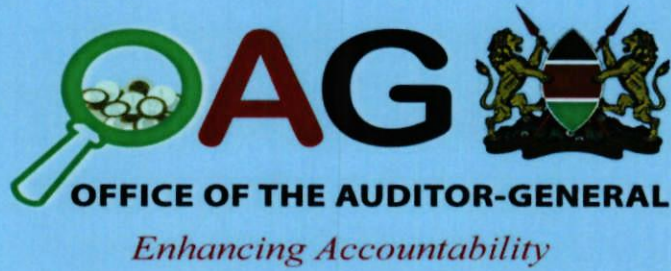


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**REPORT**

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**OF**

**THE AUDITOR-GENERAL**

**ON**

**NYERI WATER AND SANITATION  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2019**

**NYERI WATER & SANITATION COMPANY LIMITED**



**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2019**

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



ISO 9001:2015 Certified

23 JAN 2020



ISO/IEC 17025:2005 Accredited



**NYERI WATER AND SANITATION COMPANY LIMITED**

**FINANCIAL STATEMENTS FOR THE YEAR**

**ENDED 30<sup>TH</sup> JUNE 2019**

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**NYERI WATER AND SANITATION COMPANY LIMITED  
COMPANY INFORMATION FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

**INCORPORATION**

The Company is incorporated under the Kenyan Companies Act 2015

**PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE**

**OFF/KENYATTA ROAD**

**P.O BOX 1520-10100**

**NYERI**

**Tel: 061-2034548, 061-2034623, 061-2034617**

**Email: [info@nyewasco.co.ke](mailto:info@nyewasco.co.ke)**

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

**BOARD OF DIRECTORS**



**Patrick K. Munuhe –  
Chairman, Board of Directors**

He was appointed in April 2018 as a director representing farmers organizations. He is a teacher by profession and pursuing a Masters degree in Educational leadership Management at the Kenya Methodist University and is a graduate of the University of Nairobi with a Bachelors of Education degree. He also possess a Diploma in Education Management from the Kenya Education Management Institute.



**Joseph M. Wachiuri –  
Chairman, Finance,  
Administration and Strategy  
Committee**

He is the immediate former chairman of the Board and was appointed in April 2015 as a director representing the professionals and has over thirty years' experience from both the private and public sector.

He holds a Master of Business Administration degree in Finance and Bachelor of Commerce degree from the University of Nairobi. He is an accomplished leader and is involved in various social and local development initiatives.



**Jackson G. Kanyingi – Chairman,  
Technical Committee**

He was appointed in April 2015 as a director representing resident associations and is a professionally trained teacher with over thirty years' experience from both the teaching and private sector.

He is a P1 teacher and an accomplished leader involved in various social and local development initiatives.



Mary W. Mutonyi – Chairperson, Audit Risk and Governance Committee

She was appointed in May 2019 as a director representing the Business Community. She is a holder of Bachelor of Commerce from Nairobi University and a Master's in Business Administration Entrepreneurship from the Kenya Methodist University. She is pursuing a PhD in Business Administration (Entrepreneurship) at the Jomo Kenyatta University of Agriculture and Technology.

She has over 25 years of experience in Public Service having worked in Postal Corporation of Kenya where she had risen to the level of Regional Manager when she voluntarily left in May 2012. She is also a director representing women at the Kenya National Chamber of Commerce and Industry Nyeri Chapter.



Patrick M. Stom

He was appointed in May 2017 as a director representing the Cabinet Secretary, National Treasury and has over ten years' experience in public service. He is an accountant pursuing a Master of Science from Jomo Kenyatta University and a Bachelor of Business Administration – Accounting Option Organization from the Moi University. He is also a Certified Public Accountant



Paul M. Wambugu

He was appointed in May 2018 as a director representing the Office of the Governor of the County Government of Nyeri. He holds a Bachelor of Arts Degree from Kenyatta University and post graduate Diploma in Marketing from Chartered Institute of Marketing. He is the County Chief of Staff



Angela W. Kimaru

She was appointed in April 2018 as a director representing Institutional Consumers. She is a professionally trained teacher with a Master of Education degree from Kenyatta University and a Bachelor of Education degree from Egerton University.



Mary W. Kigia.

She is currently the Capacity Building Officer at Tana Water Works Development Agency (TWDDA), holds a Diploma in Water Technology



Veronica W. Maina

She was appointed in May 2019 as director representing women. She is an approved teacher 1 with over 20 years of experience in the teaching profession. She has also engaged

<p>She has over twenty years' experience.</p>	<p>from Kenya Water Institute. Mary has vast knowledge and experience in the water sector having worked in the sector for the last 30 years. In the last nine (9) years she has been on secondment at Tana Water Works Development Agency. She has trained in Senior Management Course, Gender and Equity in Water and Sanitation Programmes, Participatory Hygiene and Sanitation Transformation (PHAST-TOT), Corporate Governance among others. She is an internal Auditor in TWWDA for ISO 9001:2015. Mary is a team player, self-driven and is involved in various social/community development initiatives.</p>	<p>herself in voluntary community work and is a respected opinion leader in the community.</p> <p>She initiated the formation, registration and the operationalization of women's wing of the Kenya Association of retired officers (KARO) where she is a member of the executive committee. She has also served as a trustee in the Kenya Wildlife working group, Nyeri County.</p>
<div data-bbox="292 976 544 1205" data-label="Image"> </div> <p><b>Richard K. Gikuhi</b>  He is the Company Secretary and has Masters degree in Business Administration from Moi University and Certified Public Secretary with a wide range of experience in Corporate Governance and Management of over forty years. He is an accomplished leader and a fellow of the Institute of Certified Public Secretaries of Kenya and a member of the Kenya Institute of Management.</p>	<div data-bbox="767 981 951 1196" data-label="Image"> </div> <p><b>Robert G. Wanjau - Chairman, Finance and Administration Committee</b>  He was appointed in April 2015 as a director representing the business community. He is a professionally trained teacher and has over thirty years' experience from both the teaching and private sector.</p> <p>His academic qualifications Bachelor of Education in Science from the University of Nairobi. He is also an accomplished leader and is involved in various social and local development initiatives. He retired from the Board on 26<sup>th</sup> April, 2019</p>	<div data-bbox="1161 1025 1393 1211" data-label="Image"> </div> <p><b>Purity G. Ngunjiri - Chairperson, Audit Committee</b>  She was appointed in April 2015 as a director representing women organizations and is a professionally trained teacher with over thirty years' experience from both the teaching and private sector. She is a P1 teacher, an accomplished leader involved in various social and local development initiatives.</p> <p>She retired from the Board on 26<sup>th</sup> April, 2019</p>



**Stanley M. Mutuota**

He was appointed in May 2018 as a representative of the Office of the County Executive Committee Member – Water, Environment and Natural Resources in the County Government of Nyeri. He holds a Bachelor of Science degree in Agriculture from the University of Nairobi. He is the acting Chief Officer in the department of Water, Environment and Natural Resources.

**EXECUTIVE MANAGEMENT TEAM**



**Peter M. Gichaaga – Managing Director.**

He is a Certified Public Accountant, Certified Public Secretary and holds Master of Science (Finance), from the University of Nairobi, Master of Business Administration (Strategic Management) and Bachelor of Business Administration (Accounting and Finance) from Kenya Methodist University and also a Diploma in Business Management from the Kenya Institute of Management.



**Winrose N. Muriithi – Senior Accountant.**

She is a Certified Public Accountant II. She also holds a Bachelor of Business Administration (Accounting Option) from Kenya Methodist University.



**Peter G. Kahuthu – Head of Technical Services**

He is an engineer and holds a Bachelor of Science in Civil Engineering from the University of Nairobi and is an Associate Expert for Environmental Impact Assessment and Audit.



**James N. Ngunjiri - Chief Water and Sewerage Engineer.**

He holds a Bachelor of Science Technology degree in Civil Engineering from Egerton University and a Diploma Civil Engineering from Jomo Kenyatta University of Agriculture and Technology



**Wilson K. Mwai - Chief Internal Auditor.**

He is a Certified Public Accountant and is also Certified in Risk and Information Control Audit by the Information Systems Audit and Control Association and a Diploma in Technical education. He left the company after expiry of his employment contract on



**Joyce Munira - Senior Human Resources and Administration Officer.**

She is a holder of a Master of Business Administration and a Bachelor of Arts degree in Human Resource Management from Kenyatta University and a Diploma in Business Management from the Kenya Institute of Management.



## ADVOCATES

1. G.K.Kibira Advocates  
P.o Box 681-10100  
NYERI
2. Kamotho Njomo & Company  
Po Box 7182-00100  
NAIROBI
3. Sichangi Partners Advocates  
P.o Box 983-10100  
NYERI

## AUDITORS

Auditor General  
P.o Box 30084-00100  
NAIROBI

## BANKERS

1. Barclays Bank of Kenya Limited  
Nyeri Business Centre,  
P.o Box 239-10100  
NYERI.
2. National Bank of Kenya Limited  
Nyeri Branch,  
P.O Box 1629-10100  
NYERI.
3. Consolidated Bank  
Nyeri Branch  
P.o Box 935-10100  
NYERI.
4. Equity Bank  
Nyeri Branch  
P.o Box 2064-10100  
NYERI.
5. KCB Bank Limited  
Nyeri Branch  
P.O Box 215- 10100  
NYERI.
6. Co-operative Bank of Kenya Ltd.  
Nyeri Branch  
P.O. Box 1032-10100  
NYERI.
7. Ecobank Kenya Limited  
P.O. Box 926-10100  
NYERI.
8. Family Bank of Kenya  
P.O. Box 163 10100  
NYERI.
9. Central Bank of Kenya  
P.O. Box 60000-00200  
NAIROBI

**NYERI WATER AND SANITATION COMPANY LIMITED**



**REPORT OF THE DIRECTORS FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE 2019**

The Directors submit their report and the audited financial statements for the Year ended 30th June 2019

**1 PRINCIPAL ACTIVITIES**

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

**2 RESULTS**

During the year, the company made a surplus before tax of Kshs 98,004,746 as shown by the results for the year set out on page 16.

**3 DIVIDEND**

The directors do not recommend the payment of a dividend.

**4 DIRECTORS**

Directors who served during the year are shown on page 2 to 4.

**5 AUDITORS**

The Accounts are Audited by the Office of the Auditor General, in accordance with the provisions of Article 229 of Constitution of Kenya and Section 35 of the Public Audit Act 2015.

By order of the Board  
Secretary

Date:.....2019



## Chairman's Statement

On behalf of the Board of Directors, I am honored to present to you the Annual Report and Financial Statements of the Nyeri Water and Sanitation Company Limited ("NYEWASCO") for the Financial Year ended 30th June, 2019. During the year under review, NYEWASCO continued with its transformation journey towards the achievement of its vision of becoming a "World Class Water and Sanitation Services Provider. This marks a significant milestone towards the achievement of our 2016/17 – 2020/21 five-year Strategic Plan. In line with our Strategic Plan, the year under review saw us focus on activities aimed at advancing the organization and laying the foundation for the realization of our Vision. My statement focuses on these activities and their impacts on NYEWASCO's future.

The year under review continued to be a challenging year for the Company due to the increased demand for our services by potential customers outside our original area of service. We therefore cautiously extended our services to areas beyond our original area of service in Mathira West, Kieni East and Tetu Sub Counties. We are well aware of the many challenges and opportunities in the water services subsector and are continually improving on our commitment to innovation and new technology to enhance our services to our customers. Our ambition is to continue leading the sector's results on best management approaches to reduce Non Revenue Water levels, enhance customer service, and project management including Operations and maintenance. Aware of the challenges facing the company, we continued to ensure minimum water loses within our water pipeline network and as a result closed the year with a Non-Revenue Water level of below the 20% as required by our regulatory guidelines.

The Board approved a new organizational structure during the year for effective management and to drive strategy in the medium term and commenced to implement the new organizational structure in order to mitigate against any form of adversities and ensure business continuity. Following the expiry of employment of contract for most of the top management team, the Board appointed a competent senior management team on 1st July 2019 to run the Company operations and assist the Managing Director. The newly appointed senior management team has the necessary skills, strengths, courage and enthusiasm to deliver on our mandate. Further, in accordance with the Leadership and Integrity Act, 2012, the Board has put in place policies and programmes to enhance high standards of ethical behaviour across the Company. We are committed to providing effective leadership in steering the Company towards achieving greater heights of prosperity. Every challenge presents an opportunity therefore, and this is the time to strengthen our foundation and purpose to meet the expectations of our stakeholders. Taking advantage of our performance record by leading in the water services sector, knowledgeable workforce, strong brand and heritage, I am confident that we can transform NYEWASCO into a world class water and sanitation services provider.

### Business Environment

During the year, the company continued to extended water and sewerage services to unserved areas within and without its area of operation based on demand, feasibility and cost justification. The major activities entailed construction of new water distribution pipelines in Mathira West Sub County through the support of the County

Government of Nyeri and sewerage extension within the Nyeri Central Sub County in Ruringú, Ngangarithi, Kamakwa and King'ong'o estates under a commercial financing facility from Co-operative Bank of Kenya through the Results Based Financing (Output Based Aid) programme of the World Bank Group spearheaded by the Water Sector Trust Fund.

Well aware of the many challenges and opportunities in the water services subsector, we continued to embrace continual improvement in all our operations by embracing research and innovation through adoption of new technology to enhance our level of service delivery to our customers. We remain committed to maintain the sector leadership position in provision of water and sanitation services through attainment of the sector key performance indicators and standards to reduce Non Revenue Water levels, enhance customer service, and strengthening the internal control systems to reduce wastage in operations and maintenance including project management.

Just like in the previous, we are humbled and delighted to report that the Company's performance culture in the sector continued to be maintained and the Water Services Regulatory rating placed the Company as the top ranked water utility in Kenya for the 11th year consecutively in the Impact Issue No.10 of 2019. Overall the company scooped six out of the seven awards considered on the key performance indicators: -

1. Top performing utility
2. Best utility in Governance
3. Top utility in Non-Revenue Water (NRW) management
4. Top utility in the very large category and
5. Top utility in Tana region

On behalf of the Board of Directors, I wish to commend the management, or staff, shareholders and stakeholders for their positive contribution to the attainment of the encouraging results and to our customers for their co-operation and immeasurable support.

#### **Business Performance**

During the year, our total revenue grew by Kshs. 685,006 from Kshs. 453,552,645 reported in the previous year to Kshs. 454,237,651 mainly due to an increase in water billings. Water billings however registered a marginal growth of Kshs.3.5 Million as the volume of water produced and sold was 5,809,546 cubic meters as compared to 5,837,123 cubic meters in the previous year.

#### **Changes in the Board**

Mrs. Mary Wairimu Mutonyi and Mrs. Veronicah Wangari Maina, were elected as directors of the Company on 20<sup>th</sup> May 2019, while Mr. Robert Gitahi Wanjau and Mrs. Purity Gathoni Ngunjiri retired as directors on 26th April 2019. After the Company's Annual General Meeting held on 26th April 2019 and subsequent training, induction of new members, I was elected as the Chairman of the Board during the Board's inaugural Full Board meeting held on 16<sup>th</sup> August 2019 to replace my predecessor, Mr. Joseph Mwangi Wachiuri whose term as a Chairman of the Board had lapsed. It is however, important to note that he remains a Director of the Company and continues to execute his function together with the other Board of Directors. I wish to most sincerely thank Joseph for his good leadership and stewardship during his tenure as the Chairman of the Company for the last four years where the Company underwent a major transformation during the transition to the devolution system of governance.

### **Board Committees**

The Board exercised its oversight function through three committees that reported to the full board on a quarterly basis. The Committees that operated during the year were:

1. Audit, Risk and Governance Committee
2. Finance, Administration and Strategy Committee
3. Technical Committee

The membership to the committees was drawn from the Board of Directors and the committees were chaired by independent directors.

### **Alignment of Strategy**

In the year under review, the Board did not manage to revise our Five Year Strategic Plan to align our Company to the changing business environment and meet the needs of customers and other stakeholders as envisaged. However, this exercise was rescheduled to take place in the year 2019/20. It is expected that the new strategy will provide an adjusted roadmap in the medium term from 2016/17 to 2020/21. The strategic plan will be revised to strengthen the commercial aspects of our business, entrench a competitive mindset in our operations, develop a more customer centric culture and align our risk framework to the strategy.

In addition, the revised strategic plan will safeguard our interests and support the Company's growth strategy and objectives in a competitive water distribution and sanitation services environment in line with the amended Water Act 2016. It is also imperative to note that the company changed its name from Nyeri Water and Sewerage Company Limited to Nyeri Water and Sanitation Company Limited as one of its strategic focus towards ensuring availability and sustainable management of water and sanitation for all in line with the United Nations, Sustainable Development Goal number six.

### **Supporting the Big Four Agenda**

Water is an enabler to the realization of the Government's Big Four Agenda, a development initiative mooted during the year which focuses on providing resources for projects that directly impact on the lives of Kenyans. The Company's role is to provide quality and reliable water and sanitation services to support manufacturing, healthcare, food security and housing sectors under the Big Four Agenda. Successful implementation of programmes under this development initiative will present prospects for business growth.

### **Net Surplus**

The surplus before tax increased to Kshs. 98 Million from a restated amount of Kshs. 64.3 Million reported in the previous period. This was mainly due to an increase new water connections, investment income coupled with prudent cost management in our operations.

### **In Conclusion**

The Board and Management will continue to work together to strengthen the Company's internal controls and enterprise risk management, promote a culture of integrity and strive for highest ethical business standards.

Patrick K. Munuhe  
Chairman, Board of Directors.  
27th September 2019



## NYERI WATER AND SANITATION COMPANY LIMITED

### The Managing Director's Statement

I am pleased to present a review of NYEWASCO's key operational performance for the year ended 30th June 2019. The review also highlights our strategic priorities in the short and medium-term focusing on improving service delivery to customers and ensuring sustainable business growth. Our role as a water service provider utility in Nyeri County is critical considering that water and sanitation services are an enabler and key drivers for economic and social development. In this regard, the Company made remarkable progress in the quest to enhance our water distribution network coverage and improve reliability of both water supply and sewerage services to the customers. Projects prioritized during the year included water extension and sewer system expansion including network upgrade projects as well as County Government's funded projects in both water and sewer distribution network expansion to unserved areas. As a major step towards the entrenchment of a customer centric-culture, we continued to enhance our customer service unit and successfully rolled out the customer outreach programme for the completed sewer extension project. Towards this, the Company deployed its technical and support staff to meet with the potential customers in the new areas to be served by the new project.

Despite our desire to sustain connectivity drive by further extensions and connection of customers to other unserved areas beyond our official area of service, improve system reliability and complete key projects, our operational performance during the year was affected by an unfavorable operating environment mainly caused by our continued implementation of a non-cost recovery tariff thus straining of Cashflow projections.

#### Operational Performance

In the course of the year, we connected 12,244 and 2,354 new customers to our water and sewer network respectively, growing the overall customer base by 6 percent to 254,252. This was largely achieved through a sustained customer outreach programme for new areas and brand loyalty by the residents leaving within the company's service area. As a result, access to both water and sanitation services had risen to 98 percent compared to 92 percent from the previous year. The connectivity drive is premised on our strategic goal to secure the water distribution and provide clean and affordable water to every household within the area served by the company and support the country's goal of providing water to all Kenyans which is an important ingredient for socio-economic transformation and development.

In the period, the Company completed phase I of new sewer extension project financed under the Results Base Financing Programme (Output Based Aid) by the Water Sector Trust Fund (WSTF) and supported by the World Bank Group. The commercial financing was advanced by the Co-operative Bank of Kenya to the tune of Kshs. 194 million. The scope of the project covered the areas of King'ong'o – Gatende Estate; Ruring'u – Skuta Estate; Kamakwa – Kandara Estate and Classic – Ngangarithi Estate.

The project is expected to result to an estimated three thousand additional sewer connections and benefit a population of approximately fourteen thousand. In addition, the Company will benefit from 60% subsidy from the World Bank Group and

substantially increase the sewer revenue that projected to be over Kshs. 3 million per month.

In addition, the company also executed other projects involving minor extensions and upgrade of both water and sewer networks. The main projects involved water extension to Mathira West Sub – County (Rwanyaga Phase II) extending water supply to Thaiithi and Wakamata areas; Consolata Mathari Hospital staff quarters and sewer extension networks to Outspan hospital area; Nyeri County Hall and areas adjacent to Nyeri National Polytechnic

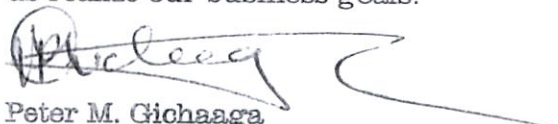
Similarly, customers are central to our business sustainability. Customer satisfaction is a key driver in fostering brand loyalty which leads to business growth and long-term viability. Towards this end, we modernized the head office Customer Service Centre and upgraded our Customer Service Management System – Majivoice to enhance customer experience and efficient service delivery. In addition, we also maintained a close partnership with our revenue collection agents. In today's diverse and highly dynamic business environment, it has become vital to tailor our communication and engagement programmes to effectively address the varied stakeholder needs. In this regard, we sustained mutually beneficial and strategic stakeholder interactions throughout the year. These included participatory meetings and forums with customers, investors, business partners, stakeholder institutions and both the County and National government ministries and institutions. In support of the Big Four Agenda initiative, we fast-tracked extension of water services to Mathira West Sub County and completed the construction of the phase 1 sewer extension highlighted above.

#### Our Commitment

As a matter of priority, the management team is focusing on provision of quality water supply and sanitation services by upgrading our water distribution network and streamlining internal processes to improve customer experience and stakeholder confidence. We also aim to sustain our connectivity drive by fast tracking implementation of the ongoing Last Mile Connectivity of the Sewer Project to further entrench our market presence.

Further, we have embarked on the review and implementation of the Company's Strategic plan which lays emphasis on improving employees' productivity; providing adequate, quality and reliable water supply and provision of sanitation services; improving service delivery; and ensuring financial sustainability.

The strategy was formulated in cognizance of the dynamic business environment, technological advancements and the anticipated policy shift in the water services sector. I am confident that we have the right initiatives and strategies in place to enable us realize our business goals.



Peter M. Gichaaga  
Managing Director  
27th September 2019



NYERI WATER AND SANITATION COMPANY LIMITED

## **CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT**

We are committed to Continuous improvement in our corporate and Social Responsibility by acting in a socially responsible way, continually improving our performance and meeting all relevant legislation and Encouraging our staff to be mindful of the effect of their actions on any natural resource.

Specifically, NYEWASCO has a Workplace Environment Policy and continues to implement environmental awareness programmes among staff. Nyewasco ensures that projects implemented as well as activities under its operations comply with the National Environmental Management Authority (NEMA) requirements.

Our Mission is in tandem with our mandate and defines the goals for which we will undertake activities in the context of sustainability, as well as social well-being.

We consider the community we operate in as a key stakeholder in our business initiatives and our CSR activities aim to make a difference under one of the key pillars of vision 2030 i.e. the social pillar.

We continue to devote resources to support projects such as tree planting through Chania Water users association. We have over the years supported water harvesting in schools, community water points and places of worship.

Our concern for the less fortunate members of the society is reflected by the support we give to.

1. Huruma Child Home, Child Support Network, Ramadhan IF'TAR Festivals, Nation Aids Day, National Council for People with Disability, Ithenguri Primary School and Chorong'i Primary School.
2. Nyeri Hospice Walk, County Referral Pediatric Ward and Action for Orphans by Saint Joseph CBO, Kenya Red Cross, Dr. Gakuru Half Marathon,





**NYERI WATER AND SANITATION COMPANY LIMITED**

**STATEMENT OF DIRECTORS RESPONSIBILITIES FOR  
THE YEAR ENDED 30TH JUNE 2019**

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

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

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

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

The director further accept responsibility for the maintenance of proper accounting records which may be relied upon in the preparation of the financial statements as well as adequate systems of internal financial control.

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

Director:

Date:

Director:

Date:

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON NYERI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Nyeri Water and Sanitation Company Limited set out on pages 16 to 33, which comprise the statement of financial position as at 30 June, 2019, 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, the financial statements present fairly, in all material respects, the financial position of the Nyeri Water and Sanitation Company Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS), and comply with the Water Act, 2002, the Kenyan Companies Act, 2015 and the Public Finance Management Act, 2012.

#### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nyeri Water and Sanitation Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **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. There were no key audit matters to report in the year under review.

## 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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources section 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**

#### **Non-Compliance with the Water Services Regulatory Board (WASREB) Regulations on Personnel Costs**

The statement of profit and loss and other comprehensive income reflects personnel expenditure of Kshs.150,513,669 for the year 30 June, 2019 representing about 38% of the total expenditure of Kshs.391,567,550 which is higher than the recommended ratio of 30% in accordance with the WASREB guidelines. The excess personnel costs may negatively impact on the Company's profitability and sustainability of services if measures are not put in place to contain the costs within the acceptable levels.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit 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 8, 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 assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors are aware of the intention to liquidate the Company or to cease operations.

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 way.

Those charged with governance are responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management 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 and that public resources are applied in an effective way, 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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of Company 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.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**24 December, 2021**



**NYERI WATER AND SANITATION COMPANY LIMITED**  
**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE**  
**YEAR ENDED 30TH JUNE 2019**

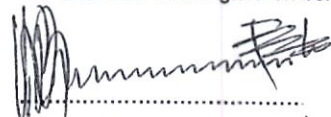
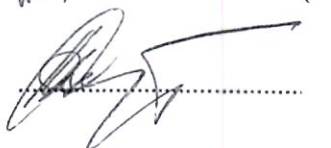
	Notes	2019 <u>Kshs</u>	2018 <u>Kshs</u>
<b>REVENUES</b>			
Turnover	3a	454,237,651	453,552,645
Other Income	3b	<u>13,295,350</u>	<u>11,003,745</u>
<b>Total Income from Operations</b>		<b>467,533,001</b>	<b>464,556,390</b>
Amortisation of Grant	19	<u>5,827,969</u>	<u>5,209,687</u>
<b>TOTAL REVENUE</b>		<b><u>473,360,970</u></b>	<b><u>469,766,077</u></b>
<b>OPERATING EXPENSES:</b>			
Administration expenses	4	62,559,893	87,469,535
Staff Expenses	6	150,513,669	145,484,160
Board of Directors Expenses	7	11,086,541	4,758,475
Operations Expenses	8	65,569,162	68,356,099
Water Service Board Fee and Lease Fee	9	-	42,122,047
Regulatory Fee	10	14,254,549	4,608,323
Depreciation	5	<u>55,998,490</u>	<u>55,061,726</u>
<b>TOTAL OPERATING EXPENSES:</b>		<b><u>359,982,304</u></b>	<b><u>407,860,365</u></b>
Operating Profit/(Loss)		113,378,665	61,905,712
V.A.T Refunds	11	549,509	10,996,626
Finance Income	12(a)	15,661,818	9,963,449
Net Finance Costs	12(b)	<u>(31,585,246)</u>	<u>(18,469,123)</u>
Profit/(Loss) Before Taxation	13	98,004,746	64,396,664
Taxation	14	<u>-</u>	<u>-</u>
<b>Profit/(Loss) After Taxation</b>		<b><u>98,004,746</u></b>	<b><u>64,396,664</u></b>



**NYERI WATER AND SANITATION COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30TH JUNE 2019**

	Notes	2019 <u>Kshs</u>	2018 <u>Kshs</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	5	1,232,698,419	1,094,056,396
<b>Total Non-Current Assets</b>		<b><u>1,232,698,419</u></b>	<b><u>1,094,056,396</u></b>
<b>CURRENT ASSETS</b>			
Inventories	15	14,839,474	15,353,420
Trade and other receivables	16	236,412,777	208,956,703
Fixed Deposits	17(a)	171,454,589	134,129,154
Cash and cash equivalents	17(b)	<u>58,628,271</u>	<u>53,563,707</u>
<b>Total Current Assets</b>		<b><u>481,335,111</u></b>	<b><u>412,002,984</u></b>
<b>TOTAL ASSETS</b>		<b><u>1,714,033,530</u></b>	<b><u>1,506,059,380</u></b>
<b>FINANCED BY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	18	75,000,000	75,000,000
Accumulated reserves		485,775,883	387,771,137
Capital grant	19	<u>58,780,586</u>	<u>46,862,771</u>
<b>Capital &amp; Reserves</b>		<b><u>619,556,469</u></b>	<b><u>509,633,908</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	20	610,466,756	661,303,974
Borrowings-Co-op Bank (OBA)	20(b)	151,468,855	35,743,246
<b>Total Non-Current Liabilities</b>		<b><u>761,935,611</u></b>	<b><u>697,047,220</u></b>
<b>CURRENT LIABILITIES</b>			
Borrowings-KFW	20(a)	50,417,076	50,417,076
Borrowings-KFW	20(b)	19,424,940	-
Consumer deposits	21	89,321,563	81,863,526
Trade and other payables	22	172,439,531	164,442,125
Taxation	23	938,340	2,655,525
<b>Total Current Liabilities</b>		<b><u>332,541,450</u></b>	<b><u>299,378,252</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>1,714,033,530</u></b>	<b><u>1,506,059,380</u></b>

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

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

DIRECTOR

DIRECTOR





**NYERI WATER AND SANITATION COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2019**

	Notes	Share Capital <u>Kshs</u>	Reserves <u>Kshs</u>	Capital Grant	Total <u>Kshs</u>
At 01.07.2017		75,000,000	323,374,473	41,677,497	440,051,970
Prior year Adjustment					
Additions during the year				10,394,961	10,394,961
Amortisation				(5,209,687)	(5,209,687)
Surplus for the period		<u>-</u>	<u>64,396,664</u>	<u>-</u>	<u>64,396,664</u>
<b>At 30.06.2018</b>		<b><u>75,000,000</u></b>	<b><u>387,771,137</u></b>	<b><u>46,862,771</u></b>	<b><u>509,633,908</u></b>
At 01.07.2018		75,000,000	387,771,137	46,862,771	509,633,908
Additions during the year				17,745,784	17,745,784
Amortisation				(5,827,969)	(5,827,969)
Surplus for the period		<u>-</u>	<u>98,004,746</u>	<u>-</u>	<u>98,004,746</u>
<b>At 30.6.2019</b>		<b><u>75,000,000</u></b>	<b><u>485,775,883</u></b>	<b><u>58,780,586</u></b>	<b><u>619,556,469</u></b>



NYERI WATER AND SANITATION COMPANY LIMITED  
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2019

	Notes	2019 <u>Kshs</u>	2018 <u>Kshs</u>
<b>Cash Generated from/(Used in) Operations</b>			
Surplus before taxation		98,004,746	64,396,664
Adjustments for:			
Depreciation	5	55,998,490	55,061,726
Amortisation of Grant	19	(5,827,969)	(5,209,687)
Interest income	12(a)	(15,661,818)	(9,963,449)
loan interest Charge	20	31,585,246	18,469,123
<b>Operating profit before changes in working capital</b>		<b>164,098,696</b>	<b>122,754,377</b>
<b>Changes in Working Capital</b>			
Inventories	15	513,946	351,217
Trade and other receivables	16	(22,970,152)	(46,276,054)
Consumer deposits	21	7,456,354	4,766,889
Trade and other creditors	22	7,997,406	42,502,327
Cash generated from operations		157,096,250	124,098,756
Income Tax Paid	23	(5,097,159)	(1,330,723)
<b>Net cash generated from operations</b>		<b><u>151,999,091</u></b>	<b><u>122,768,033</u></b>
<b>Cash Flows From Investing Activities</b>			
Interest received	12a	15,661,818	9,963,449
KFW Interest Charged	20(a)	(16,910,727)	(18,171,154)
OBA Interest Charged	20(b)	(14,674,519)	(297,969)
Purchase of fixed assets	5	(195,744,778)	(91,287,640)
<b>Net cash generated from/(used in) investing activities</b>		<b><u>(211,668,206)</u></b>	<b><u>(99,793,314)</u></b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from Grants	19	17,745,784	10,394,961
O.B.A Loan		140,302,644	35,743,246
KFW loan Interest Accrued but Capitalised		5,461,850	5,881,993
OBA Loan Capital Repayment		(5,152,095)	-
KFW Loan Capital Repaid		(56,299,068)	(56,719,210)
<b>Net cash generated from/(Used in) financing activities</b>		<b><u>102,059,115</u></b>	<b><u>(4,699,010)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>42,390,000</b>	<b>18,275,709</b>
<b>Cash and cash equivalents:</b>			
At the start of the year	17c	<u>187,692,861</u>	<u>169,417,152</u>
<b>At the end of the year</b>	17c	<b><u>230,082,860</u></b>	<b><u>187,692,861</u></b>
Prior year adjustment		-	-

NYERI WATER AND SANITATION COMPANY LIMITED

2.2 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2019

	Notes	Original Budget 2018-2019	Adjustments 2018-2019	Revised Budget 2018-2019	Actuals on Comparable Basis 2018-2019	Performance
		<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	
<b>REVENUE:</b>						
Income from Water	a)	351,803,522.83	-	351,803,522.83	334,104,997.00	(17,698,525.83)
Income from Sewer	b)	135,940,622.13	-	135,940,622.13	120,132,654.00	(15,807,968.13)
Other Income	c)	24,222,841.70	-	24,222,841.70	13,295,349.76	(10,927,491.94)
<b>Total Income from Operations</b>		<u>511,966,986.66</u>	<u>-</u>	<u>511,966,986.66</u>	<u>467,533,000.76</u>	<u>(44,433,985.90)</u>
Armotisation for Grants		5,827,969.00	-	5,827,969.00	5,827,969.00	-
<b>Total Income</b>		<u>517,794,955.66</u>	<u>-</u>	<u>517,794,955.66</u>	<u>473,360,969.76</u>	<u>(44,433,985.90)</u>
<b>EXPENSES:</b>						
Administration expenses	d)	(101,384,200.00)	1,900,000.00	(103,284,200.00)	(62,559,893.02)	40,724,306.98
Staff Expenses		(168,043,009.00)	(8,392,331.00)	(159,650,678.00)	(150,513,689.00)	9,137,009.00
Board of Directors Expenses	e)	(10,182,000.00)	-	(10,182,000.00)	(11,086,541.00)	(904,541.00)
Operations Expenses	f)	(64,538,600.00)	1,000,000.00	(65,538,600.00)	(65,569,162.00)	(30,562.00)
Water Service Board Fee and Lease Fee	g)	(11,547,988.00)	-	(32,521,939.00)	-	32,521,939.00
Regulatory Fee	h)	(6,000,000.00)	-	(15,600,108.00)	(14,254,549.00)	1,345,559.00
Depreciation		(55,535,082.00)	-	(55,535,082.00)	(55,998,490.04)	(463,408.04)
<b>Total Expenditure</b>		<u>(417,230,879.00)</u>	<u>(5,492,331.00)</u>	<u>(442,312,607.00)</u>	<u>(359,982,304.06)</u>	<u>82,330,302.94</u>
Surplus from Operating Activities		100,564,076.66	5,492,331.00	75,482,348.66	113,370,665.70	37,896,317.04
V.A.T Refund Claims		-	-	-	549,509.00	549,509.00
Finance Income		-	-	-	15,661,818.00	15,661,818.00
<b>Net Finance Costs</b>		<u>(32,330,869.00)</u>	<u>-</u>	<u>(32,330,869.00)</u>	<u>(31,585,246.00)</u>	<u>745,623.00</u>
<b>Surplus Before Taxation</b>		<u>68,233,207.66</u>	<u>5,492,331.00</u>	<u>43,151,479.66</u>	<u>98,004,746.70</u>	<u>54,853,267.04</u>
Taxation	i)	-	-	-	-	-
<b>Surplus After Taxation</b>		<u>68,233,207.66</u>	<u>5,492,331.00</u>	<u>43,151,479.66</u>	<u>98,004,746.70</u>	<u>54,853,267.04</u>

**Explanatory Notes: Income**

a) & b) The Performance difference (-)5.0% and (-)11.6% Water/Sewer revenue respectively was mainly due to the fact that OBA sewer project was not completed during the year as originally anticipated, while preparing the budget, to boost revenue. However revenue is expected to grow once consumers are finally connected.

c) Other income was below the budgeted by 10,936,491.70(-)45% during the year. However this was an increase as compared to previous year when it was 51%.

**Explanatory Notes: Expenditure**

d) The Performance difference of (+)39% Administration expenses was mainly due to reduction in provision for staff leave days by Kshs. 8,239,614 and Bad reduction in bad debt provision by 7,265,734.00

e) The Board of Directors expenditure was slightly higher than the Budgeted by Kshs. 904,541.00 representing (-) 8.8%. This was slightly above the regulatory requirement. It was however 3% of O & M.

f) The Performance difference of (-)5.7% Operations expenses was an improvement from previous year when it was (-)9.6%. No provisions has been made in the accounts in respect of Water Service Board fee and County Government lease fee as per External Auditors recommendations and as per regulatory requirement.

g) Regulatory fee to WASREB was reviewed upward from 1% of billings to 4% during the year.

h) The Company made a corporation Tax provision of Kshs. 3,379,974.

i) It is also important to note that there are capital projects being implemented which may result into capital deductions once completed leading to taxable losses.

**NB:** The Tax Appeal Tribunal is yet to make a ruling on the V.A.T Tax dispute of Kshs. 35,384,476.00 and hence no refunds have been made yet by K.R.A. The claims receivable is Kshs. 45,506,296.31



NYERI WATER AND SANITATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

**1 GENERAL INFORMATION**

Nyewasco was established as a limited liability company on 23rd September 1997 and in compliance with the water act of 2016. Its main mandate is to provide high quality water and sewerage to the people of Nyeri sub county and its environs. The company has a function structure, headed by the managing director who leads a management team of heads of departments.

**2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

**a) Basis of accounting**

The financial statements are prepared on the historical cost basis and in accordance with International Financial Reporting Standards (IFRS)

**b) Revenue Recognition**

Revenue is recognized to the extent that it is probable that its economic benefits will flow to the company and the revenue can be reliably measured. Revenue from provision of water and sewerage is recognized when these services are delivered to customers and billed by the company.

**c) Capital Development Project**

With the assistance of the Government of the Republic of Kenya and the Kreditanstalt für Wiederaufbau (KfW), of the Federal Republic of Germany, the company embarked on a Rehabilitation and Extension of Water and Sewerage services. The project was been completed in 2007. In addition the Company undertook a sewer extension project for Nyeri central Central Sub-County covering parts of King'ong'o, Kamwakwa, Ngangarithi and Ruringu through a commercial finance from Coperative Bank of Kenya supported by Water Sector Trust Fund (WASTF) under the result based financing (RBF) Program of Output Based Aid (OBA) guaranteed by World Bank Group.

**d) Property, Plant & Equipment**

Property, Plant & Equipment are stated at cost, less accumulated depreciation and any impairment in value.

The cost of laying new pipes, installing new meters, replacing old pipes and meters is capitalised under plant and machinery.

**e) Depreciation**

Depreciation is calculated on the reducing balance basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives. The annual depreciation rates in use are:

Company assets		KfW funded assets	
Freehold Land	Nil	Buildings	2.50%
Buildings	2.00%	Infrastructural assets	2.50%
Furniture and equipment	12.50%	Plant and machinery	7.00%
Motor vehicles	25.00%	Equipment	12.50%
Plant and machinery	12.50%	Computer hardware and software (GIS)	20.00%
Computers and typewriters	30.00%		

**f) Inventories**

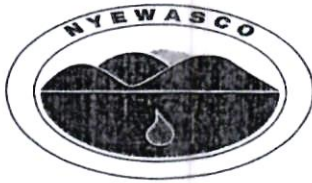
Inventories are valued at the lower of cost and net realisable value. Cost is determined on the last cost basis. Net Realizable Value is the estimated selling price in the ordinary course of the business less estimated costs of completion and costs necessary to make the sale.

**g) Deferred Taxation**

No deferred taxation is provided as there are no timing differences.

**h) Lease Charges**

Operating lease charges are charged to profit and loss account on the accrual basis.



NYERI WATER AND SANITATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30TH JUNE 2019 (CONT'D)

**i) Retirement Benefits**

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

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

**j) Provision for Staff Leave Entitlement**

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

**k) Foreign Currency**

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

**l) Trade Receivables**

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

**m) Trade Payables**

Trade payables are stated at their nominal value.

**n) Amortisation of Capital Grant**

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

**o) Fair Statement of Trade Receivables**

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

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

**p) Cash and cash equivalents**

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

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

**q) Reserves**

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



NYERI WATER AND SANITATION COMPANY LIMITED  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT'D)

- r) Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current
- s) **Provisions**  
Provisions are recognized when the company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where the company expects a provision to be reimbursed, for example under insurance, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually uncertain.

- t) **Impairment**  
At each balance sheet date, the company reviews the carrying amounts of its financial assets to determine whether there is any indication that these assets have suffered an impairment loss.  
Impairment loss occurs where the asset is carried at more than its recoverable amount. An asset is carried at more its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset.  
If such an indication exists, the recoverable amount is estimated. An impairment loss is recognized as an expense unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

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

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

- i) **Critical accounting estimates and assumptions:**

*Property, plant and equipment*

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

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

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

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

**2 (b) RISK EXPOSURE**

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



2(C) AMMENDMENTS TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS WITHIN THE FINANCIAL YEAR 2018-2019

Amendment/Interpretation to a Standard	Effective date	Impact
<p><b>IFRS 3 Business Combinations</b> Business Combinations Previously held Interests in a joint operation</p> <p>2015-2017 Cycle (Issued December 2017)</p>	<p>Effective for annual period beginning on or after 1 January 2019</p>	<p>Makes Amendments to the following Standards:</p> <ul style="list-style-type: none"> <li>The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value.</li> <li>In doing so, the acquirer remeasures its entire previously held interest in the joint operation.</li> <li>An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.</li> </ul> <p>(These Standards are not relevant to NYEWASCO Ltd hence has no impact to the Company)</p>
<p><b>IAS 12 Income Taxes</b> Income tax consequences of payments on financial instruments classified as equity</p> <p>(Issued December 2017)</p>	<p>Effective for annual period beginning on or after 1 January 2019</p>	<p><b>IAS 12 Income Taxes</b> Income tax consequences of payments on financial instruments classified as equity</p> <ul style="list-style-type: none"> <li>The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.</li> <li>An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.</li> </ul> <p>(This Standard is not relevant to NYEWASCO Ltd hence has no impact to the Company as it does not pay Dividends)</p>
<p><b>IFRS 11 Joint Arrangements</b> Joint Arrangements Previously held Interests in a joint operation</p> <p>2015-2017 Cycle (Issued December 2017)</p>	<p>Effective for annual period beginning on or after 1 January 2019</p>	<p><b>IFRS 11 Joint Arrangements</b> Previously held Interests in a joint operation</p> <ul style="list-style-type: none"> <li>A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.</li> <li>An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.</li> </ul> <p>(This Standard is not relevant to NYEWASCO Ltd hence has no impact to the Company)</p>





**NYERI WATER AND SANITATION COMPANY LIMITED**

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 2019 (CONT'D)**

	30th June 2019	2018
	Kshs	Kshs
<b>3a TURN OVER</b>		
Water billings and Meter Rent	334,104,997	329,265,209
Sewer billings	<u>120,132,654</u>	<u>124,287,436</u>
	<u>454,237,651</u>	<u>453,552,645</u>
<b>3b OTHER INCOME</b>		
Reconnection fees	4,821,000	5,008,500
Application and Water connection fee	5,616,830	3,423,100
Sewer connection fees	665,792	297,771
Rent	241,950	637,700
Laboratory testing	305,300	476,205
Meter calibration and Testing	418,000	279,500
Miscellaneous	<u>1,226,477</u>	<u>880,969</u>
	<u>13,295,250</u>	<u>11,003,745</u>
<b>4 ADMINISTRATION AND ESTABLISHMENT EXPENSES</b>		
Training, Workshops & Education Tours	4,569,589	5,310,849
Environmental Protection & Social R.	549,028	1,039,165
Veh. Fuel & Maint.	2,002,317	2,757,807
Transport	221,260	493,870
Uniforms, Laundry & Cleaning Materials	2,144,244	3,276,106
Electricity	893,375	923,304
Tel. & Postage	4,405,032	5,156,928
Security	9,349,099	10,347,155
Insurance	15,040,238	15,507,781
Audit Fees, Statutory levies & Proff. Fees	3,268,043	1,591,394
Stationery & Printing	2,271,196	2,721,702
I.S.O 9001 2015	248,704	1,138,770
Water & Sewerage Charges	982,701	1,049,355
Catering	2,293,809	2,782,277
Donations & Subscriptions	512,733	761,548
Advert. & P. Relations	2,060,775	3,241,208
Business Travel & Allowances	3,687,481	2,802,455
Water Abstraction	3,531,939	3,332,626
A.S.K Show & Functions	2,252,953	1,751,325
Periodicals	54,720	268,540
Provision For Bad Debts	7,265,734	5,692,233
Sports, OHS & H.I.V Mgt & Resource C	7,742,973	5,423,320
Staff Leave Days	8,239,814	1,250,646
Long Service Award & Staff Leave Days	369,100	357,350
NEMA & KEBS & WRMA	600,000	757,924
Disludging, Investigations & Fitness C	212,144	163,877
Sample Analysis	700,000	792,010
Office Furniture Repairs	35,011	40,863
Licence Charges	420,207	330,430
Claims	1,344,791	90,405
Job evaluation	-	2,829,200
Tarrif Study	1,944,032	-
Provision For tax	3,379,974	-
Bank Charges	<u>977,773</u>	<u>3,487,112</u>
	<u>62,559,893</u>	<u>87,469,535</u>

The Management has fully implemented the requirement on leave management which dictates that one can 15 days to the next financial year.

The increase in Bank charges in the previous year was as a result of OBA loan appraisal fee of Kshs. 2.9M ;



NYERI WATER AND SANITATION COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT'D)

5 a) Property, Plant & Equipment

	Freehold Land Kshs.	Buildings Kshs.	Plant & Machinery Kshs.	Furniture & Equipment Kshs.	Motor Vehicles/Cycles Kshs.	Computers & Typewriters Kshs.	Work In Progress	Total Kshs.
<b>COST</b>								
At 1st July 2017	9,569,210	115,106,725	1,359,812,617	30,117,420	28,004,866	53,761,721	8,941,704	1,603,334,267
Additions for the Year	1,117,400	3,163,435	35,988,484	717,540	5,019,322	9,427,428	35,854,031	91,287,640
Transfer during the year	-	-	7,052,489	-	-	-	(7,052,489)	-
At 30th June 2018	<u>10,686,610</u>	<u>118,270,164</u>	<u>1,402,853,590</u>	<u>30,834,960</u>	<u>33,024,188</u>	<u>63,209,149</u>	<u>36,743,246</u>	<u>1,684,621,907</u>
At 1st July 2018	10,686,610	118,270,164	1,402,853,590	30,834,960	33,024,188	63,209,149	35,743,246	1,694,621,907
Additions for the year	-	981,470	37,582,992.01	1,671,530.00	-	6,372,657.00	149,136,129.00	195,744,778.01
Transfer during the year	-	-	-	-	-	-	-	-
At 30th June 2019	<u>10,686,610</u>	<u>119,251,634</u>	<u>1,440,436,582</u>	<u>32,506,490</u>	<u>33,024,188</u>	<u>69,581,806</u>	<u>184,879,375</u>	<u>1,890,365,686</u>
<b>DEPRECIATION</b>								
At 1st July 2017	-	25,383,409	437,287,864	16,948,281	21,738,707	45,249,789	-	545,503,784
Charge for the year	-	2,148,155	42,968,848	1,733,162	2,821,370	5,390,191	-	53,061,726
At 30th June 2018	-	<u>27,531,564</u>	<u>480,256,712</u>	<u>18,681,443</u>	<u>24,560,077</u>	<u>50,639,980</u>	-	<u>900,565,510</u>
At 1st July 2018	-	27,531,564	480,256,712	18,681,443	24,560,077	50,639,980	-	900,565,510
Charge for the year	-	2,118,247	44,286,773	1,725,437	2,116,028	5,752,005	-	55,998,490
At 30th June 2019	-	<u>29,649,811</u>	<u>524,543,485</u>	<u>20,406,880</u>	<u>26,676,105</u>	<u>56,391,985</u>	-	<u>657,668,266</u>
<b>NET BOOK VALUE</b>								
At 30th June 2017	<u>10,686,610</u>	<u>89,801,823</u>	<u>915,565,726</u>	<u>12,039,910</u>	<u>8,348,683</u>	<u>13,189,621</u>	<u>184,879,375</u>	<u>1,232,626,419</u>
At 30th June 2018	<u>10,686,610</u>	<u>90,738,600</u>	<u>922,596,878</u>	<u>12,131,871</u>	<u>8,464,111</u>	<u>13,894,980</u>	<u>36,743,246</u>	<u>1,024,065,326</u>

Leased assets

Assets valued at Kshs 509,716,093 by Uniconsult Kenya Limited in 1998, were leased to Tana Water Services Board by the Defunct Municipal Council of Nyeri. The assets, comprising of land, building structures, plant, machinery, tanks, reservoirs, sewerage works and fish ponds, are utilised by the company in the provision of water and sewerage services under Services Provision agreement with Tana Water Services Board. These assets are not included in the books of the company as were owned by the Defunct Municipal Council of Nyeri and now by the County Government of Nyeri which replaced it after devolution following inauguration of new constitution in 2010.



**NYERI WATER AND SANITATION COMPANY LIMITED**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019(CONT'D)

**5 b) Property, Plant & Equipment**

	Freehold Land Kshs.	Buildings Kshs.	Plant & Machinery Kshs.	Furniture & Equipment Kshs.	Motor Vehicles/Cycles Kshs.	Computers & Typewriters Kshs.	Work in Progress	Total Kshs.
<b>COST</b>								
At 1st July 2017	9,569,210	39,157,343	318,324,786	21,692,505	28,004,866	26,368,103	6,941,704	450,058,517
Additions for the Year	1,117,400	3,163,435	35,988,484	717,540	5,019,322	9,427,428	35,854,031	91,287,640
Transfer during the year	-	-	7,052,489.00	-	-	-	(7,052,489.00)	-
<b>At 30th June 2018</b>	<b>10,686,610</b>	<b>42,320,778</b>	<b>361,365,759</b>	<b>22,410,045</b>	<b>33,024,188</b>	<b>35,795,531</b>	<b>35,743,246.00</b>	<b>541,346,157</b>
At 1st July 2018	10,686,610	42,320,778	361,365,759	22,410,045	33,024,188	35,795,531	35,743,246	541,346,157
Additions for the Year	-	981,470	37,582,992	1,671,530	-	6,372,657	149,136,129	195,744,778
Transfer during the year	-	-	-	-	-	-	-	-
<b>At 30th June 2019</b>	<b>10,686,610</b>	<b>43,302,248</b>	<b>398,948,751</b>	<b>24,081,575</b>	<b>33,024,188</b>	<b>42,168,188</b>	<b>184,879,375</b>	<b>737,090,936</b>
<b>DEPRECIATION</b>								
At 1st July 2017	-	7,658,759	181,793,948	10,904,121	21,738,707	21,189,740	-	243,285,275
Charge for the Year	-	692,537	22,446,479	1,435,568	2,821,370	4,719,477	-	32,115,431
<b>At 30th June 2018</b>	<b>-</b>	<b>8,351,296</b>	<b>204,240,427</b>	<b>12,339,689</b>	<b>24,560,077</b>	<b>25,909,217</b>	<b>-</b>	<b>275,400,706</b>
<b>DEPRECIATION</b>								
At 1st July 2018	-	8,351,296	204,240,427	12,339,689	24,560,077	25,909,217	-	275,400,706
Charge for the Year	-	699,019	24,338,540	1,465,042	2,116,028	5,215,434	-	33,834,063
<b>At 30th June 2019</b>	<b>-</b>	<b>9,050,315</b>	<b>228,578,967</b>	<b>13,804,731</b>	<b>26,676,105</b>	<b>31,124,651</b>	<b>-</b>	<b>309,234,769</b>
<b>NET BOOK VALUE</b>								
<b>At 30th June 2019</b>	<b>10,686,610</b>	<b>34,251,933</b>	<b>170,369,784</b>	<b>10,276,844</b>	<b>6,348,083</b>	<b>11,043,537</b>	<b>184,879,375</b>	<b>427,856,166</b>
<b>At 30th June 2018</b>	<b>10,686,610</b>	<b>33,969,482</b>	<b>157,125,332</b>	<b>10,048,808</b>	<b>8,464,111</b>	<b>11,012,123</b>	<b>35,743,246</b>	<b>267,049,712</b>



## NYERI WATER AND SANITATION COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT'D)

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

	Buildings Kshs.	Plant & Machinery Kshs.	Furniture & Equipment Kshs.	Computers Hardware and Software Kshs.	Total Kshs.
<b>COST</b>					
At 1st July 2017	75,949,386	1,041,487,831	8,424,915	27,413,618	1,153,275,750
Additions for the year	-	-	-	-	-
At 30th June 2018	<u>75,949,386</u>	<u>1,041,487,831</u>	<u>8,424,915</u>	<u>27,413,618</u>	<u>1,153,275,750</u>
At 1st July 2018	75,949,386	1,041,487,831	8,424,915	27,413,618	1,153,275,750
Additions for the year	-	-	-	-	-
At 30th June 2019	<u>75,949,386</u>	<u>1,041,487,831</u>	<u>8,424,915</u>	<u>27,413,618</u>	<u>1,153,275,750</u>
<b>DEPRECIATION</b>					
At 1st July 2017	17,724,650	255,493,916	6,044,160	24,060,049	303,322,775
Charge for the Year	1,455,618	20,522,369	297,594	670,714	22,946,295
At 30th June 2018	<u>19,180,268</u>	<u>276,016,285</u>	<u>6,341,754</u>	<u>24,730,763</u>	<u>326,269,070</u>
At 1st July 2018	19,180,268	276,016,285	6,341,754	24,730,763	326,269,070
Charge for the Year	1,419,228	19,948,233	260,395	536,571	22,164,427
At 30th June 2019	<u>20,599,496</u>	<u>295,964,518</u>	<u>6,602,149</u>	<u>25,267,334</u>	<u>348,433,497</u>
<b>NET BOOK VALUE</b>					
At 30th June 2018	<u>55,349,890</u>	<u>745,523,313</u>	<u>1,822,766</u>	<u>2,146,284</u>	<u>804,842,253</u>
At 30th June 2019	<u>56,769,118</u>	<u>765,471,546</u>	<u>2,083,161</u>	<u>2,682,855</u>	<u>827,006,680</u>



## NYERI WATER AND SANITATION COMPANY LIMITED

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 2019 (CONT'D)

	30th June 2019 Kshs	2018 Kshs
<b>6 STAFF EXPENSES</b>		
Salaries, Wages & Allowances	150,081,419	145,354,377
Staff Welfare	432,250	129,783
	<u>150,513,669</u>	<u>145,484,160</u>
<b>7 BOARD OF DIRECTORS EXPENSES</b>	<u>11,086,541</u>	<u>4,758,475</u>
<b>8 OPERATIONS EXPENSES</b>		
Repairs & Maint.	34,606,099	35,516,404
Chemicals	9,788,928	10,063,556
Re-agents & Apparatus	708,653	522,083
Electricity	18,818,933	20,160,313
Accreditation ISO 17025	1,646,549	2,093,742
	<u>65,569,162</u>	<u>68,366,098</u>
<b>9 WATER SERVICE BOARD EXPENSES AND LEASE FEE</b>		
Provision for County Lease fee	-	20,973,951
Water S.Board Admin.fees	-	21,148,096
	<u>-</u>	<u>42,122,047</u>
<b>10 REGULATORY FEES</b>		
Water Services Regulatory Board Fees	14,254,549	4,608,323
<b>11 V.A.T REFUND CLAIMS</b>	<u>549,509</u>	<u>10,996,626</u>
This amount include claims lodged with K.R.A for V.A.T due to water Services being zero rated.		
<b>12(a) FINANCE INCOME</b>		
Consumer Deposits-Treasury Bills	9,806,620	
Corporate Special Account	4,929,406	
Loan Deposit Account	925,792	
	<u>15,661,818</u>	<u>9,963,449.00</u>
<b>12(b) FINANCE CHARGE</b>		
Finance Costs include KFW, OBA Loan interest	<u>28,119,198</u>	<u>18,489,123</u>
<b>13 SURPLUS BEFORE TAXATION</b>		
The Profit before taxation is stated after charging:		
Depreciation	55,998,490	55,063,135
Directors' emoluments	11,086,541	4,758,475
Auditor's remuneration net of VAT	580,000	580,000
Net finance costs-KFW	16,910,727	18,171,154
Net finance costs-OBA	<u>14,674,519</u>	<u>297,969</u>
<b>14</b>		
No provision for Tax has been made for the year as the Company has Taxable Losses carried forward on investments deductions.		



**NYERI WATER AND SANITATION COMPANY LIMITED**  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT'D)

	2019 Kshs	2018 Kshs
<b>15 INVENTORIES</b>		
Pipes and fittings	12,536,708	12,594,601
Chemicals	1,105,246	1,570,312
Clotting and Uniform	78,108	-
Stationery	410,464	273,753
Cleaning Materials	44,215	28,329
Hardware and Tools	553,344	886,425
Office Equipments	111,388	-
	<u>14,839,474</u>	<u>15,353,420</u>
<b>16 TRACE AND OTHER RECEIVABLES</b>		
Trade receivables	231,343,994	200,031,607
Provision for doubtful debts	<u>(41,940,699)</u>	<u>(49,206,431)</u>
V.A.T. Refund Claims	189,403,295	150,825,178
Other receivables, deposits and prepayments	45,506,293	44,956,787
	<u>1,503,189</u>	<u>13,174,740</u>
	<u>236,412,777</u>	<u>203,956,703</u>
<b>17 CASH AND CASH EQUIVALENT</b>		
(a) Water Accounts Deposits		
Special Fund		
CBK-Treasury Bills	89,319,880	75,000,000
CSK-Treasury Bills	45,129,403	38,168,975
Company Investment	9,531,163	-
Loan Repayment Deposits	22,474,140	20,510,179
Gratuity	-	-
Performance Guarantee (WASREB)	5,000,000	450,000
	<u>171,454,589</u>	<u>134,129,164</u>
(b) Cash at Bank: Current accounts		
Barclays Operation Account	8,544,852	5,790,807
National Bank collection account	1,225,092	4,813,554
National Bank Deposit account	12,898,049	16,603,332
KCB Salaries Account	723,303	5,757,654
KCB Collection Account	-	870
National Bank special account	3,908,179	3,701,126
Co-op Bank-Subsidy/Escrow account	26,214,890	10,826,006
Co-op Bank Collection account	3,003,244	2,571,531
Equity Collection Account	1,101,906	1,780,659
Family Bank Collection account	398,597	974,862
Mpesa Account	329,652	298,453
Eco Bank Collection Account	280,507	444,852
	<u>56,626,271</u>	<u>53,563,707</u>
(c) Total Cash and Cash Equivalent	<u>230,082,660</u>	<u>187,692,861</u>
Included in the Co-op Bank Escrow is an amount of Kshs 10,394,961.00 being WSTF subsidy on the on-going Sewer extension projects.		
<b>18 SHARE CAPITAL</b>		
Authorised share capital:		
3,750,000 ordinary shares of Kshs 20 each	<u>75,000,000</u>	<u>75,000,000</u>
Issued and fully paid:		
3,750,000 ordinary shares of Kshs 20 each	<u>75,000,000</u>	<u>75,000,000</u>
<b>19 CAPITAL GRANT</b>		
Balance at 1st January	46,862,771	41,677,497
Additional Grants During the Year	17,745,784	10,394,961
Less: Amortisation During the Year	<u>(5,827,959)</u>	<u>(5,209,687)</u>
Balance at 31st December	<u>68,780,589</u>	<u>46,862,771</u>
This relates to:		
a	The Grants brought forward Relates to WSTF and County Government of Nyeri projects less amortisation charged.	
b	The additional Grant includes Ksh 8,500,000 by CGN, Kshs 5,249,349 by Kenya pooled water fund, Kshs 3,905,435 for UFM by Tane Water Services Board & Kshs 91,000 by GIZ was on OBA Sewer Project by Water Services Trust Fund.	
<b>20(a) BORROWINGS</b>		
National Treasury Loan		
Amount as at 1st January	711,721,050	762,558,268
Payment made during the year	(67,747,945)	(69,008,372)
Interest Charged During the year	<u>16,910,727</u>	<u>18,171,154</u>
Total outstanding at 30th June	<u>660,883,832</u>	<u>711,721,050</u>
Amount due within one year ( Current Portion)	60,417,079	60,417,079
Amount due after one year ( Non -Current Portion)	<u>600,466,756</u>	<u>651,303,974</u>
<b>20(b) O.B.A Project Loan</b>		
Amount as at 1st January	176,045,890.00	35,743,246.00
Payment made during the year	(5,152,095.00)	-
Outstanding as at 30th June 2019	170,893,795.00	-
Interest Charged During the year	14,674,519.00	297,969.22
Amount due within one year ( Current Portion)	19,424,940.00	-
Amount due after one year ( Non -Current Portion)	<u>151,468,855.00</u>	<u>35,743,246.00</u>



## NYERI WATER AND SANITATION COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT'D)

	2019	2018
<b>21 CONSUMER DEPOSITS</b>	<u>89,321,583</u>	<u>91,983,623</u>
<p>These are refundable deposits paid by customers. The deposits are refunded on closure of a Water Account.</p>		
<b>22 TRADE AND OTHER PAYABLES</b>		
Trade payables	14,283,816	11,851,706
County Government of Nyeri-Lease Fee	55,258,622	55,258,622
Water Services Board Admin Fees	66,353,934	66,353,933
Accruals	11,988,877	6,092,576
Provision for leave Days	3,273,946	11,513,580
Prepaid Water accounts	8,543,166	3,101,893
Unidentified Customer Payments	1,492,040	942,623
Other payables	<u>11,265,130</u>	<u>9,357,112</u>
	<u>172,439,531</u>	<u>164,442,126</u>
<b>23 TAXATION</b>		
Balance b/w	2,865,625	3,968,248
Current Year Provision	3,379,974	-
Payment During the Year	(5,097,159)	(1,330,723)
Charge for the year	-	-
Balance as at 30th June 2019	<u>938,340</u>	<u>2,637,525</u>
<b>24 RELATED PARTY DISCLOSURE</b>		
<p><b>A) County Government of Nyeri</b>            The Company is wholly owned by the County Government of Nyeri which has leased its Assets to the Company .</p> <p>During the year the Company collected and Remitted Kshs 12,840,902.00 refuse fees on behalf of the County Government of Nyeri.</p>		
<p><b>B) Tana Water Services Board</b>            The Company has a Service provision agreement with Tana Water Services Board to provide water and sewerage services to the defuct Nyeri Municipality and it's environments.</p>		
<p><b>C) Water Services Regulatory Board</b>            The Company is Regulated by Water Services Regulatory Board. During the Period the Company paid Ksh 14,254,549.00 to Water Services Regulatory Board as regulatory fee.</p>		
<b>25 NUMBER OF EMPLOYEES</b>		
As at 30th June 2019	<u>110</u>	<u>120</u>
<b>26 CONTINGENT LIABILITIES</b>		
Bank Guarantee	-	-
VAT Tax Dispute	35,384,476	35,384,476
Legal Claims Against the Company	-	1,018,724
Total Estimated Amount	<u>35,384,476</u>	<u>36,403,200</u>
<p>The Above cliams related to Suits against the company for general and special damages in two Cases.            The company has lodged defense against the two cases and the lawyers are of the opinion that the defense will be successfull.</p>		
<b>27 CAPITAL COMMITMENTS</b>		
Authorized and contracted:	<u>194,249,348</u>	-
Authorized but not contracted	<u>113,789,009</u>	<u>344,519,091</u>



**NYERI WATER AND SANITATION COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT'D)**

**28 FINANCIAL RISK MANAGEMENT**

The company assesses, forecasts as well as identifies risk through its Audit and Risk Management Board Committee. However the company is exposed to the following risks:

**a) Liquidity Risks**

This is the risks that the company is unable to meet it's obligations as they fall due as a result of sudden and potentially protracted increase in cash outflows. These outflows could be principally through increase of general wages through industrial action and court awards, inflationary pressure, currency depletion or unexpected operational, maintenance costs due to an Act of God eg earthquake, floods or Landslides. This risk is inherent in any water Company or utility based organisation.

The company manages this risk by properly maintaining stringent cashflow management and adherence to the budgets. A contingency account is in place to mitigate some of the factors. Known Risks have been insured against.

**b) Operational Risk.**

This is a risk attributable to direct impacts resulting from human factors, inadequate or failed internal processes and systems or external events. Operational risks are inherent in the Company business activities and are typical of any water Provider.

Losses from operational risks of small significance are expected to occur and are accepted as part of normal course of service delivery. Those of material significance are rare and the company seeks to reduce the likelihood of these.

**29 INCORPORATION**

The company is incorporated under the Kenyan Companies Act.

**30 CURRENCY**

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

**31 OBA Loan**

A Co-operative bank Loan of Kshs 88,270,490.00 for OBA sewer consumer connections had been approved as at 30th June 2019. However, no disbursement of the Loan had been made by the Bank on behalf of the Company as at that date.