

Ensuring Affordable Quality Water and Sanitation Services

RUIRU-JUJA WATER & SEWERAGE COMPANY LTD.



**ANNUAL REPORT
& FINANCIAL STATEMENT
FOR 10 MONTH PERIOD
ENDED 30TH JUNE 2007**

Ruiru-Juja Water and Sewerage Company Limited
Report and Financial Statements
For the 10 month period ended 30 June 2007

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Ruiru-Juja Water and Sewerage Company Limited
Company Information
Directors

Dr. R.T. Kamau
Theresa Kimani
J.K. Kiruithi
F.K Thumbi
N. Bakari
Prof J. Keriko
Jane Gathenya
W. Wamuya
Eng S. Onyango
R. Njenga
J.R. Wanyoike

Registered office

Ruiru Water Treatment Scheme
P.O Box 1165- 00232
Ruiru

Auditors

Controller and Auditor General
Kenya National Audit Office
P.O. Box 30048-00100
Nairobi

Bankers

Kenya Commercial Bank of Kenya
P. O. Box 400
Ruiru

Ruiru-Juja Water and Sewerage Company Limited
Report of the directors
For the 10 month period ended 30 June 2007

The directors submit their report together with the audited financial statements for the 10 month period ended 30 June 2007, which disclose the state of affairs of the company.

Incorporation

The company is incorporated in Kenya under the companies Act and domiciled in Kenya. The address of the registered office is set out on page 2.

Principal activities

The principal activity is sale and distribution of water and sewerage services to Ruiru, Juja and their environs.

Results

	2007 Kshs.
Profit before income tax	2,895,101
Taxation	(868,530)
Net profit for the year carried to retained earnings	<u>2,026,571</u>

Dividends

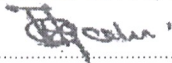
The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the year and to the date of this report are listed on page 2.

By order of the board

SAVANNA ASSOCIATES
P.O. Box 45390-00100, NAIROBI.



.....
Secretary CERTIFIED PUBLIC SECRETARIES

Date :

Ruiru-Juja Water and Sewerage Company Limited

Statement of directors' responsibilities For the 10 month period ended 30 June 2007

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the fiscal year and of its profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.


The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the 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 profit and loss. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of 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 twelve months from the date of this statement.

Approved by the board of directors on.....21/10/08.....and signed on its behalf by:



Director



Director

Ruiru-Juja Water and Sewerage Company Limited

**Profit and Loss Account
For the 10 month period ended 30 June 2007**

	Note	2007 Kshs.
Water billing income		7,983,673
Grant- Salary	Note 12	5,845,200
Operating costs	Appendix 1	(2,212,021)
Gross profit		<u>11,616,852</u>
Salaries-Seconded staff from Ministry		(5,845,200)
Administrative expenses	Appendix 1	<u>(2,876,551)</u>
Profit before taxation		2,895,101
Taxation	4	(868,530)
Profit after taxation		<u><u>2,026,571</u></u>


Ruiru-Juja Water and Sewerage Company Limited

**Balance Sheet
As at 30 June 2007**

	Note	2007 Kshs.
ASSETS		
Non - Current Assets		
Property, plant and equipment	5	287,643
Current Assets		
Trade and other receivables	6	2,779,722
Cash and bank balances		2,806,675
		5,586,397
Total Assets		5,874,040
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital		
Authorised 5,000 @ 20	7	20
Issued 2 @20		20
Revenue reserves		2,026,571
		2,026,611
Current Liabilities		
Trade and other payables	8	671,333
Refundable customer deposits	9	529,000
Due to related parties	10	1,778,566
Tax payable		868,530
		3,847,429
Total Equity and Liabilities		5,874,040

The financial statements on pages 6 to 12 were approved for issue by the Board of Directors on 21/10/08 and were signed on its behalf by:


_____ Director


_____ Director

Ruiru-Juja Water and Sewerage Company Limited

**Statement of changes in equity
For the 10 month period ended 30 June 2007**

	Share Capital Kshs.	Profit and Loss Account Kshs.	Total Kshs.
Share capital	40	-	40
Profit after tax	-	2,026,571	2,026,571
Balance at 30 June 2007	<u>40</u>	<u>2,026,571</u>	<u>2,026,611</u>

Ruiru-Juja Water and Sewerage Company Limited

**Cash Flow Statement
For the 10 month period ended 30 June 2007**

	2007 Kshs.
Cash flow from operating activities	
Profit for the year	2,895,101
Add back: Depreciation	33,447
Operating cash flow before working capital changes	<u>2,928,548.0</u>
Increase in trade and other receivables	(2,779,722)
Increase in payables	671,333
Increase in refundable deposits	529,000
Increase due to related parties	1,778,566
Net cash flow from operating activities	<u><u>3,127,725</u></u>
Financing Activities	
Purchase of property and equipment	<u>(321,090)</u>
Financing Activities	
Share capital received	<u>40</u>
Net increase in cash and cash equivalents	2,806,675
Cash and cash equivalents at beginning of the year	-
Cash and cash equivalents at the end of the year	<u><u>2,806,675</u></u>

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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF RUIRU - JUJA WATER AND SEWERAGE COMPANY LIMITED FOR THE TEN MONTHS PERIOD ENDED 30 JUNE 2007

The financial statements of Ruiru-Juja Water and Sewerage Company Ltd set out on pages 5 to 12 which comprise the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the ten months period then ended, together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements which give a true and fair view of the Company's state of affairs and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls 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.

Responsibility of the Controller and Auditor General

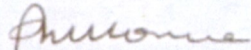
My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Opinion

In my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the financial position of the company as at 30 June 2007 and of its profit and cash flows for the ten months period then ended in accordance with the International Financial Reporting Standards and comply with the Companies Act, Cap 486 of the laws of Kenya.



**P.N. KOMORA, CBS.
CONTROLLER AND AUDITOR GENERAL**

Nairobi

23 December 2008

1 Significant Accounting Policies

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

Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRSs). The financial statement are presented in functional currency, Kenya Shillings (Kshs), which is the prevailing currency within the primary environment and prepared in accordance with the measurement bases prescribed by IFRSs

The preparation of financial statements in conformity with International Financial Reporting Standards require management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. The estimates and assumptions are based on the directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue recognition.

Sales are recognised when the customers are billed and are stated net of all taxes and discounts.

Property and equipment

All property and equipment is stated at historical cost less accumulated depreciation. Depreciation is calculated on the straight line basis to write down the cost to their residual values over their estimated useful lives as follows:

	Rate (%)
Furniture and equipment	12.5
Plant and machinery	12.5

The assets residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

Trade receivables

Trade receivables are carried at amortised invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, at the market rate of interest for similar borrowers.

Income taxes

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act.

Deferred income tax is provided in full using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rate enacted or substantively enacted at the balance sheet date are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Ruiru-Juja Water and Sewerage Company Limited

**Notes to the Financial Statements (continued)
For the 10 month period ended 30 June 2007**

2 Operating profit

	2007 Kshs.
The operating profit is arrived at after charging:-	
Audit fees	82,000
Depreciation	33,447
Directors allowances	868,000
Staff costs	<u>665,282</u>

3 Staff costs

The following items are included in staff costs	
Salaries and wages	661,282
Other staff costs	4,000
	<u>665,282</u>

The average number of people engaged during the year were 3. All the other 23 employees were employed and paid by the Ministry of Water and Irrigation.

4 Tax Charge

	2007 Kshs.
Tax charge	<u>868,530</u>

Tax charge on the profit and loss account comprises current tax on the results for the year as shown in the accounts adjusted in accordance with tax legislation

5 Property, plant and equipment

	Furniture & Equipment Kshs.	Plant Machinery Kshs.	Total Kshs.
COST			
Additions	<u>60,090</u>	<u>261,000</u>	<u>321,090</u>
 DEPRECIATION			
Charge for the year	<u>6,259</u>	<u>27,188</u>	<u>33,447</u>
 NET BOOK VALUE			
At 30 June 2007	<u>53,831</u>	<u>233,813</u>	<u>287,643</u>

As per the Service Provision Agreement, the Ruiru and Juja water treatment plants together with the related infrastructure are fully owned by Athi Water Services Board. Athi Water Services Board has also provided one motor vehicle and two motor bikes to the company.

6 Trade and other receivables

	2007 Kshs
Trade receivables	2,779,682
Other receivables	40
	<u>2,779,722</u>

The above figure does not include debtors inherited from the ministry which are approximated at **Kshs. 5,928,659**
The supporting documents were not availed and are being sort for.

Ruiru-Juja Water and Sewerage Company Limited

Notes to the Financial Statements (continued)
For the 10 month period ended 30 June 2007

7 Share capital	2007 Kshs.
Authorised: 5,000 ordinary shares of Kshs. 20/= each	<u>100,000</u>
Issued and fully paid: 2 ordinary shares of Kshs. 20/- each	<u>40</u>
8 Trade and other payables	2007 Kshs.
Trade payables	390,718
Other payables	280,615
	<u>671,333</u>
9 Refundable customer deposits	2007 Kshs.
Customer deposits	<u>529,000</u>
10 Related party transactions	
The company has been contracted by Athi Water Services Board to provide water and sewerage services to Ruiru and Juja town together with their environs. The relationship is governed by a Service provision Agreement.	
The following transactions were carried out with related parties.	
	2007 12 months Kshs
i) Purchase of goods and services	
Athi Water Services Board	<u>692,119</u>
Purchases from related parties were made at terms and conditions agreed in the Service Provision agreement.	
ii) Outstanding balances arising from purchase of goods and services	2007 Kshs.
11 Due to Athi Water Services Board	
Trade receivables balances at Sep 2006	1,473,292
Lease fees	244,704
Billing fees	60,570
	<u>1,778,566</u>
iii) Other related party information	
The Ministry of Water and Irrigation financed staff costs for 23 employees including the Managing and Deputy Managing Director. The staff were forwarded from the Ministry of Water and Irrigation to aid in the transition stage.	
12 Cash and cash equivalents	
For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks net of bank overdrafts. The year end cash and cash equivalents comprise the following:	
Cash and bank balances	2007 Kshs <u>2,806,675</u>

12 Grand -Salary

These are salaries of the 23 employees whose salaries are paid by the Ministry of Water and Irrigation. The total amount being **Kshs 5,845,200.**

**Detailed Profit and Loss Account
For the 10 month period ended 30th June 2007**

	2007 Kshs
Water Billing income	<u>7,983,673</u>
Operating costs	
Billing fees	60,570
Electricity	1,238,406
Lease fees	631,549
Supply maintenance	281,496
	<u>2,212,021</u>
Gross profit	<u>5,771,652</u>
Administrative Expenses	
Advertising and publicity	403,925
Audit fees	82,000
Bank Charges	9,600
Depreciation	33,447
Directors allowances	868,000
Legal and professional fees	171,250
Motor vehicle expenses	74,876
Newspaper and periodicals	1,505
Office expenses	99,578
Printing and stationery	128,518
Repairs and maintenance	34,953
Salaries and wages	665,282
Security	16,247
Staff training	33,500
Telephone and postage	92,161
Travel expenses	161,709
Total Expenditure	<u>2,876,551</u>
Profit for the year	<u><u>2,895,101</u></u>