BCA/PACPIC/02/2017/12

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BOMET WATER COMPANY LTD

BOMET WATER

"Maji Safi Kwa Wote"

BOMET COUNTY ASSEMBLY
TABLE & JOURNALS OFFICE
12 APR 2017
P.O. Box 590 - 20400 BOMET

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2016

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

BOMET WATER COMPANY LIMITED
MANAGING DIRECTOR
12 APR 2017
P.O. Box 588-20400,
BOMET

Tabled on 12/4/2017
at 12:30pm

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KEY ENTITY INFORMATION

Background information

The Bomet water Company was established on 18 June 2013 under the Companies Act (Cap 486) as a limited Company. The Company is headed by the Board of Directors who is responsible for the general policy and strategic direction of the Company.

Principal Activities

The principal activity of the Company is to offer water services and sanitation to the residents of Bomet County,

Directors

The Directors who served the entity during the year/period and up to the date of this report was as follows:

Mr Paul Langat - Chairman	Appointed on 24/08/2014
Mr John Cheruiyot	Appointed on 24/08/2014
Mr Josiah Korir	Appointed on 02/092014
Ms Sarah Koskei	Appointed on 24/08/2014.
Ms Diana sang-Member	Appointed on24/08/2014
Mr Livingstone Bii	Appointed on 24/08/2014
Mrs Joyce Kemei	Appointed in December 2015
Eng. Peter Chebosseh-Member	Appointed on 09/04/ 2015.

BOMET WATER COMPANY LIMITED
MANAGING DIRECTOR
12 APR 2017
P. O. Box 588-20400,
BOMET

Registered Office:

Bomet Water Company Limited,
Bomet Town,
Kipjamba Road
P.O. Box 588-20400
Bomet, Kenya.

Corporate Contacts:

Telephone: (+254) 0714900501
E-mail: bomwaco@gmail.com
Website: www.bometwater.co.ke

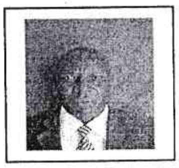
Corporate Bankers:
Co-operative Bank of Kenya,
Bomet branch,

Equity Bank
Bomet, Kenya

Independent Auditors:

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

BOARD OF DIRECTOR

NAME	QUALIFICATION		PROFESSION
1.Mr. Paul Langat 	Diploma in education and community management		Teaching and community water management
2.Josiah Korir 	Degree- education, community water management		Teacher and community water management
4.Ms Sarah Koskei 	Diploma in education and community management		Business lady and Community Water Management
5.Ms. Diana Sang 	MBA,Bsc –education		Teacher and community water management
6.Mr. Livingstone Bii 	Diploma in theology		Businessman and community water management
7.Mrs Joyce Kemei	Degree in Accounting		Accountant
Eng. Peter Chebosseh 	Bsc Agric Eng, MBA, LLB		Chief officer Water & irrigation Bomet County

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8.Mr. John cheruiyot 	BSc – civil Eng., Water Eng. And Train Director		Engineer

MANAGEMENT TEAM

Name	**Professional/ academic qualifications**	**Main area of responsibility**
1.Mr. John Cheruiyot 	Bsc. Civil Eng., water Eng Trained Director	Managing Director
2.Mr. Joel Langat 	BBM degree, Diploma in Water engineering	Technical and operation Manager
3.Mr. Samwel Maina 	BA Degree, diploma HR	Human resource Administration Manager
4.Mr. Patrick Langat 	BBM degree, Diploma Civil Eng., Cert GIS	Commercial and Finance Manager

BOMET WATER COMPANY LIMITED
MANAGING DIRECTOR
12 APR 2017
P. O. Box 588-20400,
BOMET

CHAIRMAN'S STATEMENT

I take this immense pleasure at this opportunity to present to you the Annual Report and financial statements for the period ended 30th June 2016.

Financial Review

One of the Company's strategic objectives is achieving operations and financial sustainability. This was the first time the Company operated for a full financial year. The revenues improved drastically. However the amounts generated are still low and the company continued to rely heavily on County government to cover some cost of operations.

Customer focus

The Company focuses its activities on improving service delivery by implementing M-pesa payment platform for easy payment by our customers.

Water Quality

Numerous tests were carried out on water prior to and after treatment in order to ensure that the water produced and supplied is of high quality and meets the standards required.

REPORT OF THE MANAGING DIRECTOR

Bomet Water Company prepared this annual report to fulfil its obligation of providing information on performance to the licensee, the water regulator, the Government of Kenya, the shareholders and the stakeholders. In the period covered by the financial report, there was regular provision of water services save for interruptions occasioned by power outages, fluctuations and breakdowns.

Water Distribution and Maintenance

Water was supplied to customers for a minimum of 8 hours and to maximum of 22 hours depending on the uniqueness of each scheme

Conclusion

The Company's future survival depends on the necessary adjustment of tariffs and investment in sustainable water infrastructure so as to increase access to water services and hence connectivity.

CORPORATE GOVERNANCE STATEMENT

Bomet water Company Ltd is committed to the values and principles of good corporate governance. Good corporate governance requires that the board of directors must govern the company with integrity and enterprise in a manner which entrenches and enhances the mandate it has. Towards this end all directors signed the code of conduct for directors prior to taking up their positions and were trained on corporate governance.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

BOMET water acknowledges its responsibility to the society in its capacity as a corporate citizen. Consequently, it endeavours to play an active role in water issues in the county. In the year under review Bomet water provided water tanker services to schools, health facilities and public functions at areas outside the gazetted area of jurisdiction at an affordable rate.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Company's affairs.

Principal activities

The principal activities of the Company are that of the provision of water and sanitation services to residents of Bomet County.

Dividends

The Board of Directors does not recommend dividend payment from the profits/loss from the year in review.

Results

The results of the entity for the year ended June 30, 2016 are set out on page 10 – 17

Directors

The members of the Board of Directors who served during the year are shown on page 4- 5 in accordance with Regulation of the company's Articles of Association.

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with Section 159(2) of the Companies Act (Cap.486).

Signed

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Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, require the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2016, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company's financial statements was approved by the Board on **28th September 2016** and signed on its behalf by:

Director | **Director**

STATEMENT OF COMPREHENSIVE INCOMES

	Notes	Kshs
Sales	1	76,706,975.00
Cost of Production	2	(68,872,698.00)
Gross Profit		**7,834,277.00**
Administration and Operations Costs:		
Administration Costs, Salaries & wages	5	60,620,027.00
Operation and Maintenance Expenses	6	27,202,287.00
Depreciation	7	4,233,737.00
Amortization of Intangible Assets	9	429,195.00
Total Administration and Operations Costs:		**92,485,246.00**
Operation Profit/(Loss)		**(84,650,969.00)**
Grant-county subsidy	3	112,466,977.00
Other incomes-Tender sales	4	108,000.00
Profit before interest and Tax		**27,924,008.00**
Interest Expense		-
Profit before taxation		**27,924,008.00**
Taxation		-
Net Profit		**27,924,008.00**

STATEMENT OF FINANCIAL POSITION

	Notes	Kshs
ASSETS:		
Non-current Assets		
Property, Plant, Equipment & land	8	14,415,924
Kamureito water project		3,779,103
WIP- WSTF Chebunyo-Siongiroi project		12,349,804
Intangible Assets	9	484,730
Total Non-current Assets		**31,029,561**
Current Asset		
Trade and other Receivables	10	87,514,377
Bank and Cash balances	11	8,879,500
		96,393,877
Current liabilities		
Trade and other payables		20,018,218
Deferred income-WSTF		14,151,306
Long term Liability		
Kamureito water project Loan		1,679,103
NET CURRENT ASSETS:		**60,545,247**
NET ASSETS		**91,574,808**
FINANCED BY:		
Ordinary share capital	12	100,000
Capital reserves		49,499,634
Retained earnings		41,975,174
TOTAL EQUITY		**91,574,808**

The financial statements was approved by the Board on **28th September 2016** and signed on its behalf by:

....

Mr Paul Langat, Director   **Mr John Cheruiyot, Managing Director**

STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Retained earnings	Total
At July 1, 2014			
Total comprehensive income	100,000	14,051,166	14,151,166
At June 30, 2015	**100,000**	**14,051,166**	**14,151,166**
As at 1st July 2015	100,000	14,051,166	14,151,166
Total comprehensive income	-	27,924,008	27,924,008
At June 30, 2016	**100,000**	**41,975,174**	**42,075,174**

STATEMENT OF CASH FLOW

	Kshs
OPERATING ACTIVITIES	
Profit for the Year after adjustment for depreciations	27,924,007
Changes in working capital:	
Debtors	(18,889,907)
Inventories: Stock	450,435
Creditors	5,837,340
Deferred income-WSTF	14,151,306
Net cash provided by Operating Activities	**29,473,182**
INVESTING ACTIVITIES	
Investments: Computer and Hardware	(330,869)
Investments: office building	(128,874)
Investments: Computer Software	288,603
Investments: Office Furniture & Fittings	(597,957)
Investments: Purchase of motor cycle	(363,750)
Investments: Water Meters	(1,061,321)
Investments: Motor vehicle	(9,243,677)
Investments: Plant & Machinery	(1,176,816)
Net cash provided by Investing Activities	**(25,032,433)**
FINANCING ACTIVITIES	
Kamureito water project	(1,800,000)
Net cash provided by Financing activities	**(1,800,000)**
Net increase in cash during the period	2,640,750
Net cash flow as at 1st July 2015	6,238,750
Cash and cash equivalent as at 30th June 2016	**8,879,500**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE

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

1. **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 the company's accounting policies.

   The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company.
   The financial statements have been prepared in accordance with the Companies Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

2. **Revenue recognition**

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

   a. **Revenue from the water services billed** is recognised in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

   b. **Grants from County Government** are recognised in the year in which the company actually receives such grants.

   c. **Other income** is recognised as it accrues.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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-evaluation 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.

4. 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 on-going 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 reducing balance 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:

Plant, Machinery and equipment	20%
Motor vehicles, including motor cycles	25%
Computers and related equipment	33.3%
Office equipment	12.50%
Furniture and fittings	12.50%
Water meters	12.50%

Depreciation is charged to the period irrespective of the time the item was purchased

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. 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.

6. Amortisation and impairment of intangible assets

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

7. Inventories

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

8. 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.

9. Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, 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 officers and which were not surrendered or accounted for at the end of the financial year.

11. 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 the Company or not, less any payments made to the suppliers.

12. Comparative figures

There were no comparative figures Since the Company was in operation for only Ten (10) Months during 2014/2015 Financial year.

13. 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, 2016.

14. Provision for bad and doubtful debts

Provision for bad and doubtful debts is recognized in the income statement at annual rates to be determined by the management from time to time.

NOTES TO THE FINANCIAL STATEMENTS

1. SALES

Water Sales	67,767,326
Exhauster services	4,179,114
Meter Rent	2,510,552
Miscellaneous-sewerage charges	52,918
Water Boozers	2,197,065
	76,706,975

The company operated fully during 2015/2016 financial year.

2. COST OF PRODUCTION

water chemicals	6,121,327
Electricity	62,751,371
	68,872,698

3. GRANTS

Subsidy-CGOB	**112,466,977**

4. OTHER INCOMES

Sale of tender documents	**108,000**

5. ADMINISTRATION COSTS

	Kshs
Staff cost	43,127,146
Directors Training and allowances	2,198,144
Airtime	781,700
Postages	24,792
Stationeries	688,045
Printing	414,065
Travelling and subsistence allowances	2,533,213
Publicity & Advertisement	579,584
Newspaper & periodicals	34,740
Rent Expenses	437,900
Staff Training Expenses	1,062,584
Staff welfare	4,105,993
Cleaning materials	59,001
Insurance costs-Motor vehicles	1,606,463
Professional fees	512,000
Clothing & staff IDs	353,475
Protective clothing	30,650
Subscription fee	229,950
Nema Dumping fee	217,200
Laboratory Expenses	233,118
Repairs to Office equipment and Computers	1,012,400
Bank charges	201,213
Water Quality	31,900
Hired transport	108,000
Dirty/Heavy duty allowances	36,750
	60,620,026

9. AMORTISATION OF INTANGIBLE ASSETS

Year	Amortization Expense	Recorded Cost	Additions during the year	Accumulated Amortization	Net Asset Value
2014/2015	386,667.00	1,160,000.00	-	386,667.00	773,333.00
2015/2016	**429,195.00**	**1,300,592.00**	**140,592.00**	**815,862.00**	**484,729.00**

This relates to the billing, accounting and payroll software in use.

10. TRADE AND OTHER RECEIVABLES

	Kshs.
Trade receivables	68,568,203.00
County Government of Bomet	17,400,000.00
Others-bowsers and exhausters	1,546,174.00
	87,514,377.00

This refers to amounts due from customers in the entire water schemes, Subsidy from County Government of Bomet, Exhauster and bowsers.

Trade and other Receivables breakdown;

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
Leonard Bii	0.00	0.00	0.00	0.00	-19,500.00	-19,500.00
Bomet Area						
Bomet Water Supply Scheme	26,410.80	1,280,796.40	0.00	567,528.75	1,585,253.65	3,459,989.60
Longisa Water Supply Scheme	1,900.00	487,193.40	0.00	328,459.40	2,556,320.90	3,373,873.70
Bomet Area - Other	0.00	0.00	0.00	0.00	-97,250.00	-97,250.00
Total Bomet Area	**28,310.80**	**1,767,989.80**	**0.00**	**895,988.15**	**4,044,324.55**	**6,736,613.30**
Chepalungu Area						
Olbutyo Water Supply Scheme	2,150.00	397,059.60	0.00	214,182.40	3,631,315.70	4,244,707.70
Sigor Water Supply Scheme	5,400.00	536,846.60	0.00	251,975.00	3,949,783.80	4,744,005.40
Siongiroi Water Zone	1,862.00	272,493.80	0.00	105,185.80	164,643.00	544,184.60
Total Chepalungu Area	**9,412.00**	**1,206,400.00**	**0.00**	**571,343.20**	**7,745,742.50**	**9,532,897.70**
County Government	8,300,000.00	3,000,000.00	0.00	3,000,000.00	3,100,000.00	17,400,000.00
Deposit	-109,320.00	0.00	-3,000.00	0.00	-25,200.00	-137,520.00
Konoin (Mogogo) Area	53,124.00	2,061,309.60	0.00	1,205,740.60	17,520,354.60	20,840,528.80
Mulot Water supply	6,300.00	173,450.00	0.00	104,302.40	573,786.40	857,838.80
Sergutiet water supply	212.00	229,706.40	0.00	117,648.40	116,498.20	464,065.00
Sotik Area						
Chebilat zone	0.00	24,245.60	0.00	7,477.20	23,864.40	55,587.20
Chebirbelek Water Supply Zone	12,236.00	900,318.40	0.00	820,476.20	2,291,966.30	4,024,996.90
Kamureitto Water Supply Scheme	3,200.00	222,693.20	0.00	99,948.00	1,278,270.80	1,604,112.00
Kapletundo Zone	18,100.00	235,972.40	-31,815.00	1,726.00	-150,646.00	73,337.40
Ndanai Scheme	500.00	57,895.80	0.00	24,390.40	222,156.30	304,942.50
Sotik Water Supply Scheme	23,800.00	1,572,224.60	0.00	944,145.00	10,155,873.80	12,696,043.40
Total Sotik Area	**57,836.00**	**3,013,350.00**	**-31,815.00**	**1,898,162.80**	**13,821,485.60**	**18,759,019.40**
Tender	0.00	0.00	0.00	0.00	1,000.00	1,000.00
Tililbei Water	1,500.00	2,430,520.00	0.00	755,700.00	8,327,040.36	11,514,760.36
Walk-in	0.00	640,995.95	0.00	494,504.00	97,294.05	1,232,794.00
Water Boozer	0.00	113,900.00	-96,028.00	33,400.00	280,608.00	331,880.00
TOTAL	**8,347,374.80**	**14,637,621.75**	**-130,843.00**	**9,076,789.55**	**55,583,434.26**	**87,514,377.36**

11. BANK AND CASH BALANCES

The bulk of the cash at bank was held at Cooperative Bank, the company's main bank.

12. ORDINARY SHARE CAPITAL
Authorised:

5000 ordinary shares of Kshs.20 par value each...**kshs100, 000**

13. CAPITAL RESERVE.

The capital reserve refers to the amount of debtors that was there on 1st September when the Company was operationalized.

14. TRADE AND OTHER PAYABLES

As at 30th June 2016 the trade and payables to creditors and suppliers stood at **Kshs.20, 018,219**

15. RELATED PARTY DISCLOSURES

a) Water Service Regulatory Board (WASREB)

WASREB is the regulator of the water sector .The company also pays 1% of the monthly water sales as regulatory Levy.

b) Water Resources Management Authority (WRMA)

WRMA charges 50 cents for every cubic meter of raw water abstracted from the river from all the schemes.

16. INCORPORATION

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

Sign..	Sign..
Date 28/9/2016	Date 28-9-2016
Managing Director	**Chairman of the Board**