49,659,423	-	1,562,716,851
At 1st July 2016	9,000,830	113,477,149	1,336,576,497	27,046,246	26,956,706	49,659,423	-	1,562,716,851
Additions for the Year	568,380	1,629,580	23,236,120	3,071,174	1,048,160	4,122,298	6,941,704	40,617,416
Transfer during the year	-	-	-	-	-	-	-	-
At 30th June 2017	<u>9,569,210</u>	<u>115,106,729</u>	<u>1,359,812,617</u>	<u>30,117,420</u>	<u>28,004,866</u>	<u>53,781,721</u>	<u>6,941,704</u>	<u>1,603,334,267</u>
<b>DEPRECIATION</b>								
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	-	23,247,633	396,667,514	15,091,577	19,649,988	40,583,802	-	495,240,514
At 1st July 2016	-	23,247,633	396,667,514	15,091,577	19,649,988	40,583,802	-	495,240,514
Charge for the year	-	<u>2,135,773</u>	<u>40,620,350</u>	<u>1,878,252</u>	<u>2,088,719</u>	<u>3,540,176</u>	-	<u>50,263,270</u>
At 30th June 2017	-	<u>25,383,406</u>	<u>437,287,864</u>	<u>16,969,829</u>	<u>21,738,707</u>	<u>44,123,978</u>	-	<u>545,503,784</u>
<b>NET BOOK VALUE</b>								
At 30th June 2017	<u>9,569,210</u>	<u>89,723,323</u>	<u>922,524,753</u>	<u>13,147,591</u>	<u>6,266,159</u>	<u>9,657,743</u>	<u>6,941,704</u>	<u>1,057,830,483</u>
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>

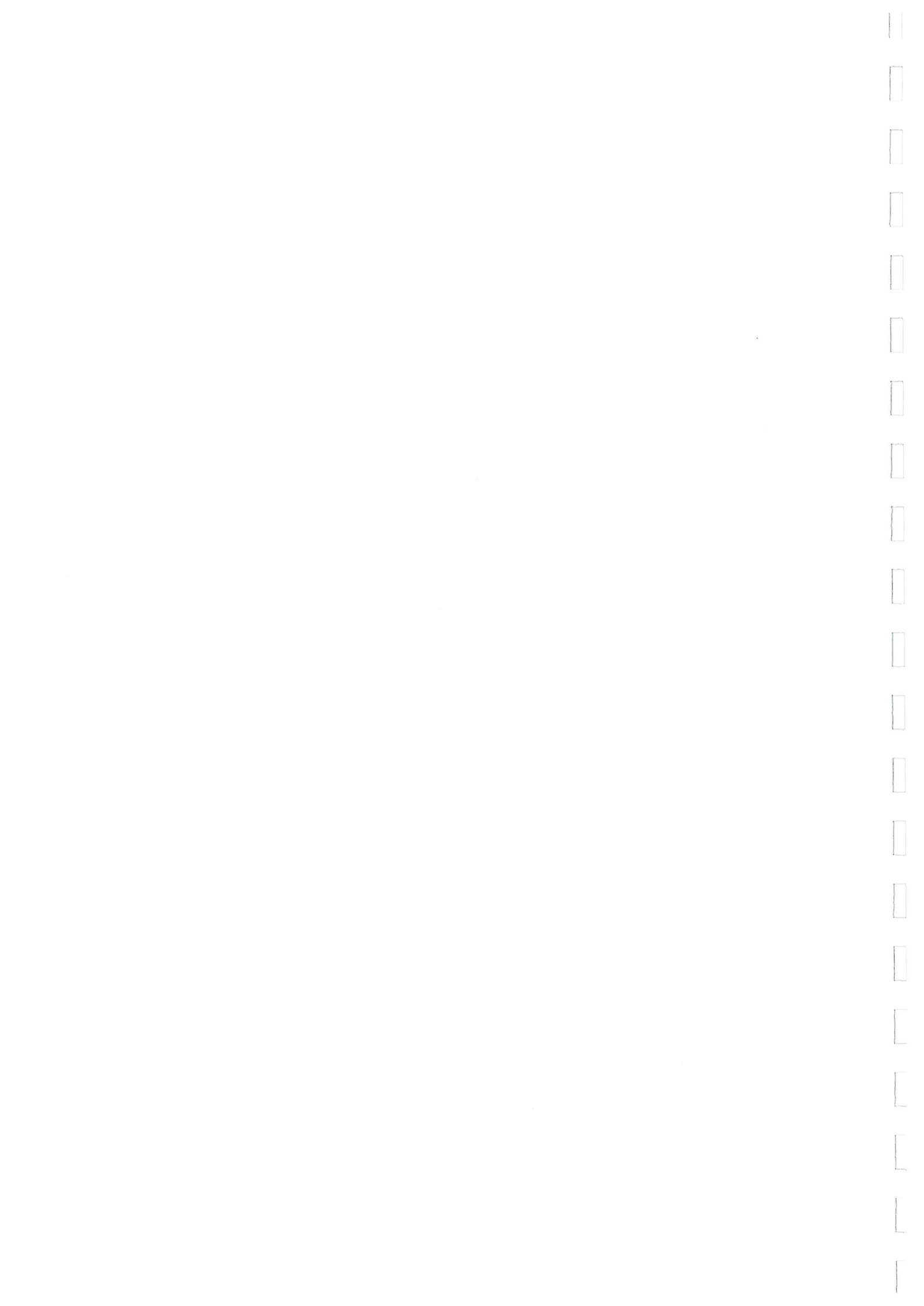




NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (CONT'D)

15 (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.
<b>COST</b>								
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	9,000,830	37,527,763	295,088,666	18,621,331	26,956,706	22,245,805	-	409,441,101
At 1st July 2016	9,000,830	37,527,763	295,088,666	18,621,331	26,956,706	22,245,805	-	409,441,101
Additions for the Year	568,380	1,629,580	23,236,120	3,071,174	1,048,160	4,122,298	6,941,704	40,617,416
Transfer during the year	-	-	-	-	-	-	-	-
At 30th June 2017	<u>9,569,210</u>	<u>39,157,343</u>	<u>318,324,786</u>	<u>21,692,505</u>	<u>28,004,866</u>	<u>26,368,103</u>	<u>6,941,704</u>	<u>450,058,517</u>
<b>DEPRECIATION</b>								
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	-	7,015,928	162,289,539	9,387,525	19,649,988	17,362,146	-	215,705,126
At 1st July 2016	-	7,015,928	162,289,539	9,387,525	19,649,988	17,362,146	-	215,705,126
Charge for the year	-	<u>642,831</u>	<u>19,504,409</u>	<u>1,538,144</u>	<u>2,088,719</u>	<u>2,701,784</u>	-	<u>26,475,887</u>
At 30th June 2017	-	<u>7,658,759</u>	<u>181,793,948</u>	<u>10,925,669</u>	<u>21,738,707</u>	<u>20,063,930</u>	-	<u>242,181,013</u>
<b>NET BOOK VALUE</b>								
At 30th June 2017	<u>9,569,210</u>	<u>31,498,584</u>	<u>136,530,838</u>	<u>10,766,836</u>	<u>6,266,159</u>	<u>6,304,173</u>	<u>6,941,704</u>	<u>207,877,504</u>
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>





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

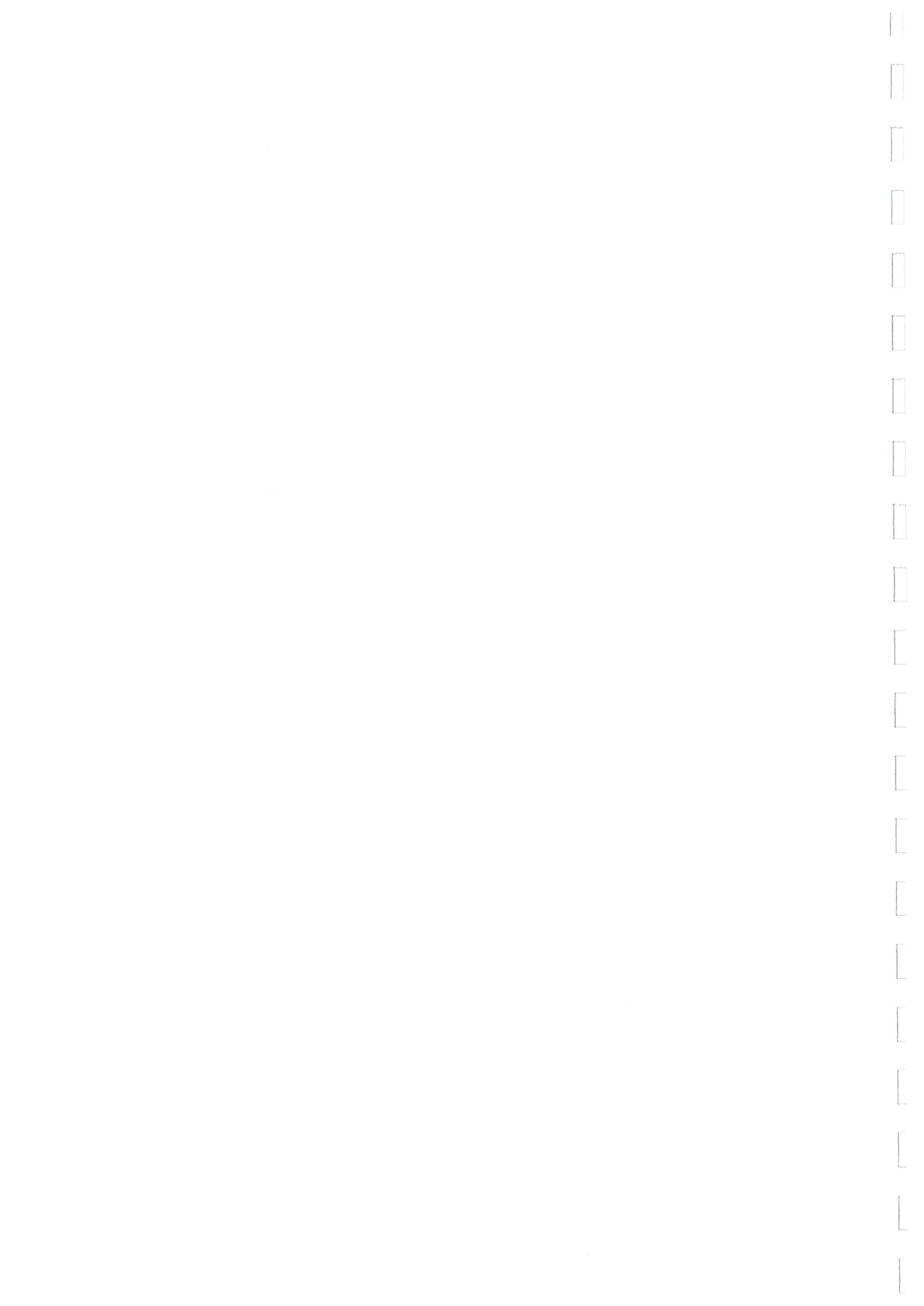
	<b>Buildings Kshs.</b>	<b>Plant &amp; Machinery Kshs.</b>	<b>Furniture &amp; Equipment Kshs.</b>	<b>Computers ,Hardware &amp; Software Kshs.</b>	<b>Total Kshs.</b>
<b>COST</b>					
At 1st July 2015	75,949,386.00	1,041,487,831.00	8,424,915.00	27,413,618.00	1,153,275,750.00
Additions for the Year	-	-	-	-	-
<b>At 30th June 2016</b>	<b>75,949,386.00</b>	<b>1,041,487,831.00</b>	<b>8,424,915.00</b>	<b>27,413,618.00</b>	<b>1,153,275,750.00</b>
 At 1st July 2016	 75,949,386.00	 1,041,487,831.00	 8,424,915.00	 27,413,618.00	 1,153,275,750.00
Additions for the Year	-	-	-	-	-
<b>At 30th June 2017</b>	<b>75,949,386.00</b>	<b>1,041,487,831.00</b>	<b>8,424,915.00</b>	<b>27,413,618.00</b>	<b>1,153,275,750.00</b>
 <b>DEPRECIATION</b>					
At 1st July 2015	14,700,483.00	212,648,172.00	5,315,357.00	22,173,666.00	254,837,678.00
Charge for the year	1,531,222.00	21,729,803.00	388,695.00	1,047,990.00	24,697,710.00
At 30th June 2016	16,231,705.00	234,377,975.00	5,704,052.00	23,221,656.00	279,535,388.00
 At 1st July 2016	 16,231,705.00	 234,377,975.00	 5,704,052.00	 23,221,656.00	 279,535,388.00
Charge for the year	1,492,942.00	21,115,941.00	340,108.00	838,392.00	23,787,383.00
<b>At 30th June 2017</b>	<b>17,724,647.00</b>	<b>255,493,916.00</b>	<b>6,044,160.00</b>	<b>24,060,048.00</b>	<b>303,322,771.00</b>
 <b>NET BOOK VALUE</b>					
At 30th June 2017	<u>58,224,739.00</u>	<u>785,993,915.00</u>	<u>2,380,755.00</u>	<u>3,353,570.00</u>	<u>849,952,979.00</u>
At 30th June 2016	<u>59,717,681.00</u>	<u>807,109,856.00</u>	<u>2,720,863.00</u>	<u>4,191,962.00</u>	<u>873,740,362.00</u>





NYERI WATER AND SEWERAGE COMPANY LIMITED  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (CONT'D)

	2017 Kshs	2016 Kshs	
<b>16 INVENTORIES</b>			
Pipes, fittings & Meters	13,334,589	13,220,156	
Chemicals	1,676,994	1,978,354	
Clotting and Uniform			
Stationery	227,449	178,855	
Cleaning Materials	16,990	1,580	
Hardware and Tools	448,615	247,222	
	<u>15,704,637</u>	<u>15,626,167</u>	
<b>17 TRADE AND OTHER RECEIVABLES</b>			
Trade receivables	162,012,089	144,224,770	
Provision for doubtful debts	(43,514,197)	(28,792,633)	
	118,497,892	115,432,137	
V.A.T. Refunds	33,960,161	23,836,322	
Other receivables, deposits and prepayments	10,222,596	8,172,048	
	<u>162,680,649</u>	<u>147,440,507</u>	
<b>18 CASH AND CASH EQUIVALENT</b>			
(a) Water Accounts Deposits	National Bank Fixed Deposit account	70,000,000	60,000,000
Special Fund	National Bank Fixed Special account	36,500,000	25,000,000
Loan Repayment Deposits	Consolidated Bank Fixed Deposit account	30,000,000	30,049,196
Gratuity	KCB Bank	5,569,591	-
		<u>142,069,591</u>	<u>115,049,196</u>
(b) Cash at Bank: Current accounts	Barclays Operation Account	10,051,784	3,524,704
	National Bank collection account	5,105,844	2,745,809
	National Bank Deposit account	7,541,091	6,524,003
	National Bank Contingency Account	448,926	454,876
	National Bank special account	185,722	3,049,365
	National Bank WSTF account		-
	Equity Collection Account	83,172	1,450,843
	Salaries Accounts	3,931,022	2,030,918
		<u>27,347,561</u>	<u>19,780,518</u>
(c) Total Cash and Cash Equivalent		<u>169,417,152</u>	<u>134,829,714</u>
<b>19 SHARE CAPITAL</b>			
Authorised share capital:			
3,750,000 ordinary shares of Kshs 20 each		<u>75,000,000</u>	<u>75,000,000</u>
Issued and fully paid:			
3,750,000 ordinary shares of Kshs 20 each		<u>75,000,000</u>	<u>75,000,000</u>
<b>20 CAPITAL GRANT</b>			
Balance at 1st January	39,638,865		45,308,646
Additional Grants During the Year	6,993,487		-
Less: Amortisation During the Year	(4,954,855)		(5,669,781)
Balance at 31st December	<u>41,677,497</u>		<u>39,638,865</u>
This relates to :			
a	The Grants brought forward Relates to Water Services Trust Funded projects less amortisation charged.		
b	The additional Grant of Ksh 6,993,487 was on Rwanyaga Water Project by the County Government Of Nyeri.		
<b>21 BORROWINGS</b>			
National Treasury Loan			
Amount as at 1st January	813,395,486		867,803,913
Payment made during the year	(70,268,799)		(71,529,226)
Interest Charged During the year	19,431,581		17,120,799
Total outstanding at 30th June	<u>762,558,268</u>		<u>813,395,486</u>
Amount due within one year ( Current Portion)	50,417,076		50,417,076
Amount due after one year ( Non -Current Portion)	<u>712,141,192</u>		<u>762,978,410</u>

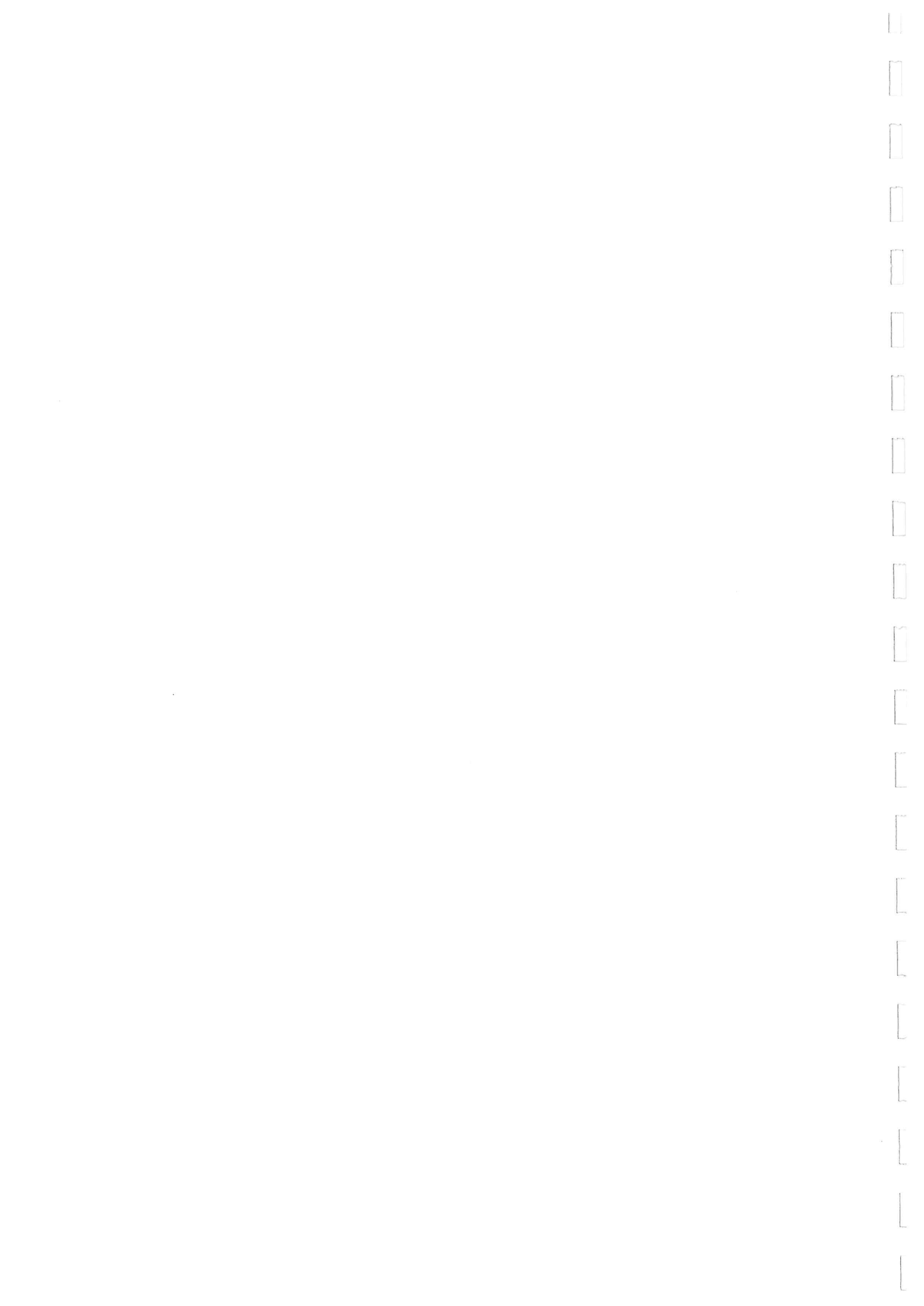




NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (CONT'D)

	2017	2016
<b>22 CONSUMER DEPOSITS</b>	<b><u>77,096,637</u></b>	<b><u>70,461,189</u></b>
These are refundable deposits paid by customers. The deposits are refunded on closure of a Water Account.		
<b>23 TRADE AND OTHER PAYABLES</b>		
Trade payables	90,361,864	72,429,570
Accruals and Provision for unpaid leave	19,457,559	11,548,823
Prepaid Water accounts	5,659,401	6,076,581
Unidentified Customer Payments	194,423	-
Other payables	<u>6,266,551</u>	<u>3,108,267</u>
	<b><u>121,939,798</u></b>	<b><u>93,163,241</u></b>
<b>24 TAXATION</b>		
Balance b/w	5,099,698	5,591,508
Payment During the Year	(1,113,450)	(491,810)
Charge for the year	-	-
Balance as at 30th June	<u>3,986,248</u>	<u>5,099,698</u>
<b>25 RELATED PARTY DISCLOSURE</b>		
<b>A) County Government of Nyeri</b>		
During the year the Company collected Kshs 14,108,500 refuse fees on behalf of the County Government of Nyeri and remitted Kshs 12,901,250 for the same. The balance was remitted after the year end.		
<b>B) Tana Water Services Board</b>		
The Company has a Service provision agreement with Tana Water Services Board to provide water and sewerage services to the Nyeri Town Sub-County and its environments. Tana Water Services Board Charges Annual Administration Fee amounting to Kshs 21,148,096.		
<b>C) Water Services Regulatory Board</b>		
The Company is Regulated by Water Services Regulatory Board. During the year the Company paid Ksh 4,257,407 to Water Services Regulatory Board as regulatory fee.		
<b>26 NUMBER OF EMPLOYEES</b>		
As at 30th June	<u>125</u>	<u>129</u>
<b>27 CONTINGENT LIABILITIES</b>		
Bank Guarantee	-	-
VAT Tax Dispute	35,384,476	
Litigation Claims Against the Company	<u>700,000</u>	700,000
Total Estimated Amount	<u>36,084,476</u>	700,000
(a) The VAT Tax dispute relates to an assessment of VAT on Sewerage Charges. The Company has Launched an Appera at Tax Dispute Tribunal. The Above claims related to Suits against the company for general and special damages in two Cases.		
(b) The company has lodged defense against the two cases and the laywers are of the opinion that the defense will be succcessful.		
<b>28 CAPITAL COMMITMENTS</b>		
Authorized and contracted:	-	-
Authorized but not contracted	<u>344,519,091</u>	<u>87,169,000</u>





NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2017 (CONT'D)

**29 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.

**30 INCORPORATION**

The company is incorporated under the Kenyan Companies Act.

**31 CURRENCY**

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

