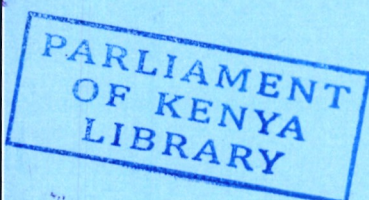


REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
NYANDARUA WATER AND SANITATION  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE 2014**

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NYANDARUA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Nyandarua Water and Sanitation Company Limited set out on page 12 to 22, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Act, 2003. 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.

#### **Management's responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and for such 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express opinion on these financial statements based on the audit and report in accordance with the provision of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Basis for Qualified Opinion**

#### **1. Property, Plant and Equipment**

The Statement of financial position reflect that property, plant and equipment balance increased by Kshs.17,753 from Kshs.105,552 as at 30 June 2013 to Kshs.123,305 as at 30 June 2014. However, the company did not provide fixed assets register showing the details of the assets. Consequently, the accuracy of the property, plant and equipment balance of Kshs.123,305 as at 30 June 2014 could not be confirmed.

#### **2. Customers Deposit**

Included in the creditors and accruals balance of Kshs.6,913,630, is an amount of Kshs.1,158,000 relating to customer deposits. However, records maintained by the company indicate that the customer deposit bank account had a balance of Kshs.71,270 as at 30 June 2014, resulting to unexplained difference of Kshs.1,086,730. Consequently, the accuracy of the customer deposit balance of Kshs.1,158,000 as at 30 June 2014 could not be confirmed.

#### **3. Capital reserves**

As previously reported in 2012/2013, the capital reserves balance of Kshs.5,304,334 as at 30 June 2014 has not been supported with adequate records. Further, no explanatory information to the financial statements was included to support the balance.

In the circumstances, the source and accuracy of capital reserves balance of Kshs.5,304,334 as at 30 June 2014 could not be confirmed.

### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards, and comply with the Water Act 2002, and the Companies Act, Cap 486 of the Laws of Kenya.

## Other Matter

### 1. Sustainability

During the year under review, the company recorded a loss of Kshs.1,392,648 (2012/2013 loss of Kshs.477,955), which increased the accumulated loss from Kshs.6,944,626 to Kshs.8,337,274 as at 30 June, 2014. Further, current liabilities balance of Kshs.6,913,630 exceeded total current assets balance of Kshs.3,880,690 resulting to a negative working capital of Kshs.3,032,940 as at 30 June 2014 which is an indication that the company may be experiencing difficulties in settling its obligations as and when they fall due. The company's financial position is therefore precarious and its continued existence as a going concern is dependent upon continued support from the Government and creditors.

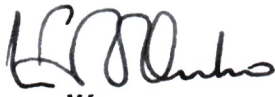
### 2. Unaccounted For Water

During the year under review, the company produced 505,190 cubic metres (m<sup>3</sup>) of water. However, out of this volume, only 339,799m<sup>3</sup> were billed to the customers. The balance of 165,391m<sup>3</sup> or approximately 49% of the total water produced represented unaccounted for water (UFW) which is 24% over and the allowable loss of 25% in accordance with Water Services Regulatory Board guidelines. The UFW of 49% may have resulted in loss of sale estimated at Kshs.4,935,067. The significant level of UFW may negatively impact on the Company's profitability and its long term sustainability. My opinion is not qualified in respect of these matters.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Companies Act, 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 purposes of the audit;
- (ii) In my opinion, proper books of account have been kept by the Company so far as appears from my examination of those books; and,
- (iii) The company's statements of financial position and statements of comprehensive income are in agreement with the books of account.



**Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**21 September 2015**



B.

**NYANDARUA WATER AND  
SANITATION COMPANY LTD**

**FINANCIAL STATEMENT FOR**

**THE YEAR ENDED**

**30<sup>TH</sup> JUNE 2014**

**NYANDARUA WATER AND SANITATION COMPANY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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# **NYANDARUA WATER AND SANITATION COMPANY REPORT FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2014**

## **BACKGROUND INFORMATION**

Nyandarua Water and Sanitation Company was incorporated under the Company's Act Cap 486 of the Laws of Kenya on 23<sup>rd</sup> November 2006. It was then registered as Nyandarua North Water and Sanitation Company. It later changed its name to Nyandarua Water and Sanitation Company Limited and was duly registered as such on 1<sup>st</sup> July 2009.

The Company became a Water Services Provider (WSP) after signing a Service Provision Agreement (SPA) with Rift Valley Water Services Board (RVWSB) in April 2007. Rift Valley Water Services Board is one of the Registered Boards created by the Water Act 2002 to carry out water activities in Kenya. Nyandarua County is one of the counties covered by Rift Valley Water Services Board.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is to provide water and sanitation services to the residents of Nyandarua County. This is done either by running water supplies directly or overseeing some smaller entities who have been authorized to provide water in certain areas of the County. Currently, Nyandarua Water and Sanitation Company directly operates four water supply schemes namely:-

- 1) Kirima Water Supply which covers Shamata Township and its environs in Ndaragwa Division of Nyandarua North Sub-County.
- 2) Gatimu Water Supply covers Gatimu Division of Nyandarua West Sub-County.
- 3) Ol joro orok/Kangui Water Supply covering Ol joro orok Division of Nyandarua West Sub-County.
- 4) Kasuku Water Supply covering Kasuku Township and its environs.

**NYANDARUA WATER AND SANITATION COMPANY  
REPORT FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2014**

**DIRECTORS**

During the financial year 2013/2014, the Company did not have a Board of Directors. This was occasioned by the process of devolution.

This brought about resignations of Directors who wanted to join politics and also the dissolution of County Councils, since our other Directors were officers of the defunct County Councils.

It took a while for the Governor to appoint new Directors, precipitating the above stated situation.

**CORPORATE SECRETARY**

Mr. Benedict M. Kimani – Managing Director  
P.O. Box 164 – 20300  
Nyahururu  
Kenya

**REGISTERED OFFICE**

Boston House – Ground Floor  
Kenyatta Avenue  
P.O. Box 164 – 20300  
Nyahururu  
Kenya

**CORPORATE HEADQUARTERS**

Boston House – Ground Floor  
Kenyatta Avenue  
P.O. Box 164 – 20300  
Nyahururu  
Kenya

**NYANDARUA WATER AND SANITATION COMPANY  
REPORT FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2014**

**CORPORATE CONTACTS**

Telephone – 020 801 8042  
Email – nyandawas@gmail.com

**BANKERS**

- 1) Kenya Commercial Bank  
Nyahururu Branch  
P.O. Box 64 – 20300  
Nyahururu  
Kenya
- 2) Equity Bank  
Nyahururu Branch  
P.O. Box 1048  
Nyahururu  
Kenya

**INDEPENDENT AUDITORS**

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

**PRINCIPAL LEGAL ADVISORS**

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

**SENIOR MANAGEMENT**

Benedict M. Kimani  
Senior Superintendent of Water Supplies

Managing Director



Francis N. Muchiri  
Superintendent Water Supplies

Technical Manager



Margaret W. Gachomo  
Accountant (CPA) (K)

Commercial Manager



**NYANDARUA WATER AND SANITATION COMPANY  
REPORT FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2014**

**REPORT OF THE MANAGING DIRECTOR**

Nyandarua Water and Sanitation Company Limited was incorporated in 2006 as an agent of the Rift Valley Water Services Board (RVWSB). It signed a Service Provision Agreement with Rift Valley Water Services Board to provide water and sanitation services to the residents of Nyandarua County which is one of the Counties covered by the Rift Valley Water Services Board's area of jurisdiction.

Under the Service Provision Agreement (SPA), the Company is mandated to offer the above services either directly or through sub-agents throughout the County with the exception of Ol Kalou Town which is served by Ol Kalou Water and Sanitation Company.

The Company is headed by a Management team comprising the Managing Director, Technical Manager and Commercial Manager.

The Managing Director is the Chief Executive of the Company and is responsible for the overall management of the Company. The Managing Director oversees all the activities of the Company and is the Liaison Officer of the Company to the external enterprises. The Managing Director is also the Secretary to the Board of Directors.

The Technical Manager heads the Technical Department of the Company. The Technical Manager is responsible for the physical day to day technical operations of the Company. The Technical Manager oversees the actual operations of the water supply in all technical aspects that include pumping, water treatment, conveyance, storage, distribution and maintenance of all infrastructure used for the efficient supply of water and other services. The Technical Manager reports to the Managing Director.

The Commercial Manager is responsible for both the Commercial and Financial Department of the Company. The Commercial Manager oversees and directs all the operations of the

**NYANDARUA WATER AND SANITATION COMPANY  
REPORT FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2014**

Commercial Department that includes meter readings, billings, revenue collection, cut-offs, connections and reconnections and any other commercial activity. In addition, the Commercial Manager currently oversees the functions of the Finance Department and is responsible for all the financial transactions of the Company. The Commercial Manager also reports to the Managing Director.

There is the Board of Directors which comprises five members. Of these, two are appointed by the County Government from the County Executive while the other three are representatives of various categories or classifications of residents and are selected through a competitive process which involves advertising in the local dailies followed by interviews and ultimately formally appointed by the Governor.

However, during the period covered by this report, the Company did not have a Board due to some technicalities related to the transition to devolved governments.

During the reporting period, the Company's activities went on fairly well, despite the various challenges occasioned by the transition.

Water supply activities in our directly run facilities continued well and so did those run by our sub-agents. During this period we fully operationalised our Kasuku Water Supply which is now supplying water to the residents of Kasuku and its environs. We also carried out significant extensions in our other water supply schemes reaching out to areas that were not hither to served.

SIGNATURE..........

MR. B. M. KIMANI

MANAGING DIRECTOR,

DATE.....15/07/15.....

# NYANDARUA WATER AND SANITATION COMPANY REPORT FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2014

## CORPORATE GOVERNANCE STATEMENT

The Principles of Corporate Governance have been embedded in the Water Sector so as to ensure that the sector, which is a very vital nerve in the Country's development operates as smoothly as possible. The needs to have the Corporate Governance Principles in place are as follows:-

- Ensure the profitability and efficiency of Water services delivery.
- Create ethical business enterprises and their capacity to create wealth and employment.
- Ensure the long-term competitiveness of the water sector.
- Improve relationships between the different players in the water sector so as to be able to deliver quality affordable water in a sustainable manner.
- Improve the relationship between such water enterprises and their various stakeholders comprising shareholders, managers, employees, customers, suppliers e.t.c.

When Corporate Governance is embraced, it essentially defines leadership at board level so as to attain the following objectives:-

- Leadership geared towards efficiency in the provision and distribution of water services.
- Leadership with probity for sustainability of the financial resources.
- Leadership with responsibility focused towards attainment of water for all.
- Leadership that is transparent and accountable.

The Corporate Governance Principles provide guidelines to be followed by the Board of Directors in discharging their duties at the Company's Boardroom. The principles clearly spell out the roles they are expected to play in the overall running of the Company. The guidelines have been developed by the Water Services Regulatory Board in conjunction with Water Services Board who are the main bodies charged with the responsibility of providing Water and Sanitation Services to various Counties.

**NYANDARUA WATER AND SANITATION COMPANY  
REPORT FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2014**

Stakeholder participation is also provided for in the guidelines. During the constitution of the Board of Directors, the Water Services Board (WSB) advertises in the local media for the positions of Directors and sets the criteria for those eligible to apply. It further calls a stakeholder conference in the service area to create a selection committee of five members from the stakeholders who will evaluate applications submitted.

The stakeholders also have other roles to play in as far as the functioning of the Company is concerned. During preparation of tariffs, a stakeholder consultative meeting has to be held to debate on the same and to either approve or reject the proposed tariff.

Compliance to the Corporate Governance guidelines is expected at all times and it is the collective duty of the Management and Board of Directors to ensure this compliance.

**NYANDARUA WATER AND SANITATION COMPANY  
REPORT FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2014**

**CORPORATE SOCIAL RESPONSIBILITY**

Every Company has a social responsibility to the host communities of its activities.

The Board of Directors is expected to monitor the social responsibilities of the Company and promulgate policies consistent with the Company's legitimate interests and good business practices. The Board of Directors is expected to enhance this by:-

- Promoting fair, just and equitable employment policies.
- Promoting and be sensitive to the preservation and protection of the natural environment.
- Being sensitive to and conscious of gender interests and concerns.
- Promoting and protecting the rights of children and other vulnerable groups.
- Enhancing and promoting the rights and participation of host communities.
- Creating social programmes through which Companies give something back to the host communities by participating in activities set to benefit the communities.

**NYANDARUA WATER AND SANITATION COMPANY  
REPORT FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2014**

**Statement of Directors' Responsibilities**

The Companies' Act requires the directors to prepare the financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure that the company maintains proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company. The Directors are also responsible for safe guarding the assets of the company.

The Directors accept responsibility for the annual 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 and the requirements of the Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of affairs and of the operating results of the company.

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

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

*Addie 15/7/15*

.....  
**CHAIRMAN**

*B.M. Kimani*

.....  
**MANAGING DIRECTOR  
MR. B.M. KIMANI**

**NYANDARUA WATER AND SANITATION COMPANY  
REPORT FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2014**

**NYANDARUA WATER AND SANITATION COMPANY**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

		<u>2014</u>	<u>2013</u>
	<u>NOTES</u>	<u>Kshs</u>	<u>Kshs</u>
Revenue			
Revenue from water sale	2	10,139,191	7,061,110
<b>Other Income</b>			
Reconnection	3	278,900	328,590
Other charges	3	142,600	190,000
Inkind contribution	4	9,195,946	9,738,792
<b>Total revenue</b>		<b>19,756,637</b> #	<b>17,318,492</b>
<b>Operating cost</b>			
Direct cost	2	3,680,144	2,785,754
Administrative expenses	6	5,819,390	4,189,258
Operation and maintenance	7	270,605	256,754
Personnel cost	8	11,305,072	10,485,726
Finance cost	9	74,074	78,955
<b>Total operating expenses</b>		<b>21,149,285</b>	<b>17,796,447</b>
<b>Net profit or loss</b>		<b>(1,392,648)</b> #	<b>(477,955)</b>

**NYANDARUA WATER AND SANITATION COMPANY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30TH JUNE 2014**

	NOTES	<u>2014</u> <u>Kshs</u>	<u>2013</u> <u>Kshs</u>
<b>ASSETS</b>			
<b><u>Non -Current Assets</u></b>			
Property, Plants and Equipments	9	123,305	105,552
Total Non			
<b><u>Current Assets</u></b>			
Inventories	10	19,525	31,235
Trade and Other Receivables	11	3,570,114	2,814,421
Cash&bank balances	12	95,064	289,021
<b>Total Assets</b>		<b>3,808,007</b>	<b>3,240,229</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b><u>Current Liabilities</u></b>			
Trade and other payables	13	5,682,947	4,073,521
Customer deposits	14	1,158,000	807,000
		<b>6,840,947</b>	<b>4,880,521</b>
<b><u>Capital and Reserves</u></b>			
Capital	19	5,304,334	5,304,334
Revenue Reserves	20	(8,337,274)	(6,944,626)
<b>Capital and Reserves</b>		<b>(3,032,940)</b>	<b>(1,640,292)</b>
<b>Total Equity and liabilities</b>		<b>3,808,007</b>	<b>3,240,229</b>

SIGNED *A. Aldie* DATE *15/7/15*  
 CHAIRMAN

SIGNED *Benedict M. Kimani* DATE *15/07/15*  
 MANAGING DIRECTOR  
 MR. BENEDICT M. KIMANI

**NYANDARUA WATER AND SANITATION COMPANY**  
**STATEMENT OF CHANGE IN OWNERS EQUITY**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	<u>Capital Reserve</u>	<u>Revenue Reserve</u>	<u>Totals</u>
Bal b/d as at 1.7.13	5,304,334	(6,466,671)	(1,162,337)
Surplus/Deficit for the year to 30.6.13	-	(477,955)	
As at 30.6.2013	5,304,334	(6,944,626)	(1,640,292)
Surplus/Deficit for the year to 30.6.2014	-	(1,392,648)	
Bal as at 30.6.14	5,304,334	(8,337,274)	(3,032,940)

**NYANDARUA WATER AND SANITATION COMPANY  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2014**

	Notes	2014 <u>Kshs</u>	2013 <u>Kshs</u>
<b><u>Cash flow from operating activities</u></b>			
Net loss/profit		(1,392,648)	(477,955)
Add back			55,291
Depreciation	7	24,947	
		(1,367,701)	(422,664)
<b>cashflow before change in working capital</b>			
<b><u>Change in working capital</u></b>			
increase in debtors	10	(755,693)	(365,146)
Decrease in inventory	11	11,710	1,844
Increase in trade payable	13	1,609,426	782,249
Increase in customer deposit	14	351,000	
		<u>1,216,443</u>	<u>418,947</u>
		(151,258)	(3,717)
<b><u>cashflow after change in working capital</u></b>			
<b><u>cash flow from investing activities</u></b>			
Purchase of office chairs	7	(10,000)	(19,000)
Installation of office shelves	7	(32,700)	-
<b>cash flow from financing activities</b>			
		(193,958)	(22,717)
Net cashflow			
		289,021	311,738
cash&bank balances as at1.7.2013			
		95,063	289,021
cash&bank balances as at30.6.2014			

**NYANDARUA WATER AND SANITATION COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**ACCOUNTING POLICIES**

**1. Statement of compliance and basis for preparation**

The financial statements shall be prepared in accordance with international financial reporting standards. The accounting policies adopted have been consistently applied to all years presented. The Reporting currency of the Financial Statements is in Kenya Shillings which is the functional and reporting currency of the company.

**2. Revenue recognition**

Revenue is recognized to the extent that it is probable that future economic benefit will follow and revenue can reliably be measured.

**a) Revenue from sale of services**

Revenue from sale of services is recognised upon billing to customers and comprises mainly of water sales and water connection charges.

**b) Grants**

Government grants are recognized as income when there is reasonable assurance that the grants will be received. The grants are recognized as income on a systematic and rational basis over the period necessary to match the related costs.

**3) In kind contribution**

This are donations that are made to the entity in the form of actual goods or services rather than in money or cash terms. These donations may include vehicles, equipments or personal services. Where financial value received for in kind contribution can be reliably determined, the company include such value in statement of comprehensive income both as revenue and as expenses in equal

**4. Cash & cash equivalents**

For the purpose of cash flow statement, cash & cash equivalent comprises of cash in hand & bank balances.

**5. Provision**

This are recognised when the company has a present legal or constructive obligation as a result of past events & it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation & reliable estimate of amount is made.

**6. Inventories**

Inventories consists of items for use in the operation of the water systems and in rendering related services. The inventories are stated at lower cost, market value or net realisable value. Net realizable values is the estimate of the selling price in the ordinary course of business, less the cost of completion and selling expenses. This shall be reviewed to conform with accounting standards applicable from time to time.

**7. Expenditure**

Expenditure is recognised on an accrual basis.

**8. Comparative figures**

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

**9. 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, 2014.

**NYANDARUA WATER AND SANITATION COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**FINANCIAL RISK MANAGEMENT POLICIES:**

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

**i. Significant Accounting Policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and liability are disclosed in the notes to the financial statements.

**ii. Financial risk management objectives**

The water company's activities expose it to a variety of risks including credit, market and liquidity risks. The company's overall risk management strategy seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk and drafting guidelines on the management of these risks.

**iii. Credit Risk Management**

The water company's credit risk is mainly attributable to its liquid funds with financial institutions. However, the liquid funds with financial institutions is low because the counter parties are banks with high credit ratings.

The financial assets are fully performing as the company continues to enjoy services secured by this balance.

**iv. Liquidity Risk Management**

The ultimate responsibility for liquidity risk management rests with the water company. The company has set up an appropriate liquidity risk management framework for the short, medium and longterm funding requirements.

The company manages the liquidity risk by maintaining banking facilities and through continuous monitoring of forecast cashflows as well as actual cashflows.

**v. Market Risk**

The water company takes on the exposure to market risk, which is the risk that changes in market prices will affect the company's surplus. Such changes in market prices cause fluctuations to the cashflows of the company and are generally caused by changes in interest rates.

Market risk monitoring is done by the management in conjunction with the Board of directors.

Market risk exposures are measured by sensitivity analysis and appropriate management measures instituted.

**NYANDARUA WATER AND SANITATION COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**1. Property, plant and equipment**

- (i) All property and equipment are stated at historical cost less accumulated depreciation.  
(ii) Assets donated to the company are included in the accounts at the amount attributed to them by the donor.

**Depreciation**

- (ii) Depreciation of fixed assets is calculated on the straight line basis at annual rates so as to write off the assets over their estimated useful lives as follows:

	USEFUL LIFE	RATE
Computer equipment	3	30.0%
Furniture, fixtures and fittings	8	12.5%
Tools	3	33.3%
Office equipment	8	12.5%
Motor vehicles	4	25.0%

- (iii) depreciation is recognised both in the year of asset purchase and in the year of asset disposal.

**2. SALES**

The sales reflected in the income statement is arrived as below ;

	2014 Ksh	BUDGET 2014 Ksh	% VARIANCE 2014	2013 Ksh
2(a) Revenue				
Water sales	10,139,191	10,446,150	3	7,061,110
<b>Revenue from water sale</b>	<b>10,139,191</b>	<b>10,446,150</b>		<b>7,061,110</b>

**2(b). Direct cost**

The direct cost shown in the income statement is arrived as below ;

	2014 Ksh	2014 BUDGET Ksh	VARIANCE %	2013 Ksh
Electricity	2,267,254	1,600,000	-42	1,845,113
Water bill(Nyahuwasco)	234,390	-	-	-
chemicals	303,169	500,000	39	545,000
Supply for Production(Repair &maintainace)	875,331	753,506	-16	395,641
	<b>3,680,144</b>	<b>2,853,506</b>	<b>-19</b>	<b>2,785,754</b>

**3) Other income**

	2014 KSH	2013 KSH
Reconnection	278,900	328,590
Other charges	142,600	190,000

**4. In kind contribution**

Employees are seconded from the County Government of Nyandarua inkind contribution are as follows;

	2014 Ksh	2013 Ksh
Employees	9,078,696	9,111,292
Electricity	-	290,000
Chemicals	117,250	337,500
	<b>9,195,946</b>	<b>9,738,792</b>

**5 WSTF GRANT**

	2014 Ksh	2013 Ksh
Cash deposit	250	-
Grant	854,826	-
K C B -W S T F Account bal b/ f	2,495,653	201,060
administrative	-	287,000
accompanying measure	3,721	6,350
bank charges	618,427	1,862,358
masonry tank	2,287,088	8,966,174
pipeline/metering	-	100,000
transport	16,530	-
Transfer to Exp	424,764	-
Withholding tax	-	85,000
task team	-	2,495,653
K C B -W S T F Account	<b>3,350,530</b>	<b>14,003,595</b>

NYANDARUA WATER AND SANITATION COMPANY LTD  
 NOTES TO FINANCIAL STATEMENTS  
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EXPENSES

Administrative/Operating costs

The administrative and operating cost as reflected in the income statement is arrived as under;

	2014	2014	%	2013
		BUDGET	VARIANCE	
	KSH	KSH		KSH
<b>6. Administrative costs</b>				
Travel & Subsistence allowances	2,370,400	1,810,000	-31	1,355,530
Office Rent	240,000	240,000	0	240,000
Stationery	255,855	200,000	-28	176,740
Rvwvb levies	1,553,026	995,544	-56	1,055,300
Seminar and training	98,000	150,000	35	
power and water	45,391	30,000	-51	36,031
Office expenses	169,698	200,000	15	122,066
Waspa subscription	50,000	50,000	0	50,000
Legal fee provision	100,000	100,000	0	100,000
Audit fees Provision	255,200	255,200	0	255,200
Depreciation	24,947	24,947	0	55,291
Telephone & Postage	204,246	230,000	11	283,874
Wрма Abstraction fee	274,951	250,000	-10	250,650
Wasreb Levies	104,176	104,462	0	62,076
Wasca	15,000	50,000	70	
BOD Allowances	58,500	300,000	81	146,500
<b>Total Administrative cost</b>	<b>5,819,390</b>	<b>4,990,153</b>	<b>36</b>	<b>4,189,258</b>
<b>7 Operations and maintenance</b>	<b>KSH</b>	<b>KSH</b>		<b>KSH</b>
Repair & Maint/Drawings	16,000	30,000	47	35,000
Uniform & Soaps	16,740	30,000	44	20,000
Fuel	158,875	124,000	-28	104,758
Provision for bad debt (11 b)	78,990	78,990	0	96,996
<b>Total Operation &amp; maintenance</b>	<b>270,605</b>	<b>262,990</b>		<b>256,754</b>
<b>8. Personnel cost</b>	<b>KSH</b>	<b>KSH</b>		<b>KSH</b>
Management Top Up Allowances	660,000	660,000	0	660,000
Salaries	9,078,696	-	0	9,111,292
Wages	1,512,376	1,190,800	-27	714,434
Entertainment	54,000	60,000	10	
<b>Total Personnel cost</b>	<b>11,305,072</b>	<b>1,910,800</b>		<b>10,485,726</b>
<b>9. Finance cost</b>	<b>KSH</b>	<b>KSH</b>		<b>KSH</b>
Bank Charges	74074	82,000		78,955
<b>Total finance cost</b>	<b>74074</b>	<b>82,000</b>		<b>78,955</b>
<b>Grand totals</b>	<b>17,469,141</b>			<b>15,010,693</b>

NYANDARUA WATER AND SANITATION COMPANY LTD  
NOTES TO FINANCIAL STATEMENTS  
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**MOVEMENT SCHEDULE FOR THE YEAR ENDED 30TH JUNE 2013**

**9.(a) Property, Plant and Equipment**

Movement schedule	Furniture & Fittings(Kshs)	Computers(Kshs)	Tools(Kshs)	Totals 2012/13
	Ksh	Ksh	Ksh	Ksh
Cost/Valuation as at 1/7/2012	256,566	161,580	105,550	523,696
Additions	-	19,000	-	19,000
Disposals	-	-	-	-
<b>Cost/Valuation as at 30th June 2013</b>	<b>256,566</b>	<b>180,580</b>	<b>105,550</b>	<b>542,696</b>
Depreciation 1/7/2012	155,603	120,700	105,550	381,853
Charge for the year	32,071	23,220	-	55,291
<b>Accumulated Depreciation as at 30th June 2013</b>	<b>187,674</b>	<b>143,920</b>	<b>105,550</b>	<b>437,144</b>
<b>Net book value as at 30.6.13</b>	<b>68,892</b>	<b>36,660</b>	<b>-</b>	<b>105,552</b>
Net book value as at 30.6.2012	100,963	40,880	-	141,843

**9.(b) Property, Plant and Equipment**

Movement schedule	Furniture & Fittings(Kshs)	Computers(Kshs)	Tools(Kshs)	Totals 2013/14
	Ksh	Ksh	Ksh	Ksh
Cost/Valuation as at 1/7/2013	256,566	180,580	105,550	542,696
Additions	42,700	-	-	42,700
Disposals	-	-	-	-
<b>Cost/Valuation as at 30th June 2014</b>	<b>299,266</b>	<b>180,580</b>	<b>105,550</b>	<b>585,396</b>
Depreciation 1/7/2013	187,674	143,920	105,550	437,144
Charge for the year	13,949	10,998	-	24,947
<b>Accumulated Depreciation as at 30th June 2014</b>	<b>201,623</b>	<b>154,918</b>	<b>105,550</b>	<b>462,091</b>
<b>Net book value as at 30.6.14</b>	<b>97,643</b>	<b>25,662</b>	<b>-</b>	<b>123,305</b>
Net book value as at 30.6.2013	68,892	36,660	-	105,552

2014

2013

**10. Inventories**

	Ksh	Ksh
Consumable store	19,525	31,235
	<u>19,525</u>	<u>31,235</u>

**11. Debtors**

	<u>2014</u>	<u>2013</u>
	Ksh	Ksh
Kirima water supply - consumers	996,925	1,157,091
Kasuku Water Supply	33,840	-
Nyahuwasco deposit	50,000	-
Gatimu water supply - consumers	899,447	531,699
OI Kangui water supply - consumers	1,765,888	1,222,627
provisoin for bad debt	(175,986)	(96,996)
	<u>3,570,114</u>	<u>2,814,421.00</u>

**11 (b) provision for bad debt**

Unrecoverable debtors as per provided list

	<u>2014</u>	<u>2013</u>
	Ksh	Ksh
	78,990	96,996

**NYANDARUA WATER AND SANITATION COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	<u>2014</u>	KSH.	<u>2013</u>
<b>12. Cash and Cash at Bank Balance</b>			
EQUITY - Deposit Account	42,972		82,666
KCB - Revenue Account	2,092		15,670
Cash at Hand(cash survey as at 30.6.2014)	50,000		5,618
	<u>95,064</u>		<u>103,952</u>

	<u>2014</u>	Ksh	<u>2013</u>
<b>13. Creditors and Accruals</b>			
WRMA	69,065		248,608
Acting Allowances	435,000		540,000
RVWSB	3,074,541		1,750,950
Kenya national audit office	1,265,600		1,010,400
Ndirangu's hardware	136,000		140,750
WASREB	145,499		108,510
Nyahuwasco	120,340		-
KCB - Expenditure Account	6,307		-
WASPA	50,000		-
Legal fee provision	100,000		100,000
KPLC	280,595		174,303
	<u>5,682,947</u>		<u>4,073,521</u>
<b>14 Customers Deposit</b>	<u>1,158,000</u>		<u>807,000</u>

Payables to regulatory bodies are now on course whereby payment is made on monthly basis. An agreement has been entered between WASREB and the Company and also the board.

**15 RELATED PARTIES**

The company relates to the National Government through the Ministry of Water & Irrigation which sets policy guidelines. Further on, the company draws its shareholders from the Nyandarua County Government who participate in the AGM. In addition, the company is licensed, monitored and supervised by Rift Valley Water Services Board

**16. Retirement benefits obligation**

Employees are seconded from County government of Nyandarua therefore the company has no obligation towards retirement benefits.

**17. Share capital**

The company is limited by guarantee without share capital

**18. Reporting currency**

The reporting currency of the financial statement is Ksh.

**19. Capital**

This refers to the opening balances originated when the company was being formed due to outstanding debt and liabilities and the board has resolved to write them off balance from the accounts since they can't be supported.

**20. Revenue reserve**

Accumulated loss as at 30/6/2013 (Kshs 6,944,626.00)  
 Accumulated Loss for the year as at 30/6/2014 (Kshs 8,337,274)  
 This refers to accumulated losses over the years.

**21. NON REVENUE WATER (NRW)**

To determine the NRW and minimise the same the company has bought master meters for Gatimu and Kirima Water supplies. For OI joro orok/Kangui, master meter has been bought financial year 2010/2011, rehabilitation of drainage system was completed in financial year 2011/12 and arrangement are underway to install master meters within financial year 2014/2015.

NYANDARUA WATER AND SANITATION COMPANY LTD  
 NOTES TO FINANCIAL STATEMENTS  
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**21. TAX COMPUTATION**

	2014 Ksh	2013 Ksh
<b>TAXATION</b>		
Profit and loss	(1,392,648)	(477,955)
ADD: Depreciation	24,947	55,291
Provision for bad debt	78,990	96,996
	(1,288,711)	(325,668)
LESS: Wear and tear	(24,947)	55,291
Adjusted taxable profit	(1,263,764)	(380,959)
Loss b/d	(7,325,585)	(6,944,626)
<b>Loss b/f</b>	<b>(8,589,349)</b>	<b>(7,325,585)</b>

**Wear and tear allowance**

	Furniture & Fittings (KShs)	Computers (Kshs)	Tools (Kshs)	Totals
Wdv: 01/07/2013	111,592	36,660	-	148,252
				-
Wear and tear	13949	10998		24,947
WDV 30/06/2014	97,643	25,662	-	123,305