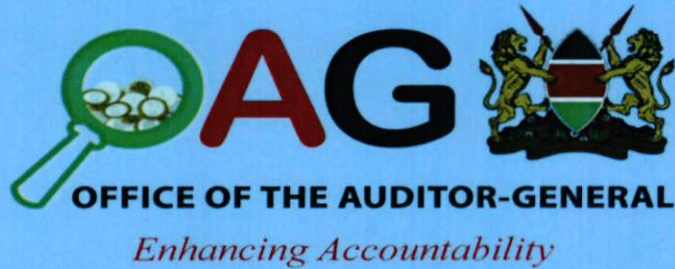


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REPORT

OF

THE AUDITOR-GENERAL

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NYANDARUA WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE, 2020



Nyandarua water and sanitation company limited
Annual Reports and Financial Statements
For the year ended June 30, 2020



NYANDARUA WATER AND SANITATION COMPANY LTD.
P.O. BOX 164, NYAHURURU. TEL 0704221336
E-mail: nyandawas@gmail.com
Nyandarua County Building,
Next to Nyahururu Post Office,
Sharpe Road.



NYANDARUA WATER AND SANITATION COMPANY LTD.
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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

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I. KEY ENTITY INFORMATION

Background information

Nyandarua Water and Sanitation Company Limited was established under the Water Act 2016. The Company is incorporated in Kenya under the Companies Act Cap 486 of the Laws of Kenya.

At Cabinet level, the Company is represented by the Cabinet Secretary for Water, Environment and Natural Resources, who are responsible for the general policy and strategic direction of the water sector.

Principal Activities

The principal activity of the Company is to provide water and sanitation services to residents of Nyandarua County.

Directors

The company did not have a board of directors during the period.

Registered Office

Nyandarua Water and Sanitation Company Ltd
Nyandarua County Building,
Sharpe Road
P.O. Box 164-20300
Nyahururu, KENYA

Telephone: 0704221336
E-mail: nyandawas@gmail.com

KEY COMPANY INFORMATION (continued)

Corporate Bankers

1. Kenya Commercial Bank
Nyahururu Branch
P.O. Box 64
Nyahururu
2. Equity Bank Ltd
Nyahururu Branch
P.O Box 1048-20300
Nyahururu
3. Viktas Sacco Ltd
Nyahururu Branch
P.O. Box 2183-20300
Nyahururu

Independent Auditors

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


Principal Legal Advisers

1. The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya




II. THE BOARD OF DIRECTORS (The company did not have board of directors)

Nyandarua water and sanitation company limited
Annual Reports and Financial Statements
For the year ended June 30, 2020

MANAGEMENT TEAM

Name	Main area of responsibility	Key qualification
<p>1. Basilio Gachiri</p> 	<p>Managing director</p> <p>Served during 2019-2020 Financial year to October 2020</p>	<p>Certificate in water technology. Diploma Water Engineering. Higher Diploma in Construction. Born 11th November 1959. Senior administrative officer.</p> <p>Work experience: 30 years</p>

II. MANAGEMENT TEAM (continued)

Name	Main area of responsibility	Key qualification
<p>2. Mary Kamau</p> 	<p>Managing Director</p> <p>Current serving from November 2020</p>	<p>Diploma in Water Technology Date of Birth 5th September, 1966 Senior Superintendant Water Engineering</p> <p>Work Experience: 30 years</p>
<p>3. Peter Ndegwa</p> 	<p>Technical Manager</p>	<p>Diploma in water Technology and Higher National Diploma in Water Engineering. Born 20th July 1965. Snr. Superintendent Water Engineering</p> <p>Work experience: 20 years</p>
<p>4. Joel Gichuki</p> 	<p>Commercial Manager</p>	<p>CPA (K).</p> <p>Date of birth.23thJan 1986.</p> <p>Work experience: 7 years</p>

III. CHAIRMAN STATEMENT.

Having no board of directors and thus, no chairman statement.

III. MANAGING DIRECTOR'S REPORT

It is with pleasure that I take this opportunity to present to you the Nyandarua Water and Sanitation Company's Annual Performance report for the year ended 30th June 2020. The performance has been quite reasonable, despite many challenges. We have forged ahead with our mission to provide Water and Sanitation Services to our customers in the most cost-effective way guided by our slogan "Quality Water for All"

FINANCIAL REVIEW

The company's turnover increased from Kshs.26, 575,748 to Kshs.31, 967,370 during the year under review. This represents a growth of 17%.

We attribute this to improved efficiency in service delivery as well as commitment of staff to duty. During the same period, we posted a net deficit of Kshs.541, 508 compared to the previous year's surplus of Kshs.4, 086,323.

The total operating expenses increased from K.shs.20, 657,850 the previous year to Kshs.29, 792,008. Various factors contributed to this. (Ubsup toilets subsidy grant)

We have also increased our staff to improve on service delivery. We have also procured more pumps to replace the older and dilapidated ones to increase efficiency and reliability in supplying water.

COMPANY'S FUTURE OUTLOOK

We are stepping into the future with a lot of optimism. With renewed vigour and confidence, we look ahead to an even more successful future.

We have completed automating our billing and revenue collection thus increase efficiency by:

- reduced paper work,
- releasing bills on time,
- Saving on time previously wasted on bill related works.

We also intend to increase area of coverage, replace defective meters and dilapidated infrastructure and install zonal and master meters.

CONCLUSION

I wish to conclude by saying;

To our customers and stakeholders, I wish to thank them for their unwavering support and trust throughout the year. In particular, I wish to thank the county government through the ministry of water for their enormous contribution to the improvement of this company.

Special thanks go to my Central Management Committee and all the staff of Nyandarua Water and Sanitation Company. This is the team that has worked tirelessly throughout the year to ensure that the Company delivers on its mandate to ensure service delivery to all. I am honoured to be your team captain and say a big thank you to you all.

We are facing the future with confidence. We shall strive to continue working as a team. With our unity of purpose, we are well prepared to steer the company to even greater heights.

Thank you.

Signature.....

Date...5/2/2021.

 **Mary Kamau**

Managing Director

IV. CORPORATE GOVERNANCE STATEMENT

The Principles of Corporate Governance are incorporated in the Water Sector to ensure that the Sector operates in a smooth and Co-ordinated manner. Water forms the backbone of any economy and therefore the county puts a lot of emphasis on any activity that promotes smooth running of the sector. The needs to have the Corporate Governance Principles in place are as follows: -

- (i) Ensure the profitability and efficiency of Water services delivery
- (ii) Create ethical business enterprises and their capacity to create wealth and employment
- (iii) Improve relationships between the different players in the water sector so as to be able to deliver quality affordable water in a sustainable manner
- (iv) Improve the relationship between such water enterprises and their various stakeholders comprising shareholders, managers, employees, customers, suppliers etc.

BOARD OF DIRECTORS

The Company has a no Board of Directors who gives direction to the company management. The Board is constituted and guided by the Articles and Memorandum of Association which are complimented by Water Service Regulatory Board's Corporate Governance Guidelines.

Composition of the board

The Board is constituted competitively using guidelines by the Water Service Regulatory Board and also the Articles of Association. Membership is drawn from various stakeholder groups representing various interest group with the host community e.g. business community, professional organizations, institutions, special interest groups etc. The Company has five (5) directors forming the Board. Three (3) are elected from the stakeholders using a process that ensures equitable distribution in both gender and regional balance while two (2) are appointed by the Governor. The Managing Director is the Secretary to the Board.

ROLE AND RESPONSIBILITIES

1. External Auditors the Committee shall:

- (i) Recommend external auditors for appointment by the Board including their compensation for all services; such external auditors shall report directly to the Committee and be independent of the Corporation.

Board meetings

The Board of Directors meet once every quarter i.e. four times a year safe for special sittings when need arises. The Board Committees meet twice a year each.

Remuneration

The Directors do not draw a salary but they are paid sitting allowances during Board or Committee meetings.

Evaluation of Performance

There are methods set out in the Corporate Governance Guidelines by WASREB on how to carry out self evaluation annually.

The Directors also sign a Code of Ethics that further enhance their evaluation.

Signature.....

Date...05/02/2021

 **Mary Kamau**

Managing Director

V. MANAGEMENT DISCUSSION AND ANALYSIS

Nyandarua Water and Sanitation is a Limited Company domiciled in Kenya and a registered office in Nyahururu town. The company is wholly owned by county government of Nyandarua in accordance with water Act 2016.

We have organised our operations in to teams that focus on specific area of specialisation to enable us quality service to our client.

This financial statement is prepared in accordance with international financial standard under historical cost convention on the accrual basis except for certain financial instrument which are measured at fair values; Wstf grant, budget comparison and provisions.

Opportunity and strength

- The company have diversified scheme i.e. Gatimu, Kibathi, Mairo-Inya, Ol-J/ Kangui, Kasuku and Kirima.
- The company have successfully operationalised Mairo-Inya scheme which was politically influenced.
- Our core strength is dedicated workforce.

Opportunities -demand for good infrastructure network.
-Higher budgetary allocation for expansion
-Construction of water treatment to meet demand.

Risk Concern

Nyandawas risk management consist of

- Identifying risk
- Assessment of risk
- Mitigation of risk
- Prioritization of risk
- Monitoring of risk

In general, the risk includes -credit risk
 -technical risk
 -political risk

Financial conditions

Sources of revenue

We derive our revenue from water sale, labour for new customer reconnection and some time tender sale.

Expenditure

As per the approved budget the company incurred cost on direct cost, administrative, operating personnel and finance cost to facilitate smooth running of the business.

Losses/surplus

Since inception the company have been operating at loss. This loss is attributed to regulatory levies which have been included in financial statement as cumulative provision. To break-even the company have written a letter requesting the concern bodies to waive the outstanding amount.

Trade receivable/payable

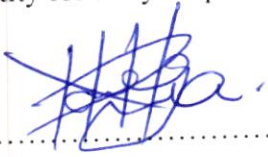
The total trade receivable amounted to Ksh.22, 670,067 and total payable is Ksh.21, 232,278
These receivables are unsecured and part of it relate to receivable which were inherited from the Leshau Karagoini and Kirima water project. This also is attributed by covid 19.

IV.REPORT OF THE DIRECTORS

During the financial year ended June 30, 2020 there were no directors hence there was no report of the directors.

Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with the Public Audit Act 2015 or Certified Public Accountants nominated by the Auditor General to carry out the audit of the entity for the year/period ended June 30, 2020 on his behalf.

Signature.....

Date...05/02/2021

 **Mary Kamau**
Managing Director

II. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act require the Directors to prepare financial statements in respect of that of the Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year.

The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2020. This responsibility includes:

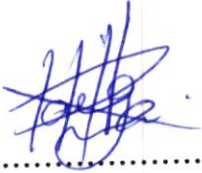
- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the Company;
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Public Financial Management Act, 2012 and (the State Corporations Act) – Companies should quote applicable legislation as indicated under).

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2020, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

Nyandarua water and sanitation company limited
Annual Reports and Financial Statements
For the year ended June 30, 2020

The Company's financial statements were approved by the Corporate Management Team on 05/02/2021 and signed on its behalf by:



.....
Mary Kamau

Managing Director

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NYANDARUA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nyandarua Water and Sanitation Company Limited set out on pages 19 to 55, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nyandarua Water and Sanitation Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inconsistencies in the Financial Statements

The following inconsistencies in the balances reflected in the financial statements were noted:

- 1.1 Note 1C to the financial statements reflects a total of Kshs.29,317,048 (2019: Kshs.24,790,551) for other income which differs with the computed total of Kshs.10,965,020 (2019: Kshs.9,755,637) resulting into a variance of Kshs.18,352,028 (2019: Kshs.15,034,914).
- 1.2 The statement of profit and loss and other comprehensive income reflects net loss after tax of Kshs.541,508 (2019 profit: Kshs.4,086,323) while the reconciliation of operating profit or loss on Note 15 to the financial statements reflects Kshs.552,543 (2019: Kshs.3,874,302) resulting into a variance of Kshs.11,035 (2019: Kshs.212,021).

- 1.3 Note 15 on reconciliation of profit or loss reflects an increase of Kshs.5,966,005 in receivables which differs with the re-computed increase of Kshs.5,977,279 resulting into a variance of Kshs.11,274.
- 1.4 The statement of profit or loss and other comprehensive income reflects a net loss of Kshs.541,508 while Note 26 to the financial statements on tax computation reflects a loss of Kshs.552,543 resulting into a variance of Kshs.11,035.

In the circumstance, the accuracy and completeness of the above balances included in the financial statements could not be confirmed.

2. Undisclosed Material Uncertainty Relating to Going Concern

The statement of financial position reflects current liabilities of Kshs.24,136,728 which exceeds the current assets balance of Kshs.23,159,454 resulting into a negative working capital of Kshs.977,274. In addition, the Company reported a loss of Kshs.541,508 further pushing the negative balance for retained earnings to Kshs.4,927,304 from the negative retained earnings balance of Kshs.4,385,796 reported as at 30 June, 2019. The material uncertainty relating to going concern has not been disclosed in the financial statements.

3. Unsupported and Undisclosed Non-Current Assets

As previously reported, included in the property, plant and equipment balance of Kshs.14,301,002 is land and water tanks valued at Kshs.1,000,000 and Kshs.4,000,000 respectively inherited from the Rift Valley Water Works Development Agency. However, handover and takeover meeting minutes and report was not provided.

Further, title deeds for various parcels of land at Olkangui, Gatimu, Kibathi and Shamata for the water treatment plants, pump station and water tanks all totaling to eleven (11) were not provided for audit review. The value of the properties was not included in the balance reported in the financial statements.

In the circumstance, the accuracy, completeness and ownership of the property, plant and equipment with a net book value of Kshs.14,301,002 as at 30 June, 2020 could not be confirmed.

4. Unsupported Trade and Other Payables

The statement of financial position and Note 14(a) to the financial statements reflect trade and other payables of Kshs.21,232,278 (2019-Kshs.16,461,265). However, the detailed creditors listing and the reason for the delayed settlement of the long outstanding amount of Kshs.10,955,848 owed to Rift Valley Water Services Board were not provided.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.21,232,278 as at 30 June, 2020, could not be confirmed.

5. Unsupported Customer Deposits

The statement of financial position reflects customer deposits balance of Kshs.2,904,450 (2018-Kshs.2,860,400) and as disclosed under Note 14b to the

financial statements. However, the deposits bank account had a balance of Kshs.14,148 resulting into a variance of Kshs.2,890,302. No evidence was provided that Management had obtained approval to utilize the deposits.

Consequently, the regularity of the utilization of the deposits and the ability of the Company to pay the deposits refund the as they fall due, could not be confirmed.

6. Unsupported Contract Staff Cost

The statement of profit or loss and other comprehensive income reflects personnel costs of Kshs.12,203,140 which as disclosed under Note 5(a) to the financial statements, includes contracted staff costs of Kshs.3,215,120. However, the approved attendance registers, statutory deductions and remittances, and national identity card numbers of the payees were not provided for audit.

Consequently, the accuracy and propriety of the payments amounting to Kshs.3,215,120 to contracted staff could not be confirmed.

7. Administration Costs

The statement of profit or loss and other comprehensive income reflects administration costs of Kshs.5,843,547. However, the supporting schedule and records provided reflected Kshs.6,010,459 resulting into a variance of Kshs.166,912. Further, as reflected under Note 3 to the financial statements, the Company incurred Kshs.455,550 for motor bike repair. However, reports of the breakdowns by the user, approval to undertake the repair, details of the repairs or records on the procurement proceedings for the service provider were not provided.

Consequently, the accuracy and propriety of administration costs of Kshs.5,843,547 for the year ended 30 June, 2020 could not be confirmed.

8. Cash and Bank Balances

The statement of financial position reflects a bank balance of Kshs.119,599 which as disclosed under Note 13(a) to the financial statements, included Kshs.19,537 which was held in a SACCO Society account. Although Management explained that the SACCO account was inherited together with a Community Based Water Project and that they were in the process of seeking Board approval to close the account, the regularity of operating the account, could not be confirmed.

In addition, the reported bank balance of Kshs.119,599 was arrived at after offsetting the overdrawn bank balance of Kshs.1,915 held in a local bank as at 30 June, 2020 instead of disclosing the overdrawn balance separately under current liabilities as required under paragraph 32 of International Accounting Standards No.1 – Presentation of Financial Statements.

In the circumstances, the accuracy and propriety of the reported balance for cash and cash equivalents could not be confirmed.

9. Long Outstanding and Unsupported Receivables

The statement of financial position and Note 16 to the financial statements, reflect trade receivables of Kshs.22,670,067. However, the creditors aging analysis provided revealed that receivables amounting to Kshs.13,390,500 or 59% had been uncollected

for a period exceeding one-hundred and twenty (120) days. No evidence of the measures taken by the Management to ensure that the receivables were collected was provided.

In addition, supporting documents for receivables amounting to Kshs.4,240,383 were not provided.

In the circumstances, the accuracy and full recoverability of the trade receivables balance of Kshs.22,670,067 could not be confirmed.

10. Non-Compliance with the Financial Reporting Guidelines

In the prior year, several issues were raised under Basis for Adverse Opinion, Other Matter, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance. However, the actions taken by Management to resolve the issues or to implement the auditor's recommendations have not been provided.

In the circumstances, the financial reporting guidelines issued by the Public Sector Accounting Standards Board pursuant to the requirements of Section 194(1) of the Public Finance Management Act, 2012 had not been adhered to.

11. Unsupported Project Costs

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements, reflects projects costs of Kshs.4,969,507 relating to Upscaling Basic Sanitation for the Urban Poor (UBSUP) Project funded by the Water Sector Trust Fund. However, adequate supporting documents for Kshs3,995,006, Kshs.420,739 and Kshs.113,054 for toilet subsidies, social animators' cost and project administrators expenses respectively, were not provided.

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

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Filing of Annual Returns

Section 705 of the Companies Act, 2015 provides the duty of Companies to lodge annual returns with Registrar. However, the Company had not filed its annual returns.

The Company was, therefore, in breach of the law.

2. Unsupported Share Capital

Note 19 to the financial statements indicates that the Company is limited by guarantee. Further, the Memorandum and Articles of Association indicate the entity is a public company limited by guarantee and incorporated on 1 July, 2009. However, there was no evidence to confirm that the Memorandum and Articles of Association were registered with the Registrar of Companies as required by sections 12 and 13 of the Companies Act, 2015. Further, Section 83 of the Water Act, 2016 stipulates that the water companies are owned by the respective county governments. No evidence of the steps undertaken to regularize the inconsistency was provided.

In the circumstance, the legality of the registration of the Company could not be confirmed.

3. Non-Revenue Water

Available records indicates that the Company produced 508,738 cubic meters (M³) of water, of which only 266,930 were billed to customers leaving out the balance of 241,808 M³ or 47.5% of the production as Non-Revenue Water (NRW). The NRW exceeded the set threshold of 25% as approved by the Water Services Regulatory Board (WASREB) guidelines.

The significant level of non-revenue water is an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services.

4. Lack of Human Resource Policy and Approved Staff Establishment

The statement of profit or loss and other comprehensive income reflects personnel cost of Kshs.12,203,140. The Company had forty-nine (49) members of staff.

However, the Company did not have a human resource policy. In addition, the staff establishment and the salary structure had not been approved by Board of Directors. In the circumstances, the propriety of the personnel costs expenditure could not be confirmed.

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 matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Risk Management Policy

Section 158(1) of the Public Finance Management (County Government) Regulations, 2015 provides that a county government entity should develop risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations. However, the Company did not have a risk management policy, a business continuity plan and a disaster recovery plan.

In the absence of a risk management policy, a business continuity plan and a disaster recovery plan, the Company may not be able to recover quickly in the event of a disaster. Management was also in breach of the law.

2. Lack of Internal Audit Function

Section 155(a) of the Public Finance Management Act, 2012 provides that a county government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Public Sector Accounting Standards Board. However, the Company did not have an internal audit department and no internal audits were carried out in the year under review.

In the circumstances, the effectiveness of the Company's system of internal controls could not be confirmed.

3. Lack of Board of Directors

The Company did not have a Board of Directors as required under Section 128(2).

In the circumstances, there was no oversight over the financial reporting process, compliance with laws and regulations and adequacy and effectiveness of the control environment.

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 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 Companies Act, 2015, I report based on my 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 Company, so far as appears from the examination of those records; and
- iii. The Company's 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 (IFRS) 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 overall governance.

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

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

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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

11 February, 2022

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR
 THE YEAR ENDED 30 JUNE 2020**

	Note	2019-2020	2018-2019
		Kshs	Kshs
REVENUES			
Revenue	1(a)	31,967,370	26,575,748
Cost of sales	2	(16,722,782)	(15,595,094)
		15,244,588	10,980,654
GROSS PROFIT			
In kind contribution	1(b)	3,107,440	4,054,260
Other Income	1(c)	10,965,020	9,755,637
		29,317,048	21,790,551
OPERATING EXPENSES			
Administration Costs	3	5,843,786	5,138,149
Selling Costs/ Operation & maintenance	4	3,668,135	3,291,337
Personnel cost	5(a)	12,203,140	12,228,364
In kind contribution	5(b)	3,107,440	-
Ubsup toilet subsidies	6	4,969,507	-
		29,792,008	20,657,850
OPERATING DEFECIT		(474,960)	4,132,701
Finance cost	7	66,548	46,378
		541,508	4,086,323
Net (deficit)/before tax			
Tax			
Net loss after tax		(541,508)	4,086,323

Nyandarua water and sanitation company limited
Annual Reports and Financial Statements
For the year ended June 30, 2020

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	8	14,301,002	16,393,446
Intangible assets	9	936,334	1,966,667
Total Non-Current Assets		15,237,336	18,360,113
Current Assets			
Inventories	10	87,288	47,857
Trade receivables	12	22,670,067	16,692,788
Other receivables	11	282,500	282,500
Cash and Bank balances	13(a)	119,599	516,583
Total Current Assets		23,159,454	17,539,728
Total Assets		<u>38,396,790</u>	<u>35,899,841</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital	17	5,304,334	5,304,334
Retained earnings	20	(4,927,304)	(4,385,796)
Inherited capital gain	21	5,000,000	5,000,000
WSTF grant	22	8,883,032	10,659,639
Capital and Reserves		14,260,062	16,578,177
Current Liabilities			
Trade and other payables	14(a)	21,232,278	16,461,265
Customer deposit	14(b)	2,904,450	2,860,400
Total Current Liabilities		24,136,728	19,321,665
TOTAL EQUITY AND LIABILITIES		38,396,790	35,899,841

The financial statements were approved on 5/2/2021 and signed on its behalf by:

Managing Director

Name: Mary Kamau

Sign: _____

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Head of Finance

Name: Joel Gichuki

Sign _____

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Capital	Retained earnings	Total
	Kshs	Kshs	Kshs
At July 1, 2018	5,304,334	(10,744,947)	(8,426,246)
Surplus for the year	-	2,272,828	-
Profit/Loss for the year	-	4,086,323	
	-		-
At June 30, 2019	5,304,334	(4,385,796)	(8,426,246)
At July 1, 2019	5,304,334	(4,385,796)	918,538
	-	-	
Profit/Loss for the year	-	(541,508)	(541,508)
	-	-	
	-		
	-	-	
At June 30, 2020	5,304,334	(4,927,304)	377,030

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	15	1,379,862	2,757,827
Net cash generated from/(used in) operating activities		1,379,862	2,757,827
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment			
Purchase of intangible assets			(1,600,000)
Net cash generated from/(used in) investing activities		1,379,862	1,157,827
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash generated from/(used in) financing activities		1,776,607	(1,776,607)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			(618,780)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		516,584	1,135,364
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	13(b)	119,599	516,584

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	ORIGINAL BUDGET	ACTUAL COMPARABLE BASIS	PERFORMANCE DIFFERENCE	REMARKS
	2019-2020	2019-2020	2019-2020	2019-2020
	Kshs	Kshs	Kshs	
Revenue	36,700,000	31,967,370	4,732,630	
Meter rent	150,000	179,150	(29,150)	Increase in metering
Reconnection fee	4,000,000	5,446,600	(1,446,600)	Increase in disconnection
Seconded staff	4,054,260	3,107,440	946,820	In kind contribution
WSTF Grant	5,054,650	5,054,650	-	
misc	50,000	94,420	(44,420)	Increase of testing charges
Labor fee	50,000	29,050	20,950	Reduction in new consumer connections
penalty	50,000	161,150	(111,150)	Illegal connections detected
Total income	50,108,910	46,039,830	4,069,080	
Expenses				
Direct cost	16,300,000	16,722,782	(422,782)	Increased tariff
Administrative	6,101,200	5,843,786	257,414	Saving due to covid
Staff cost	13,400,000	12,203,140	1,196,860	Less Increased no of staff
Project cost	5,054,650	4,969,507		
Operation and maintenance	1,391,000	3,668,135	(2,277,135)	Due to depreciation and amortization
In kind contribution	4,054,250	3,107,440	946,820	Seconded staff from the county
Finance cost	50,000	66,548	(16,548)	Bank charges
Total expenditure	49,351,110	46,581,338	2,769,772	
Surplus for the period	757,800	(541,508)		

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Nyandarua water and sanitation Company Ltd. is established by and derives its authority and accountability from Water Act 2016. The Company is wholly owned by the Government of Kenya and is domiciled in Kenya. The Company's principal activity is water.

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 Company'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.

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

The financial statements have been prepared in accordance with the Public Finance Management Act, the State Corporations Act (include any other applicable legislation), and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

International Financial Reporting Standards (IFRS) 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019(Continued)

International Financial Reporting Interpretation Committee 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under International Accounting Standards 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to International Financial Reporting Standards (IFRS) 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

Amendments to International Accounting Standards 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that a Company applies International Financial Reporting Standards (IFRS) 9, rather than International Accounting Standards 28, in accounting for long-term interests in associates and joint ventures.

Amendments to International Financial Reporting Standards (IFRS) 3 - Annual Improvements to International Financial Reporting Standards (IFRS) 2015–2017 Cycle, issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020(Continued)

Amendments to International Financial Reporting Standards (IFRS) 11 - Annual Improvements to International Financial Reporting Standards (IFRS) 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

Amendments to International Accounting Standards 12 - Annual Improvements to International Financial Reporting Standards (IFRS) 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where it originally recognised the transactions to which they are linked.

Amendments to International Accounting Standards 23 - Annual Improvements to International Financial Reporting Standards (IFRS) 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to International Accounting Standards 19- titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires a company to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the company re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

International Financial Reporting Standards (IFRS) 17 Insurance Contracts (Issued 18 May 2017)

International Financial Reporting Standards (IFRS) 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. International Financial Reporting Standards 17 supersedes International Financial Reporting Standards 4 Insurance Contracts as of 1 January 2021.

Amendments to References to the Conceptual Framework in International Financial Reporting Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

Together with the revised Conceptual Framework published in March 2018, the International Accounting Standard Board also issued Amendments to References to the Conceptual Framework in International Financial Reporting Standards. The International Financial Reporting Standards (IFRS) document contains amendments to International Financial Reporting Standards (IFRS) 2, International Financial Reporting Standards 3, International Financial Reporting Standards (IFRS) 6, International Financial Reporting Standards (IFRS) 14, International Accounting Standard 1, International Accounting Standard 8, International Accounting Standard 34, International Accounting Standard 37, International Accounting Standard 38, Financial Reporting Interpretation Committee 12, Financial Reporting Interpretation Committee 19, Financial Reporting Interpretation Committee 20, International Financial Reporting Interpretation Committee 22, and Standard Interpretation Committee-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to the International Accounting Standard Committee framework adopted by the International Accounting Standard Board in 2001, the International Accounting Standard Board framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

iii) **Early adoption of standards** Nyandarua Water & Sanitation Company Ltd. did not early – adopt any new or amended standards in year 2019-2020.

iii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognised in the year in which the entity 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 Nyandarua water and sanitation co. 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) **Other income** is recognised as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the entity 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 entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Property, plant and equipment

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

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

A partial depreciation charge is recognised 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 recognised so that the asset is written down immediately to its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

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

g) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories

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

j) 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.

k) Taxation

Current income tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

Current income tax (Continued)

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 Nyandarua water & sanitation co. operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and

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

Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

Deferred tax (Continued)

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

l) 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.

m) 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.

n) 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 entity or not, less any payments made to the suppliers.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2019. 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.1,080 per employee per month.

p) 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.

q) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity 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.

r) Budget information

The original budget for Financial Year 2018-2019 was approved by the Board of directors. 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 entity upon being approved by the board in order to conclude the final budget.

The 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) Budget information (Continued)

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 page 23 of these financial statements.

s) Service concession arrangements

Nyandarua Water & Sanitation Company Ltd. 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 Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

t) Comparative figures

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

u) 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, 2020.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of Nyandarua water & sanitation co. 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.

State all judgements, estimates and assumptions made: e.g.

5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

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

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

Provision for bad debt

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 16.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. REVENUE

(a) Total billing for the year

	2019/2020	2018/2019
	Kshs	Kshs
Gross sales of goods	31,967,370	26,575,748
Total	31,967,370	26,575,748

2. LESS: COST OF SALES

	2019/2020	2018/2019
	Kshs	Kshs
Chemical cost	394,592	535,921
Water bill	9,787,560	7,684,519
Kplc bill	3,878,560	4,594,354
Supply for production	2,662,070	2,780,300
Total	(16,722,782)	(15,595,094)

1 (b) In kind contribution

	2019/2020	2018/2019
	Kshs	Kshs
Recurrent salaries	3,107,440	4,054,260
Total	3,107,440	4,054,260

1 (c) OTHER INCOME

	2019- 2020	2018- 2019
Description	Kshs	Kshs
Reconnection	5,446,600	7,027,500
Labour for new connections	29,050	152,500
Over provision of rvwsb		212,020
Misc	94,420	174,860
Meter rent	179,150	167,150
Deferred income from grant(restated)		1,776,607
Penalties	161,150	245,000
Wstf project	5,054,650	
Total revenue	29,317,048	24,790,551

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADMINISTRATION COSTS

Description	2019-2020	2018-2019
	Kshs	Kshs
Abstraction fees	288,087	561,790
RVWSB		-
Wasreb (4%)	1,278,695	868,434
Waspa	25,000	55,000
NSSF	489,556	284,368
Audit fees provision	255,200	255,200
Airtime	482,500	307,100
Full board allowances		131,800
Office water & lighting	50,573	23,235
Licenses, permits	16,800	16,500
Travel and sub	784,850	984,150
Office expenses	404,964	270,319
Printing, stationery, computers and accessories	558,491	380,720
Staff welfare	112,000	81,100
Seminars and training	255,600	268,000
Telephone and postage/ internet	139,238	126,173
Rentokil	18,750	15,160
CSR		30,000
Insurance	59,482	30,000
Software main	120,000	120,000
Rent	9,450	60,000
Motor bike repair	455,550	139,550
Motor vehicle repair	39,000	129,550
Total	5,843,786	5,138,149

4. OPERATIONS AND MAINTENANCE COSTS

Description	2019-2020	2018-2019
	Kshs	Kshs
Fuel	320,000	283,750
Tax arrears		-
Uniform and soap	100,400	-
Provision Bad debt	37,128	109,878
Amortization	1,030,333	633,333
Depreciation charge provision	2,092,444	2,092,444
Repair and maintenance equipment	87,830	171,932
Total	3,668,135	3,291,337

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. (a) Personnel costs

Description	2019-2020	2018-2019
	Kshs	Kshs
Seconded and permanent staff salaries	7,607,320	9,037,276
Management allowances	1,200,000	1,020,000
Contracted staff	3,215,120	2,086,088
Staff bonus	111,500	85,000
Other wages	69,200	-
Total	12,203,140	12,228,364
b) In kind contribution	3,107,440	
The average number of employees at the end of the year was:		
Permanent staff	24	21
Seconded staff	5	5
contracted	20	20
Total	49	46

6. project cost (ubsup toilet subsidies)

Description	2019-2020	2018-2019
	Kshs	Kshs
Social animators' cost	420,739	
Social marketing	428,694	
Project administration	113,054	
Toilet subsidies	3,995,000	
Bank charges	12,020	
Total	4,969,507	0

7. FINANCE COSTS

Description	2019-2020	2018-2019
	Kshs	Kshs
Bank charges	66,548	46,378
Total	66,548	46,378

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. PROPERTY, PLANT AND EQUIPMENT

	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Total
COST OR VALUATION	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At June 30, 2018	1,000,000	14,212,853	4,000,000	394,940	306,266	127,000	1,120,000	21,161,059
Additions						-		
At July 1, 2018	1,000,000	14,212,853	4,000,000	394,940	306,266	127,000	1,120,000	21,161,059
Cost 1 July 2018								
additions								
Inherited assets								
Cost as at 30 June, 2019	<u>1,000,000</u>	<u>14,212,853</u>	<u>4,000,000</u>	<u>394,940</u>	<u>306,266</u>	<u>127,000</u>	<u>1,120,000</u>	<u>21,161,059</u>
DEPRECIATION	0	-	0					
At July 1, 2018		1,776,607		364,107	238,580	15,875	280,000	2,675,169
Charge for the year		1,776,607		13,750	6,212	15,875	280,000	2,092,444
Depreciation								
As at 30 June 2019		3,553,214		377,857	244,792	31,750	560,000	4,767,613
NET BOOK VALUE At June 30, 2019								
At June 30 2019	<u>1,000,000</u>	<u>10,659,639</u>	<u>4,000,000</u>	<u>17,083</u>	<u>61,474</u>	<u>95,250</u>	<u>560,000</u>	<u>16,393,446</u>
At June 30 2018	<u>1,000,000</u>	<u>12,436,246</u>	<u>4,000,000</u>	<u>30,833</u>	<u>67,686</u>	<u>111,125</u>	<u>560,000</u>	<u>19,982,497</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, plant and equipment include the following items that are fully depreciated:

	Normal cost or valuation	Annual depreciation charge
	2019-2020 Kshs	2018-2019 Kshs
Computers and related equipment	349,107	231,388
Office equipment, furniture and fittings	256,566	256,566
Totals	605,673	487,954
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

		Computers & related equipment	Generators & related equipment	Office equipment & fittings	Water pumps	Motor bikes	Total	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
COST OR VALUATION								
At June 30, 2019	<u>1,000,000</u>	<u>14,212,853</u>	<u>4,000,000</u>	<u>394,940</u>	<u>306,266</u>	<u>127,000</u>	<u>1,120,000</u>	<u>21,161,059</u>
Additions								
At July 1, 2019	1,000,000	14,212,853	4,000,000	394,940	306,266	127,000	1,120,000	21,161,059
Cost 1 July 2019								
additions								
Inherited assets								
Cost as at 30 June, 2020	<u>1,000,000</u>	<u>14,212,853</u>	<u>4,000,000</u>	<u>394,940</u>	<u>306,266</u>	<u>127,000</u>	<u>1,120,000</u>	<u>21,161,059</u>
DEPRECIATION								
At July 1, 2019	0	3,553,214	0	377,857	244,792	31,750	560,000	4,767,613
Charge for the year		1,776,607		13,750	6,212	15,875	280,000	2,092,444
Accumulated Depreciation As at 30 June 2020		<u>5,329,821</u>		<u>391,607</u>	<u>251,004</u>	<u>47,625</u>	<u>840,000</u>	<u>6,860,057</u>
NET BOOK VALUE At June 30, 2020								
At June 30 2020	<u>1,000,000</u>	<u>8,883,032</u>	<u>4,000,000</u>	<u>3,333</u>	<u>55,262</u>	<u>79,375</u>	<u>280,000</u>	<u>14,301,002</u>
At June 30 2019	<u>1,000,000</u>	<u>10,659,635</u>	<u>4,000,000</u>	<u>17,083</u>	<u>61,474</u>	<u>95,250</u>	<u>560,000</u>	<u>16,393,446</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, plant and equipment include the following items that are fully depreciated:

	Normal annual or depreciation charge	Annual depreciation charge
	2019-2020 Kshs	2018-2019 Kshs
Computers and related equipment	349,107	349,107
Office equipment, furniture and fittings	256,566	256,566
Totals	605,673	605,673
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. INTANGIBLE ASSETS

	2019-2020	2018-2019
	Kshs	Kshs
COST		
At July 1	3,100,000	1,500,000
Additions	-	1,600,000
Amortisation	(1,133,333)	(500,000)
Amortisation charge for the year	(1,030,333)	(633,333)
NET BOOK VALUE	936,334	1,966,667

[Intangible asset relates to billing software acquired during the year.]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. INVENTORIES

	2019-2020	2018-2019
	Kshs	Kshs
Chemicals	87,288	47,857
	<u>87,288</u>	<u>47,857</u>

[Inventory is valued at the lower value, market value and net realizable value]

11. OTHER RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Nyahuwasco (deposit for bulk water connection)	57,500	57,500
KPLC (deposit)	225,000	225,000
	<u>282,500</u>	<u>282,500</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. TRADE RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Opening balance	17,147,029	12,520,686
Add :Total billings	31,967,370	26,575,748
Less: Total collections	(30,114,725)	(23,955,064)
Total: Trade Receivables	18,999,674	15,141,370
Provision bad debt	(569,990)	(454,241)
Other debtors	4,240,383	2,005,659
Total receivables	22,670,067	16,692,788

	2019-2020	2018-2019
	Kshs	Kshs
The ageing analysis of the gross trade receivables were as follows		
Below 3 months	9,268,269	5,197,768
Over 120 days	13,390,500	11,495,020

[provision for bad debt is estimated at the rate of 3% gross trade receivable which is received every financial year by the board.
 Other debtors relate to reconnection arrears and meter rent]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13(a) CASH AND BANK BALANCES

	2019-2020 Kshs	2018-2019 Kshs
Bank	119,599	516,583
At end of the year	<u>119,599</u>	<u>516,583</u>

At end of the year	2019-2020 Kshs	2018-2019 Kshs
KCB (1102124575)	2,686	30,164
KCB (1102121584)	(1,915)	161,191
Equity	14,148	97,432
Vikas Sacco	19,537	227,795
WSTF Ubsup project	85,143	
Total	<u>119,599</u>	<u>516,583</u>

13 (b) cash and cash equivalents

	2019-2020 Kshs	2018-2019 Kshs
Cash and bank balances	119,599	516,583.46
Cash and cash equivalent	<u>119,599</u>	<u>516,583.46</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14(a) TRADE AND OTHER PAYABLES

	2019-2020	2018-2019
	Kshs	Kshs
Water resource management authority	336,313	317,680
Rift valley water service board	10,955,848	10,955,848
Water service provider association	350,000	375,000
Water service regulatory body	2,106,825	918,130
Nyahwasco	3,889,587	567,524
Rentol kill	-	3,790
Car and General	-	-
Smart people Africa	300,000	600,000
Payroll deductions	-	179,073
Kenya Power and Lighting Company	1,207,306	455,848
External auditors	2,086,400	1,831,200
Tax arrears		257,172
TOTAL	21,232,278	16,461,265

14 (b) customer deposit

	2019-2020	2018-2019
	Kshs	Kshs
Opening balance	2,860,400	2,480,000
Collected within the year	99,050	435,400
Refund within the year	(55,000)	(55,000)
Closing balance	2,904,450	2,860,400

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO CASH GENERATED FROM/ (USED IN) OPERATIONS

	2019-2020	2018-2019
	Kshs	Kshs
Operating profit/(loss)	552,543	3,874,302
Depreciation	2,092,444	2,092,444
amortisation	1,030,333	633,333
Prior year adjust	-	2,272,828
(Gain)/loss on disposal of property, plant & equipment	-	-
Operating profit/(loss)before working capital changes	2,570,234	8,872,908
Increase in prepayments		-
(Increase)/decrease in inventories	(39,431)	(2,607)
Increase)/decrease in trade and other receivables	(5,966,005)	(4,516,465)
Increase/(decrease) in trade and other payables	4,771,014	(2,188,428)
Increase/(decrease) in customer deposit	44,050	380,400
Cash generated from/ (used in) operations	1,379,862	2,757,827

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. RELATED PARTY DISCLOSURES

A **related party** is an entity that is **related** to the entity that is preparing financial statements (referred to as the reporting entity).

a) National Government

The company relates to the national government through the ministry of water irrigation which sets policy guidelines. There was no transaction within the financial year.

b) County Government of Nyandarua

During the financial year the company received:

INKIND CONTRIBUTION

	2019-2020	2018-2019
	Kshs	Kshs
Salaries	3,107,440	4,054,260
Total	3,107,440	4,054,260

Seconded staffs are:

Basilio Gachiri
 Peter Ndegwa
 Hannah Mwangi
 Cecilia Waweru
 John Kiberenge

Designation

MD
 TM
 Snr Supt water
 Snr inspector water
 S.CH Building

NOTES TO THE FINANCIAL STATEMENTS (Continued)

C. Rift valley water services board

There was no transaction during the financial year.

d. Board of director.

	2019-2020	2018-2019
	Kshs	Kshs
Sitting allowance		131,800
		131,800
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e. Top-up allowances

The Managing director and the Technical manager don't earn salaries and are only given Allowances as follows per month;

	2019-2020	2018-2019
	Kshs	Kshs
Top-up allowances		
Managing Director	50,000	50,000
Technical Manager	35,000	35,000
Total	85,000	85,000

17. Capital

The capital was derived from opening balances from the ministry of water and irrigation during the inception of the company, which amounted to Kshs. 5,304,334

18. Retirement benefit obligation.

Some employees are seconded from the county government of Nyandarua of which the obligation lies with the county government.

Some employees are employed by the company of which the obligation lies with the company.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Share capital

The company is limited by guarantee without share capital.

20. Revenue reserve.

This refers to accumulated losses over the year

		2019-2020 Kshs	2018-2019 Kshs
	Accumulated losses	(4,385,796)	(4,385,796)
	Tax provision year 2017/2018	0	3,040,000
	Less agreed amount	0	(767,172)
	Accumulated loss after adjustment	(4,385,796)	
21	Inherited capital gain	5,000,000	5,000,000
22	Wstf project	8,883,032	10,659,639

23. The Entity is domiciled in Kenya

24. The reporting currency is Kshs.

25. Non-Revenue water (NRW)

This is water that has been produced but has not been sold.

To minimise non-revenue the management has installed 6 zonal meters to date and has increased additional field staff.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. TAX COMPUTATION

	2019-2020	2018-2019
	Kshs	Kshs
Profit and loss	(552,543)	3,853,383
ADD: Depreciation	2,092,444	2,092,444
Amortisation	1,030,333	633,333
Bad debt provision	48,402	129,547
	2,618,636	6,729,626
Less: wear and tear	(761,310)	(1,108,268)
Adjusted taxable profit	1,857,326	5,621,358
Loss b/d	(4,567,205)	10,400,584
Loss b/f	2,709,879	4,779,226

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Wear and tear allowance 2018-2019

	Furniture & fitting Kshs	Computers Kshs	Water pump Kshs	Motor bikes Kshs	software Kshs	Totals Kshs
WVD:01/07/2018	67,686	30,833	111,125	840,000	1,000,000	2,049,644
Addition	-	-	-	-	1,600,000	1,600,000
Disposal	-	-	-	-	-	-
	67,686	30,833	111,125	840,000	2,600,000	3,649,644
Wear and tear for the year	8,461	9,250	13,891	210,000	866,667	1,108,268
WVD 30/06/2019	59,225	21,583	97,234	630,000	1,733,333	2,541,376

Wear and tear allowance 2019-2020

	Furniture & fitting Kshs	Computers Kshs	Water pump Kshs	Motor bikes Kshs	software Kshs	Totals Kshs
WVD:01/07/2019	59,225	21,583	97,234	630,000	1,733,333	2,541,376
Addition	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
	7,403	6,475	12,154	157,500	577,778	761,310
WVD 30/06/2020	51,822	15,108	85,080	472,500	1,155,555	1,780,066

27. Inter entity transaction

During the year there were no transactions.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Progress on follow ups auditor's recommendations

The following is the issue raised by the external auditor: management comments and the vocal person to resolve issue raised

Reference no. of the audit report	Observation from the auditor	Vocal person (name & designation)	Status (resolved/not resolved)	Time frame

The financial statements were approved on 5 February 2021 and signed on
 Its behalf by:

Mary Kamau

Managing Director.

Report not yet received.

