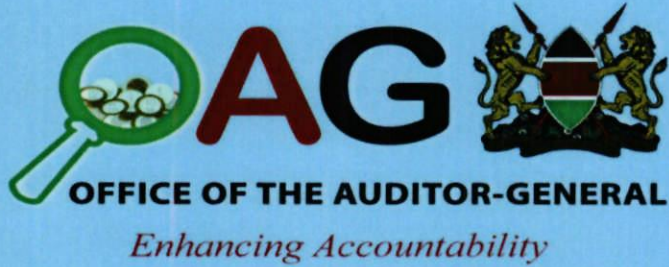


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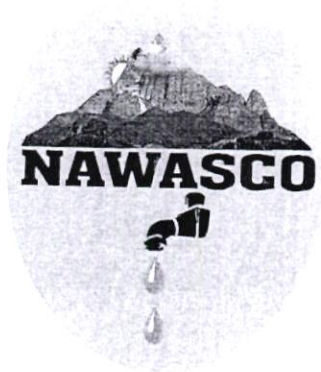
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NANYUKI WATER AND SEWERAGE
COMPANY LIMITED

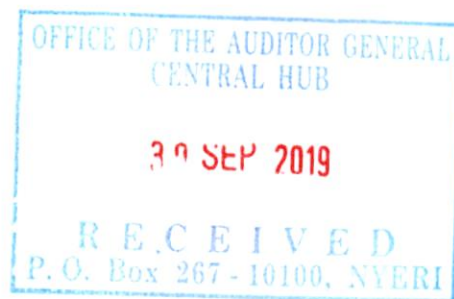
FOR THE YEAR ENDED
30 JUNE, 2019

PAPERS LAID	
DATE	10/02/2022
TABLED BY	SENATE MAJORITY LEADER
COMMITTEE	
CO-SPEAKER AT THE TABLE	GETRUPA





NANYUKI WATER AND SEWERAGE COMPANY LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019





NANYUKI WATER & SEWARAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2019

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NANYUKI WATER & SEWAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2019

KEY ENTITY INFORMATION

BACKGROUND INFORMATION

The enactment of the Water Act 2002 led to the creation of Water Services Regulatory Authority (WASREB), Water Service boards and Water Service Providers to spearhead the water sector reform programme. NAWASCO is a Water Service Provider, a company limited by shares and incorporated under the Companies Act of Kenya and operates under supervision of Northern Water Services Board.

NAWASCO has been mandated by Northern Water Services Board through a Service Provision Agreement (SPA) to carry out water and sewerage services in the County Government of Laikipia, Nanyuki town and its environs. The company takes charge of public resources in order to provide quality, affordable, reliable, sustainable and portable water and sewerage in the target community. NAWASCO is wholly owned by Laikipia County Government.

PRINCIPAL ACTIVITY

The mandate of NAWASCO is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in Nanyuki and its environs.

MAIN BUSINESS ACTIVITY

The company's main strategic objectives are:

- a) Increase access to clean and safe drinking water and sanitation services,
- b) Grow financial and commercial position and viability,
- c) Provide timely, quality and reliable services,
- d) Strengthen organizational structures and operational processes,
- e) Strengthen people and communication systems.

RESULTS

The entity's results for the year ended 30th June 2019 are set out on pages 15-41

DIRECTORS

The members of the Board of Directors who served during the year are shown on page 6 and 7

AUDITORS

The Auditor General is responsible for the statutory audit of the entity in accordance with the Public Finance Management Act. He is also empowered by the Public Audit Act to nominate other auditors to carry out the audit on his behalf.

VISION

Premiere utility in excellent service delivery.

MISSION

To sustainably provide excellent water and sanitation services through professional and competitive practices to the satisfaction of all our stakeholders.

CORE VALUES

1. Integrity and professionalism,
2. Respect for diversity,
3. Environmental sustainability,
4. Stakeholder participation,
5. Teamwork and result oriented.

REGISTERED OFFICE

Nanyuki Water and Sewerage Company Ltd

NAWASCO Building

Nanyuki – Meru Road

P.O.Box 995- 10400

NANYUKI

COMPANY SECRETARY

CS Muriithi Kingori

Kingstone Registrars

P.O. Box 1494 –10400

AUDITORS

Nanyuki.

Auditor General

P. O. Box 30084 – 00100

Nairobi

PRINCIPLE BANKERS

Kenya Commercial Bank Limited

Nanyuki Branch

P.O. Box 323-10400

Nanyuki

LAWYERS

Joseph Mwangi

Advocate and Commissioner for oaths








P.O. Box 1244 - 10400

Nanyuki

NANYUKI WATER AND SEWERAGE COMPANY LIMITED



LIST OF BOARD MEMBERS

The Board members who held office during the year were:

O	NAMES & ADDRESS	Representing	Remarks	Y.O.B	Date of appointment	Qualifications	
	Yusuf Mohamed P.O Box 995-10400 Nanyuki	Faith based organisations	Chairman	20/02/1962	19 th Feb 2014- todate	O' Level	
	Winrose Nyaguthi Mwangi P.O. Box 995-10400 Nanyuki	Women Organisations	Member	21/05/1969	6 th Feb 2014-todate	Cert. Secretarial Paralegal & Community Development	
	Mike Kingori P.O Box 995-10400 Nanyuki	Company Secretary	Company Secretary	1969	27 th Nov 2012	CPS	
4.	Eng Gideon Maina Thuku P.O. Box 995-10400 Nanyuki	County Government	Member	25/05/1955	12 th Oct 2017- 12 th Oct 2023	B.TECH ENG MSC ENG.	
5.	Ms Jane Nyawira Kiama P.O. Box 995-10400 Nanyuki	County Government	Member	08/08/1968	25 th May 2018-todate	CPA	
6.	Sammy Murithi Kabaya P.O. Box 995-10400 Nanyuki	Youth	Member	13/02/1988	13 th Oct 2016- to-date	O' Level Diploma Business Management	
7.	Lawrence Ashford Nteere	Residents Organization	Member	1952	19 th February 2019-20 th February 2022	Degree Civil Engineering	

NANYUKI WATER AND SEWERAGE COMPANY LIMITED

LIST OF BOARD MEMBERS

NO	NAMES & ADDRESS	Representing	Remarks	Y.O.B	Date of appointment	Qualifications	
	M/s Nancy Njeri Githu P.O. Box 995- 10400 Nanyuki	Disabled	Member	1969	13 th Dec 2016-todate	A' Level Certificate Secretarial	
o.	CPA Esther Murungi Ndegwa P.O. Box 995- 10400 Nanyuki	Professionals	Member	1957	19 th February 2019-20 th February 2022	C.P.A (K)	

The following director retired within the year under audit

1	Joseph M Muthurania P.O Box 995- 10400 Nanyuki	Resident Organisations	Member	02/03/ 1949	2013-2018		
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BY ORDER OF THE BOARD






For and on its behalf

 Date 30/09/2019

MANAGING DIRECTOR

NANYUKI WATER AND SEWERAGE COMPANY LIMITED

MANAGEMENT TEAM

NO	MANAGEMENT	Designation	Y.O.B	Qualifications	
	Kennedy Gitonga P.O Box 995-10400 Nanyuki	Managing Director	1976	Bsc(Civil Engineering)	
2	WachiraGakuru P.O Box 995-10400 Nanyuki	Commercial Manager	6 th Oct 1963	B.Com (Accounting option)	
	Willy Kariuki Kamau P.O Box 995-10400 Nanyuki	Technical Services Manager	29 th July 1978	Bsc Water & Environmental Engineering	
	Caroline Kihonge P.O. Box 995-10400 Nanyuki	Human Resource Manager	19 th March 1982	LLB CHRP	
5.	Paul Mwangi P.O. Box 995-10400 Nanyuki	Financial Accountant	8 th January 1971	B.A (Economics), CPA (K) MN.4931	

NANYUKI WATER & SEWAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2019

REPORT OF THE CHAIRMAN

It is my pleasure to release our annual report and financial statements for the year ended 30th June 2019. The period has had its challenges and it is quite evident that there exists a gap whereby capacity must be built to enable all parties appreciate the role of NAWASCO, its challenges and how the County Government can intervene.

Early in the period of reforms in the water sector (before year 2002), it was recognized that if water services were to be eventually sustainable so that operation and maintenance expenses could be covered, facilities rehabilitated and expanded so as to eventually cover every homestead, water services revenues were to be safeguarded and ring fenced so that they were ploughed back exclusively to the water sector to grow it. Please refer to chapter 1 and Chapter 2 of the National Water Services Strategy 2007 -2015. For the last 10 years Water Services Regulatory Board (WASREB) has been nurturing ring fencing of assets and revenues to ensure that the water companies are able to perform the services optimally.

1. The Public view of NAWASCO as a profit-making organization. Procedures of tariff application which are based on bare cost recovery need to be clearly explained to them.
2. The difference between irrigation and domestic water need to be explained as the two have been seen as one and the same. There is an upsurge of irrigation water being used for domestic purposes. This is in contravention of the conditions under which irrigation water is licensed and the County Government should clarify and enforce adherence to the conditions under which irrigation water is licensed.
3. There is need to instill the fact that the development of domestic water infrastructure is the mandate of the NWSB as the tariff does not provide for heavy development expenditure.

Our vision, mission and core values are very clear, and it is my belief that our presence has already been felt in many households. This has been possible through the continued cooperation with all the stakeholders. NAWASCO will strive to ensure that the residents of its area of jurisdiction will have a 24 hours water services every day.

We believe our good relations with our customers, good management principles and policies will always remain the driving force of our company in order to execute our mandate. This will ensure that we make a difference in the livelihood of our customers, a task I believe we are happy and willing to achieve. Currently we are within the strategic plan covering the period 2013 -18 that envision the above possibility and are ready to embrace the new strategic plan commencing year 2019 to 2023.

Finally, I would wish to extend my sincere gratitude to the NAWASCO Board of Directors, Northern Water Services Board, Water Services Regulatory Board, County Government of Laikipia, Ministry of Environment Water and Natural Resources and our customers for their support. I would also thank the management and staff of NAWASCO for their continued hard work over the financial year.

Thank you and God bless you all.



Yusuf Mohammed

Chairman, NAWASCO Board of Directors

NANYUKI WATER & SEWAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2019

REPORT OF THE MANAGING DIRECTOR

Introduction

Following the enactment of the Water Act of 2002 that envisioned reforms in the water sector Nanyuki Water and Sewerage Company Ltd. (NAWASCO) was created and registered under the Company's Act (Cap 486) on 6th of April 2006. The Service Provision Agreement (SPA) between Northern Water Services Board (NWSB) and NAWASCO was signed on 6th June 2006. Therefore, this made NAWASCO an agent of NWSB as NWSB is the license holder for the provision of water services in the area covered by NAWASCO.

The New County dispensation

We are now in a period where the new constitution is in effect and the function of water and sanitation services has been transferred to the County Government since the year 2015

Coverage

The Company's area of jurisdiction is about 286km² with a population of about 109,000. Our coverage in terms of population is low (about a third). We call upon the County Government to intervene in this regard by funding our proposals to reach the un-served and underserved communities

Asset development

It is important to note that the responsibilities of NAWASCO do not include asset development but the maintenance of the existing infrastructure. The responsibility of asset development and major rehabilitation remains with NWSB under current arrangement or the County Government when new legislation was enacted.

Challenges

Among our challenges is the fact that NAWASCO inherited a dilapidated infrastructure which requires extensive rehabilitation and whose funding requirements are beyond affordability. This has impacted heavily and resulted in a high level of Non Revenue Water (NRW). This is contributed by undetectable underground leaks among other causes.

Performance

This year we achieved gross revenue of KShs.270million up from KShs.258million achieved last year which shows an increase of 5%. During the year, assets worth KShs.15million were procured to increase efficiency and support growth as well as to replace worn out assets. The assets included boreholes, computers, water pipeline extensions, sewer line extensions, water meters and motor cycles.

NANYUKI WATER & SEWAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2019

Way forward

The management intends to focus on the area of NRW to enable us increase the saleable water and revenue as well. Another area to focus on will be staff training and performance appraisal to enable the company embrace best practices for improved efficient water and sewerage extensions to unserved areas.

The company is also focusing on improvements in the water sources and is in the advanced stages of sourcing for a donor for the dam to be put up at Kahurura forest. The company has also drilled high capacity boreholes at the identified sites within its areas of jurisdiction to boost supply during the draught months.

Gratitude

Finally, I take this opportunity to thank NAWASCO stakeholders who through the Board of Directors have offered valuable oversight. I also thank Shareholders, NWSB and the County Government of Laikipia for their support during the year, all our customers and suppliers who were all instrumental to our success this year. I am also grateful to our staff for their commitment in the running of the company. God bless you all.



ENG. KENNEDY GITONGA
MANAGING DIRECTOR

NANYUKI WATER & SEWARAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

CORPORATE GOVERNANCE STATEMENT

NAWASCO is committed to operating under a clear governance framework and strongly adheres to sound management and internal control practices

NAWASCO is committed to ensuring compliance with the provisions of the water act 2002 among other regulatory and supervisory corporate governance requirements. Essential to the establishment of a good governance framework are formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision-making process, assessment and improvement of compliance.

BOARD OF DIRECTORS

The structure of NAWASCO starts with the Board of Directors representing various stakeholders' interests. The Board of Directors exercises leadership, enterprise, integrity and judgment in directing NAWASCO.

The Board of Directors is expected to determine the purpose and values of NAWASCO, determine the strategy to achieve that purpose and implement its values in order to ensure the company sustainability and growth.

The Board of Directors is expected to enhance the corporate governance practices in running of NAWASCO to bring the level of governance in the company in line with international standards. The essence of corporate governance is to protect stakeholder's interests.

BOARD COMMITTEES

In ensuring the corporate governance of NAWASCO is enhanced and that the power of NAWASCO is exercised in the stewardship of the company's total portfolio of assets and resources with the objective of maintaining stakeholder's value, the Board of Directors have constituted the following committees.

Finance and Administration committee

NAWASCO take cognizance of the fact that human resource is the single most important asset in any organization. It's the function of the staff and establishment committee to ensure that NAWASO has the right staff at the right place and doing the right thing. More so, the committee will ensure that the staff welfare is taken care of.

The committee also oversees the financial reporting process, the company's internal controls and efficient allocation and utilization of resources. The members of the board who served on this committee during the year under review were:

1. Ms Jane Nyawira Kiama, Chairperson
2. Winrose Nyaguthi
3. Sammy Murithi

NANYUKI WATER & SEWARAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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Technical and Strategic Committee

The committee ensures that there is adequate operations and maintenance, including infrastructure improvement geared towards customer satisfaction. The members of the board who served on this committee during the year under review were:

1. Gideon Maina Thuku
2. Winrose Nyaguthi
3. Sammy Murithi

Audit, risk management and governance committee

The audit risk management and governance committee shall assist the board of directors in the oversight and maintaining the integrity of the financial statements of the company. Enhancing the effectiveness of the internal control over financial reporting. Strengthening the performance of the company's internal audit function. Ensuring the company's compliance with legal and regulatory requirements. The members of the board who served on this committee during the year under review were:

1. Lawrence Nteere
2. CPA Esther Ndegwa
3. Ms Nancy Githu

STATEMENT OF COMPLIANCE

The Board of directors confirms that the company has throughout the year FY 2018/2019 complied with all statutory and regulatory requirements and that the company has been managed with the principles of good corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The directors are responsible for reviewing the effectiveness of the company's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Standing Instructions

The Company has a Code of Ethics and Service Charter that is applicable to all employees. These are two of a number of Standing Instructions to employees of the company designed to enhance internal control.

NANYUKI WATER & SEWARAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfill their responsibilities, and that the company can meet its future management requirements.

Strategic Plan

The business of the company is determined by the Strategic Plan. The Strategic Plan sets out the objectives of the company, and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. The Board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

The company continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the company, is approved by the Audit Committee.

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Audit Committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during yr 2018/19.

Risk Management

The company has a structure and process to help identify, assess and manage risks. The process was in place for the period up to the time this report was approved. This team reviews all the risks in the Trust Fund and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the Audit Committee to assist the Board in the management of risk.

NANYUKI WATER & SEWARAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

Management Team

The management team headed by the Chief Executive Officer implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Board's objectives are achieved effectively and efficiently. Such policies developed include the Anti-corruption policy, Disability, Gender and HIV mainstreaming, the ICT policy, etc.

Auditor

The company is audited by the Auditor-General.

NANYUKI WATER & SEWAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2019 which show the company's affairs

Principal Activities

The principal activities of the company are the provision of water and sewerage services

Results

The results of the company for the year ended 30th June 2019 are set out on pages 19-41

Dividends

The Board of Directors do not propose any dividends for the year.

Directors

The members of the Board of Directors who served during the year are shown on page 6 and 7.

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with the Public Finance Management Act.

By Order of the Board



CS Muriithi Kingori

Company Secretary

Nanyuki

September 27, 2019

NANYUKI WATER & SEWARAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

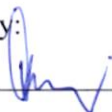
The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate 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 PFM Act and the Companies Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2019, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

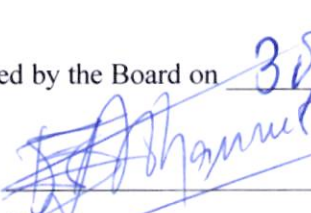
Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company's financial statements were approved by the Board on 30/09 2019 and signed on its behalf by:



Director



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 NANYUKI WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nanyuki Water and Sewerage Company Limited set out on pages 20 to 41, which comprise the statement of financial position as at 30 June, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 Nanyuki Water and Sewerage Company Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and comply with the Water Act, 2016, the Kenyan Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.202,974,399 as at 30 June, 2019. The balance excludes the value of assets inherited from the defunct Municipal Council of Nanyuki by Northern Water Services Board of Kshs.230,715,019. The assets were written off in the financial statements for financial year 2015/2016. However, Management did not provide the approvals for the write off from Northern Water Services Board for audit review. Further, ownership documents for all parcels of land owned by the Company were not provided for audit review.

Consequently, the accuracy, completeness, ownership and carrying value of the property, plant and equipment balance of Kshs.202,974,399 as at 30 June, 2019 could not be confirmed.

2.0 Inaccuracies in Consumer Deposits

The statement of financial position reflects consumer deposits balance of Kshs.28,094,518 as at 30 June, 2019. However, the bank account held at Equity Bank in respect of the consumer deposits reflects a balance of Kshs.78,753, resulting in unreconciled difference of Kshs.28,015,765. Further, the Board authorized Management to spend an amount of Kshs.20,476,476 from the consumers' deposits account for the construction of the Company's offices and development of water extension to Ntukururuma and Nkando areas. However, Management had not refunded the consumer deposits by the close of the financial year.

Consequently, the accuracy and completeness of the consumer deposits balance of Kshs.28,094,518 as at 30 June, 2019 could not be confirmed.

3.0 Provision for Doubtful Trade and Other Receivables

The statement of financial position trade and other receivables balance of Kshs.320,349,051 as at 30 June, 2019. Included in this balance is an amount of Kshs.206,441,148 in respect of debts inherited from the defunct Municipal Council of Nanyuki and which has remained outstanding over a long time. Although the recoverability of these debts is uncertain, the provision of bad and doubtful debts of Kshs.111,556,504 made in the financial statements against the outstanding debts, Management has not demonstrated efforts made to recover the debts.

Consequently, the recoverability of the trade and other receivable amount of Kshs.206,441,148 in respect of debts inherited from the defunct Municipal Council of Nanyuki could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nanyuki Water and Sewerage 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 Conclusions on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-Revenue Water

During the financial year under review, the company produced 4,358,732 cubic meters of water, out of which 2,795,954 M³ of water was billed to Customers. The balance of 1,562,778 M³ or approximately 36% of the total volume of water produced represented Non-revenue water (NRW) which is 11% above the allowable water loss of 25% as per the Water Service Regulatory Board guidelines. The NRW of 36% may have resulted in loss of water sales estimated at Kshs.65,517,815.

The significant level of non-revenue water is an indication of inefficiency and lack of effectiveness in the use of public resources and, may negatively impact negatively on the Company's profitability and its long-term sustainability.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report based on the audit, that:

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;

- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with books of account; and
- (iv) In my opinion the information given in the report of the directors on page 17, is consistent with the financial statements.

Responsibilities of Directors and those Charged with Governance

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, the Directors are also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the

financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 December, 2021

NANYUKI WATER & SEWERAGE COMPANY LIMITED
 STATEMENT OF FINANCIAL POSITION
 FOR THE YEAR ENDED 30TH JUNE 2019

	NOTES	2019 KSHS	2018 KSHS
ASSETS			
Non current assets			
Property, plant and equipment	Pg 31	<u>202,974,399</u>	<u>208,459,685</u>
		<u>202,974,399</u>	<u>208,459,685</u>
Current Assets			
Inventories	5	13,050,094	8,801,763
Trade and other receivables	6	320,349,051	272,732,929
Prepayment / deposits	7	1,921,960	2,375,000
Cash and bank balances	8	<u>65,730,149</u>	<u>40,544,399</u>
		<u>401,051,254</u>	<u>324,454,092</u>
Total Assets		<u>604,025,653</u>	<u>532,913,778</u>
EQUITY AND LIABILITIES			
Capital reserves			
Share Capital	12	100,000	100,000
Capital reserves	13	157,938,935	157,938,935
Revenue reserves	14	82,314,177	80,873,134
Grant-Solio	15 (b)	69,052,436	-
Grants	15 (a)	<u>106,984,446</u>	<u>130,784,446</u>
		<u>416,389,994</u>	<u>369,696,515</u>
Non current Liabilities			
Gratuity	10	<u>5,286,753</u>	<u>3,879,779</u>
		<u>5,286,753</u>	<u>3,879,779</u>
Current Liabilities			
Trade and other payables	9	154,254,389	134,532,270
Consumer deposits	11	<u>28,094,518</u>	<u>24,805,218</u>
		<u>182,348,907</u>	<u>159,337,488</u>
Total equity and liabilities		<u>604,025,653</u>	<u>532,913,782</u>

The financial statements were approved by the board on 30th September 2019 and Signed on its behalf by;

Chairman  Managing Director  Finance Manager  MN 4931

NANYUKI WATER & SEWERAGE COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE 2019

	NOTES	2019 KSHS	Budget KSHS	2018 KSHS
REVENUE	16	<u>270,545,404</u>	<u>277,508,488</u>	<u>258,718,451</u>
		<u>270,545,404</u>	<u>269,306,288</u>	<u>258,718,451</u>
OPERATING EXPENDITURE				
Staff cost	17	124,735,899	126,430,460	124,687,042
Administrative cost	18 & 24	61,218,999	66,012,004	53,742,593
Operations	20	18,995,608	31,358,000	20,442,443
Maintenance	21 & 22	43,748,193	43,210,200	37,223,257
Other expenses-depreciation	20	<u>20,749,140</u>	<u>-</u>	<u>22,230,355</u>
Results from operating activities		<u>269,447,839</u>	<u>267,010,664</u>	<u>258,325,690</u>
Net surplus (deficit) after tax		1,097,565	10,497,824	392,761
Net surplus (deficit) after tax from Enterprise (Bottling plant)	23	<u>343,478</u>	<u>1,150,000</u>	<u>829,254</u>
Consolidated Net surplus (deficit) after tax		<u>1,441,043</u>	<u>11,647,824</u>	<u>1,222,015</u>

NANYUKI WATER & SEWERAGE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2018

	Share Capital Kshs	WSTF Grants Kshs	Capital Reserves Kshs	Revenue Reserves Kshs	Total Kshs
Year ended 30 June 2018					
As at 1 st July 2017	100,000	100,898,797	157,938,935	79,651,120	338,588,852
WSTF Grants		6,085,649			6,085,649
Grant solio project		23,800,000			23,800,000
Net surplus (deficit) for the year	-	-	-	1,222,015	1,222,015
At 30 June 2018	<u>100,000</u>	<u>130,784,446</u>	<u>157,938,935</u>	<u>80,873,134</u>	<u>369,696,515</u>

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2019

	Share Capital Kshs	WSTF Grants Kshs	Capital Reserves Kshs	WSTF Grant Solio Kshs	Revenue Reserves Kshs	Total Kshs
Year ended 30 June 2019						
As at 1 st July 2018	100,000	130,784,446	157,938,935	-	80,873,134	369,696,515
Grant WSTF solio project				45,252,436		45,252,436
Grant County solio project		(23,800,000)		23,800,000		-
Net surplus (deficit) for the year	-	-	-	-	1,441,043	1,441,043
At 30 June 2019	<u>100,000</u>	<u>106,984,446</u>	<u>157,938,935</u>	<u>69,052,436</u>	<u>82,314,177</u>	<u>416,389,994</u>

NANYUKI WATER & SEWERAGE COMPANY LIMITED

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30TH JUNE 2019

	Notes	2019 Kshs	2018 Kshs
Operating activities			
Profit (loss) for the year		1,441,043	1,222,015
Adjustments for;			
Depreciation	Page 31	20,749,140	22,230,351
Operating profit (loss) before working capital changes		22,190,183	23,452,366
Changes in working capital items			
Increase / (decrease) in inventories	5	(4,248,330)	(579,022)
(increase) / decrease in trade and other receivables	6 & 7	(47,163,081)	(9,199,426)
(decrease) / increase in trade & other payables	9	24,418,392	26,018,851
Cash generated from / (used in) operating activities		(4,802,836)	39,692,769
Interest paid		-	-
Taxation paid		-	-
Net cash used in operating activities		<u>(4,802,836)</u>	<u>39,692,769</u>
Cash flows from investing activities			
Purchase of fixed assets	Page 31	(15,263,854)	(42,290,466)
Net cash outflows from investing activities		<u>(15,263,854)</u>	<u>(42,290,446)</u>
Cash flows from financing activities			
Loan received/ grant		45,252,436	29,885,649
Cash flows from financing activities		<u>45,252,436</u>	<u>29,885,649</u>
Net increase / (decrease) in cash and cash equivalents		25,185,746	27,287,972
Opening cash and cash equivalents	8	40,544,399	13,256,428
Closing cash and cash equivalents	8	<u>65,730,145</u>	<u>40,544,399</u>



NANYUKI WATER AND SEWERAGE COMPANY LTD

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

NOTES

1. ACCOUNTING POLICIES

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

a) 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 judgment in the process of applying the Company's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company and all values are rounded to the nearest thousand (Kshs'000). The financial statements have been prepared in accordance with the companies act, the PFM act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

b) Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognized in the year in which the *company* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iii) **Other income** is recognized as it accrues.

c) Property, plant and equipment

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

NANYUKI WATER AND SEWERAGE COMPANY LTD

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

NOTES (Continued)

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 recognized 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:

Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%
Tractors & trailers	25%
Equipments, safe & cabinet	12.5%
Water systems	12.5%
Building	12.5%

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

e) Provision for bad debts

Provision for bad and doubtful debts comprises 16.5% of total trade debtors outstanding.

f) Grants

NANYUKI WATER AND SEWERAGE COMPANY LTD

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

NOTES (Continued)

Grants are recorded in the balance sheet and shown depending on the period that they are likely to take to be fully spent. Those likely to be spent within a period of less than one year are shown as short term liabilities. Those likely to extend for more than one year are shown as long term liabilities.

g) **Inventories.**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on direct purchase value and all costs attributable to bringing the inventory to its current location and condition and is stated on a First In First out basis. Inventories constitute stock of pipes and fittings held by the company by period end.

h) **Cash and cash equivalents.**

For purposes of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

i) **Financial Instruments**

Financial assets the company's financial assets which comprise trade and other receivables and cash and cash equivalents fall into the following categories.

- i. Loans and receivables: financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 month after the reporting date are classified as non-current assets. Such assets are initially recognized at fair value and subsequently carried at amortized costs using the effective interest method. Changes in the carrying amount are recognized in profit or loss. Purchases and sales of financial assets are recognized on the trade date i.e the date on which the company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred substantially all risks and rewards of ownership.

The financial asset is impaired if its carrying amount is greater than it estimated recoverable amount. Impairment of financial asset is recognized in profit or loss under administrative expenses when there is objective evidence that the company will not be able to collect all amounts due per the original terms of the contract .Significant financial difficulties of the issuer, probability that the issuers will enter bankruptcy or financial reorganization, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

NANYUKI WATER AND SEWERAGE COMPANY LTD

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

NOTES (Continued)

The amount of the impairment loss is calculated as the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate. Subsequent recoveries of amounts previous impaired are credited to profit or loss in the year in which they occur.

i. Financial liabilities

The company's financial liabilities which include trade and other payables, current tax and borrowings fall in this category.

Financial liabilities measured at amortized costs. These are initially measured at fair value and subsequently measured at amortized cost using the effective interest method.

Borrowings are initially recognized at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any differences between the proceeds (net of transaction costs) and redemption value is recognized as interest expense in profit or loss under finance costs.

All financial liabilities are derecognized when and only when, the company's obligations are discharged, cancelled or expired.

Offsetting financial instruments –

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

j) **Taxation**

Current tax. Current tax is provided on the results of the year, adjusted in accordance with current tax legislation.

Deferred tax. Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against temporary timing differences can be utilized.



NANYUKI WATER AND SEWERAGE COMPANY LTD

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

NOTES (Continued)

Retirement benefit obligations.

The company and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF act. The company's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate. The company also provides gratuity to employees on contract terms of employment. This is provided at the rate of 31% of the basic salary and is accrued over the life of the contract. The total amounts are paid out on the expiry of the contract.

1) Employee entitlements.

The estimated monetary liability for employees accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

) Share capital

Ordinary shares are classified as equity.

Trade and receivables

In the opinion of the directors, the carrying amount of trade and other receivables approximate to their fair value.

The carrying amounts of the company's trade and other receivable are denominated in the Kenya shillings.

The company's credit risk arises primarily from trade receivables. The directors are of the opinion that the company's exposure is limited because the debt is widely held. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of recoverable mentioned above. The company does not hold any collateral

o) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the company 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 recognized 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 recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

NANYUKI WATER AND SEWERAGE COMPANY LTD

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

NOTES (Continued)

1 Comparative figures

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

q) 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, 2018.

SIGNIFICANT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the accounting policies adopted by the company, the directors make certain judgments and estimates that may affect the amounts recognized in the financial statements. Such judgments and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from the estimates. The judgments' and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgments' and estimates are recognized in the year in which they relate.

Significant judgments made in applying the company's accounting policies

The judgments made by the directors in the process of applying the company's accounting policies that have the most significant effect on the amounts recognized in the financial statement include:

Whether it is probable that future taxable future profits will be available against which temporary differences can be utilized ; and

Whether the company has the ability to hold "held to maturity" investments until they mature. If the company were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as "available -for - sale" and measure them at fair value.

b. Key sources of estimation uncertainty.

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include

Impairment losses.

Estimates in determining the impairment losses on receivables. Such estimates include the determination of net realizable value or the recoverable amount of the assets.

NANYUKI WATER AND SEWERAGE COMPANY LTD

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

NOTES (Continued)

RISK MANAGEMENT AND OBJECTIVES

a) Financial risk management

The company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance. Risk management is carried out by management. Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads.

1. Credit risk – Credit risk arises from cash and cash equivalents and trade and other receivables. None of the financial assets that are fully performing has been renegotiated in the last year. Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk

Liquidity risk- Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company management maintains flexibility in funding by maintaining availability under committed credit lines.

NANYUKI WATER AND SEWERAGE COMPANY LTD																		
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019																		
4./Property, Plant and Equipment																		
	Motor	Tractors & Vehicles	Motor cycles	Furniture & Fittings	Equipments Safe & cabinets	Office Building	Borehole	Work in Progress WSTF	Work in Progress	Computer Equipments	Water Systems Likili sewerage ext 72	Water Systems Nturu kuma	Water Systems Nkando	Water Systems Ichuga	Water Systems Meters	Water Systems Plant & mach Bottling	Water Systems	TOTAL
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2018	12,655,259	570,000	3,095,538	2,978,210	3,669,175	8,533,742	19,555,325	49,684,106		9,827,939	4,312,701	7,468,463	3,824,601	4,598,209	8,668,357	2,106,100	283,248,197	424,795,922
Additions	-	-	79,741	-	-	-	969,105	-	7,930,229	304,720	2,765,428	0	-	0	3,214,631	-	0	15,263,854
At 30 June 2019	12,655,259	570,000	3,175,279	2,978,210	3,669,175	8,533,742	20,524,430	49,684,106	7,930,229	10,132,659	7,078,129	7,468,463	3,824,601	4,598,209	11,882,988	2,106,100	283,248,197	440,059,776
DEPRECIATION																		
At 1 July 2018	9,510,891	570,000	2,791,597	1,675,868	2,423,050	3,197,994	-	-	-	9,606,191	921,595	1,526,394	816,622	969,378	1,200,036	526,525	180,600,097	216,336,237
Charge for the year	2,067,864	-	158,460	218,808	265,476	1,065,996	-	-	200,856	769,572	742,788	742,788	606,356	223,312	1,335,372	263,268	12,831,012	20,749,140
At 30 June 2019	11,578,755	570,000	2,950,057	1,894,676	2,688,526	4,263,990	-	-	9,807,047	1,691,167	2,269,182	1,422,978	1,422,978	1,192,690	2,535,408	789,793	193,431,109	237,085,377
NET BOOK VALUE																		
As At 30th June 2019	1,076,503	-	225,222	1,083,534	980,650	4,269,752	20,524,430	49,684,106	7,930,229	325,612	5,386,962	5,199,281	2,401,623	3,405,519	9,347,580	1,316,307	89,817,088	202,974,399
As At 30th June 2018	3,144,367	-	303,941	1,302,342	1,246,126	5,335,748	19,555,325	49,684,106	-	221,748	3,391,106	5,942,069	3,007,979	3,628,831	7,468,321	1,579,575	102,648,100	208,459,685



NANYUKI WATER AND SEWERAGE COMPANY LTD

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019 (continued)

	2019	2018
	Kshs	Kshs
5) Inventories- miscellaneous	3,348,080	256,512
Inventories- chemicals	164,431	633,884
Inventories- Stationery	1,579,579	793,813
Inventories- Pipes & fittings	6,913,511	6,513,462
Inventories- meters	692,200	251,800
Inventories- Equator glacier	<u>352,292</u>	<u>352,292</u>
Total	<u>13,050,094</u>	<u>8,801,763</u>
6) Trade and other receivables		
a) Trade receivables		
Trade receivables b/f	373,401,238	375,974,185
Add: billings for the year	274,689,853	263,191,784
Total	648,091,091	639,165,969
Add other billings	<u>34,096,459</u>	<u>21,414,518</u>
Total	682,187,560	660,580,487
Add debtors debit balance	-	2,100,459
Less: receipts during the year	<u>(264,498,566)</u>	<u>(289,279,708)</u>
Total	417,689,094	373,401,237
Less: specific bad debts	(49,945,300)	(49,945,300)
General bad debts 16.5% of debtors	<u>(61,611,204)</u>	<u>(61,611,204)</u>
Balance carried down	<u>306,132,590</u>	<u>261,844,733</u>
b) Other receivables		
VAT refundable	13,766,461	10,438,195
VAT on sewer	<u>450,000</u>	<u>450,000</u>
	<u>14,216,461</u>	<u>10,888,195</u>
Total trade & other receivables	<u>320,349,051</u>	<u>272,732,929</u>
7) Prepayments/ deposit	1,921,960	2,375,000

NANYUKI WATER AND SEWERAGE COMPANY LTD

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019 (continued)

	2019	2018
	Kshs	Kshs
8) Cash & cash equivalents		
Equity bank (Equator glaciers)	362,443	41,449
Equity bank deposits	78,753	33,929
Post bank	1,960,488	1,338,059
Safaricom mpesa –utility account	574,383	4,785,140
Sidian bank	7,103	113,602
Safaricom –Mpesa working account	133,081	1,713,924
Kopokopo	14,295	48,895
KCB Solio project account	14,561,317	23,800,000
KCB Solio project	45,251,226	-
KCB	<u>2,787,061</u>	<u>8,669,402</u>
	<u>65,730,149</u>	<u>40,544,399</u>
9) Trade & other payables		
Trade creditors	<u>27,457,702</u>	<u>34,218,462</u>
	<u>27,457,702</u>	<u>34,218,462</u>
Kenya National Audit Office	3,693,440	3,693,440
Lease of assets-NWSB	10,319,082	10,319,082
WASREB	7,061,444	7,587,332
WARMA	1,822,543	1,529,275
6% Withholding tax	2,598,792	2,009,105
CGL Conservancy	37,161,805	26,670,490
Taxation	27,136,284	26,657,325
P.A.Y.E	9,774,718	7,320,435
N.S.S.F	25,000	69,200
N.H.I.F	169,600	154,800
Superannuation fund	3,970,219	3,093,831
Provident fund	19,764,969	8,647,420

NANYUKI WATER AND SEWERAGE COMPANY LTD

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019 (continued)

	2019	2018
	Kshs	Kshs
Bank of Africa	53,143	72,856
Union	239,350	137,200
Family bank	1,602,899	773,480
Mwako Self help group	74,951	292,790
Imprest	56,300	15,000
Water	73,400	46,730
Wazee	15,625	6,025
House rent deductions	36,970	21,300
Staff welfare	135,000	70,000
Maji self help group	29,620	25,692
British American Insurance	81,217	11,146
Madison Insurance	19,331	20,931
Co-operative bank	236,843	65,697
Co-operative insurance company	11,394	20,281
Unison Sacco	365,808	126,588
Pan African Insurance	107,966	49,816
Pioneer Group	57,088	56,984
Salaries control	(259,586)	31,550
KCB Check off	235,968	86,052
County retail traders	37,890	-
County Government of Laikipia	-	8,730
HELB	14,575	7,000
Leave allowance control account	52,999	163,728
Wages control account	-	432,458
Accrued expenses	<u>20,039</u>	<u>20,039</u>
	<u>126,796,686</u>	<u>100,313,808</u>
Grand Total	<u>154,254,389</u>	<u>134,532,270</u>
10) Provision for gratuity	5,286,753	3,879,779



NANYUKI WATER AND SEWERAGE COMPANY LTD

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019 (continued)

	2019	2018
	Kshs	Kshs
11) Consumer deposits		
Opening balance	24,805,218	21,236,928
Additions	6,280,900	5,927,072
Refunds	<u>(2,991,600)</u>	<u>(3,358,782)</u>
	<u>28,094,518</u>	<u>24,805,218</u>

NB. Consumer deposits amounting to Kshs 9.4m for customers inherited from the defunct Nanyuki Municipal council were not remitted to NAWASCO.

12) Authorized, issued and paid share capital		
Laikipia County Government (4997 shares)	99,940	99,940
County Executive Member –Water & Sanitation –LCG	20	20
County Executive Member- Finance –LCG	20	20
County Secretary	<u>20</u>	<u>20</u>
	<u>100,000</u>	<u>100,000</u>

13) Capital Reserves		
Balance b/f	<u>157,938,935</u>	<u>157,938,935</u>
As at 30.06.2019	<u>157,938,935</u>	<u>157,938,935</u>

14) Revenue reserves		
Balance b/f	80,873,134	79,651,120
Surplus for the year	<u>1,441,043</u>	<u>1,222,015</u>
As at 30.06.2019	<u>82,314,177</u>	<u>80,873,134</u>

15) a) WSTF Grants		
Balance b/f	130,784,446	100,898,797
WSTF Grants		6,085,649
WSTF Grants-solio (to solio project)	<u>(23,800,000)</u>	<u>23,800,000</u>
As at 30.06.2019	<u>106,984,446</u>	<u>130,784,446</u>

NANYUKI WATER AND SEWERAGE COMPANY LTD

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019 (continued)

	2019	Budget	2018
	Kshs	Kshs	Kshs b)
WSTF Grants- solio project			
Balance b/f		23,800,000	-
WSTF Grants-solio		<u>45,252,436</u>	<u>-</u>
As at 30.06.2019		<u>69,052,436</u>	<u>-</u>

16) REVENUE

Water charges	181,993,933	179,472,084	169,776,555
Sewer charges	72,550,090	81,011,884	74,192,849
Meter rent	8,298,600	7,793,208	7,865,450
Application fees	416,500	244,800	397,600
Exhauster services	566,410	612,000	601,740
House rent	38,000	480,000	40,000
Other incomes	96,986	-	196,700
New connections	2,923,400	6,120,000	2,868,100
Public sanitation block rent	336,001	420,000	270,000
Reconnection fees	782,651	985,100	951,640
Renewal	591,400	563,040	555,217
Sewer connection charges	433,415	154,224	524,200
Water transport	30,000	84,000	158,000
Penalties	11,976	-	-
Unsurp project	-	-	10,000
Material cost	1,241,892	-	225,670
Meter replacement	234,150	-	59,000
Admin income on check off	-	-	<u>25,730</u>
Total	<u>270,545,404</u>	<u>277,940,340</u>	<u>258,718,451</u>

17) Staff cost

Salaries & wages	70,857,614	71,326,196	70,663,055
Commuter allowance	4,078,900	4,000,000	3,290,000
House allowance	17,065,263	16,017,644	15,900,874



NANYUKI WATER AND SEWERAGE COMPANY LTD

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019 (continued)

	2019	Budget	2018
	Kshs	Kshs	Kshs
Superannuation fund	2,495,574	2,849,576	2,605,629
Provident fund	9,302,138	10,405,012	9,429,244
Non practicing allowance	150,000	180,000	180,000
Hardship allowance	6,127,410	6,285,160	6,105,400
Heavy /dirty duty allowance	445,000	483,000	482,000
Risk allowance	120,000	113,000	112,000
Special allowance	-	130,000	127,538
Bicycle allowance	141,000	300,000	-
Responsibility allowance	42,174	-	59,883
NSSF	387,000	264,000	347,400
Provision for gratuity	4,101,024	4,000,000	2,992,521
Leave allowance	5,992,312	5,502,872	8,523,332
NITA	36,500	-	-
Casual wages	<u>3,393,990</u>	<u>3,054,884</u>	<u>3,868,167</u>
Total Staff cost	<u>124,735,899</u>	<u>124,911,344</u>	<u>124,687,042</u>

18) Administrative cost

Staff medical	7,321,005	8,000,000	4,492,656
Advertisement	852,783	720,000	1,393,008
Travelling & subsistence	9,882,811	6,000,000	6,403,944
Telephone & postage	1,015,340	1,512,000	1,392,043
Newspaper & periodical	436,990	420,000	296,270
Staff training	5,846,019	5,000,000	3,614,062
Corporate social responsibility	486,400	900,000	473,220
Staff welfare	7,417,321	12,234,546	10,232,830
WASCA Games	2,677,800	2,400,000	1,795,634
Team building	-	3,000,000	236,100
Legal fees	173,700	252,000	85,507
Stakeholders participation	1,368,830	1,900,000	1,844,209
Uniforms	366,025	1,440,000	1,485,401

NANYUKI WATER AND SEWERAGE COMPANY LTD

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019 (continued)

	2019	Budget	2018
	Kshs	Kshs	Kshs
Cleaning materials	1,347,677	1,800,000	1,716,947
Printing & stationery	4,610,112	2,900,000	2,813,860
Bank charges	424,748	644,000	656,252
Internet	1,206,442	1,150,000	1,193,832
Audit fees /professional fees	754,713	800,000	1,150,720
Security	2,483,905	3,408,000	2,998,632
Insurances	878,895	1,200,000	1,217,418
Ground Maintenance	1,863,795	960,000	486,000
AGM expenses	471,550	900,000	380,000
Provision for tax	478,959	-	672,253
Provision for bad & doubtful debts	-	(1,300,000)	(884,177)
End of the year party	1,117,186	1,400,000	1,325,300
Performance token	370,000	-	-
Office expenses	34,600		
Subscription	<u>184,256</u>	<u>140,000</u>	<u>133,200</u>
	<u>54,071,863</u>	<u>57,780,546</u>	<u>47,605,120</u>

19) Depreciation & provision for bad & doubtful debts

Depreciation	<u>20,749,140</u>	<u>25,000,000</u>	<u>22,230,355</u>
	<u>20,749,140</u>	<u>25,000,000</u>	<u>22,230,355</u>

20) Operations

Licenses & permits	17,500	300,000	121,450
Likii association –WARUA	-	470,000	447,500
WARMA abstraction fees	1,554,327	1,440,000	1,225,290
Repair of Office equipment	-	70,000	64,100
Water chemicals	4,352,800	5,400,000	4,741,472
Water analysis	997,833	1,200,000	995,035
WASREB	2,074,112	1,080,000	4,163,483
Repair & maintenance of plant	-		9,650

NANYUKI WATER AND SEWERAGE COMPANY LTD

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019 (continued)

EXPENDITURE	2019	Budget	2018
	Kshs	Kshs	Kshs
Electricity	8,096,156	9,000,000	6,742,713
Consultancy	<u>1,902,880</u>	<u>2,000,000</u>	<u>1,931,750</u>
	<u>18,995,608</u>	<u>27,960,000</u>	<u>20,442,443</u>

MAINTENANCE

21) General Maintenance

Meter repair & maintenance	13,900	35,000	34,338
Tools & equipment	268,765	492,000	179,155
Electrical repairs	668,603	980,000	949,342
Computer repairs & software	1,103,787	799,200	868,986
Water pipeline & extension repairs	20,163,122	14,000,000	16,236,358
Sewer maintenance	5,220,497	7,700,000	4,678,618
Disludging	1,407,406	600,000	565,706
Manhole maintenance	538,342	1,800,000	1,621,570
Fencing and access road maintenance	83,600	550,000	501,677
NRW	410,220	1,200,000	-
Repair & maintenance of borehole	4,430,164	2,500,000	-
Building / tank maintenance	<u>1,377,716</u>	<u>1,500,000</u>	<u>4,432,494</u>
	<u>35,686,122</u>	<u>31,956,200</u>	<u>30,068,244</u>

22) Maintenance -Motor Vehicle

Fuel & oils	3,357,121	6,400,000	5,411,813
M/v repairs	3,511,547	2,080,866	1,156,610
Exhauster	244,856	200,000	188,483
Generator repairs & oils	15,500	300,000	-
Motor bike repairs	<u>933,047</u>	<u>400,000</u>	<u>398,107</u>
	<u>8,062,070</u>	<u>9,880,866</u>	<u>7,155,014</u>



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NANYUKI WATER AND SEWERAGE COMPANY LTD

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019 (continued)

EXPENDITURE	2019	Budget	2018
	Kshs	Kshs	Kshs
23) Equator glacier- Bottling Company			
Turnover			
Equator glaciers	16,248,295	18,642,712	8,302,429
Less Expenditure			
Wages	477,393	10,000	94,109
NSSF	-	60,000	18,600
Bottles & packaging materials	9,934,834	7,200,000	3,579,890
Repair & maintenance	228,922	114,400	228,007
Telephone	4,000	60,000	52,985
Cleaning materials	-	20,000	20,115
Salaries	2,333,240	3,340,000	1,552,868
House allowance	352,538	500,000	233,350
Commuter allowance	498,000	600,000	333,000
Overtime	10,000	20,000	115,786
Printing & stationery	35,160	60,000	83,500
Travelling & subsistence allowance	16,000	144,000	100,200
Commission	-	-	38,862
License & permits	31,900	-	131,900
Repair & maintenance MV	59,403	200,000	-
Fuel & oils	293,949	500,000	-
Internet	22,282	40,000	-
Sales & marketing	1,368,500	2,631,560	582,321
Exercise duty	230,576	300,000	293,161
Bank charges	<u>3,620</u>	<u>15,000</u>	<u>14,520</u>
Equator glacier	<u>15,904,817</u>	<u>15,814,960</u>	<u>7,473,175</u>
Surplus (deficit)	<u>343,478</u>	<u>2,827,752</u>	<u>829,251</u>

NANYUKI WATER AND SEWERAGE COMPANY LTD

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019 (continued)

24) Board expenses

Directors / committee allowance	2,962,444	1,800,000	2,585,004
Directors meetings	224,572	900,000	525,716
Directors honorari	30,000	400.500	312,000
Directors expenses	<u>3,930,120</u>	<u>4,560,000</u>	<u>2,714,753</u>
Board expenses	<u>7,147,136</u>	<u>7,660,500</u>	<u>6,137,473</u>

25) RELATED PARTIES

The company is a limited company limited by shares established under the companies act and licensed by Northern Water Services Board through a Service Provision Agreement (SPA). The company is headed by Board of Directors and a Corporate Management Team. At the year end the company owed the management gratuity amounting to KShs 5,286,753

26) CAPITAL RISK MANAGEMENT

The company manages its funds to ensure it will be able to continue as a going concern while maximizing the return too stakeholders through the optimization of debt and reserve balances. The capital structure of the company consists of revenue reserves and the company was not geared as at 30th June 2019 and 30th June 2018

27) INCORPORATION

The company is incorporated in Kenya under the companies act and is domiciled in Kenya.



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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference no.	Issue/ observations from auditor	Management comments	Focal point person to resolve the issue	Resolved/ not resolved	Timeframe
1	<p>Property, plant and Equipment The statement of financial position reflects property, plant and equipment balance of Kshs 208,459,690 as at 30th June 2018, which excludes the value of assets inherited from the defunct Municipal Council of Nanyuki by Northern Water Service Board of Kshs 230,715,019 and written off in the financial year 2015/16. However, no approval for the write off from the Water Board was presented for Audit verification As a result, the accuracy and completeness of the property, plant and equipment balance of Kshs 208,459,690 as at 30th June 2018 could not be confirmed</p>	<p>The value of inherited assets from the defunct Municipal Council of Nanyuki by Northern Water Services Board (NWSB) were written off based on previous audit recommendation for the years 2014 and 2015. The assets are still in use by Nanyuki Water and Sewerage Company Ltd as leased assets upon which the Company pays fees to NWSB as per the current SPA. The bulk of the inherited assets relate to water system which are dilapidated and NAWASCO is in the process of replacing the same in order to improve on service delivery and reduce non- revenue water. The Company has engaged the County being the shareholders of NAWASCO and since water provision is a devolved function on formalization of assets</p>	Managing Director	Not resolved	June 2020.



		<p>acquired from Northern Water Service Board.</p> <p>Further, the process of ring fencing all Company parcels of land is ongoing and acquiring the relevant title deeds and tagging all its assets as we migrate to the new system (IFMIS) from 1st April 2020.</p>			
2	<p>Consumer Deposit The statement of financial position reflects consumers deposits of Kshs 24,805,218 as at 30th June 2018. However, the account held at Equity Bank Limited in respect of the deposits indicated a balance of Kshs 74,928.54 and thus, resulting in unreconciled difference of Kshs 24,730,289.46. Consequently, the accuracy and completeness of the consumer deposit balance of Kshs 24,805,218 as at 30th June 2018 could not be confirmed. Further, although minutes of the Board dated 15th July 2015 authorized the Company to spend an amount of Kshs 20,476,476 from the consumers' deposits account for the construction of the Company offices and development of water extension to Nturukuma and Nkando areas, the funds had not been refunded as at 30th June 2018</p>	<p>The Company maintains consumer deposits in billing system (promix) which indicates all the consumer deposits since inception. It has put in place measures to regulate consumer deposits and the same can only be utilized by the Company upon express authorization by the Board of Directors. Find attached minutes of board of Directors dated 15th July 2015 (Appendix 23) authorizing usage of deposit account for several projects to improve service delivery to the consumers. It's worth noting that refund claim is settled immediately. Since inception of the company, the company has refunded Kshs 17,279,578 promptly. (refer to appendix 24)</p> <p>Therefore, the Company's usage of deposit account does not in any way affect refund when required by the consumer.</p> <p>It's also worth noting that the company inherited customers deposit liability from the county amounting to Kshs 9.4 million. The Company has since inception refunded the deposits for inherited consumers from the defunct</p>	Managing Director	Not resolved	June 2020



		<p>municipal council of Nanyuki promptly without demanding refund from the county. The Company is however optimistic that, since water is a devolved function, the county will refund the utility the inherited consumer deposits. It further intends to transfer Kshs 4million per year as it promptly refunds those who request for their refund for the next four years to build the consumer deposit account to the tune of Kshs 16million to make it Kshs25million which would be equivalent to the total consumer deposit.</p>			
3	<p>Trade and other receivables The trade and other receivables balance of Kshs 272,732,929 as at 30th June 2018 includes an amount of Kshs 206,441,148 in respect of debts inherited from the defunct Municipal Council of Nanyuki at the inception of the Company and which have remained outstanding over time. Although the recoverability of these debts is uncertain, the provision for bad and doubtful debts of Kshs 111,556,504 made in the financial statements against the outstanding debts appears inadequate.</p>	<p>The amount in respect of debts inherited from the defunct Municipal Council of Nanyuki at the inception of the company which have remained outstanding over time is Kshs. 161,063,321. An indebt analysis of the composition of the current debt is as follows; From the above analysis and with assistance from the County Government, Kshs 261,844,237 is collectable out of Kshs 373,401,237 in financial statement note 6 and thus the provision of Kshs 111,556,504 giving a</p>	Managing Director	Management	June 2020

		<p>net of Kshs 261,844,237 which is deemed adequate to cover the long outstanding debts.</p> <p>The figure has been arrived at as follows;</p> <p>Provision of 16.5% of outstanding debt as per WASREB guidelines (16.5% *Kshs 373,401,237) 61,611,204</p> <p>Specific bad debts identified as per attached list <u>49,945,300</u></p> <p>Total provision <u>111,556,504</u></p> <p>Specifically</p> <p>Domestic. Over 50% of the long outstanding debt for domestic consumers is deemed collectable and the management has put in place measures to improve on collection efficiency thus ensuring no domestic debt is presumed bad or doubtful. A provision of 46.7 % or Kshs 94,197,372 has been provided given the specific bad debts of Kshs 49,945,300</p> <p>Nanyuki High- There is an ongoing process relating to exercising some land from the school in lieu of the long outstanding debt of Kshs 33million.</p>			
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		<p>County government-The Company has agreed with the County Government of Laikipia, the main shareholders, to offset, swap or contra old debts because the Company collects fees on behalf of the County while the County demands lease fees from the Company. Further, the company agreed with the County Government that all departments should pay for their own water consumption as from 1st July 2018 failure to which it will be disconnected while NAWASCO pays the lease fees as they fall due.</p>			
4	<p>Non revenue water During the financial year under review, the Company produced 4,161,580 cubic meters of water, out of which only 2,619,014 cubic meters of water were billed to customers. The balance of 1,542,566 cubic meters or approximately 37% of the total volume of water produced represented non- revenue which is 12% over and above the allowable water loss of 25% as per Water Services Regulatory Board guidelines. The NRW of 37% may have resulted in loss of sales estimated at Kshs 62,817,325</p>	<p>The NRW level is 37% or Kshs 62,817,325 which is 12 % over and above the allowable water loss of 25% as per the Water Services Regulatory Board guidelines due to the following:</p> <ul style="list-style-type: none"> a) Old dilapidated network inherited from the Municipal Council of Nanyuki, b)Illegal water usages, c)Pipes breakages during constructions and d)Old meters which are more than 10 years old 	Managing Director	Not resolved	June 2020

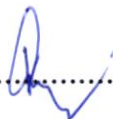


	<p>The significant level of non-revenue water is an indication of inefficiency and lack of effectiveness in the use of public resources and , may negatively impact on the Company's profitability and its long term sustainability.</p>	<p>The Company has put in place the following measures to reduce the high level of NRW</p> <ul style="list-style-type: none"> -The Company has formed an NRW team, -DMA creation to allow effective management of leaks and bursts. The Company created Bluegum DMA with 16% of connection as a pilot project. 10 more DMA's are to be created by the year 2023. - KMT/ SNV have offered to offer support in reduction of the same. Negotiations are underway in the kind of support that KMT are to offer and an MOU will be entered into once the specific assistance is identified, -Mapping of water network to ensure improved service delivery and tracing unknown accounts, -Customer connections survey exercise is ongoing to detect any possible illegal connections, -The company recruited an NRW management officer. -The NRW officer was recruited in February 2018 and this has enabled the company to discover and legalize 40 illegal connections, replace and 			
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		<p>repair 2,500 faulty consumer meters and improved on NRW data analysis</p> <p>-Network maintenance and rehabilitation program</p> <p>The company has developed a proposal for improvement of water Infrastructure through rehabilitation of old dilapidated GI pipes as well as replacement of AC pipes. Once implemented it is anticipated that the NRW will reduce to approximately 26%.</p> <p>-Meter replacement and servicing section A meter testing, serving and replacement section was formed whose main duty is to test meters of doubtful efficiency and service or replace where need be. The company expects to replace 3,000 meters every year since most of the meters are over 10 yrs. old,</p> <p>-Production demand management program .</p> <p>After realization that the billed volume is relatively constant and an increase in production highly influences the NRW value. The Company come up with the optimum production level for purposes of NRW reduction and this has shown results</p>			
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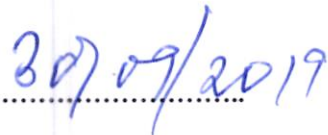
		<p>as the NRW has reduced significantly. Average of 30% currently.</p> <p>-Pressure management program.</p> <p>The company has embarked on night flow measurements and pressure management programs which help to reduce water lost through bursts and leaks.</p>			
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Managing Director.....

Chairman of the Board.....

Nanyuki Water and Sewerage Company Ltd

Nanyuki Water and Sewerage Company Ltd

Date.....

Date.....



NANYUKI WATER AND SEWERAGE COMPANY LTD

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019 (continued)

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	NAWASCO/J6P/ SOLIO/W/2019	WSTF/ County Government of Laikipia	May 2019- April 2020		Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	NAWASCO/J6P/ SOLIO/W/2019	143,063,623	7,930,229	19%	143,063,623	7,930,229	1) WSTF / 2) County Government of Laikipia

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	Nanyuki Water and Sewerage Company Limited				
	Break down of Transfers from the State Department of					
	FY 2018/2019					
a.	Recurrent Grants					
				<u>Amount (KShs)</u>		
					N/A	
		Total				



b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	
			N/A
	Total		N/A
c. Direct Payments			
			N/A
	Total		N/A
d. Donor Receipts			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	
	28/06/2018	23,800,000	County Government of Laikipia
	04/06/2018	45,252,436	Water Sector Trust Fund
	Total	69,052,436	

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager

Managing Director

Nanyuki Water and Sewerage Company Limited

Nanyuki Water and Sewerage Company Limited

Sign.....

Sign.....

