

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30684 - 00100, NAIROBI
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6 MAR 2019

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RUIRU-JUJA WATER AND SEWERAGE COMPANY LTD

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

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I. KEY ENTITY INFORMATION

Background information

Ruiru-Juja Water and Sewerage Company Ltd is a public company established under the Water Act 2002 and Licensed by Athi Water Services Board. At cabinet level, Ruiru-Juja Water and Sewerage Company Ltd is represented by the Cabinet Secretary for Water and Sanitation who is responsible for the general policy and strategic direction of the Ruiru-Juja Water and Sewerage Company Ltd. Ruiru-Juja Water and Sewerage Company Ltd is domiciled in Kenya and has no branches.

Principal Activities

The principal activity of Ruiru-Juja Water and Sewerage Company Ltd is to provide quality and affordable water and sewerage services in Ruiru and Juja Constituencies in the Kiambu County.

Directors

The Directors who served the entity during the year/period were as follows:

- | | |
|-----------------------------|-------------------|
| 1. Eng. John.K.Muhia | - Chairman |
| 2. Mr. John Mungai | -Member |
| 3. Ms. Emma Waithera Nganga | -Member |
| 4. Mr Simon Mwangi | - Chief Executive |

Registered Office

Ruiru-Juja Water and Sewerage Company, Adjacent to Kenyatta
University Ruiru Campus, Opposite Kenya Power Offices
P.O. Box 1165-00232
Ruiru, KENYA

Corporate Headquarters

P.O. Box 1165-00232
Ruiru-Juja Water and Sewerage Company, Adjacent to Kenyatta University Ruiru Campus
Nairobi, KENYA

Corporate Contacts

Telephone:020-2022651
E-mail: rujwasco2017@gmail.com

Corporate Bankers

1. **Kenya Commercial Bank**
Ruiru Branch
P.O. Box 400-00232,
Ruiru
2. **Barclays Bank of Kenya**
Juja Branch
P.O. Box 580-01001,
Juja
3. **Family Bank**
Juja Branch
P.O. Box 788-00232,
Ruiru
4. **Post Bank**
Ruiru Branch
P.O. Box 30311-00100,
Nairobi

Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

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II. THE BOARD OF DIRECTORS AND MANAGEMENT TEAM

THE BOARD OF DIRECTORS



Eng. John K Muhia
Chairman



Ms. Emma W. Ng'ang'a
Member



Mr. John Mungai
Member

MANAGEMENT TEAM



Mr. Simon Mwangi
Managing Director

Academic qualification:

Bcom, Member of ICPAK



Ms. Mary W. Mwangi
Technical Manager

DOB: 1980
Academic

qualification: BSc. In
Environ. Engineering



Ms. Mary N. Mwangi
Finance Manager

DOB: 1976
Academic

qualification: BCom,
Member of ICPAK



Ms. Scolastic Onjala
Accountant

DOB: 1972

Academic qualification:
BCom, Member of ICPAK



Ms. Fridah Kimani
Internal Auditor

DOB: 1987

Academic qualification:
BCom, Member of
ICPAK

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III. CHAIRMAN'S STATEMENT

Overview

Ruiru-Juja Water and Sewerage Company Limited (RUJWASCO) is wholly owned by the County Government of Kiambu in line with the Kenya Constitution 2010. The Company's mandate is to provide water and sewerage services within Ruiru and Juja Constituencies that fall in the County of Kiambu.

The Company continues to discharge her mandates faithfully. This is evidenced by continued increase in water connectivity that is supported by provision of high quality and reliable water supply to customers in our area of jurisdiction.

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

Future Outlook

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

- i) The Ruiru Water Supply project. The WaSSIP project has enhanced the water throughput capacities to 17000 m³/day. The construction of a 5000m³ tank at the Jacaranda Water Treatment Plant, under the WaSSIP Additional Financing would hugely enhance the technical integrity of the WaSSIP project. The level of service to residents is expected to improve considerably with commissioning of this project.
- ii) The KfW Financing project. The project entails water extension works to the entire greater Githurai area of Kahawa Sukari, Kahawa Wendani, Mwihoko and Mwiki areas.
- iii) The Ruiru Sewerage Project. This project is being undertaken under the Nairobi Metropolitan Services Improvement Project (NAMSIP). The completion of the project together with the proposed associated secondary sewers will enable residents in Ruiru constituency including the Greater Githurai benefit from provision of sewerage services.
- iv) The Juja Sewerage Project. The project is being undertaken under the Nairobi Metropolitan Services Improvement Project (NAMSIP). The project is aimed at addressing serious wastewater management issues in Juja constituency.

Appreciation

I greatly appreciate invaluable support that my Board continues to receive from our shareholder, stakeholders and customers. Your support contributes to the success of the Company. Finally, I appreciate the Management and Staff of RUJWASCO, who have all worked very hard with great motivation to ensure that the Company continues to register excellent performance.

CHAIRMAN,
BOARD OF DIRECTORS

Reports and Financial Statements

For the year ended June 30, 2018

IV. REPORT OF THE CHIEF EXECUTIVE OFFICER

1 INTRODUCTION.

As we mark 10 years of our company's existence it is always my pleasure to look back and appreciate how far our company has come. Performance has been improving each year and despite all challenges we have managed to increase our customer base from the initial 2,000 customers at inception to the current 16,000 customers. This has made our company to graduate from small size company to medium size and eventually to large company. This has been achieved through the commitment of our shareholder, County Government of Kiambu who has given us an enabling environment and support to perform our duties. The support from our major stakeholders and our partners has improved our infrastructures and other support systems and we are grateful. The commitment of staff and the team spirit has completed the full circle in our Company management and to all I say thank you.

2 PERFORMANCE OF THE COMPANY.

The Company continues to perform well in its areas of operations. The revenue collection has improved from Kshs 2M in the year 2009 to Kshs 25M in the current year. It is my hope that the company will continue to do better. The improved performance is greatly attributed to efficiency in the areas of operations and therefore the company has managed to utilize internally generated funds to develop its water system infrastructure. The company has also received great support from the world Bank through AWSB.

3 UPCOMING PROJECTS

The company is due to receive funds from KFW which will be used to expand the current treatments works from the current water production of 13,000 cubic meters to 28,000 cubic meters by the year 2019. This is set to take over areas of Kahawa Sukari and Githurai areas currently supplied by Nairobi Water Co Ltd

4 CONCLUSION.

Since much has been said by our Chairman, I thank you all once again for the support we have received from our Shareholder and other stakeholders to take our company, Ruiru-Juja Water and Sewerage Company to the next level. On behalf of all the staff, thank you.


Mr. Simon Mwangi

MANAGING DIRECTOR

V. CORPORATE GOVERNANCE STATEMENT

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

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

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

Board of Directors

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

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

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

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

Managing Director

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

Governance Structures

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

Board Committees

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

Reports and Financial Statements
For the year ended June 30, 2018

Finance and Administration Committee

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

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

In addition, the Committee ensures that RUJWASCO has the right staff and also ensures that the staff welfare is guaranteed. Their terms of reference include but not confined to human resource planning, employee welfare, recruitment, training, performance appraisal, discipline, health and safety and HIV/AIDs.

Audit Committee

This Committee has the oversight responsibility of ensuring that the integrity of internal controls of the company.

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

Reports and Financial Statements

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VI. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Ruiru-Juja Water and Sewerage Company Ltd affairs.

Principal activities

The principal activity of Ruiru-Juja Water and Sewerage Company Ltd is to provide quality and affordable water and sewerage services in Ruiru and Juja Constituencies in the Kiambu County.

Results

The results of the entity for the year ended June 30, 2018 are set out on page 11

Dividends

The Directors recommend no dividend payment for the year.

Directors

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

Auditors

The Auditor General is responsible for the statutory audit of Ruiru-Juja Water and Sewerage Company Ltd in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Secretary
Nairobi

Date: 5 / March / 2019

VII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 15 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of that Ruiru-Juja Water and Sewerage Company Ltd, which give a true and fair view of the state of affairs of Ruiru-Juja Water and Sewerage Company Ltd at the end of the financial year/period and the operating results of Ruiru-Juja Water and Sewerage Company Ltd for that year/period. The Directors are also required to ensure that Ruiru-Juja Water and Sewerage Company Ltd keeps proper accounting records which disclose with reasonable accuracy the financial position of Ruiru-Juja Water and Sewerage Company Ltd. The Directors are also responsible for safeguarding the assets of Ruiru-Juja Water and Sewerage Company Ltd.

The Directors are responsible for the preparation and presentation of Ruiru-Juja Water and Sewerage Company Ltd financial statements, which give a true and fair view of the state of affairs of Ruiru-Juja Water and Sewerage Company Ltd for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of Ruiru-Juja Water and Sewerage Company Ltd; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

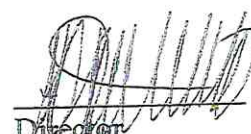
The Directors accept responsibility for the Ruiru-Juja Water and Sewerage Company Ltd financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Ruiru-Juja Water and Sewerage Company Ltd financial statements give a true and fair view of the state of Ruiru-Juja Water and Sewerage Company Ltd transactions during the financial year ended June 30, 2018, and of Ruiru-Juja Water and Sewerage Company Ltd financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Ruiru-Juja Water and Sewerage Company Ltd, which have been relied upon in the preparation of Ruiru-Juja Water and Sewerage Company Ltd financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

Ruiru-Juja Water and Sewerage Company Ltd financial statements were approved by the Board on 5 March 2018 and signed on its behalf by:


Director


Director


Director

REPUBLIC OF KENYA

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E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON RUIRU-JUJA WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Ruiru-Juja Water and Sewerage Company Limited set out on pages 11 to 35, which comprise the statement of financial position and the statement of profit or loss and other 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, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Ruiru-Juja Water and Sewerage Company Limited as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply the Kenyan Companies Act, 2015.

Basis for Qualified Opinion

1. Education and Training Expenses

Disclosed in Note 4 to the financial statements under administration expenses are education and training expenses totalling Kshs.4,115,906 which were not supported by the Company's training policy, training needs assessment, approved training programmes and budget, procurement records for training materials and facilities, invoices and reports on training. In the absence of these documents and records, the validity, propriety and accuracy of the expenditure of Kshs.4,115,906 incurred on education and training could not be confirmed.

2. Outstanding Water Sales Debtors

Disclosed in Note 15(b) to the financial statements are gross trade debtors balance of Kshs.30,081,572 as at 30 June 2018 (2017: Kshs.23,269,200) and relating to outstanding

water sales debtors. No satisfactory reasons were given for failure to recover the outstanding debts which had increased as of 30 June 2018 by Kshs. 6,812,372.

3. Inventories

The statement of financial position as at 30 June 2018 reflects inventories balance of Kshs.7,946,190 and as disclosed in Note 14 to the financial statements. However, stock sheets as at 30 June 2018 reflects a balance of Kshs.5,362,541 while the store ledger and stock control (S3) cards reflects a balance of Kshs.4,815,821, resulting in a difference of Kshs.546,720. The above differences between the three sets of records were not reconciled or explained. As a result, the accuracy of inventories balance of Kshs.7,946,190 could not be confirmed.

4. Short Term Deposits

Examination of records revealed that the Company transferred Kshs.50,000,000 from Kenya Commercial Bank Deposit Account No.1102730939 to Post Bank Revenue Account No.0744130011658 on 5 July 2017 and the same amount was further deposited in a Post Bank Fixed Deposit Account No.1102730939 on 6 July 2017. The statement of financial position reflects short-term deposits balance of Kshs.54,750,000 as at 30 June 2018 inclusive of an interest of Kshs.4,750,000 earned and apparently rolled over. However, the Company did not provide for audit review any documentary evidence showing the terms of the fixed deposit account and the rate of interest applicable to the amount earned. Consequently, the validity and accuracy of the amount of Kshs.4,750,000 could not be ascertained.

5. Property, Plant and Equipment

Disclosed in Note 12 to the financial statements under property, plant and equipment are nil cost, additions, transfers, disposals and net book value in respect of freehold land and capital work in progress, respectively as at 30 June 2018. However, the audit revealed that the Company had as at that date other assets with undetermined value including land, dams, water pipelines, sewer system and water treatment plants that are used in revenue generation. No reasons were provided for failure to disclose these assets or to include them in the financial statements. Consequently, the property, plant and equipment balance of Kshs.33,379,062 reflected in the financial statements as at 30 June 2018 is not fairly stated. In addition, the Company did not provide for audit review a fixed assets register. As a result, the descriptions and locations of the property plant and equipment disclosed in Note 12 to the financial statements could not be fully ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Ruiru-Juja 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 qualified opinion.

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 matters described in the Basis for Qualified Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance sections, I have determined that there are no Key Audit Matters to communicate in my report.

Other Information

The directors are responsible for the other information. The other information comprises the report of directors as required by the Companies Act, 2015, and the statement of the directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unaccounted for water

During the year under review the Company produced a total of 6,703,703 cubic meters (M³) of water. However, out of this volume, only 4,434,173 M³ of water was billed to customers leaving a balance of 2,269,530 M³ being unaccounted for (UFW) or approximately 33.8% of total water produced which is 8.8% above allowable loss of 25% in accordance with Water Service Regulatory Board guidelines. The unaccounted for water may have resulted in a

loss of sales estimated at Kshs.194,952,627. Had the unaccounted for water been sold, the company would have reported an operating profit of Kshs.256,089,658 instead of Kshs.61,137,031 now shown.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Qualified Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Internal Control

Verification of records provided for audit revealed that the management did not have during the year under review effective controls in respects of imprests. The Company did have an up to date imprests register and lacked imprests warrant books.

2. Failure to Appoint Board of Directors

A review of records relating to the Company's board of directors revealed that although the board members were expected to be nine, only four members including the managing director served the entity during the period under review and the rest had retired. The vacant board positions had not been filled as of January 2019. In the absence of full board, activities that require full board approval cannot be implemented.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit so as to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report based on the 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 my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with books of account; and
- (iv) In my opinion the information given in the report of the directors on page 9, is consistent with the financial statements.

Responsibilities of Directors and Those Charged with Governance

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of The Kenyan Companies Act, and for maintaining effective internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance. In preparing the financial statements, the directors are responsible for assessing the ability of Ruiru - Juja Water and Sewerage Company Limited ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless the directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are 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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, the directors are also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective manner.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 ability of Ruiru-Juja Water and Sewerage Company Limited 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 to continue 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 Ruiru-Juja Water and Sewerage Company Limited to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the directors 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 the directors 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.



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

Nairobi

17 April 2019

Ruiru-Juja Water and Sewerage Company Ltd

Reports and Financial Statements
For the year ended June 30, 2018

VIII. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2018 Kshs	2017 Kshs
REVENUES			
Sales	1	323,736,663	253,103,602
Grants -Amortised	2	1,513,245	1,681,384
Other Income	3	38,607,475	24,525,810
TOTAL REVENUES		363,857,383	279,310,796
OPERATING EXPENSES			
Administration Expenses	4	38,078,958	11,814,009
Staff Expenses	5	62,512,283	53,230,125
Board Expenses	6	185,900	779,726
Operational Expenses	7	175,858,653	161,942,492
Regulatory Expenses	8	20,701,396	19,456,967
Depreciation of property, plant and equipment	12	6,439,822	5,724,926
Amortisation of Intangible Assets	13	125,840	125,464
TOTAL OPERATING EXPENSES		303,902,852	253,073,709
OPERATING PROFIT	9	59,954,531	26,237,087
Finance Income	10	4,750,000	3,583,333
PROFIT/(LOSS) BEFORE TAXATION		64,704,531	29,820,420
INCOME TAX EXPENSE	11	19,411,359	10,978,136
PROFIT AFTER TAXATION		45,293,172	18,842,284

Reports and Financial Statements
For the year ended June 30, 2018
IX. STATEMENT OF FINANCIAL POSITION

	Note	2018 Kshs	2017 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	33,379,062	36,499,684
Intangible assets	13	-	125,840
Investment property			
Total Non-Current Assets		33,379,062	36,625,524
Current Assets			
Inventories	14	7,946,190	5,411,898
Trade and other receivables	15(a)	28,687,493	25,383,877
VAT Claim Provision	16	-	6,356,817
Short-term deposits	17	54,750,000	-
Bank and cash balances	18	140,216,373	108,615,861
Total Current Assets		231,600,056	145,768,453
TOTAL NON-CURRENT AND CURRENT ASSETS		264,979,118	182,393,977
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	19	40	40
Revaluation reserve	20	5,889,458	5,889,458
Retained earnings	21	143,030,804	97,737,632
Capital and Reserves		148,920,302	103,627,130
Non-Current Liabilities			
Deferred Grant Revenue	22	13,619,206	15,132,451
Total Non-Current Liabilities		13,619,206	15,132,451
Current Liabilities			
Trade and other payables	23	92,586,451	61,116,644
Tax Liability	24	9,853,159	2,517,752
Total Current Liabilities		102,439,610	63,634,396
TOTAL EQUITY AND LIABILITIES		264,979,118	182,393,977

The financial statements were approved by the Board on 5 March 2018 and signed on its behalf by:

Director General/C.E. O/M. D
Name: Simon Mwangi

Sign: 

Head of Finance
Name: Mary. N. Mwangi

Sign: 

Chairman of the Board
Name: Eng. John Muhia

Sign: 

ICPAK M/NO: 6346



**Reports and Financial Statements
For the year ended June 30, 2018**

X. STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Revaluation reserve	Retained earnings	Total
At July 1, 2016	40	5,889,458	78,895,348	84,784,846
Transfer of excess depreciation on revaluation	-	-	-	-
Total comprehensive income	-	-	18,842,284	18,842,284
At June 30, 2017	40	5,889,458	97,737,632	103,627,130
At July 1, 2017	40	5,889,458	97,737,632	103,627,130
Total comprehensive income	-	-	45,293,172	45,293,172
At June 30, 2018	40	5,889,458	143,030,804	148,920,302

Reports and Financial Statements
For the year ended June 30, 2018

XI. STATEMENT OF CASH FLOWS

	Note	2018 Kshs	2017 Kshs
OPERATING ACTIVITIES			
Cash generated from operations	25(a)	96,995,664	30,670,149
Interest received	10	4,750,000	3,583,333
Taxation paid	24	(12,075,952)	(8,460,384)
Net cash generated from operating activities		89,669,712	25,793,098
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(3,319,200)	(667,444)
Purchase of intangible asset	13	-	-
Net cash (used in) investing activities		(3,319,200)	(667,444)
FINANCING ACTIVITIES			
Net cash generated from/(used in) financing activities		-	-
INCREASE IN CASH AND CASH EQUIVALENTS		86,350,512	25,125,654
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	25(b)	108,615,861	83,490,207
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	25(b)	194,966,373	108,615,861

Reports and Financial Statements
For the year ended June 30, 2018

XII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2018

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Sale of Water	317,913,514	-	317,913,514	323,736,663	5,823,149
Grant - Amortised	-	-	-	1,513,245	1,513,245
Finance Income	-	-	-	4,750,000	4,750,000
Other income	30,209,174	-	30,209,174	38,607,475	8,398,301
Total income	348,122,688	-	348,122,688	368,607,383	20,484,695
Expenses					
Compensation of employees	68,162,148	-	68,162,148	62,512,283	(5,649,865)
Finance cost	-	-	-	-	-
Taxation	20,000,000	-	20,000,000	19,766,109	(233,891)
Administration Costs	41,274,384	-	41,274,384	38,078,958	(3,195,426)
Board Cost	1,528,065	-	1,528,065	185,900	(1,342,165)
Maintenance Cost	117,513,050	-	117,513,050	107,106,878	(10,406,172)
Regulatory Expenses	22,000,000	-	22,000,000	20,701,396	(1,298,604)
Other Operating costs	71,202,500	-	71,202,500	68,751,775	(2,450,725)
Wear and Tear	6,000,000	-	6,000,000	6,565,662	565,662
Total expenditure	347,680,147	-	347,680,147	323,668,961	(24,011,186)
Surplus for the period	442,541		442,541	44,938,422	44,495,881

PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

Reports and Financial Statements

For the year ended June 30, 2018

XIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Ruiru-Juja Water and Sewerage Company Ltd is established by and derives its authority and accountability from Water Act 2002. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide quality and affordable water and sewerage services in Ruiru and Juja Constituencies in the Kiambu County.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying Ruiru-Juja Water and Sewerage Company Ltd accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Ruiru-Juja Water and Sewerage Company Ltd.

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Amendments to IAS 16 and IAS 38 titled <i>Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)</i>	1 st Jan 2016	The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in
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Reports and Financial Statements
For the year ended June 30, 2018

		certain limited circumstances.
<i>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)</i>	1 st Jan 2017	The amendments clarify that: • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.
<i>Disclosure Initiative (Amendments to IAS 7: Statement of Cash flows)</i>	1 st Jan 2017	The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to Ruiru-Juja Water and Sewerage Company Ltd and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of Ruiru-Juja Water and Sewerage Company Ltd activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of Ruiru-Juja Water and Sewerage Company Ltd activities as described below.

- i) Revenue from the sale of goods and services** is recognised in the year in which Ruiru-Juja Water and Sewerage Company Ltd delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** are recognised in the year in which Ruiru-Juja Water and Sewerage Company Ltd actually receives such grants.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Other income** is recognised as it accrues.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) In-kind contributions

In-kind contributions are donations that are made to Ruiru-Juja Water and Sewerage Company Ltd in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, Ruiru-Juja Water and Sewerage Company Ltd includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	40 years
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years
Intangible Asset (Computer Software)	3 years

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation and impairment of property, plant and equipment (Continued)

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

e) Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

h) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

i) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

k) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to Ruiru-Juja Water and Sewerage Company Ltd or not, less any payments made to the suppliers.

l) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2013. The scheme is administered by Water Sector Pension Scheme and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 7.5% employee and 15% employer contribution per employee per month.

m) Budget information

The original budget for FY 2016-2017 was approved by the Board of Directors.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

n) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

o) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

Provisions

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2018	2017
		Kshs	Kshs
1	SALES		
	Sale of Water	323,736,663	253,103,602
		<u>323,736,663</u>	<u>253,103,602</u>
2	GRANTS FROM NATIONAL GOVERNMENT		
	Grant Revenue	1,513,245	1,681,384
		<u>1,513,245</u>	<u>1,681,384</u>
3	OTHER INCOME		
	Other miscellaneous receipts	38,607,475	24,525,810
		<u>38,607,475</u>	<u>24,525,810</u>
4	ADMINISTRATION EXPENSES		
	Advertising Expenses	1520,720	172,840
	General office Expenses	2,089,031	752,998
	Stationery & Printing	719,640	587,376
	Education and Training	4,115,906	2,032,774
	Provision for Bad debts	340,619	1,163,460
	Travel & Accommodation	7,053,208	4,100
	Telephone & Postage	893,870	324,750
	Audit & Professional fee	7,245,686	1,322,125
	Bank Charges	351,746	249,113
	I.T. Costs	3,275,786	336,666
	Electricity	154,075	200,209
	Security Expenses	501,120	375,840
	Environment Conservation	1,938,996	28,750
	Transport Expenses	5,717,933	3,132,006
	Repairs and Maintenance	393,570	374,950
	Insurance	457,331	83,452
	Subscriptions	314,806	188,600
	Annual General Meeting	-	484,000
	Protective clothing	994,915	-
		<u>38,078,958</u>	<u>11,814,009</u>

Reports and Financial Statements
For the year ended June 30, 2018
5 STAFF COSTS

Salaries and allowances of permanent employees	59,379,577	51,114,550
Staff welfare	3,132,706	2,115,575
	<u>62,512,283</u>	<u>53,230,125</u>

6 BOARD EXPENSES

<u>185,900</u>	<u>779,726</u>
<u>185,900</u>	<u>779,726</u>

7 OPERATIONAL EXPENSES

Chemicals	11,597,539	7,382,893
Billings	968,520	507,957
Water User Fees	9,968,403	2,352,090
Electricity	41,550,902	32,756,818
Security	4,338,400	2,482,980
Maintenance of Water Systems	92,724,267	114,698,170
Grant Amortisation	-	1,681,384
Sewerage	14,382,611	80,200
Water Quality	<u>328,011</u>	<u>-</u>
	<u>175,858,653</u>	<u>161,942,492</u>

8 REGULATORY EXPENSES

Administration Cost to AWSB	17,581,790	16,939,500
Regulatory Fees to WASREB	<u>3,119,606</u>	<u>2,517,467</u>
	<u>20,701,396</u>	<u>19,456,967</u>

9 OPERATING PROFIT

The operating profit is arrived at after charging/(crediting):

Staff costs (note 5)	62,512,283	53,230,125
Depreciation of property, plant and equipment	6,439,822	5,724,926
Amortisation of intangible assets	125,840	125,464
Provision for bad and doubtful debts	340,619	1,163,460
Directors' emoluments - fees	185,900	779,726
Auditors' remuneration - current year fees	350,000	290,000

10 FINANCE INCOME

Interest income on bank deposits	4,750,000	3,583,333
	<u>4,750,000</u>	<u>3,583,333</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018 Kshs	2017 Kshs
11 INCOME TAX EXPENSE/ (CREDIT)		
(a) Current taxation		
Current taxation based on the adjusted profit for the year at 30%	19,411,359	10,978,136
	<u>19,411,359</u>	<u>10,978,136</u>
(b) Reconciliation of tax expense/(credit) to the expected tax based on accounting profit		
Profit before taxation	64,704,531	29,820,420
Tax at the applicable tax rate of 30%	<u>19,411,359</u>	<u>10,978,136</u>
	<u>45,293,172</u>	<u>18,842,284</u>

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Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

2018	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Other equipment & fixtures
COST OR VALUATION						
At July 1, 2017	-	50,487,672	9,594,332	1,673,790	4,337,205	3,388
Additions	-	-	-	-	2,508,700	-
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At June 30, 2018	-	50,487,672	9,594,332	1,673,790	6,845,905	4,111
DEPRECIATION						
At July 1, 2017	-	22,741,354	3,215,366	1,345,386	3,892,020	1,744
Charge for the year	-	3,678,953	959,433	328,404	1,057,656	-
Impairment loss	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-
At June 30, 2018	-	26,420,307	4,174,799	1,673,790	4,949,676	2,111
NET BOOK VALUE						
At June 30, 2018	-	24,067,365	5,419,533	-	1,896,229	1,911

Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

2018	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
At July 1, 2017	-	50,487,672	9,594,332	1,673,790	4,337,205	3,343,259	-	69,436,258
Additions	-	-	-	-	2,508,700	810,500	-	3,319,200
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2018	-	50,487,672	9,594,332	1,673,790	6,845,905	4,153,759	-	72,755,458
DEPRECIATION								
At July 1, 2017	-	22,741,354	3,215,366	1,345,386	3,892,020	1,742,448	-	32,936,574
Charge for the year	-	3,678,953	959,433	328,404	1,057,656	415,376	-	6,439,822
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
At June 30, 2018	-	26,420,307	4,174,799	1,673,790	4,949,676	2,157,824	-	39,376,396
NET BOOK VALUE								
At June 30, 2018	-	24,067,365	5,419,533	-	1,896,229	1,995,935	-	33,379,062

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For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

2017	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
At July 1, 2016	-	50,487,672	9,594,332	1,673,790	3,669,761	3,343,259	-	68,768,814
Additions	-	-	-	-	667,444	-	-	667,444
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2017	-	50,487,672	9,594,332	1,673,790	4,337,205	3,343,259	-	69,436,258
DEPRECIATION								
At July 1, 2016	-	19,062,401	2,255,933	926,938	3,558,253	1,408,122	-	27,211,647
Charge for the year	-	3,678,953	959,433	418,448	333,767	334,326	-	5,724,927
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
At June 30, 2017	-	22,741,354	3,215,366	1,345,386	3,892,020	1,742,448	-	32,936,574
NET BOOK VALUE								
At June 30, 2017	-	27,746,318	6,378,966	328,404	445,185	1,600,811	-	36,499,684

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Reports and Financial Statements

For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018 Kshs	2017 Kshs
13 INTANGIBLE ASSETS		
COST		
At July 1	376,768	376,768
Additions	-	-
Disposals	-	-
At June 30	<u>376,768</u>	<u>376,768</u>
AMORTISATION		
At July 1	250,928	125,464
Charge for the year	125,840	125,464
Disposals	-	-
Impairment loss	-	-
At June 30	<u>376,768</u>	<u>250,928</u>
NET BOOK VALUE		
At June 30	<u>-</u>	<u>125,840</u>
	2018 Kshs	2017 Kshs
14 INVENTORIES		
Pipes & Fittings	7,149,737	4,867,765
Chemicals	429,070	450,729
Stationery and general stores	367,384	93,404
	<u>7,946,190</u>	<u>5,411,898</u>
15 (a) TRADE AND OTHER RECEIVABLES		
Trade receivables (note 15 (b))	30,081,572	23,269,200
Deposits, prepayments and staff debtors	110,000	3,278,137
Gross trade and other receivables	<u>30,191,572</u>	<u>26,547,337</u>
Other: Provision for bad and doubtful receivable	(1,504,079)	(1,163,460)
Net trade and other receivables	<u>28,687,493</u>	<u>25,383,877</u>

Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018	2017
	Kshs	Kshs
15 (b) TRADE RECEIVABLES		
Gross trade receivables	30,081,572	23,269,200
Provision for doubtful receivables	(1,504,079)	(1,163,460)
	<u>28,577,493</u>	<u>22,105,740</u>
16 VAT CLAIM PROVISION		
VAT CLAIM	-	6,356,817
	<u>-</u>	<u>6,356,817</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018 Kshs	2017 Kshs
17 SHORT TERM DEPOSITS		
Kenya Commercial Bank	54,750,000	-
	<u>54,750,000</u>	<u>-</u>
18 BANK AND CASH BALANCES		
Cash at bank	140,195,173	108,607,557
Cash in hand	21,200	8,304
	<u>140,216,373</u>	<u>108,615,861</u>

The bulk of the cash at bank was held at Family Bank, Barclays Bank of Kenya and Kenya Commercial Bank, Ruiru-Juja Water and Sewerage Company Ltd main bankers..

Reports and Financial Statements

For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The make – up of bank balances and short term deposits is as follows:

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2017-2018 KShs	2016-2017 KShs
a) Current account			
Kenya Commercial bank-Revenue		18,165,203	1,600,958
Kenya Commercial bank- Expenditure		45,818,723	16,726,246
Kenya Commercial bank		24,387,003	62,036,110
Barclays Bank-Revenue		28,083,867	9,392,322
Family Bank-Revenue		18,182,293	16,081,987
Postbank		5,558,083	2,769,934
Sub- total		140,195,173	108,607,557
b) Fixed deposits account			
Kenya Commercial bank		54,750,000	-
Sub- total		-	-
c) Others(specify)			
Cash in hand		21,200	8,304
Sub- total		21,200	8,304
Grand total		194,966,373	108,615,861

2018
Kshs2017
Kshs

19 ORDINARY SHARE CAPITAL

Authorised:

5000 ordinary shares of Kshs.20 par value each

10,000

10,000

Issued and fully paid:

2 ordinary shares of Kshs.20 par value each

40

40

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 **REVALUATION RESERVE**

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

21 **RETAINED EARNINGS**

The retained earnings represent amounts available for distribution to Ruiru-Juja Water and Sewerage Company Ltd shareholders. Undistributed retained earnings are utilised to finance Ruiru-Juja Water and Sewerage Company Ltd business activities.

22 **DEFERRED GRANT REVENUE**

Deferred Grant Revenue

Balance at end of the year

2018 Kshs	2017 Kshs
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13,619,206	15,132,451
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<u>13,619,206</u>	<u>15,132,451</u>
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23 **TRADE AND OTHER PAYABLES**

Trade payables

Other payables

2018 Kshs	2017 Kshs
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26,202,068	5,999,961
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66,384,383	55,116,683
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<u>92,586,451</u>	<u>61,116,644</u>
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24 **TAX LIABILITY**

The movement on the tax liability account is as follows:

2018 Kshs	2017 Kshs
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Balance at beginning of the year

Payment

Credit

Provision for the year

Balance at end of the year

2,517,752	-
(12,075,952)	(8,460,384)

-	-
19,411,359	10,978,136

<u>9,853,159</u>	<u>2,517,752</u>
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018 Kshs	2017 Kshs
25 NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	59,954,532	26,237,087
Depreciation	6,439,822	5,724,927
Amortisation	125,840	125,464
Grant Revenue	(1,513,245)	(1,684,384)
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	65,006,949	30,406,094
(Increase) in inventories	(2,534,292)	(740,400)
(Increase) in trade and other receivables	3,053,201	(6,814,128)
Increase in trade and other payables	31,469,806	7,818,583
Cash generated from/(used in) operations	96,995,664	30,670,149
(b) Analysis of cash and cash equivalents		
Short term deposits	54,750,000	-
Cash at bank	140,195,173	108,607,557
Cash in hand	21,200	8,304
Balance at end of the year	194,966,373	108,615,861



28 FINANCIAL RISK MANAGEMENT (Continued)**(i) Credit risk (Continued)**

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2018				
Trade Receivables	28,577,493	28,577,493	-	-
Other Receivables	110,000	110,000	-	-
Cash and Bank balances	194,966,373	194,966,373	-	-
Total	223,653,866	223,653,866	-	-
At 30 June 2017				
Trade Receivables	22,105,740	22,105,740	-	-
Other Receivables	9,634,954	9,634,954	-	-
Cash and Bank balances	108,615,861	108,615,861	-	-
Total	140,356,555	140,356,555	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Reports and Financial Statements

For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 FINANCIAL RISK MANAGEMENT (Continued)

ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade Payables	-	26,202,068	-	26,202,068
Tax Liability	-	9,853,159	-	9,853,159
Refundable Customer Deposits			66,384,383	66,384,383
Total	-	36,055,227	66,384,383	102,439,610
At 30 June 2017				
Trade Payables	-	5,999,961	-	5,999,961
Tax Liability	-	2,517,752	-	2,517,752
Refundable Customer Deposits			55,116,683	55,116,683
Total	-	8,517,713	55,116,683	63,634,396

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The entity has no transactional currency exposures.

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2017-2018	2016-2017
	Kshs	Kshs
Revaluation reserve	5,889,458	5,889,458
Retained earnings	143,030,804	97,737,632
Capital reserve	-	-
Total funds	148,920,262	103,627,090
Total borrowings	-	-
Less: cash and bank balances	(194,966,373)	(108,615,861)
Net debt/(excess cash and cash equivalents)	(194,966,373)	(108,615,861)
Gearing	0%	0%

30 INCORPORATION

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

31 EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

32 CURRENCY

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