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DATE	12/10/2022
TABLED BY	Senate Majority Leader
COMMITTEE	—
CLERK AT THE TABLE	Angela Mwachia

**REPORT**

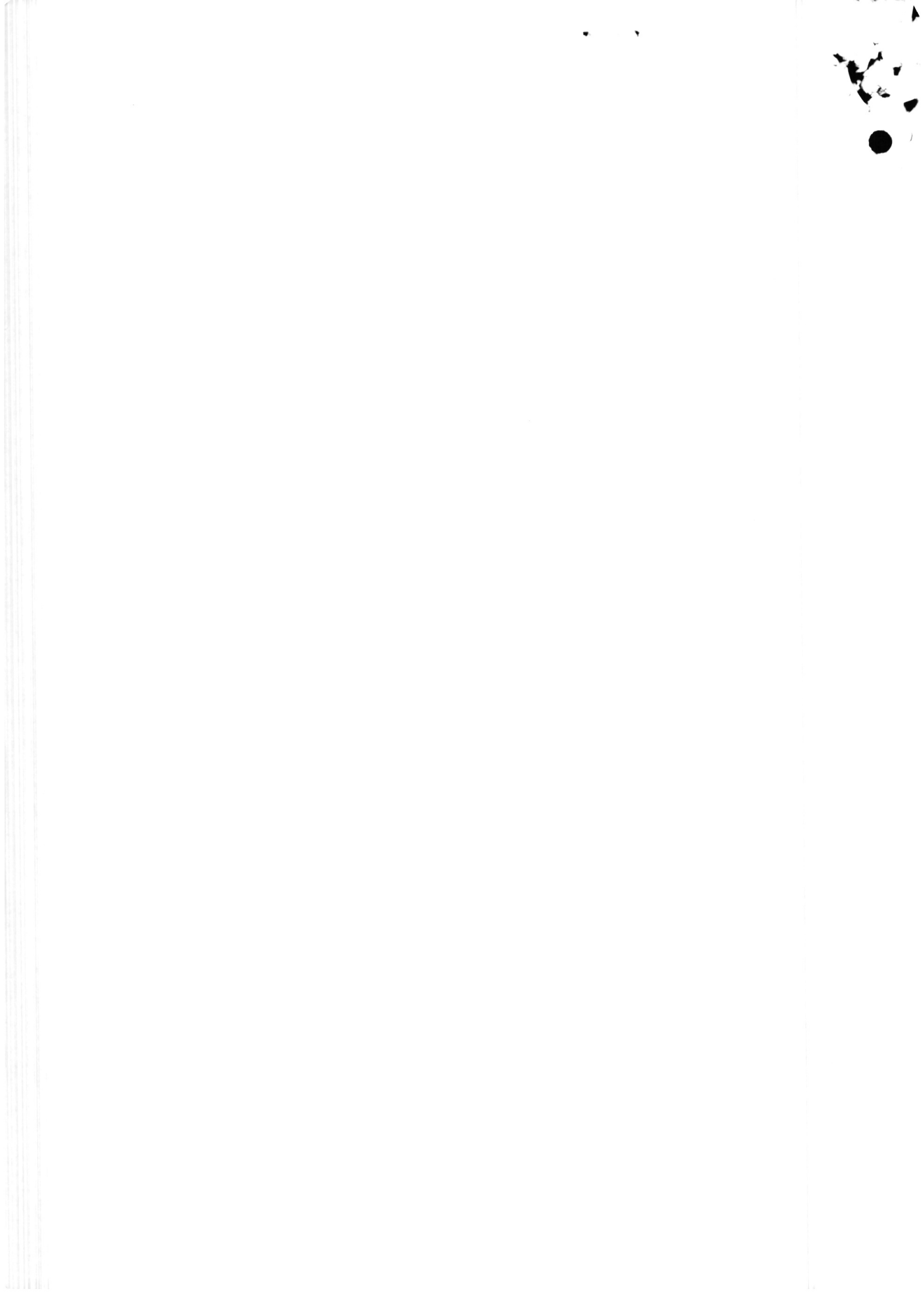
**OF**

**THE AUDITOR-GENERAL**

**ON**

**NITHI WATER AND SANITATION  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2021**





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## NITHI WATER AND SANITATION COMPANY LTD

### ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

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## KEY NIWASCO INFORMATION

### Background information

Nithi Water and Sanitation Company (NIWASCO) was incorporated on 6<sup>th</sup> April, 2006 as a legal company under the company's Act Cap.486 law of Kenya as a public limited company guaranteed by the Government of Kenya with no shareholding but with stakeholders. This was as a result of enactment of water Act 2002 which ushered in the reforms in the water sector. On 2nd May, 2006 the company signed an interim **Service Provision Agreement with Tana Water Services Board** after being appointed as a Water Service Provider within the board's area of jurisdiction. As required by the Water Act 2016, NIWASCO is in the process of renewing its (5) years' License with Water Services Regulatory Board (WASREB).

Previously, the company's area of SPA jurisdiction as defined in the SPA was 136km<sup>2</sup> with 100km<sup>2</sup> under Chuka/Karingani water Scheme and 36km<sup>2</sup> under Chogoria Water Scheme. In April 2018, the service area was extended further to cover Mutonga-Gituma water supply scheme, Kibunga-Kakimiki water supply scheme Scheme and Kathwana water supply scheme. This brings the total area to approx. 380Km<sup>2</sup>.

The company abstracts water from different sources for each scheme. Water from all rivers is abstracted through gravity fed pipe and conveyed to customers systems with a total production of 9,879hM<sup>3</sup>/day.

### Principal Activities

Scheme	Source	Production per month in M3
Chuka/Karingani	Tungu River	194,201
Chogoria	Maara River	36,789
Mutonga-Gituma water supply	Mutonga River	19,233
Kibunga-Kakimiki water supply	Kathita River	40,846
Kathwana water supply	Maara River	5,295
<b>TOTAL</b>		<b>296,365</b>

## VISION AND MISSION

### Vision and Core Values

The company's vision is to be the leading water and sanitation services provider in the county.

### Mission

NIWASCO's mission is to provide quality, affordable and reliable water services and enhance sanitation services for our customers in order to sustain healthy communities through effective resource mobilization and proper asset management.

### Core Values

To achieve our vision through the mission, the company holds clearly the following core values.

- Reliability
- Efficiency

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- Accountability and Integrity
- Quality
- Customer Focus
- Employee Satisfaction

### **Principal Activities**

The mandate or the principal activities of NIWASCO is to provide reliable, adequate, safe and affordable water and sanitation services in areas formerly served by the GoK through Chuka, Chogoria and Karingani Water Supplies and the newly extended areas and enhance sanitation services in those areas.

### **Directors**

The Directors who served the company during the year were as follows:

- |     |                         |                     |   |
|-----|-------------------------|---------------------|---|
| 1.  | Gilbert Nkonge Ndiga    | - Chairman          | - Appointed in August 2020              |
| 2.  | Leonard N. Ngaine       | - Director          | - Appointed in August 2018.             |
| 3.  | Elizabeth N. Nyaga      | - Director          | - Appointed on 2017                     |
| 4.  | Humphrey Gitonga Ntwiga | - Director          | - Appointed in August 2020              |
| 5.  | Peter K. Kathiga        | - Director          | - Appointed in August 2020              |
| 6.  | Joseph Kilonzo Nthuri   | - Director          | - Appointed in August 2020              |
| 7.  | Nancy Muthoni Riungu    | - Director          | - Appointed in August 2020              |
| 8.  | David N. Gichoni        | - Director          | - CO Water Tharaka Nithi County Govt'   |
| 9.  | Zephania Mbaka R.       | - Director          | - CO Finance Tharaka Nithi County Govt' |
| 10. | Mary Wambui Kigia       | -CEO-Rep            | - Tana Water Works Development Agency.  |
| 11. | Laban Kaara Mwaniki     | - Managing Director | - Secretary to the Board                |

### **Corporate Secretary**

Mr. Gikuhi Kiana  
Certified Public Secretaries  
PO Box 1271-10100  
NYERI

### **Registered Office**

County Commissioner's compound  
P.O. Box 263-60400  
CHUKA

### **Corporate Headquarters**

County Commissioner's compound,  
P.O. Box 263-60400,  
CHUKA

### **Corporate Contacts**

Telephone: 064-630434, 020 8032638  
E-mail: [nithiwasco13@yahoo.com](mailto:nithiwasco13@yahoo.com)

### **Corporate Bankers**

- |  |  |
|--|--|
| 1. Co-operative Bank of Kenya<br>P.O. Box 101-60400<br>CHUKA | 4. Family Bank<br>P.O. Box 101-60400<br>CHUKA            |
| 2. Kenya Commercial Bank<br>P.O. Box 7014-60400<br>CHUKA     | 5. Kenya Commercial Bank<br>P.O. Box 7014-60400<br>CHUKA |
| 3. Barclays Bank of Kenya<br>P.O. Box 27-60400<br>CHUKA      | 6. Post Bank<br>P.O. BOX3-60400<br>CHUKA                 |

### **Independent Auditors**

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

### **Principal Legal Advisers**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
NAIROBI, KENYA

### **Advocates**

Kijaru, Njeru & Company Advocates  
P.o. Box 21-60400  
CHUKA.

<p><b>MR. GILBERT NKONGE NDIGA</b>                  D.O.B 1960                  Business Man                  Board Chairman                  Appointed in August 2019                  Certificate in County Governance                  Chairman Meru South county council                  Councillor 3 terms</p>	<p><b>1. CHAIRMAN</b></p> 
<p><b>MR. LEONARD NJERU NGAINA</b>                  D.O.B 1949                  Mr. Leonard N. Ngaine is a prominent businessman in Chuka Town. He has served as the Chairman, chamber of commerce in Chuka town for 4 years and has a wealth of experience in business management</p>	<p><b>2. DIRECTOR</b></p> 
<p><b>MRS. ELIZABETH N. NYAGA</b>                  D.O.B 1959                  Proficiency Course in Clerical. Higher clerical officer- Judiciary for the last 20years. Chairlady Iga'mba Ng'ombe Women Sacco. Chairlady Bahati women Group. Chairlady Tuinuke women group</p>	<p><b>3. DIRECTOR</b></p> 
<p><b>MISS. NANCY MUTHONI RIONGU</b>                  D.O.B 1972                  Artisan- Garment Making                  Appointed in August 2019</p>	<p><b>4. DIRECTOR</b></p> 



5. DIRECTOR

**MR. JOSEPH KILONZO NTHURI**  
D.O.B 1958.  
Retired Education Officer  
Currently a Business Man  
Appointed in August 2019  
EACE-DIV.II  
A Leves-2Subs



6. DIRECTOR

**MR. PETER N.K FRANK KATHIGA**  
D.O.B 1956  
Business Man  
Appointed in August 2019  
KNUT Board member 3 Terms  
Headteacher 12 years



7. DIRECTOR

**MR. HUMPHREY GITONGA HUSSEIN**  
D.O.B 1960  
Farmer  
Appointed in August 2019  
  
KCE-DIV.IV (1980)




8. DIRECTOR

**MR. DAVID NJUE GICHONI**  
D.O.B 1969  
Chief Officer Water & Irrigation  
Tharaka Nithi County Govt'  
  
Bachelor of science water Engineering

 <p><b>9. DIRECTOR</b></p>	<p><b>MR. ZEPHANIA RWANDA MBAKA</b>  <b>D.O.B 1985</b>  Chief Officer Finance  Bachelor of Education(Arts with IT)  Tharaka Nithi County Govt'</p>
 <p><b>10. C.E.O TWWDA REPRESENTATIVE</b></p>	<p><b>MARY WAMBUI KIGIA</b>  <b>(REP. OF CEO TANA WATER WORKS DEVELOPMENT AGENCY)</b>  <b>D.O.B 1965</b></p> <p>She has a Diploma Water Technology. She is the capacity Building Officer at TWWDA and has a vast experience having work in the water sector for over 27 years.</p>
 <p><b>11. MANAGING DIRECTOR SECRETARY TO BOARD OF DIRECTORS</b></p>	<p><b>ENG. LABAN KAARA MWANIKI</b>  <b>MEMBERSHIP NO. PET00257</b></p> <p>He is 36 years old. He has a degree in Civil Engineering with more than eight years in Water sector as well as civil engineering sector and registered with Kenya Engineering Technology Registration board.</p>
 <p><b>1. COMPANY SECRETARY</b></p>	<p><b>MR. GIKUHI KIANA (CPSK)</b>  He is aged 66 years old. He has a wealth of experience having practiced for over 20 years.</p>

II. MANAGEMENT TEAM

Ref	Management	Details
1.	 <p>LABAN K. MWANIKI P. ENG. (TECH)</p> <p><b>Academic</b></p> <ul style="list-style-type: none"> <li>• Btech in Civil Engineering</li> <li>• Diploma in Civil Engineering</li> </ul> <p><b>Profession &amp; Experience</b></p> <ul style="list-style-type: none"> <li>• Member of Engineer Board of Kenya</li> <li>• Member of Engineering Technologist Board</li> <li>• Member In Institute of Engineering Technologist</li> </ul> <p>Served for more than 9 years in</p>	<p>MANAGING DIRECTOR</p>



CPA IRENE WAMUYU KITHAKA

**COMMERCIAL MANAGER**

**Academic**

- Bachelor of Commerce (Finance Option)
- Certified Public Accountant CPA(K)

**Profession & Experience**

- Member of ICPAK.
- 15years experience in Finance and as a senior manager

COMMERCIAL AND FINANCE

2.



GLORYFINE KATHURE

**TECHNICAL MANAGER**

**Academic**



Bsc. Water and Environmental Engineering

**Profession & Experience**

- Member of Engineer Board of Kenya
- 8 Years of experience in civil works and Water works.

TECHNICAL

3.

4.	 <p>CPA ERICK MUNENE NDIU</p> <p><b>INTERNAL AUDITOR</b></p> <p><b>Academic</b></p> <ul style="list-style-type: none"> <li>• Pursuing Msc. Finance &amp; Economics</li> <li>• Bcom – Finance option</li> <li>• CPA(K)</li> </ul> <p><b>Profession &amp; Experience</b></p> <ul style="list-style-type: none"> <li>• Member of ICPAK – Membership No. 15659</li> </ul> <p>10 years' experience</p>	INTERNAL AUDIT
5.	 <p>ANN LENET GAKII</p> <p><b>HUMAN RESOURCE OFFICER</b></p> <p><b>Academic</b></p> <ul style="list-style-type: none"> <li>• Higher Diploma – HRM</li> <li>• Diploma – HRM</li> <li>• Diploma – Public Relations</li> <li>• Certificate in Secretarial Studies</li> </ul> <p><b>Profession &amp; Experience</b></p> <ul style="list-style-type: none"> <li>• Member of IHRM – Membership no. 014752</li> </ul>	HUMAN RESOURCE AND ADMINISTRATION



EDWIN MURIMI KITHURE

**PROCUREMENT OFFICER**

**Academic**

- Pursuing MBA – Supply Chain Management
- Bcom. Supply Chain Management

**Profession & Experience**

- A member of KISM
- 7 years' experience

*PROCUREMENT*

### III. CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, it is with great honour that I present to you the annual report and financial statements of the Company for the year ended 30<sup>th</sup> June, 2021.

First, I would like to acknowledge the Support of the County Government of Tharaka Nithi headed by H.E Hon. Onesmus Muthomi Njuki for the support, solid commitment and political goodwill which created an enabling environment to the company in its endeavour to deliver on its mandate. In my opinion, the company is stronger and has the momentum to grow now than any other time in our 14 years history.

During the Financial Year 2020/21 the company was involved in preparation of Integrated Development Plan in relation to provision of water and sanitation services in the county thus we are keen on adjusting our strategic plan to align to the aspirations and strategic objectives as spelt out in the plan

In fulfilment of the provision of schedule 4 of the constitution of Kenya 2010 on water services, the company's area of services was extended to cover additional schemes in the lower parts of the county. The new service area bounders River Thuci in Meru south sub county and Mutonga River in Maara sub county.

During the reporting period significant achievements have been made in the key areas of water infrastructure, production capacity, and efficiency in service delivery as well as the quality of the water supplied to our customers.

With support from the county government and other development partners the company has continuously put efforts and mitigating measures in addressing the main challenges of -:

- Non-revenue water
- Frequent interruptions of the water supply and damage to the infrastructure by the road developments within our service area
- Old/dilapidated infrastructure
- Lack of full water treatment facility for both Chuka/Karingani scheme and Chogoria scheme.
- Competition for water sources with other increasing community projects during the dry seasons.
- Low water coverage
- Lack of way leaves and rampant encroachments
- Covid- 19 pandemic

During the year, the company continued to partner with donors in the funding of various projects. This is a big step towards increasing universal access to residents in our county as enshrined in the constitution. Transparency and accountability are embedded in the company's policies and procedures thus creating a very high level of donor confidence. In the financial year 2020/2021 Water Sector Trust funded Kibung'a intake rehabilitation, improved access to water and sanitation at a tune of Kshs23.4M

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The company's primary goal of being financially self-sustainable has not been fully achieved because we have been operating with a non-cost recovery tariff since 2013. However, the company has still continued to mobilise resources from other development partners by writing bankable proposals with an objective of addressing some of the highlighted challenges.

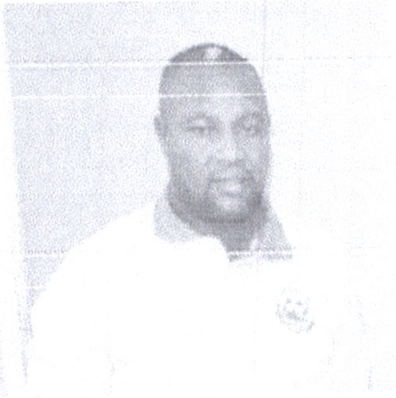
I appreciate the Board of directors and management and the entire staff for their role and dedication in ensuring that our company continually adds value to our customers and the stakeholders. We have been committed in embracing the principles of good corporate governance so as to ensure the company achieves our primary strategic objective of being financially self-sustainable so as fulfil our mandate of providing quality, affordable and reliable water and sanitation services to our customers.

**Thank you all and God bless you.**



**GILBERT NKONGE NDIGA  
BOARD CHAIRMAN**

#### IV. REPORT OF THE CHIEF EXECUTIVE OFFICER/MD/DG



It is with great pleasure that I present to you an overview of the annual report and financial statements of the Company for the year ended 30<sup>th</sup> June 2021. This is the 15<sup>th</sup> annual report and financial statements for the Company and demonstrates how far we have come. The strong foundation that we have built over time by embracing our vision and mission; supported by a robust governance structure; continues to drive an increase growth in NIWASCO, providing an impetus for a secure future.

During the period under review, the company received funding from the county Government of Tharaka Nithi and Water Sector Trust Fund that were geared towards increasing of universal access to portable water to the residents within our service area, improvement of performance and efficiency in service delivery and increasing levels of customer satisfaction. This includes:-

1. Kshs.5.4Million for the Construction of Chogoria Public Sanitation Facility at Polepole Market.
2. Kshs.2.9 Million Construction of Kathwana Secondary School Girls 8door double pour flush toilet.
3. Kshs. 19.4 Million for rehabilitation and protection of Kibung'a Kakimiki intake and kathita river catchment.
4. Ksh. 4 Million for Improving Water & sanitation in Tharaka Nithi County Public places to mitigate Covid19 pandemic and enhance hygiene as per the government guidelines.
5. Kshs. 2.6 Million for creating sanitation awareness in Kamaindi and Kamwimbi Locations.
6. Kshs. 5.4 Million for improving sanitation in Chogoria and chuka towns by construction of 300 Pour flush toilets.
7. Increased our customer base from 10,923 in June, 2020 to 11,996 by June 2021 for Chuka, karingani, Mutonga Gituma, Kibunga Kakimiki, Kathwana & Chogoria scheme.
8. Despite the Covid 19 pandemic our total turnover increased from Kshs 64.7M in June 2020 to Kshs 70.4M in 2021. Thus representing a 9% growth.
9. The level of Non-revenue water stood at 57%. It has reduced from 61% due to creation of Non-revenue unit which is working closely with meter readers to mitigate illegal connections, stalled meters and meter reversals.
10. Extension of water approximately 9.1 Km
11. Establishment of HR department that was not there since 2006.
12. Acquisition of 2 No exhausters and overhaul of GKA 978J.
13. Reinstated 18 Km damaged by KeRRA during expansion of roads.

**FUTURE OUTLOOK**

Over the last 15yrs, the company has demonstrated an impressive trend in growth of revenue, asset base and quality of services to the customers. The company's revenue has grown from Kshs. 64.7 Million to Kshs. 70.4 Million from the financial year 2019/2020 to financial year 2020/2021

The company future plans are envisioned in the following strategic objectives

- a) Expand coverage to 90% of area for jurisdiction by 2023.
- b) Expand and diversify the revenue base.
- c) Improve service delivery to customers by adopting new technology.
- d) Enhance capacity of board members, management team and staff.
- e) Strengthen institutional/framework and capacity

The funding we received from Water sector trust fund for Kathwana and Kibunga Kakimiki water supply schemes has really assisted in improving water coverage as well its quality to the residents of the areas as well as adequate and reliable access to clean and safe water.

The company will also continue to extend it services to unserved residents in all the schemes.



LABAN K. MWANIKI P.Eng(Tech)  
MANAGING DIRECTOR

V.STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR  
FY 2020/2021

**Revenue**

The company posted 9% growth in its revenue despite the effects of Covid 19 experienced in the financial year. This is in line with the company's strategic objective to increase its Financial Sustainability within the strategic period ending Financial Year 2021-2022.  
The company's revenue grew from Kshs. 64.7Million to Kshs. 70.4 Million from the financial year 2019/2020 to financial year 2020/2021.

**Assets**

The company has continued to grow its Asset base during the year. The assets grew from kshs.145 million to kshs. 176 million over the year.  
This was achieved through immense support received from Water Sector Trust Fund to complete the Kathwana and Kibunga Kakimiki water supply schemes under the J6 Project. The funds were utilized to develop pipeline networks and Water Kiosks in Kibung'a Kakimiki water Scheme and Water Treatment plant in Kathwana Water Scheme.

**Sanitation**

Also received during the year were funding for enhancing Sanitation coverage under the following projects

- Kathwana Secondary School sanitation – Kshs.2,970,825
- Kamaindi Kamwibi Sanitation(CLTS) -Kshs. 2,680,500
- UBSUP phase III -Kshs. 6,775,250.
- Chogoria Public Sanitation Facility-5,409,100
- 

The company also received support for Kathita Catchment under Kibung'a-Kakimiki Kathita Conservation project at a project cost of Kshs.19,400,134  
We also received Kshs. 4million to mitigate against the effects of covid 19 under the Covid 19 Response project funded by WSTF.

**Customer Base**

The Company continued to enrol and connect more customers during the year.

**Non-Revenue Water**

This issue has continued to affect the company negatively due to the fact that the amount of water losses was still huge.

The company continued to put in place measures to curb water losses that occurred either through Physical or Commercial causes.

Some of the strategies employed were as follows

- Creation of Non-revenue unit
- Continuous response to burst repairs as soon as they are reported.
- Unearthing illegal connections to ensure all connections are registered in the company's systems through Debts recovery unit.
- Rehabilitating of worn out pipelines to curb physical water losses.

The company continued to strengthen its human capital through regular capacity building during the year. This is due to the fact that the employees are the most critical pillar for the future sustainability of NIWASCO.

The company will continue to empower its employees through on the job trainings, facilitation for external and professional trainings aimed empowering the staff for efficient and maximum productivity.

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Sanitation services	Improve sanitation	Exhauster loads	Construct 300 toilets and procure exhauster	Constructed 302 toilets and got 2 exhausters from TANA
Increase access to clean drinking water	Increase new connections	Average registered customers	Register and connect more customers	Connected 1,073 new customers



LABAN K. MWANIKI P.Eng(Tech)  
 MANAGING DIRECTOR

## VI. CORPORATE GOVERNANCE STATEMENT

The Corporate Governance of NIWASCO takes place within a framework which exists to regulate and/or guide the conduct of Board members, staff, customers and members of public in assessing the Company's facilities and services. The Board of Directors of NIWASCO is responsible for the overall management of the Company and is committed to ensuring that its business and operations are conducted with integrity, professionalism, and in compliance with the law, internationally accepted principles and best practices in corporate governance.

### The Board of Directors

The Company Board of Directors are appointed in accordance with section 30 of the Company's Memorandum and Articles of Association.

The Board of Directors are responsible for the following:-

- Implementation of Memorandum and Articles of Association
- Provision of guidelines and control function of the Company
- Approval of the organisation structure and maintenance of staff terms and conditions of service
- Approval of strategic plan, business plans and budgets
- Provision of management guidelines
- Approval of major contracts/projects
- Approval of tariff adjustment
- Prudent investment of funds to ensure continuity of service
- Appointment of Corporate Management Team

The Board is responsible for drawing and implementing strategies for the long term success of the company as well as carrying out the fiduciary duty of monitoring and overseeing the activities of management. The Board meets quarterly with a formal schedule of meetings to discuss matters reserved for its decision with a view of determining and reviewing the strategies of the Company and overseeing the Companies compliance with statutory and regulatory obligations. Notices and agenda for all Board meetings are circulated to all Directors on a timely basis together with the respective documents for discussion. They are required to declare any conflicts of interests on any matters before the Board and are disqualified from participating in deliberations when there is such conflict.

Board members have signed a code of ethics while employees have signed a code of conduct. Non-executive members of the board are institutional and hold office for 3 years. The Board appoints a committee to assist in executing its mandate. The execution of Board's policies is vested in the General Manager who is also responsible for the effective performance of the management which provides support to the Board and its committees.

### BOARD COMPOSITION

The Board is composed of 9 Non-executive directors from whom the chairman is elected by the board members. The executive member of the Board is the General Manager. The non-executive directors are independent of Management.

Seven (7) directors competitively sourced to represent various stakeholder groups within the company's area of jurisdiction as stipulated in the Corporate Governance Guidelines. Two (2) members are appointed from the county government from the Water and finance ministries. The

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board has a fiduciary relationship i.e. to treat the organization as their own and take prudent measures to grow the organization.

The stakeholders groups represented in the Board are:-

- i. The Business Community (Chamber of Commerce and the Jua Kali Association) – 2 members.
- ii. Women’s organization (Maendeleo ya Wanawake) – 1 member.
- iii. Resident Organisations– 3 members.
- iv. County Government of Tharaka Nithi – 2 members (CO Water& CO finance).
- v. Religious institutions – 1 member.

**Board Responsibilities**

The primary role of the Board is to ensure long-term wealth and prosperity of the Company for the benefit of customers, employees and other stakeholders. It is responsible for policy formulation, investment of company funds, company administration through the appointed Corporate Management Team, safeguarding of assets and performance of such other duties as may be necessary for the due and faithful performance of the company obligations.

Certain functions are delegated to committees as detailed within this section. The board meets four times a year (once every quarter) and additionally when necessary, to consider all matters relating to the overall control, company performance and strategy.

The Board committees are constituted by the Board which sets out the responsibilities delegated by the Board to the committee and committee structure and operation.

The role of a committee is to operate within the terms of its charter and to make recommendations to the Board for ratification or to determine certain matters with prior approval of the Board. Each committee meets regularly under the terms of reference set by the Board in their respective committee charters.

**Board Committees**

The following are the current committees of the Board.

**1. Finance, Administration and Technical Committee**

The committee comprises of FIVE (5)members and is mandated to review and make recommendations on the company’s financial and accounting policies, annual budgets, investment policy, risk management policy and assets management.

**Members**

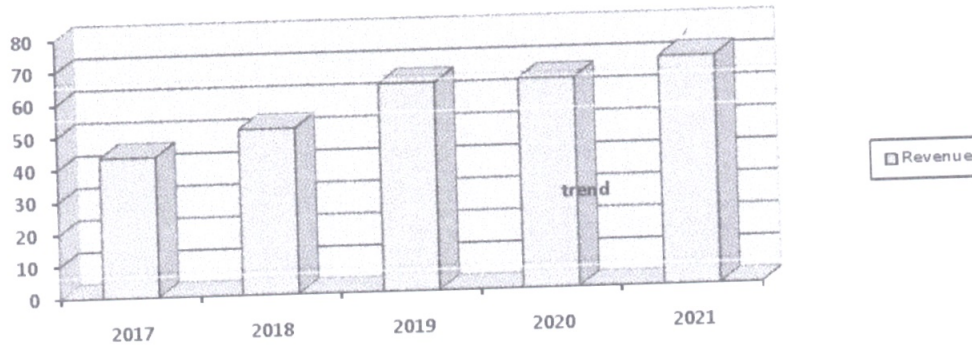
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|------|-----------------|--|
| i.   | Joseph Kilonzo  | Chairman   |
| ii.  | Gilbert Nkonge  | Director   |
| iii. | Leonard Njeru   | Director   |
| iv.  | Elizabeth Nyaga | Director   |
| v.   | David Gichoni   | Chief officer-Water and irrigation<br>(Tharaka Nithi County) |



## VII. MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue/Income

During the Financial year 2020-2021 the company registered an increase in its revenue by Kshs.5.7M representing a 9% growth compared to the Financial year 2019-2020. The revenue trend over the last five(5) years is as shown below;



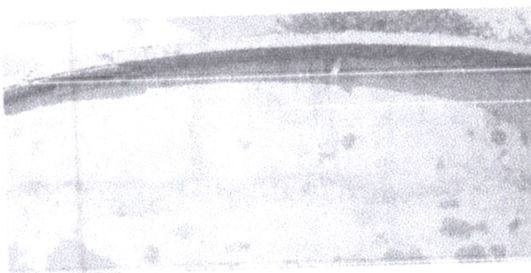
### Customer Base

The company increased its registered connections by 1,073 during the year.

### Assets

The assets maintained an upward trend as a result of purchase of water meters, pipeline extensions, construction of water treatment works and Water Kiosks. Some of these assets were developed through the support of County Government and Water Sector Trust Fund(WSTF)

### Kathwana treatment works storage tank



### Water Service Improvement

The company developed a Water Treatment Facility during the year.

### Kathwana Water Treatment facility



#### Challenges

- i. Limited resources to meet the high cost of infrastructure development to meet the high water demand in the company's area of jurisdiction.
- ii. Increased number of community water projects mostly in Chogoria where there is mass exodus of customers to those schemes.

## VIII. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Our Mandate is to provide safe domestic water and enhancement of sanitation services and improving operational excellence. Below is an outline of the organisation's policies and activities that promote environmental sustainability.

### *i) Sustainability strategy and profile -*

The main challenge to NIWASCO sustainability is Non-Revenue water, our strategy is to reduce NRW to the market benchmark of 25%. This will be achieved through,

-Procurement of meter testing equipment's

-Capacity builds non-revenue water

-initiate through county government acquisition of community water projects that are consuming water from the company supply.

### *ii) Environmental performance*

Water supply and sanitation in Tharaka Nithi is characterised by low levels of access, particularly in urban informal settlements and in rural areas, as well as poor service quality in the form of intermittent water supply. Wastewater and lack of basic sanitation facilities continue to undermine efforts to reduce extreme poverty and disease in the country. Seasonal and regional water scarcity exacerbates the difficulty to improve water supply. These challenges persist despite the water sector undergoing considerable reforms over the years and NIWASCO is in the forefront to mitigate these challenges.

In addition, sewerage systems and wastewater treatment plants experience inadequate operation and maintenance and low connection rate to sewers. Mixing industrial effluent and domestic sewage in mixed sewer system often causes poor performance in pond treatment systems. Cases of pollution by wastewater emptying into storm sewers, soak-ways and cesspits designed for kitchen waste are common. Access to clean drinking water and basic sanitation facilities could transform the lives of millions of citizens, prevent thousands of deaths and free up hours each day for women and children to go to work or school.

**iii) Employee welfare**

The success of NIWASCO as Water Services Provider is based on our staff and we seek to recruit, retain, reward and develop the best skills in our organization. We seek to continually improve through training our employees on the identified needs.

During the year the following staff we trained on their relevant areas

Motor Cycle riding-----1NO.  
ICPAK -----2NO.  
KISM-----1NO  
Plumber/Pipe Fitter---.-4NO.  
NRW Management-----2NO  
Customer care-----5 NO  
GIS-----2NO

**iv) Market place practices-**

The organisation should outline its efforts to:

**a) Responsible competition practice.**

This involves ensuring fairness through avoiding discrimination during the Invitation, evaluation and award of procurement contracts. The Company will endeavour to comply with this, through:

- Formulating transparent and practical procedure manuals in tandem with the procurement laws.
- Adhering to the 30% preference and reservation guidelines on Women, Youths and Persons Living with Disabilities as stipulated in the Procurement Act and Regulations;
- Endeavouring to promote local industries and business-people through supporting the Buy-Kenya-Build Kenya Initiative by way of allocating and utilizing at least 40% of the overall annual procurement budget to the buying of locally manufactured items; and in case of services involving provision of foreign manufactured items (that are not available locally) by Kenyan firms, the local ownership in terms of shares in such firms shall not be less than 51%.

**b) Responsible Supply chain and supplier relations**

The Company is accountable for the use of public money through procurement, and must be able to give complete and accurate accounts of how public funds have been used and contracts awarded. This will be achieved by the following ways:

- c) Following consistent processes and procedures as provided for under the Company's procurement procedure manuals;
  - d) Maintaining appropriate records and minutes relating to procurement activities that allow for subsequent review of the decision making process;
  - e) Conducting all procurement in a consistent, accurate and unbiased manner while acting in good faith.
- f) Responsible marketing and advertisement**
- Ethics will be strictly adhered to in all aspects of procurement by ensuring that procurement and Disposal practices are devoid of actual or perceived corruption at all times. The Company is accountable for the use of public money through procurement, and must be able to give complete and accurate accounts of how public funds have been used and contracts awarded

**g) Product stewardship**

The Company has the responsibility to manage its resources in an effective and efficient manner and will seek the best possible outcome which will be achieved by:

- Drawing and adhering to annual procurement plans as control tools in the annual utilization of public resources within the Company. This will be done with input from all Departmental/Divisional heads;
- Basing procurement decisions, where practicable, on the total cost of ownership, rather than just consideration of the lowest price;
- Subjecting proposals and tenders solicited and received from the potential suppliers to robust evaluation processes, including benchmarking, and/or comparison of value between proposals or bids;
- Selecting procurement methods and forms of contract appropriate to the scale (value, risk and complexity) of the Company's requirements;

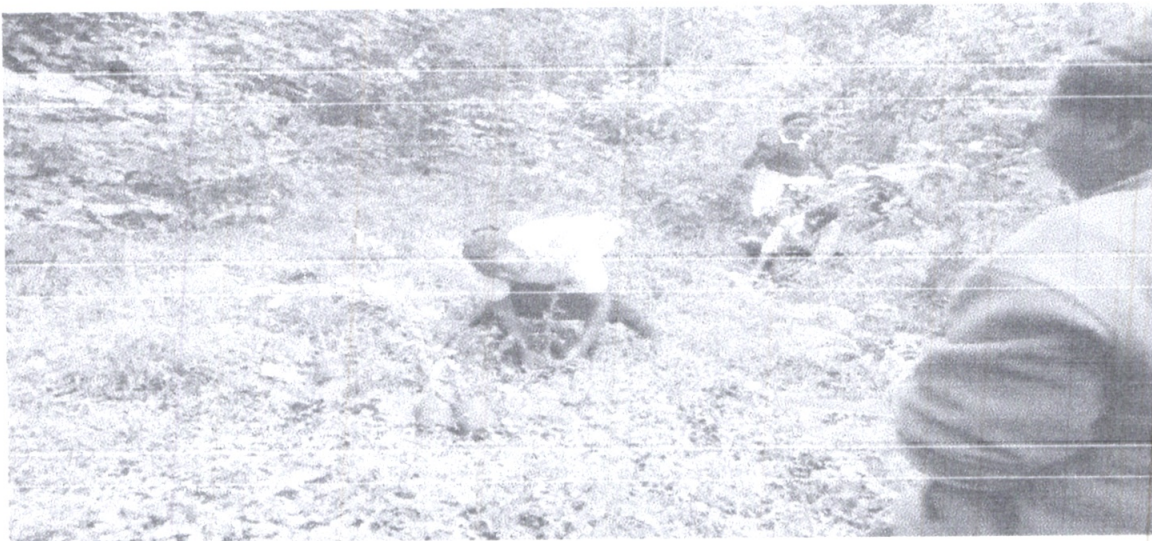
### Corporate Social Responsibility / Community Engagements

As a company we recognize our responsibility to the environment and the society in which we operate in. The company encourages its staff to actively recognize those responsibilities and to behave in a responsible manner towards the society in which we function. Some examples of how the company has shown its commitment to show responsible social behaviour are as below;

#### Environment

Planting of trees in the forest to improve water catchment areas.

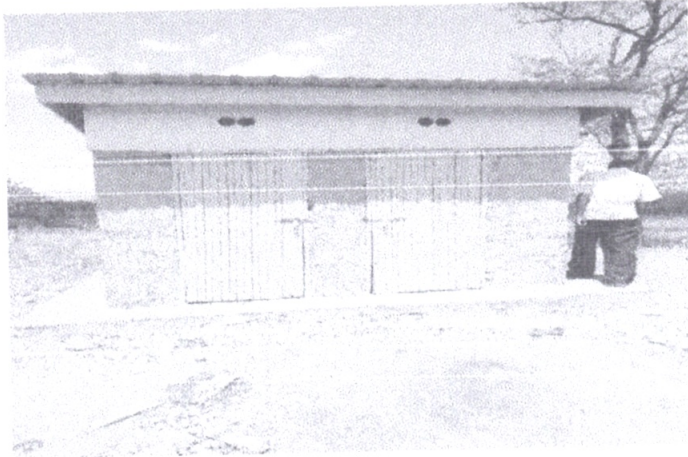
#### Niwasco staff planting trees at the Tungu River –Chuka Karingani Intake site



**Community**

- Starting income generating projects for the youth within our area of jurisdiction.
- Participating in preparations for public holidays budgets.
- Assisting in settling of bills for the poor elderly customers within our area of jurisdiction
- Constructing toilets for primary schools

**Toilet Facility for Household in Chuka Scheme Donated by Niwasco through WSTF under UBSUP Phase III Project.**



A handwritten signature in dark ink, appearing to read 'Laban Kaara Mwaniki'.

LABAN KAARA MWANIKI P.Eng.(Tech)

MANAGING DIRECTOR

## IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the *NIWASCO's* affairs.

### i) Principal activities

The principal activities of the company are provide reliable, adequate, safe and affordable water and sanitation services in areas formerly served by the GoK through Chuka, Chogoria and Karingani Water Supplies and the newly extended lower areas of Kathwana, Mutonga-Gituma and Kibunga-Kakimiki and enhance sanitation services in those areas.

### Results

The results of the company for the year ended June 30, 2021 are set out on page 1.

### Dividends

The company was incorporated as a legal company under the company's Act Cap.486 law of Kenya as a public limited company guaranteed by the Government of Kenya with no shareholding but with stakeholders and thus does not declare or pay dividends to the stakeholders. Any profits made are ploughed back to finance the extension of services in the underserved areas.

### Directors

The members of the Board of Directors who served during the year are shown on page vi-vii. In accordance with Regulation 42 b & c of the company's Articles of Association, Mr Leonard Njeru retire by rotation and is not eligible for re-election. Mss Elizabeth Nyaga retire by rotation and, is eligible for re-election.

### Auditors

The Office of the Auditor General is responsible for the statutory audit of the company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditor General carried out the audit of the Financial Statements for the year ended June 30, 2021.

By Order of the Board

Gikuhi Kiana & Company  
Certified Public Secretaries  
PO Box 1271-00100  
NYERI-KENYA

Date: 30<sup>th</sup> September 2021

#### X.STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 129 of the Water Act, 2016 require the Directors to prepare financial statements in respect of that *NIWASCO*, which give a true and fair view of the state of affairs of the *NIWASCO* at the end of the financial year/period and the operating results of the *NIWASCO* for that year/period. The Directors are also required to ensure that the *NIWASCO* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *NIWASCO*. The Directors are also responsible for safeguarding the assets of the *NIWASCO*.

The Directors are responsible for the preparation and presentation of the *NIWASCO*'s financial statements, which give a true and fair view of the state of affairs of the *NIWASCO* for and as at the end of the financial year (period) ended on June 30, 2021. 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 *NIWASCO*; (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 *NIWASCO*; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the *NIWASCO*'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 PFM Act, 2012 and (the State Corporations Act) – *entities should quote applicable legislation as indicated under which they are regulated*).

**STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)**

The Directors are of the opinion that the *NIWASCO's* financial statements give a true and fair view of the state of *NIWASCO's* transactions during the financial year ended June 30, 2021, and of the *NIWASCO's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *NIWASCO*, which have been relied upon in the preparation of the *NIWASCO'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 *NIWASCO* 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 *NIWASCO's* financial statements were approved by the Board on 30<sup>th</sup> September 2021 and signed on its behalf by:



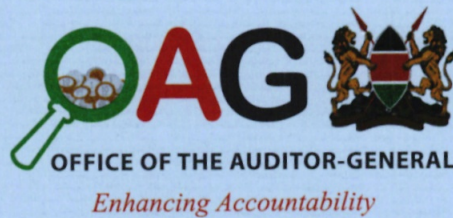
**GILBERT NKONGE**  
**Chairperson of the Board/Council**



**LABAN K. MWANIKI P.Eng(Tech)**  
**Managing Director**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON NITHI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Nithi Water and Sanitation Company Limited set out on pages 1 to 53 which comprise the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of

comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nithi Water and Sanitation Company Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016 and Companies Act, 2015.

### **Basis for Qualified Opinion**

The following balances reflected in the financial statements were not supported with appropriate sufficient records, as explained below:

#### **1.0 Fixed Assets**

The statement of financial position reflects property, plant and equipment totalling Kshs.176,251,207 as further disclosed in Note 17 to the financial statements. The balance includes buildings and motor vehicles with a historical value of Kshs.655,645 and Kshs.1,358,997 respectively. However, ownership documents, including the title deeds for the land on which the buildings are located, and the logbooks for four vehicles were not provided for audit. Further, the value of the parcels of land are not separately disclosed in the financial statements.

In the circumstances, the accuracy, ownership and existence of the property, plant and equipment amounting to Kshs.176,251,207 as at 30 June, 2021 could not be confirmed.

#### **2.0 Trade and Other Payables**

The statement of financial position reflects trade and other payables totalling Kshs.36,431,166, as further disclosed in Note 28 to the financial statements. The other payables amounted to Kshs.7,262,572 as at 30 June, 2021 but as similarly reported in the previous year, the balance was not analyzed and as a result, the accuracy, completeness of the other payables totalling Kshs.7,262,572 as at 30 June, 2021 could not be confirmed.

#### **3.0 Revenue- Other Income**

The statement of profit or loss and other comprehensive income reflects other income totalling Kshs.7,109,804 which includes Kshs.708,000 in respect of exhaustor services as further disclosed in Note 10 to the financial statements. However, no analysis was provided to confirm how the fees balance was arrived at.

In view of these anomalies, the occurrence, accuracy and completeness of other income totalling Kshs.7,109,804 reflected in the financial statements could not be confirmed.

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. 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 Qualified Opinion 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.

### **1.0 Excessive Non-Revenue Water**

The Statement of profit and loss and other comprehensive income and as disclosed under Note 6 to the financial statements reflects an amount of Kshs.70,446,550 related to water revenue for the year under review.

Records on water production provided for audit indicated that the Company produced a total of 3,556,428 cubic meters (M<sup>3</sup>) of water during the year under review at a production cost of Kshs.3 per cubic meter. However, only 1,329,416 M<sup>3</sup> of the water produced was billed to customers whereas the balance totalling 2,227,012 M<sup>3</sup> or approximately 62.6% of the total volume produced was not billed but was instead accounted for a Non-Revenue Water (NRW). Annex I of Water Services Regulatory Board (WASREB) Guidelines on Service Performance Standards, 2006 allows a maximum loss of 25% for every cubic meter (M<sup>3</sup>) of water produced. Therefore, only 889,107 M<sup>3</sup> out of 3,556,428 cubic meters (m<sup>3</sup>) produced by the Company in the year under review was allowable loss. The remainder totalling 1,337,905 (M<sup>3</sup>) or 37.6% of production valued at Kshs.4,013,715 was non-allowable loss.

The high NRW ratio curtailed the Company's profitability in the year under review and may, if not urgently contained by Management, pose a significant risk to the Company's ability to deliver its services in a sustainable way.

### **2.0 Long Outstanding Trade Receivables**

The statement of financial position reflects trade and other receivables totalling Kshs.74,928,411 as further disclosed in Note 21 to the financial statements. The balance includes trade receivables totalling Kshs.60,689,129 as at 30 June 2021 which had been

outstanding for more than eight (8) months. Out of this balance, Kshs.6,068,913 had been outstanding for more than two (2) years, Kshs.15,172,282 for more than one year and Kshs.39,447,934 for between 8 and 12 months. Comparatively, the statement of profit or loss and other comprehensive income indicates that total revenues for the year amounted to Kshs.70,446,550 which implies that most of the year's sales were made on credit. Further the statement of cash flows indicates that no revenue was generated from operating activities in the year under review. Therefore most of the water sold in the year was not paid for by consumers.

The high volume of aging debts and low cash generated from operating activities suggested that the Company's debt collection system was not effective and therefore the risk of illiquidity and bad debts was high. Management has not disclosed its plan to enhance collection of debts to improve the financial performance of the Company.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

#### **Lack of a Risk Management Policy**

Review of the Company's internal controls indicated that contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 the Company did not have a risk management policy. The Regulation requires each County Government entity to develop risk management strategies, which include fraud prevention mechanisms and a system of risk management and internal control that builds robust business operations.

In the absence of a risk management policy, Management may not have effective means to identify, measure and control the effects of financial, operational and other risks that the Company may face.

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 effective processes and systems of internal control, risk management and overall 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 Kenya 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 the audit;
- ii. in my opinion, adequate accounting records have been kept by the Nithi Water and Sanitation Company Limited, so far as appears from the examination of those records; and,
- iii. The Nithi Water and Sanitation Company Limited financial statements are in agreement with the accounting records and returns.

#### **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

In addition to the responsibility for the preparation and presentation of the Company's financial statements described above, Management is 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the 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 Company's 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 Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**15 July, 2022**

**XII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR  
THE YEAR ENDED 30 JUNE 2021.**

	Note	2020-2021	2019-2020
		Kshs	Kshs
<b>REVENUES</b>			
Revenue	6	70,446,550	64,734,717
Cost of sales	7	(1,400,814)	(3,569,439)
Gross profit		<b>69,045,736</b>	<b>61,165,278</b>
<b>Other Income</b>			
Grants from the National Government	8	26,592,303	7,547,035
Finance income	9	320,877	688,632
Other Income	10	7,109,804	1,263,575
Other gains/(losses)	11	-	-
<b>TOTAL REVENUES</b>		<b>103,068,719</b>	<b>70,664,520</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	12	93,061,637	63,684,740
Selling and Distribution Costs	13	16,077,637	7,218,021
Finance Costs	14	-	38,210
<b>TOTAL OPERATING EXPENSES</b>		<b>109,139,273</b>	<b>70,940,971</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(6,070,554)</b>	<b>(276,451)</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>	16	-	-
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(6,070,554)</b>	<b>(276,451)</b>
Earnings per share – basic and diluted		-	-
Dividend per share		-	-
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>Profit/ (Loss) after taxation</b>		-	-
Surplus or deficit on revaluation of PPE		-	-
Remeasurement of net defined benefit liability		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(6,070,554)</b>	<b>(276,451)</b>

Nithi Water and Sanitation Company Ltd  
Annual Reports and Financial Statements  
For the year ended June 30, 2021

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	17	176,251,207	145,013,949
Intangible assets	19	382,772	313,159
Investment property		-	-
Long term Receivables		-	-
<b>Total Non-Current Assets</b>		<b>176,633,979</b>	<b>145,327,108</b>
<b>Current Assets</b>			
Inventories	20	5,116,892	1,473,215
Trade and other receivables	21	74,928,411	67,781,151
Tax recoverable		-	-
Short-term deposits		-	-
Bank and cash balances	23	28,474,549	63,879,467
<b>Total Current Assets</b>		<b>108,519,853</b>	<b>133,133,833</b>
<b>TOTAL ASSETS</b>		<b>285,153,832</b>	<b>278,460,941</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital		-	-
Revaluation reserve		-	-
Fair value adjustment reserve		-	-
Retained earnings	26	21,510,878	27,581,432
Capital Grants	33	226,987,502	178,189,017
<b>Capital and Reserves</b>		<b>248,498,380</b>	<b>205,770,449</b>
<b>Non-Current Liabilities</b>			
Borrowings		-	-
Deferred tax liability		-	-
Deferred Grant	32	224,286	38,005,689
Deferred Income		-	-
<b>Total Non-Current Liabilities</b>		<b>224,286</b>	<b>38,005,689</b>
<b>Current Liabilities</b>			
Borrowings		-	-

**Nithi Water and Sanitation Company Ltd  
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Trade and other payables	28	36,431,166	34,684,802
Retirement benefit obligations		-	-
Provisions		-	-
Dividends payable		-	-
Tax payable		-	-
<b>Total Current Liabilities</b>		<b>36,431,166</b>	<b>34,684,802</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>285,153,832</b>	<b>278,460,941</b>

The financial statements were approved by the Board on 30<sup>th</sup> September 2021 and signed on its behalf by:

MANAGING DIRECTOR Head of Finance

Chairman of the Board

Name: LABAN K.MWANIKI Name: IRENE KITHAKA Name: GILBERT NKONGE




ICPAK M/NO: 26402

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XIV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	notes	Retained earnings	Capital/ Development Grants/Fund	Total
As at July 1, 2019		27,857,883	130,544,825	158,402,708
Profit for the year		-276,451		-276,451
Capital/Development grants received during the year		-	47,644,192	47,644,192
As at June 30, 2020		27,581,432	178,189,017	205,770,449
As at July 1, 2020		27,581,432	178,189,017	205,770,449
Profit for the year		-6,070,554		(6,400,654)
Capital/Development grants received during the year			48,798,485	48,798,485
At June 30, 2021		21,510,878	226,987,502	248,168,279

XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>CASH GENERATED FROM/(USED IN) OPERATIONS</b>	29(a)	(868,179)	5,285,111
Interest received		-	-
Interest paid		-	-
Dividends paid		-	-
Taxation paid		-	-
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>		<b>(868,179)</b>	<b>5,285,111</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	17	(45,292,821)	(47,556,902)
Purchase of intangible assets	18	(261,000.00)	-
Purchase of investment property		-	-
Purchase of quoted investments		-	-
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>(45,553,821)</b>	<b>(47,556,902)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in WSTF Capital grant	31	48,798,485	47,644,192.00
Decrease in loan Account		-	(770,451.00)
Increase in deferred grant income	30	(37,781,403)	(4,593,055.00)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>11,017,082</b>	<b>42,280,686</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(35,404,918)</b>	<b>8,895</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>63,879,467</b>	<b>63,870,569</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	42	<b>28,474,549</b>	<b>63,879,467</b>

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE  
PERIOD ENDED 30 JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Sale of goods	84,600,000	(13,620,000)	70,980,000	70,446,550	533,450	1
Less: Cost of sales	3,160,570	(1,712,070)	1,448,500	1,400,814	47,686	3
Gross Profit	81,439,430	(11,907,930)	69,531,500	69,045,736	485,764	1
Grants from Government	75,946,890	(824,752)	75,122,138	75,390,788	(268,650)	0
Interest Income	650,000	(325,000)	325,000	320,877	4,123	1
Other income	22,270,600	(15,754,018)	6,516,582	7,109,804	(593,222)	-9
Total income	180,306,920	(28,811,700)	151,495,220	151,867,204	(371,984)	0
Operating Expenses		-			-	
Staff Costs	35,026,769	(1,960,149)	33,066,620	31,725,358	1,341,262	4
Administration costs	62,624,737	(11,595,502)	51,029,235	46,369,889	4,427,346	9
Selling & Distribution Costs	14,162,300	3,002,484	17,164,784	16,077,637	1,087,147	6
Capital Expenditure	84,894,482	(34,659,901)	50,234,581	45,553,821	4,680,760	9
Total expenditure	196,708,288	(45,213,068)	151,495,220	139,726,704	11,536,516	
Surplus for the period	(16,401,368)	16,401,368	-	12,140,501	(11,908,501)	

NB:

Grants from Government is different because kshs. 48,798,485 capital grants were included in the figure. Administration cost differs because of deducting the following; Depreciation Kshs.14,055,562, Amortisation kshs.191,386, Provision for Bad debts Kshs.487,441, Auditors remuneration of Kshs. 232,000 and Staff costs of Kshs.31,725,358. Capital expenditure of Kshs. 45,553,821 includes purchase of Property plant & equipment and Computer software during the period which were not included in the Income & expenditures statement.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

Nithi water is established by and derives its authority and accountability from water Act 2002 and 2016. The NIWASCO is wholly owned by the County Government of Tharaka Nithi and is domiciled in Kenya. The NIWASCO's principal activity is Provision of clean water and sanitation services.

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

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the NIWASCO's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the notes to the statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Nithi Water and Sanitation Company.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**3. Application of New and Revised International Financial Reporting Standards (IFRS)**

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Title	Description	Effective Date
IAS39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an NIWASCO becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 4- Insurance Contracts(Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an NIWASCO issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

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Title	Description	Effective Date
	Estimates and Errors" when selecting accounting policies for insurance contracts.	
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an NIWASCO, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

*The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Application of New and Revised International Financial Reporting Standards (IFRS)**

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an NIWASCO's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 16 — Property, Plant and	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment	The amendments are effective for annual periods beginning on or after January 1, 2022.

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Title	Description	Effective Date
Equipment	is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	Early application is permitted.
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 41 — Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the NIWASCO's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 1 — First-time Adoption of International Financial Reporting Standards	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an NIWASCO must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if

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Title	Description	Effective Date
	'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	an NIWASCO also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an NIWASCO provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the NIWASCO's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

*The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.*

**iii. Early adoption of standards**

NIWASCO did not early – adopt any new or amended standards in year 2020/2021

NOTES TO THE FINANCIAL STATEMENTS (Continues)

**4. Summary of Significant Accounting Policies**

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

**a) Revenue recognition**

Revenue is measured based on the consideration to which the NIWASCO expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The NIWASCO recognizes revenue when it transfers control of a product or service to a customer.

- i) **Revenue from the sale of goods and services** is recognised in the year in which the *NIWASCO* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the *NIWASCO* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) **Other income** is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognized 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:

Buildings and civil works	2.5% or the unexpired lease period	Pipeline and Extensions	-	12.5%
Plant and machinery	12.5%	Meter Testing Machine	-	12.5%
Motor vehicles, including motor cycles	25%	Water T. Equipment	-	12.5%
Computers and related equipment	30%			
Office equipment, furniture and fittings	12.5%			
Water Meters	20%			

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a reducing balance basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the reducing balance basis over the estimated useful life of the intangible asset. All intangible assets are 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 recognized so that the asset is written down immediately to its estimated recoverable amount. The amortization rate is 33.3333%.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

**Summary of Significant Accounting Policies**

**h) Right of Use Asset**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the NIWASCO incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the NIWASCO expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

**i) Fixed interest investments (bonds)**

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

**j) Quoted investments**

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

**Summary of Significant Accounting Policies**

**k) Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

**l) Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**m) 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.

**Summary of Significant Accounting Policies**

**n) Taxation**

**i) Current income tax**

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

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the NIWASCO operates and generates taxable income.

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

**o) Deferred tax**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

Deferred Tax

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**p) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**q) Cash and cash equivalents**

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

**r) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled

in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

**s) 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 NIWASCO or not, less any payments made to the suppliers.

**t) Retirement benefit obligations**

The NIWASCO operates a defined contribution scheme for all full-time employees from July 1, 2012. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

**u) Provision for staff leave pay**

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

**v) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the NIWASCO operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

w) Budget information

The original budget for FY 2020-2021 was approved by the Board of Directors on 21<sup>st</sup> July 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the NIWASCO upon receiving the respective approvals in order to conclude the final budget. Accordingly, the NIWASCO recorded additional appropriations of 16m on the 2020-2021 budget following the governing body's approval.

The NIWASCO's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section XV of these financial statements.

a) **Service concession arrangements**

The NIWASCO analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the NIWASCO recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the NIWASCO also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

b) **Comparative figures**

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

c) **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, 2021.

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available.. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. (include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

NOTES TO THE FINANCIAL STATEMENTS (Continues)

**6. Revenue**

	2020/2021	2019/2020
	Kshs	Kshs
<b>Sales of goods</b>		
Chuka water	21,159,289	19,526,887
Karingani water	29,050,999	25,801,457
Chogoria water	3,678,293	3,276,379
Tharaka Water ( Kathwana, Mutonga, and Kibung'a)	11,285,019	11,111,144
Meter rent	5,272,950	5,018,850
<b>Total</b>	<b>70,446,550</b>	<b>64,734,717</b>

**7. Cost of sales**

	2020/2021	2019/2020
	Kshs	Kshs
Cost of sales on goods	1,400,814	3,569,439
<b>Total</b>	<b>1,400,814</b>	<b>3,569,439</b>

**8. Grants from National Government**

	2020/2021	2019/2020
	Kshs	Kshs
Reccurent grants received	24,068,363	5,274,395
Capital grants realized (see note below)	-	-
In Kind contributions/ donations	2,523,940	2,272,640
<b>Total</b>	<b>26,592,303</b>	<b>7,547,035</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Amount	Amount	deferred	deferred	Income	Total
recognized in the	under	under	in capital	the year	
Statement of	deferred	recognised	fund.	during	
Comprehensive	income	income	the year	the year	
Income	Income	Income	fund.	the year	
KShs	KShs	KShs	KShs	KShs	KShs
2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
24,068,363	224,286	10,792,796	35,085,445	35,085,445	Water Sector Fund
2,193,840	-	-	2,193,840	2,193,840	Tharaka Nithi County Government
330,100	-	-	330,100	330,100	Tana Water Works Development Agency
26,592,303	224,286	10,792,796	37,609,385	37,609,385	Total

9. Finance Income

Description	2020/2021	2019/2020
Kshs	Kshs	Kshs
Interest income on short-term bank deposits	320,877	688,632
Total	320,877	688,632

10. Other Income

Description	2020/2021	2019/2020
Kshs	Kshs	Kshs
Exhauster Services	708,000	248,000
Connection fees	536,500	307,000
Sale of Materials	250,270	400,775
Fines and penalties	-	115,500
Other miscellaneous receipts	66,419	42,300
Compensation from Road works Contractor	5,548,615	150,000
Total	7,109,804	1,263,575

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Other Gains and Losses

12. Administration Costs

Description	2020/2021	2019/2020
	Kshs	Kshs
Staff costs ( note 12b)	31,725,358	26,711,925
Directors emoluments	2,735,366	2,168,942
Electricity and water	122,914	80,679
Communication services and supplies	1,701,873	1,407,249
Transportation, travelling and subsistence	2,823,234	2,030,625
Motor Expenses-Fuel and Oils, Maintenance	2,288,756	2,825,243
Advertising, printing, stationery and photocopying	902,731	1,245,715
Rent expenses	456,000	456,000
Staff training expenses	634,923	328,150
Hospitality supplies and services	1,640,550	852,626
Insurance costs	376,849	221,494
Bank charges and Commissions	500,800	448,060
Office, general supplies and services	877,853	84,650
Audit Fees	232,000	296,000
Legal fees	-	
Consultancy fees	423,328	699,148
Repairs and maintenance	2,968,193	582,401
Board Administration fees and subscriptions	2,213,154	2,670,555
WSTF project Administration Expenses	24,068,363	5,488,128
Security	1,635,003	1,190,065
Depreciation	14,055,562	12,004,261
Amortisation	191,386	156,579
Provision for BD	487,441	1,108,079
Other operating expenses		169,695
Stakeholder and AGM Meetings		458,470
<b>Total</b>	<b>93,061,637</b>	<b>63,684,740</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**12b Staff Costs**

Description	2020/2021	2019/2020
	Kshs	Kshs
Salaries and allowances of permanent employees	26,810,824	22,213,635
Wages of temporary employees	238,200	563,100
Employer's contributions to national social security schemes & Pension schemes	1,040,354	984,485
Seconded Staff County payment	2,193,840	2,272,640
Staff welfare and Uniforms-Employer	1,442,140	678,065
<b>Total</b>	<b>31,725,358</b>	<b>26,711,925</b>
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – Management	5	5
Permanent employees – Unionisable	21	22
Temporary and contracted employees	52	47
GOK & T.N.C Seconed Employees	4	6
<b>Total</b>	<b>82</b>	<b>80</b>

13. Selling and distribution costs

Description	2020/2021	2019/2020
	Kshs	Kshs
Other selling and distribution costs		
Repairs and maintenance water supplies	5,441,373	4,601,416
Inventory issued	10,636,263	2,616,605
Total	16,077,636	7,218,021

14. Finance costs

Description	2020/2021	2019/2020
	Kshs	Kshs
Interest expense on loans	-	38,210
Total	-	38,210

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Operating profit/ (loss)

	2020/2021	2019/2020
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 12b)	31,725,358	26,711,925
Depreciation of property, plant and equipment	14,055,562	12,004,261
Amortisation of intangible assets	191,386	156,579
Provision for bad and doubtful debts	487,441	1,108,079
Directors' emoluments – fees	1820066	2,168,942
- other	915300	-
Auditors' remuneration - current year fees	232000	296000
- prior year under-provision	464000	168000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**16. Income Tax Expense/(Credit)**

**(a) Current taxation**

	2020/2021	2019/2020
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
<b>Total</b>	-	-

**b) Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit**

	2020/2021	2019/2020
	Kshs	Kshs
Profit before taxation	-	-
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
<b>Total</b>	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Property, Plant and Equipment

2021	Water meters	Buildings & civil works	WTP lab Equipment Stools	Motor vehicles, including motor cycles	Computers & related equipment	office equipment furniture & fittings	Pipelines & Extensions	Meter testing machine	WSTF Tank sanitation block	Totals
COST OR VALUATION	20.0%	2.5%	12.5%	25.0%	30.0%	12.5%	12.5%	12.5%	2.5%	
As at July 1, 2020	18,086,770	911,189	1,380,086	11,553,208	2,497,459	2,161,935	95,454,697	398,275	94,047,407	226,491,026
Additions	5,211,283	-	23,158	-	601,316	413,771	13,206,250	-	25,837,044	45,292,821
At June 30, 2021	23,298,053	911,189	1,403,244	11,553,208	3,098,775	2,575,706	108,660,947	398,275	119,884,451	271,783,846
DEPRECIATION										
As at July 1, 2020	10,692,128	238,733	624,629	9,741,212	2,156,397	1,497,916	46,368,690	296,901	9,860,471	81,477,077
Charge for the year	2,521,185	16,811.39	97,327	452,999	282,713	134,724	7,786,532	12,672	2,750,599	14,055,562
At June 30, 2021	13,213,313	255,544	721,955	10,194,211	2,439,110	1,632,640	54,155,222	309,573	12,611,071	95,532,640
NET BOOK VALUE										
At June 30, 2021	10,084,740	655,645	681,289	1,358,997	659,664	943,066	54,505,725	88,702	107,273,380	176,251,207
At June 30, 2020	7,394,642	672,456	755,458	1,811,996	341,062	664,019	49,086,007	101,374	84,186,935	145,013,949

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TES TO THE FINANCIAL STATEMENTS (Continued)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

2020	Water meters	Buildings & civil works	WTP, lab Equipment Stools	Motor vehicles, incl riding motor cycles	Computers & related equipment	office equipment furniture & fittings	Pipelines & Extensions	Meter testing machine	WSTP Tank Sanitation block	Totals
COST OR	20.0%	2.5%	12.5%	25.0%	30.0%	12.5%	12.5%	12.5%	2.5%	
VALUATION										
As at July 1, 2019	16,259,184	911,189	1,380,086	11,553,208	2,497,459	2,161,935	77,671,033	398,275	66,101,755	178,934,124
Additions	1,827,586						17,783,664	-	27,945,652	47,556,902
As at June 30, 2020	18,086,770	911,189	1,380,086	11,553,208	2,497,459	2,161,935	95,454,697	398,275	94,047,407	226,491,026
DEPRECIATION										
As at July 1, 2019	8,843,468	221,491	516,706	9,137,214	2,010,228	1,403,056	39,356,403	282,419	7,701,832	69,472,816
Charge for the year	1,848,660	17,242,46	107,923	603,999	146,169	94,860	7,012,287	14,482	2,158,639	12,004,261
As at June 30, 2020	10,692,128	238,733	624,629	9,741,212	2,156,397	1,497,916	46,368,690	296,901	9,860,471	81,477,077
NET BOOK										
VALUE										
As at June 30, 2020	7,394,642	672,456	755,458	1,811,996	341,062	664,019	49,086,007	101,374	84,186,935	145,013,949
As at June 30, 2019	7,415,716	689,698	863,380	2,415,995	487,232	758,879	38,314,630	115,356	58,399,923	109,461,309

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	-	-	-
Buildings	-	-	-
Plant and machinery	-	-	-
Motor vehicles, including motorcycles	-	-	-
Computers and related equipment	-	-	-
Office equipment, furniture, and fittings	-	-	-
	-	-	-

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	-	-
Motor vehicles, including motor cycles	-	-
Computers and related equipment	-	-
Office equipment, furniture and fittings	-	-
<b>Total</b>	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**19. Intangible Assets**

	2020/2021	2019/2020
	Kshs	Kshs
<b>COST</b>		
At July 1	1,119,964	1,119,964
Additions	261,000	
Disposals		
At June 30	1,380,964	1,119,964
<b>AMORTISATION</b>	806,805	650,226
At July 1	191,386	156,579
Charge for the year		
Disposals		
Impairment loss	998,192	806,805
At June 30	806,805	650,226
<b>NET BOOK VALUE</b>		
At June 30	382,772	313,159

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**20. Inventories**

	2020/2021	2019/2020
	Kshs	Kshs
Stationery and general stores	5,116,892	1,473,215
<b>Total</b>	<b>5,116,892</b>	<b>1,473,215</b>

**21.) Trade and Other Receivables**

	2020/2021	2019/2020
	Kshs	Kshs
Trade receivables (note 27 (a))	60,689,129	61,412,257
Deposits and prepayments	534,067	164,714
VAT recoverable	37,183,003	29,233,777
Staff receivables (note 27 (b))	39,250	-
Other receivables	-	-
<b>Gross trade and other receivables</b>	<b>98,445,449</b>	<b>90,810,748</b>
Provision for bad and doubtful receivable	(23,517,038)	(23,029,597)
<b>Net trade and other receivables</b>	<b>74,928,411</b>	<b>67,781,151</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 (a) Trade Receivables

	2020/2021	2019/2020
Gross trade receivables	60,689,129	61,412,257
Provision for doubtful receivables	(23,517,038)	(23,029,597)
Net trade receivables	37,172,092	38,382,661
At June 30, the ageing analysis of the gross trade receivables was as follows:		
241 - 360 days ( 8-12 Months)	39,447,934	42,988,580
Over 1 Year	15,172,282	12,282,451
Over 2 Years	6,068,913	6,141,226
Total	60,689,129	61,412,257

22 (b) Staff Receivables

	2020/2021	2019/2020
Staff Imprest	39,250	-
Totals	39,250	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**23. Bank and Cash Balances**

	2020/2021	2019/2020
	Kshs	Kshs
Cash at bank	25,101,447	61,610,898
Cash in hand	10,714	5,600
Mobile Money ( M-pesa)	3,362,388	2,262,969
<b>Totals</b>	<b>28,474,549</b>	<b>63,879,467</b>

The bulk of the cash at bank was held at KCB Bank Kenya Limited and Co-operativel Bank of Kenya, the NIWASCO's main bankers.

**Detailed analysis of the cash and cash equivalents**

Financial institution	Account number	2020/2021 KShs	2019/2020 KShs
(a) Current Accounts			
KCB- Kathwana CLTS	1211830837	-	335,255
Co-operative Bank	'01120057875100	2,007,961	1,157,374
KCB- J6P-Kathwana Water	1182279104	-	15,760,976
KCB- J6P-Kathwana Sanitation	1182980155	-	-
KCB-J6P- Kibung'a water	1182278795	-	616,280
KCB-J6P- Kibung'a sanitation	1182980252	-	-
Family Bank- Covid 19 Response Project	54000008162	-	2,446,140
Family Bank- Kibung'a-Kakimiki- Kathita Project	54000007366	-	11,022,016
Family-County Water Bill	54000005914	-	2,211,390
UBSUP- Project Account- Family bank	54000007486	224,286	3,622,337
KCB- J6P-TNC Contribution Account	1222194325	-	1,991,295
Kibung'a Water Scheme- Family Bank	'054000005545	781,252	315,298
Mutonga- Gituma W/scheme-Family Bank	'054000005544	46,082	1,126,405
<b>Sub- total</b>		<b>3,059,580</b>	<b>40,604,766</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Bank and Cash Balances Continued

Financial institution	Account number	2020/2021	2019/2020
		KShs	KShs
<b>b) Savings Account</b>			
KCB – Customer Deposits	1125258373	12,120,401	109,025
Barclays Bank of Kenya- Chuka Collection	2032435079	118,948	134,428
Kenya Commercial bank-Chuka Collection	1219598690	789,610	804,836
Post Bank- Collection	‘0744130012008	101,665	864,515
Kenya Commercial Bank- Investment	1158014856	5,091,381	1,886
KCB call deposit account 1	-	-	9,500,000
KCB call deposit account 2	-	-	5,000,000
Co-operative bank of Kenya ltd- Collection	‘01100057875100	2,063,433	2,013,525
Family Bank Limited- Chuka Collection acc.	‘054000004855	828,963	1,102,360
Family Bank –Kathwana collection	54000005526	-	834,892
Family Bank-Kathwana Customer Deposits	54000005527	927,465	640,665
Sub- total		22,041,867	21,006,132
<b>c) Others(specify)</b>			
Cash in transit			
cash in hand	Pettycash	10,714	5,600
M pesa	PAYBILL : 901325	2,791,968	1,444,713
M pesa	PAYBILL : 802064	570,420	818,256
Sub- total		3,373,102	2,268,569
<b>Grand total</b>		<b>28,474,549</b>	<b>63,879,467</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**24.Revaluation Reserve**

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

**25.Fair Value Adjustment Reserve**

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

**26.Retained Earnings**

	2020-2021	2019-2020
Description	Kshs	Kshs
Balance brought forward	27,581,432	27,857,883
Adjustment	-	-
Retained Earnings for the year	(6,070,554)	(276,451)
<b>Total Retained Earnings</b>	<b>21,510,878</b>	<b>27,581,432</b>

**27.Borrowings**

Description	2020-2021	2019-2020
	KShs	KShs
<b>a) External Borrowings</b>		
Balance at beginning of the year	0	0
External borrowings during the year	0	0
Repayments of during the year	0	0
<b>Balance at end of the year</b>	<b>0</b>	<b>0</b>
<b>b) Domestic Borrowings</b>		
Balance at beginning of the year	0	770,451
Domestic borrowings during the year	0	0
Repayments during the year	0	(770,451)
<b>Balance at end of the year</b>	<b>0</b>	<b>0</b>
<b>Balance at end of the period- Domestic and External borrowings c = a+b</b>	<b>0</b>	<b>0</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Trade and Other Payables

	2020-2021	2019-2020
	Kshs	Kshs
Trade payables	10,068,556	9,663,093
Accrued expenses	2,586,160	2,666,925
Retention/ contract monies	-	-
Deposits	15,719,825	13,694,825
Employee payables	794,054	616,593
Other payables	7,262,572	8,043,367
<b>Total</b>	<b>36,431,166</b>	<b>34,684,802</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The NIWASCO also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The NIWASCO's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 200 per employee per month. Other than NSSF the NIWASCO also has a defined contribution scheme operated by County Pension Fund. Employees contribute 7.5% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Notes to The Statement of Cash Flows

	2020-2021	2019-2020
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Profit or loss before tax	(6,070,554)	(276,451)
Depreciation	14,055,562	12,004,261
Amortisation	191,386	156,579
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	8,176,394	11,884,390
(Increase)/decrease in inventories	(3,643,677)	(675,356)
(Increase)/decrease in trade and other receivables	(7,147,260)	(13,637,161)
Increase/(decrease) in trade and other payables	(278,636)	6,894,238
Increase/(decrease) in Customer Deposits	2,025,000	819,000
Increase/(decrease) in provision for staff leave pay		
Cash generated from/(used in) operations	(868,179)	5,285,111
<b>(b) Analysis of changes in loans</b>		
Balance at beginning of the year	-	770,451
Receipts during the year		
Repayments during the year	-	(770,451)
Repayments of previous year's accrued interest		
Foreign exchange (gains)/losses		
Accrued interest		
Balance at end of the year	-	-
<b>(c) Analysis of cash and cash equivalents</b>		
Short term deposits		
Cash at bank	28,463,835	63,873,867
Cash in hand	10,714	5,600
Balance at end of the year	28,474,549	63,879,467

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	2020-2021	2019-2020
	Kshs	Kshs
<b>(d) Analysis of interest paid</b>		
Interest on loans	-	38,210.25
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	-	-
Interest paid	-	<b>38,210</b>
<b>(e) Analysis of dividend paid</b>		
Balance at beginning of the year	-	-
2019 dividends paid	-	-
2020 dividends paid	-	-
2021 interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. Related Party Disclosures

Government of Kenya

The County Government of Tharaka Nithi is the principal shareholder of the *NIWASCO*, holding 100% of the *NIWASCO*'s equity interest. The County Government of Tharaka Nithi has provided full guarantees to all long-term lenders of the *NIWASCO*, both domestic and external.

Other related parties include:

- i) The Parent Ministry
- ii) County Government Tharaka Nithi
- iii) Water Sector Trust Fund
- iv) Water Resources Authority
- v) Water Services Regulatory Board
- vi) Tana Water Works Development Agency
- vii) Key management
- viii) Board of directors

Transactions with related parties

	2020-2021	2019-2020
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Sales of electricity to Govt agencies	-	-
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from Tbills and Bonds	-	-
Others (Specify)	-	-
<b>Total</b>	-	-
<b>b) Purchases from related parties</b>		
Purchases of electricity from KPLC	122,914	80,679
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	500,800	448,060

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	2020-2021	2019-2020
	Kshs	Kshs
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
<b>Total</b>	<b>623,714</b>	<b>528,739</b>
<b>b) Grants from the Government</b>		
Grants from Water Sector Trust Fund	35,085,445	48,325,532
Grants from County Government		-
Donations in kind	2,523,940	2,272,640
<b>Total</b>	<b>37,609,385</b>	<b>50,598,172</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>d) Key management compensation</b>		
Directors' emoluments	2,735,366	2,168,942
Compensation to key management	699,597	513,918
<b>Total</b>	<b>3,434,963</b>	<b>2,682,860</b>

**31. Financial Risk Management**

The NIWASCO's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk

The NIWASCO has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the NIWASCO's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2021</b>				
Receivables from exchange transactions	74,928,411	44,957,046	29,971,364	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	28,474,549	-	-	-
<b>Total</b>	<b>103,402,960</b>	<b>44,957,046</b>	<b>29,971,364</b>	<b>-</b>
<b>At 30 June 2020</b>				
Receivables from exchange transactions	67,781,151	38,547,374	29,233,777	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	63,879,467	-	-	-
<b>Total</b>	<b>131,660,618</b>	<b>38,547,374</b>	<b>29,233,777</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

*Credit Risk (Continued)*

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

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

ii) **Liquidity risk management**

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

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
<b>At 30 June 2021</b>				
Trade payables	3,452,146	5,712,841	903,569	10,068,556
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	232,000
Deferred income	-	-	-	224,286
Other Payables	-	-	-	26,130,610
<b>Total</b>	<b>3,452,146</b>	<b>5,712,841</b>	<b>903,569</b>	<b>36,655,452</b>
<b>At 30 June 2020</b>				232,000
Trade payables	2,415,774	5,314,700	1,932,619	9,663,093
Current portion of borrowings	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provisions	-	-	-	296,000
Deferred income	-	-	-	38,005,689
Other Payables	-	-	-	8,659,959
<b>Total</b>	<b>2,415,774</b>	<b>5,314,700</b>	<b>1,932,619</b>	<b>56,624,741</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	-	
Retained earnings	21,510,878	27,581,432
Capital reserve		
<b>Total funds</b>	<b>21,510,878</b>	<b>27,581,432</b>
Total borrowings		-
Less: cash and bank balances	(28,474,549)	(63,879,467)
Net debt/(excess cash and cash equivalents)	28,474,549	63,879,467
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

32. DEFERRED GRANT INCOME

Description	2020-2021	2019-2020
	Ksh	Kshs
Balance B/F	38,005,689	42,598,744
Add: Grants Received	35,085,445	48,325,532
<b>TOTAL</b>	<b>73,091,134</b>	<b>90,924,276</b>
Less: Capital Grants ( from Deferred income B/F)	(38,005,689)	(42,598,744)
Capital Grant received during the year	(10,792,796)	(5,045,448)
To P&L	(24,068,363)	(5,274,395)
<b>Deferred Grant( Balance C/F)</b>	<b>224,286</b>	<b>38,005,689</b>

Deferred Grant Income refers to money granted by WSTF and County Government of Tharaka Nithi which was not utilized during the year. This was accounted for as per the requirement of IAS 20 income approach.

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33. CAPITAL GRANT

Description	2020-2021	2019-2020
	Kshs	Kshs
Balance brought forward	178,189,017	130,544,825
Capital grants from Deferred grant income B/F	38,005,689	42,598,744
Received during the year	10,792,796	5,045,448
<b>Total</b>	<b>226,987,502</b>	<b>178,189,017</b>

34. Incorporation

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

35. Events After the Reporting Period

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

36. Currency

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

APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved )	Timeframe: (Put a date when you expect the issue to be resolved)
NONE	N/A	The reports are not yet received	N/A	N/A

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Accounting Officer



LABAN K. MWANIKI P.Eng(Tech)  
**MANAGING DIRECTOR**

Date.....30<sup>th</sup> September 2021

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**APPENDIX II: PROJECTS IMPLEMENTED BY THE NIWASCO**

**Projects**

Projects implemented by the State Corporation/ SAGA Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commit ment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.Kathwana Water Project	RUP/J6P/II/W/13/084	WSTF/T NC	15Months	YES	YES	YES
2. Kibung'a Kakimiki Water project	RUP/J6P/II/W/13/083	WSTF/T NC	15Months	YES	YES	YES
3.NIWASCO County Water Bill		WSTF	6Months	YES	YES	YES
4.Kajuki CLTS	RUP/J6P/II/CLTS/Tharaka Nithi/128	WSTF	6Months	YES	YES	YES
5.UBSUP PHASE III	01HS/TAWWDA/THARAKA NITHI/26	WSTF	6Months	YES	YES	YES
6.Kibung'a Kakimiki- Kathita Conservation Project	RUP/J6P/II/W/13/124	WSTF	6Months	YES	YES	YES
7.COVID 19 Emergency Response Project	J6P/COVID- 19 Emergency Response	WSTF	4Months	YES	YES	YES
8.Chogoria P.S.F Project	RUP/J6P/II/S/13/115	WSTF	9Months	YES	YES	YES
9.Kathwana Secondary School project	RUP/J6P/II/S/13/111	WSTF	9Months	YES	YES	YES
10.Kamaindi Kamwimbi CLTS	RUP/J6P/II/CLTS/THARAKA NITHI/137	WSTF	6Months	YES	YES	YES

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**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Kathwana Water Project	44,888,393	44,888,393	100%	44,888,393	16,847,099	WSTF/TNC
2	Kibung'a Kakimiki Water Project	35,671,393	35,671,393	100%	35,671,393	15,447,781	WSTF/TNC
3	NIWASCO County Water bill Project	4,952,850	3,010,464	61%	4,952,850	6,600,56	WSTF
4.	Kajuki CLTS	2,603,090	2,603,530	100%	2,603,090	336,454.50	WSTF/TNC
5.	UBSUP Phase III	7,114,012	6,553,982	100%	7,114,012	5,432,026	WSTF
6.	Kibung'a Kakimiki-Kathita Conservation Project	19,477,923	19,428,558	100%	19,477,923	19,400,133.73	WSTF
7.	COVID 19 Emergency Response Project	4,077,900	4,077,900	100%	4,077,900	4,077,300	WSTF
8.	Chogoria PSF Project	6,038,267	5,409,100	100%	6,038,267	5,409,100	WSTF
9.	Kathwana Secondary school Sanitation Project	3,119,366	2,970,825	100%	3,119,366	2,970,825.20	WSTF
10	Kamaindi Kamwimbi CLTS Project	2,680,500	2,680,500	100%	2,680,500	2,680,500	WSTF
<b>TOTALS</b>		<b>130,623,694</b>	<b>127,295,845</b>		<b>130,623,694</b>	<b>72,607,820</b>	



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	Total	26,592,303	
14 UBSUP Phase III Project	24th December 2020	224,286	FY-2021-2022
b. Development Grants			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
1 Kibung'a-Kathita river conservation project	24th June 2021	8,375,717.50	FY-2020-2021
2 Kibung'a Kakimiki Water Project	26th August 2020	2,417,078.50	FY-2020-2021
	<b>Totals</b>	<b>10,792,796.00</b>	<b>FY-2020-2021</b>

The above amounts have been communicated to and reconciled with Water sector trust fund.

Finance Manager

Head of Accounting Unit

**NITHI WATER & SANITATION LIMITED**

**NITHI WATER & SANITATION LIMITED**

**IRENE KITHAKA**

**LABAN K.MWANIKI P.Eng (Tech)**

Sign-----

Sign--- 

30<sup>th</sup> September 2021

30<sup>th</sup> September 2021

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APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MD/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Total Transfers during the Year
Water Sector Trust Fund	24th December 2020	Recurrent	2,032,575	1,808,289		224,286	2,032,575
Water Sector Trust Fund	18th January 2021	Recurrent	1,693,000	1,693,000			1,693,000
Water Sector Trust Fund	24th April 2021	Recurrent	987,500	987,500			987,500
Water Sector Trust Fund	19th August 2020	Recurrent	3,458,806	3,458,806			3,458,806
Water Sector Trust Fund	29th May 2020	Recurrent	4,168,670	4,168,670			4,168,670
Water Sector Trust Fund	13th November 2020	Recurrent	1,899,578	1,899,578			1,899,578
Water Sector Trust Fund	8th February 2021	Recurrent	749,960	749,960			749,960
Water Sector Trust Fund	11th February 2021		1,071,248	1,071,248			1,071,248
Water Sector Trust Fund	12th February 2021		2,163,854	2,163,854			2,163,854
Water Sector Trust Fund	24th June 2021	Development	8,375,718	-	8,375,718		8,375,718

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Water Sector Trust Fund	31st January 2020		3,620,719	3,620,719			3,620,719
Water Sector Trust Fund	26th June 2020	Development	2,446,740	2,446,740			2,446,740
Water Sector Trust Fund	26th August 2020	Development	2,417,079		2,417,079		2,417,079
County Government of Tharaka Nithi	30th June 2021	Recurrent	2,193,840	2,193,840			2,193,840
Tana Water Works Development Agency	30 <sup>th</sup> June 2021	Recurrent	330,100	330,100			330,100
<b>Total</b>			<b>37,609,385</b>	<b>26,592,303</b>	<b>10,792,796</b>	<b>224,286</b>	<b>37,609,385</b>