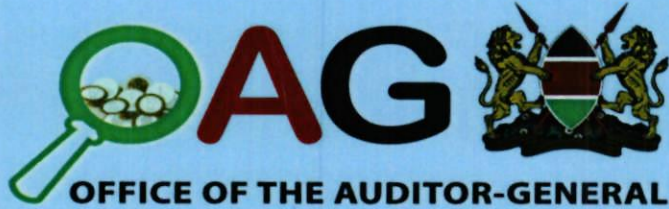
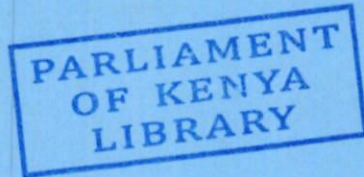


REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

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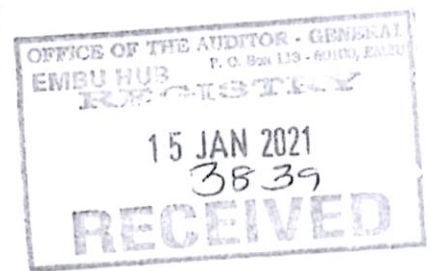
THE AUDITOR-GENERAL

ON

**NITHI WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2020**





NITHI WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020**

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

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1. KEY COMPANY INFORMATION

Background information

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

Previously, the company's area of SPA jurisdiction as defined in the SPA was 136km² with 100km² under Chuka/Karingani water Scheme and 36km² under Chogoria Water Scheme. In April 2018, the service area was extended further to cover Mutonga-Gituma water supply scheme, Kibunga-Kakimiki water supply scheme Scheme and Kathwana water supply scheme. This brings the total area to approx. 380Km².

The company abstracts water from different sources for each scheme. Water from all rivers is abstracted through gravity fed pipe and conveyed to customers systems with a total production of 10,141hM³/day.

Scheme	Source	Production per month in M3
Chuka/Karingani	Tungu River	223,492
Chogoria	Maara River	27,885
Mutonga-Gituma water supply	Mutonga River	14,884
Kibunga-Kakimiki water supply	Kathita River	31,523
Kathwana water supply	Maara River	6,446
TOTAL		304,230

VISION AND MISSION

Vision and Core Values

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

Mission

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

Core Values

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

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

Principal Activities

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

Directors

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

- | | | |
|----------------------------|---------------------|-----------------------------------------|
| 1. Gilbert Nkonge Ndiga | - Chairman | - Appointed in August 2019 |
| 2. Leonard N. Ngaine | - Director | - Appointed in August 2018. |
| 3. Elizabeth N. Nyaga | - Director | - Appointed on 2017 |
| 4. Humphrey Gitonga Ntwiga | - Director | - Appointed in August 2019 |
| 5. Peter K. Kathiga | - Director | - Appointed in August 2019 |
| 6. Joseph Kilonzo Nthuri | - Director | - Appointed in August 2019 |
| 7. Nancy Muthoni Riungu | - Director | - Appointed in August 2019 |
| 8. David N. Gichoni | - Director | -CO Water Tharaka Nithi County Govt' |
| 9. Zephania Mbaka R. | - Director | - CO Finance Tharaka Nithi County Govt' |
| 10. Mary Wambui Kigia | - CEO-Rep | Tana Water Works Development Agency. |
| 11. Laban Kaara Mwaniki | - Managing Director | - Secretary to the Board |

Corporate Secretary

Mr. Gikuhi Kiana

Certified Public Secretaries

PO Box 1271-10100

NYERI

Registered Office

County Commissioner's compound

P.O. Box 263-60400

CHUKA

Nithi Water and Sanitation Company Ltd

**Annual Reports and Financial Statements
For the year ended June 30, 2020**

Corporate Headquarters

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

Corporate Contacts

Telephone: 064-630434, 020 8032638
E-mail: nithiwasco13@yahoo.com
Website: www.nithiwater.com

Corporate Bankers

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

Independent Auditors

Office of the Auditor- General
Anniversary Towers, University Way
Monrovia Street P.O. Box 30084
GPO 00100
NAIROBI, KENYA

Principal Legal Advisers

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

Advocates

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

2. THE BOARD OF DIRECTORS

 1. CHAIRMAN	<p>MR. GILBERT NKONGE NDIGA D.O.B 1960 Business Man in Marima Market. Appointed under the business community category. Appointed in August 2019</p>
 2. DIRECTOR	<p>Mr. LEONARD NJERU NGAINE D.O.B 1949 Mr. Leonard N. Ngaine is a businessman in Chuka Town. He has served as the Chairman, chamber of commerce in Chuka town and has a wealth of experience in business management</p>
 3. DIRECTOR	<p>MRS. ELIZABETH N. NYAGA D.O.B 1959 Proficiency Course in Clerical. Higher clerical officer- Judiciary for the last 20years. Chairlady Iga'mba Ng'ombe Women Sacco. Chairlady Bahati women Group. Chairlady Tuinuke women group</p>
 4. DIRECTOR	<p>MISS. NANCY MUTHONI RIUNGU D.O.B 1972 Artisan- Garment Making She is appointed under the Resident Organisations category from Chogoria Water Scheme. Appointed in August 2019</p>



5. DIRECTOR

MR. JOSEPH KILONZO NTHURI
D.O.B 1958.

Retired Education Officer
Currently a Business Man and appointed from
Kibung'a Kakimiki Water Scheme under the
Resident Organisations Category
Appointed in August 2019



6. DIRECTOR

MR. PETER N. K. FRANK KATHIGA
D.O.B 1956




Retired Teacher
Business Man
Represents the Resident Organisations Category
from Kathwana Water Scheme
Appointed in August 2019



7. DIRECTOR

MR. HUMPHREY GITONGA HUSSEIN
D.O.B 1960

Farmer
Appointed in August 2019
He represents the Religious Groups Category

 <p>8. DIRECTOR</p>	<p>Eng. DAVID NJUE GICHONI D.O.B 1969 Chief Officer Water & Irrigation Tharaka Nithi County Government</p>
 <p>9. DIRECTOR</p>	<p>MR. ZEPHANIA RWANDA MBAKA D.O.B 1985 Chief Officer Finance Tharaka Nithi County Government</p>
 <p>10. C.E.O TWWDA REPRESENTATIVE</p>	<p>MARY WAMBUI KIGIA (REP. OF CEO TANA WATER WORKS DEVELOPMENT AGENCY) D.O.B 1965</p> <p>She has a Diploma Water Technology. She is the capacity Building Officer at TWWDA and has a vast experience having work in the water sector for over 27 years.</p>



11. COMPANY SECRETARY

MR. GIKUHI KIANA (CS)

He is aged 66 years old. He has a wealth of experience having practiced for over 20 years.



**12. MANAGING DIRECTOR
(Secretary to the Board)**




**Eng. LABAN KAARA MWANIKI
MEMBERSHIP NO. PET00257**

He is 36 years old. He has a degree in Civil Engineering with more than eight years in Water sector as well as civil engineering sector and registered with Kenya Engineering Technology Registration board.

3. MANAGEMENT TEAM

The day to day operations of the Company is run by Corporate Management Team (CMT) headed by the Managing Director.

The following is the Corporate Management Team.

 <p>1. MANAGING DIRECTOR</p>	<p>ENG. LABAN KAARA MWANIKI MEMBERSHIP NO. PET00257</p> <p>He is 36 years old. He has a degree in Civil Engineering with more than eight years in Water sector as well as civil engineering sector and registered with Kenya Engineering Technology Registration board.</p>
 <p>2. Ag. TECHNICAL MANAGER</p>	<p>Mr. RAPHAEL BEJA LEWA</p> <p>He is 35 years old. He has a Diploma in Water Engineering with an experience of 6 years in water sector.</p>
 <p>3. COMMERCIAL MANAGER</p>	<p>CPA MWONGERAH FAITH GAKII: REG NO:23019</p> <p>She is 36 years old. She is a CPAK and CPS Section 5. She is a Certified Monitoring and Evaluation Consultant. She is undertaking a diploma in Human resource Management at KIM. Completed B.Com Finance option at University of Nairobi awaiting graduation. She has served the company as the Accountant for 3 years prior to her appointment in 2013 as the Commercial Manager. She has acted as the Company's General Manager in the FY2017-2018.</p>



4. INTERNAL AUDITOR

**CPA RIUNGU LAWRENCE MURITHI:
REG NO:23031**

He is 45 years old. He is a CPAK. He has a wealth of experience in both Accounting and Auditing fields.

4. CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, it is with great honour that I present to you the annual report and financial statements of the Company for the year ended 30th June, 2020.

First, I would like to acknowledge the Support of the County Government of Tharaka Nithi headed by H.E Hon. Onesmus Muthomi Njuki for the support, solid commitment and political goodwill which created an enabling environment to the company in its endeavour to deliver on its mandate. In my opinion, the company is stronger and has the momentum to grow now than any other time in our 13 years history.

During the Financial Year 2018/19 the company was involved in preparation of Integrated Development Plan in relation to provision of water and sanitation services in the county thus we are keen on adjusting our strategic plan to align to the aspirations and strategic objectives as spelt out in the plan

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

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

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

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

During the year, the company continued to partner with donors in the funding of various projects. This is a big step towards increasing universal access to residents in our county as enshrined in the constitution. Transparency and accountability are embedded in the company's policies and procedures thus creating a very high level of donor confidence. In the financial year 18/19 Water Sector Trust in partnership with the County Government funded the Kathwana Water Treatment Plant and Kibung'a Kakimiki pipeline network at a tune of **Kshs.85M**

Nithi Water and Sanitation Company Ltd

**Annual Reports and Financial Statements
For the year ended June 30, 2020**

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

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

Thank you all and God bless you.



**GILBERT NKONGE NDIGA
BOARD CHAIRMAN**

5. **REPORT OF THE MANAGING DIRECTOR**



It is with great pleasure that I present to you an overview of the annual report and financial statements of the Company for the year ended 30th June 2020. This is the 13th annual report and financial statements for the Company and demonstrates how far we have come. The strong foundation that we have built over time by embracing our vision and mission; supported by a robust governance structure; continues to drive an increase growth in NIWASCO, providing an impetus for a secure future.

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

1. Kshs.**44.8Million** for the Construction of a full conventional treatment works for Kathwana water supply scheme.
2. Kshs.**35.6 Million** Construction of pipeline network and Water kiosks at Kibunga-Kakimiki water supply scheme.
3. Developed a pro poor policy document and the accompanying appropriate structure with a view of improving service delivery to the pro-poor areas. GiZ provided the technical and financial support of carrying out an assessment of the company's staff capacity and facilitated the preparation of the document.
4. Increased our customer base from **10,514** in June, 2019 to **10,923** by June 2020 for Chuka, karingani, Mutonga Gituma, Kibunga Kakimiki, Kathwana & Chogoria scheme.
5. Despite the Covid 19 pandemic our total turnover increased from **Kshs 64.2M** in June 2019 to **Kshs 64.7M** in 2020. Thus representing a **8%** growth.
6. The technology is changing fast and we are not left behind as we endeavour to embrace the emerging trends to improve our efficiency. During the year, the company changed from manual meter reading to smart meter reading. This has really improved the overall accuracy in meter reading and billing efficiency thus reducing the no of bill complaints.
7. The level of Non-revenue water stood at **61%**. This was largely affected by the uptake of three new schemes namely Kibung'a-Kakimiki, Mutonga-Gituma and Kathwana Water schemes whose Non Revenue Water was too high. We prepared proposals and non-revenue water reduction plan and forwarded to development partners. We anticipate that by and by we will continue addressing the issue to achieve the sector bench mark.

FUTURE OUTLOOK

Over the last 13yrs, the company has demonstrated an impressive trend in growth of revenue, asset base and quality of services to the customers. The company's revenue has grown from Kshs. 64.2Million to Kshs. 64.7Million from the financial year 2018/2019 to financial year 2019/2020

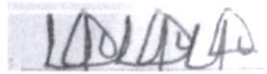
The company future plans are envisioned in the following strategic objectives

- a) Expand coverage to 90% of area for jurisdiction by 2022.

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

The company received funding from Water sector trust fund to complete the Kathwana and Kibunga Kakimiki water supply schemes and undertake a sanitation project in Kathwana. These projects once completed will improve water coverage as well its quality to the residents of the areas.

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



**ENG. LABAN KAARA MWANIKI
MANAGING DIRECTOR**

6. REVIEW OF NITHI WATER AND SANITATION COMPANY PERFORMANCE FOR FY 2019/2020

Revenue

The company posted 8% growth in its revenue despite the effects of Covid 19 experienced in the third and fourth quarters of the financial year. This is in line with the company's strategic objective to increase its Financial Sustainability within the strategic period ending Financial Year 2021-2022. The company's revenue grew from Kshs. 64.2Million to Kshs. 64.7Million from the financial year 2018/2019 to financial year 2019/2020.

Assets

The company has continued to grow its Asset base during the year. The assets grew from kshs.109 million to kshs. 145 million over the year.

This was achieved through immense support received from Water Sector Trust Fund to complete the Kathwana and Kibunga Kakimiki water supply schemes under the J6 Project. The funds were utilized to develop pipeline networks and Water Kiosks in Kibung'a Kakimiki water Scheme and Water Treatment plant in Kathwana Water Scheme.

Sanitation

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

- Kathwana Community Total Led Sanitation(CLTS) -Kshs.757,250
- Kajuki Community Total Led Sanitation(CLTS) -Kshs. 2,603,090
- UBSUP phase III -Kshs. 6,775,250.

The company also received support Kathita Catchment under Kibung'a-Kakimiki Kathita Conservation project at a project cost of Kshs.22, 831,480

We also received Kshs. 4million to mitigate against the effects of covid 19 under the Covid 19 Response project funded by WSTF.

Customer Base

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

Non-Revenue Water

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

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

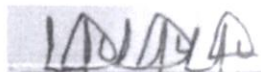
Some of the strategies employed were as follows

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

Human Resource

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

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



**ENG. LABAN KAARA MWANIKI
MANAGING DIRECTOR**

7. CORPORATE GOVERNANCE STATEMENT

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

The Board of Directors

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

The Board of Directors are responsible for the following:-

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

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

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

BOARD COMPOSITION

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

Seven (7) directors competitively sourced to represent various stakeholder groups within the company's area of jurisdiction as stipulated in the Corporate Governance Guidelines. Two (2) members are appointed from the county government from the Water and finance ministries. The board has a fiduciary relationship i.e. to treat the organization as their own and take prudent measures to grow the organization.

The stakeholders groups represented in the Board are:-

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

Board Responsibilities

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

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

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

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

Board Committees

The following are the current committees of the Board.

1. *Finance, Administration and Technical Committee*

The committee comprises of Four (4) members and is mandated to review and make recommendations on the company's financial and accounting policies, annual budgets, investment policy, risk management policy and assets management.

Members

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

2. Audit, Risk and Governance Committee

The committee comprises of four (4) members and is mandated to raise the standards of Corporate Governance by reviewing the quality and effectiveness of the internal control systems, the internal and external audit functions and the quality of financial reporting.

It also monitors managements compliance with relevant legislation, regulations and guidelines as well as the company's laid down policies and procedures. The committee has a direct access to the Audit function.

In the ensuing year the committee received and reviewed the findings of the internal and external audit reports and management action to address them.

Members

- | | | |
|------|-----------------|-----------------------------------------------------------------------|
| i. | Humprey Gitonga | Chairman |
| ii. | Peter Kathiga | Director |
| iii. | Nancy Muthoni | Director |
| iv. | Zephaniah Mbaka | Chief officer-Finance and Economic planning
(Tharaka Nithi County) |

Information and professional development

Keeping up-to-date with key business developments is essential for the Board of Directors to maintain and enhance their effectiveness. On regular basis the Board receives corporate strategy, financial plans, including budgets and forecasts and discuss them during Board meetings.

The chairman ensures the new board members are inducted and trained after which they are taken through the signing of the Code of Ethics.

Board performance evaluation

The board undertook a self-assessment of the effectiveness of its own decision making process. The outcome of the process concluded that the board members have confidence that the decision-making process enables them to effectively discharge their responsibilities. It also identified areas where the process could be improved and an action plan to address these issues has been agreed.

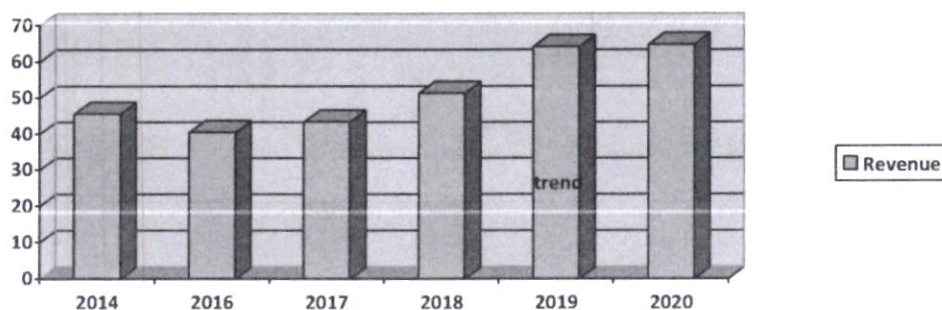
8. MANAGEMENT DISCUSSION AND ANALYSIS

Revenue/Income

During the Financial year 2019-2020 the company registered an increase in its revenue by Kshs.0.5M representing a 8% growth compared to the Financial year 2018-2019. The minimal growth was as result of the Covid 19 pandemic where by major consumers were affected through closure of businesses i.e. Schools, Other Government Institutions and Hotels.

The revenue trend over the last five (5) years is as shown below;

Year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Amount(Kshs 'm')	40.4	43.4	51.3	64.2	64.7



Customer Base

The company increased its registered connections by 409 during the year.

Assets

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

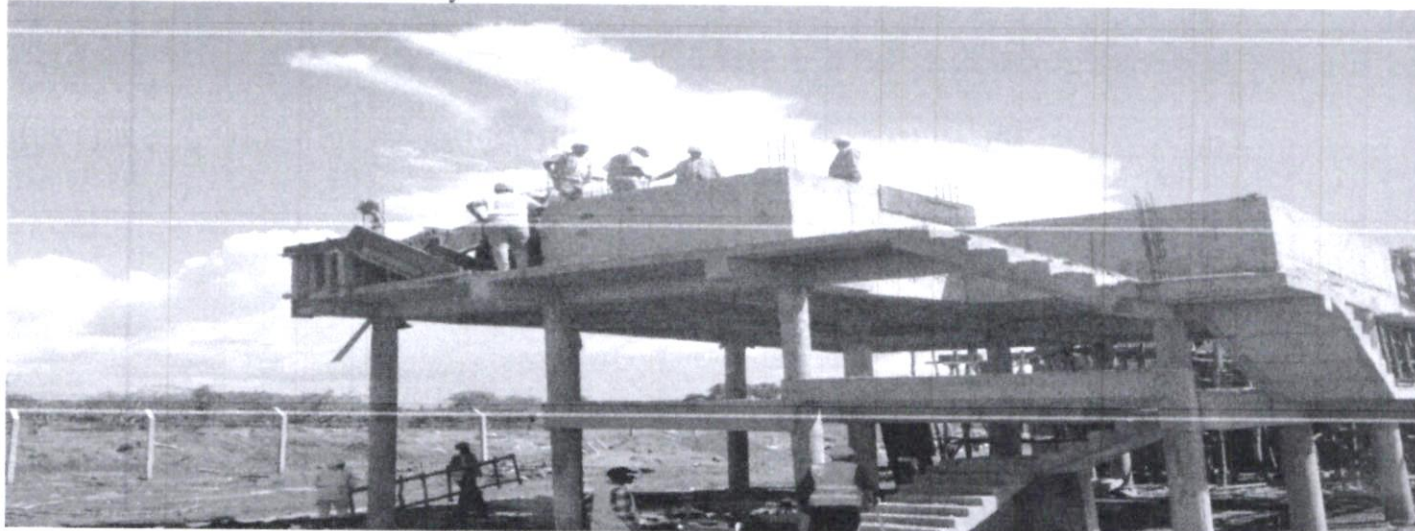
Kathwana treatment works storage tank



Water Service Improvement

The company developed a Water Treatment Facility during the year.

Kathwana Water Treatment facility



Challenges

- i. Limited resources to meet the high cost of infrastructure development to meet the high water demand in the company's area of jurisdiction.
- ii. The road developments along Kiereni-Kambandi- Weru and Chogoria scheme had an adverse impact on billing due to the frequent interruptions of water supply thus reducing the monthly consumption of our customers in the affected areas.

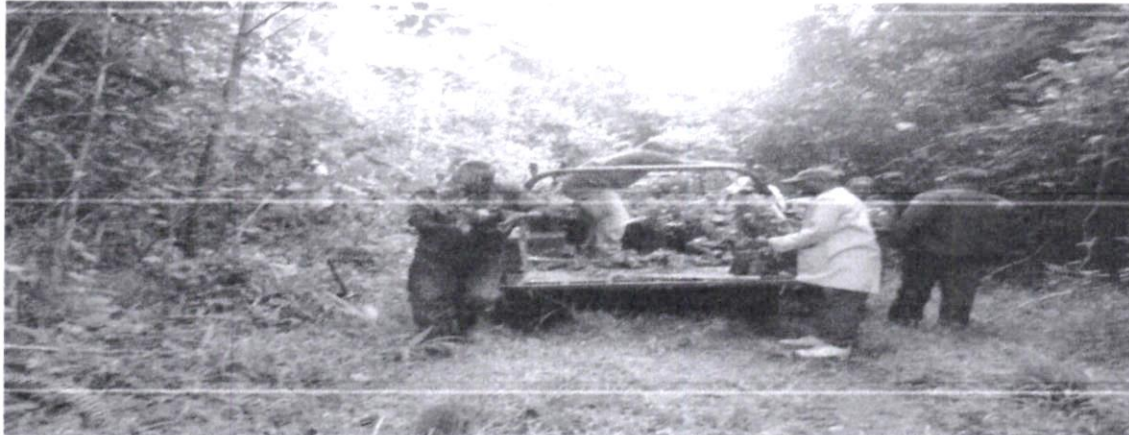
9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

Environment

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

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



Community

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

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



Employees

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

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

Motor Cycle riding-----8NO.

ICPAK -----2NO.

KISM-----1NO

Plumber/Pipe Fitter---.-3NO.

NRW Management-----2NO

**ENG.LABAN KAARA MWANIKI
MANAGING DIRECTOR**

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the company's affairs.

Principal activities

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

Results

The results of the company for the year ended June 30, 2020 are set out on page 1.

Dividends

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

Directors

The members of the Board of Directors who served during the year are shown on page vi-vii. In accordance with Regulation 42 b & c of the company's Articles of Association, Mr Dickson Kinyua retire by rotation and are not eligible for re-election. Mr Gilbert Kimathi and Mr Deciderio Willis Mbaka retire by rotation and, is eligible for re-election.

Auditors

The Office of the Auditor General is responsible for the statutory audit of the company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditor General carried out the audit of the Financial Statements for the year ended June 30, 2020.

By Order of the Board



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

Date: 30th September 2020

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012) require the Directors to prepare financial statements in respect of that 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, 2020. This responsibility includes:

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

The Directors accept responsibility for the Nithi Water and Sanitation Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012). The Directors are of the opinion that the company's financial statements give a true and fair view of the state of Nithi Water and Sanitation Company's transactions during the financial year ended June 30, 2020, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Nithi Water and Sanitation 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.

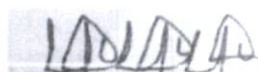
Nothing has come to the attention of the Directors to indicate that Nithi Water and Sanitation Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company's financial statements were approved by the Board on 30th September 2020 and signed on its behalf by:



BOARD CHAIRMAN.



MANAGING DIRECTOR

REPUBLIC OF KENYA



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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nithi Water and Sanitation Company Limited set out on pages 1 to 51, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1.0 Trade and Other Payables

The statement of financial position reflects a balance of Kshs.34,684,802 under trade and other payables which, as disclosed in Note 25 to the financial statements, includes an amount of Kshs.9,663,093 in respect to trade payables. The trade payables of Kshs.9,663,093 includes an amount of Kshs.6,906,968 in respect to eight (8) suppliers whose supporting documents including payment vouchers, approved requisitions, quotations or tenders, Evaluation Committee minutes, Local Purchase Orders, Inspection Committee minutes and stores records on goods received were not provided for audit review.

Further, the trade and other payables balance of Kshs.34,684,802 includes an amount of Kshs.296,000 in respect to outstanding audit fees. In addition, the trade and other payables increased by Kshs.7,713,238 or 29% from Kshs.26,971,564 as at 30 June, 2019

to Kshs.34,684,802 as at 30 June, 2020. No explanation was given on why the Company was not paying its debts as and when they fall due.

Under the circumstances, the accuracy, completeness and propriety of the trade payables of Kshs.6,906,968 could not be confirmed.

2.0 Irregular Procurement of Consultancy Services

The statement of profit or loss and other comprehensive income reflects an expenditure of Kshs.63,684,740 under administration costs which, as disclosed in Note 11(a) to the financial statements, includes an amount of Kshs.699,148 in respect to consultancy fees. The latter balance includes an amount of Kshs.578,748 paid for secretarial services to a consultant. However, the supporting procurement documents including requisitions and quotations were not provided for audit review.

Under the circumstances, the accuracy and propriety of the expenditure of Kshs.578,748 incurred on consultancy could not be confirmed.

3.0 Irregular Procurement of Chemicals

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.3,569,439 in respect to cost of sales which, as disclosed in Note 7 to the financial statements, includes an amount of Kshs.1,528,240 in respect to payment of chemicals to two (2) suppliers. However, the supporting procurement documents including requisitions and quotations were not provided for audit review.

Under the circumstances, the accuracy and propriety of the expenditure of Kshs.1,528,240 incurred on purchase of chemicals could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a budgeted revenue of Kshs.166,423,572 and actual income of Kshs.111,443,017 resulting to an under collection of Kshs.54,980,555 or 33% of the budget. Similarly, the Company had an approved budgeted expenditure of Kshs.162,311,600 against an actual expenditure of Kshs.108,476,213 resulting to an under expenditure of Kshs.53,835,387. The under

collection and under expenditure affected the planned activities and may have impacted negatively on service delivery to the residents of Tharaka Nithi County.

2.0 Trade and Other Receivables

As disclosed in Note 19 (a) to the financial statements, the trade and other receivables increased by Kshs.13,637,161 or 25% from Kshs.54,143,990 reported as at 30 June, 2019 to Kshs.67,781,151 as at 30 June, 2020. This is an indication that the Company did not institute proper and effective revenue collection mechanism during the year under review. The Company may not therefore, be able to meet its future obligations when due as a result of increasing levels of unrecoverable trade and other receivables.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Non-Revenue Water

During the financial year, the Company produced 3,650,759 cubic meters (m³) of water, out of which 1,274,898 m³ is water billed to customers. The balance of 2,375,861 m³ or approximately 65% of the total volume of water produced represents Non-Revenue Water (NRW) which is 40% over and above the allowable water loss of 25% as per the Water Service Regulatory Board (WASREB) guidelines. The non-revenue water of 65% may have resulted in loss of sales estimated at Kshs.68,534,930. The significant level of non-revenue water is an indication of inefficiency and ineffectiveness in use of public and

water resources and may negatively impact on the Scheme's profitability and its long-term sustainability.

2.0 Irregular Opening of Fixed Deposit Accounts

During the year under review, the Company earned a total of Kshs.688,632 being interest from commercial banks and financial institutions from two (2) fixed deposit accounts at a commercial bank. However, County Treasury's authority for opening the fixed deposit accounts was not provided for audit review. This is contrary to Regulation 82(4) and (5) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that, except with the prior authority of the County Treasury, no Accounting Officer may open a bank account for the deposit, custody or withdrawal of public moneys or other moneys for which he or she is responsible in his or her official capacity or for the transaction of official banking business. Further, the County Treasury's authority should be conveyed in writing to the responsible Accounting Officer with a copy to the Controller of Budget and the Auditor-General.

In the circumstances, the Company was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

ICT Internal Control Weakness

Review of the Company's ICT environment revealed that there was no formal approved ICT Policy in place during the year under review. The Policy would have included Data Security and Disaster Recovery Plans. Further, the ICT organization structure was not provided for audit review.

In the circumstances, the security and reliability of the Company's data including the Management Information System could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 February, 2022

Nithi Water and Sanitation Company Ltd

Annual Reports and Financial Statements

For the year ended June 30, 2020

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

	Note	2019-2020	RESTATED
		KSH	2018-2019
			Kshs
REVENUES			
Revenue	6	64,734,717	64,206,033
Less: Cost of Sales	7	(3,569,439)	(1,433,304)
GROSS PROFIT		61,165,278	62,772,729
Grants from the National Government	8	7,547,035	6,503,255
Interest income	9	688,632	-
Other Income	10	1,263,575	1,537,710
TOTAL REVENUES		70,664,520	70,813,694
OPERATING EXPENSES			
Administration Costs	11a	63,684,740	65,816,860
Selling and Distribution Costs	12	7,218,021	7,360,057
Finance Costs	13	38,210	214,323
TOTAL OPERATING EXPENSES		70,940,971	73,391,186
PROFIT/(LOSS) BEFORE TAXATION		(276,451)	(2,577,492)
INCOME TAX EXPENSE/(CREDIT)			-
PROFIT/(LOSS) AFTER TAXATION		(276,451)	(2,577,492)

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

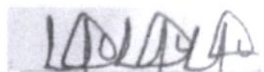
	Note	2019-2020	2018-2019 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	145,013,949	109,461,309
Intangible assets	17	313,159	469,738
Total Non-Current Assets		145,327,108	109,931,047
Current Assets			
Inventories	18	1,473,215	797,859
Trade and other receivables	19(a)	67,781,151	54,143,990
Short-term deposits			-
Bank and cash balances	20	63,879,467	63,870,571
Total Current Assets		133,133,833	118,812,420
TOTAL ASSETS		278,460,941	228,743,467
EQUITY AND LIABILITIES			
Capital and Reserves			
Retained earnings	21	27,581,432	27,857,883
Capital Grants	22	178,189,017	130,544,825
Total Capital and Reserves		205,770,449	158,402,708
Non-Current Liabilities			
Borrowings			-
Deferred Grant	24	38,005,689	42,598,744
Total Non-Current Liabilities		38,005,689	42,598,744
Current Liabilities			
Borrowings	23		770,451
Trade and other payables	25	34,684,802	26,971,564
Retirement benefit obligations			-
Provision for leave pay			-
Dividends payable			-
Total Current Liabilities		34,684,802	27,742,015
TOTAL EQUITY AND LIABILITIES		278,460,941	228,743,467

The financial statements were approved by the Board on 30th September 2020 and signed on its behalf by:

Managing Director
Name: LABAN K.MWANIKI

Head of Finance
Name: IRENE W. KITHAKA

Chairman of the Board
Name: Gilbert N. Ndiga





ICPAK M/NO:

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

	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
At July 1, 2018	30,435,375	-	130,544,825	160,980,200
Adjustment	-	-	-	-
Total comprehensive income	(2,577,492)	-	-	(2,577,492)
Capital/Development grants received during the year	-	-	3,427,675	3,427,675
To Comprehensive income	-	-	(3,427,675)	(3,427,675)
At June 30, 2019	27,857,883	-	130,544,825	158,402,708
At July 1, 2019	27,857,883		130,544,825	158,402,708
Adjustment				
Total comprehensive income	(276,451)			(276,451)
Capital/Development grants received during the year			47,644,192	47,644,192
To Comprehensive income				
At June 30, 2020	27,581,432		178,189,017	205,770,449

**Annual Reports and Financial Statements
For the year ended June 30, 2020**

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

		2019-2020	2018-2019
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	27	5,285,111	8,192,842
Interest received			
Interest paid			
Net cash generated from/(used in) operating activities		5,285,111	8,192,842
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	(47,556,902)	(3,373,483)
Purchase of intangible assets	17		(391,500)
Net cash generated from/(used in) investing activities		(47,556,902)	(3,764,983)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in WSTF Capital Grant	22	47,644,192	-
Proceeds from borrowings			-
Repayment of borrowings	23	(770,451)	(722,267)
Increase in Deferred Grant Income	24	(4,593,055)	37,416,699
Net cash generated from/(used in) financing activities		42,280,686	36,694,432
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		8,895	41,122,291
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20	63,870,569	22,748,278
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20	63,879,464	63,870,569

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

	Original budget 2019-2020	Adjustments 2019-2020	Final budget 2019-2020	Actual on comparable basis 2019-2020	Performance difference 2019-2020
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Sale of goods	94,800,000	(27,120,000)	67,680,000	64,734,717	2,945,283
Less: Cost of Sales	4,242,620	-	4,242,620	3,569,439	(673,181)
Gross Profit	90,557,380	(27,120,000)	63,437,380	61,165,278	2,272,102
Grants from the National Government	83,679,152	10,690,740	94,369,892	48,325,532	46,044,360
Interest Income	2,066,400	-	2,066,400	688,632	1,377,768
Other income	16,256,000	(9,706,100)	6,549,900	1,263,575	5,286,325
Total income	192,558,932	(26,135,360)	166,423,572	111,443,017	54,980,555
Operating Expenses					
Staff costs	26,728,618.00	(1,386,095)	25,342,523.00	24,439,285	903,238
Administration costs	64,473,850	(31,940,315)	32,533,535	18,133,501	14,400,034
Selling & Distribution costs	9,200,000	-	9,200,000	7,218,021	1,981,979
Finance cost	54,610	(16,400)	38,210	38,210	-
Expenses from Grants	83,679,152	10,690,740	94,369,892	57,876,745	36,493,147
Repayment of borrowings	1,186,550	(359,110)	827,440	770,451	56,989
Total expenditure	185,322,780.00	(23,011,180.00)	162,311,600.00	108,476,213.00	53,835,387.00
Surplus for the period	7,236,152	(3,124,180)	4,111,972	2,966,804	1,145,168

Grants from national government is different because Kshs 2,274,640 was non cash receipts while Kshs 5,274,395 is included in Kshs 48,325,532 that was received in cash during the year.

Staff cost (note 11b) differ because Kshs 2,272,640 was paid to seconded staff by county Executive, Administration costs (note 11a) differ because of deducting the following: Depreciation Kshs 12,004,261, Provision for bad debts Kshs 1,108,079, Amortization Kshs 156,579, Auditors' remuneration Kshs 296,000, Grants expensed Kshs 5,274,395 and staff costs of Kshs 26,711,925). Grants of Kshs 57,876,745 consists of Kshs 5,274,395 expensed under various items in administration costs in profit or loss statement, Kshs 5,045,448 which was capitalised thus not recognized in profit or loss statement, Kshs 47,556,902 for purchase of Property plant & equipment. Repayment of borrowings represents loans paid during the financial year.

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Nithi Water and Sanitation Company Ltd is established by and derives its authority and accountability from the Company's Act. The company is wholly owned by the County Government of Tharaka Nithi and is domiciled in Kenya. The company's principal activity is Water and Sanitation services.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

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

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2020, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. The company did not have right-of-use assets or lease liabilities during the year.

IFRIC 23: Uncertainty Over income tax treatments

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

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

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

The amendments, applicable to annual periods beginning on or after 1 January 2020, allow entities to measure repayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

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

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that an company applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2020, provide additional guidance on applying the acquisition method to particular types of business combination.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that when an company obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the company originally recognised the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2020, requires an company to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the company re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

IFRS 17 Insurance Contracts (Issued 18 May 2017)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

iii) Early adoption of standards

The company did not early – adopt any new or amended standards in year 2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

b) In-kind contributions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Property, plant and equipment

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

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the reducing balance basis over the estimated useful life of computer software.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount. The amortization rate is 33.33%.

g) Investment property

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

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

h) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the 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 recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories

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

j) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts of recovery have been exhausted.

k) Taxation

Current income tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

Current income tax (Continued)

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

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

Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

Deferred tax (Continued)

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable company and the same taxation authority. The company did not have any tax liability during the year.

l) Cash and cash equivalents

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

m) Borrowings

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

n) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the company or not, less any payments made to the suppliers.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Retirement benefit obligations

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

p) Provision for staff leave pay

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

q) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the company operates, Kenya Shillings.

r) Budget information

The original budget for FY 2019-2020 was approved by the Board on 6th July 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the Board of Directors. The revisions are added to the original budget by the company upon receiving the respective approvals in order to conclude the final budget.

The company's budget and the income and expenditure are disclosed in the financial statements. The budget and the financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Service concession arrangements

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

t) Comparative figures

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

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

**5. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
(Continued)**

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 19.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 REVENUE

	2019-2020	2018/2019
	Kshs	Kshs
Gross sales of goods	64,734,717	64,206,033
Gross sales of services		-
Less: Value added tax on gross sales		
Total	64,734,717	64,206,033

7 COST OF SALES

	2019/2020	2018/2019
	Kshs	Kshs
Cost of sales on goods	3,569,439	1,433,304
Cost of sales on services		
Total	3,569,439	1,433,304

8 GRANTS FROM NATIONAL GOVERNMENT

	2019-2020	2018/2019
	Kshs	Kshs
Recurrent grants received	5,274,395	3,427,675
Capital grants realized (see note below)		-
In Kind contributions/ donations	2,272,640	3,075,580
Total	7,547,035	6,503,255

Detailed analysis of grants received from the Government in the table below:

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2019-2020 KShs
Water Sector Fund	5,274,395	38,005,689	5,045,448	48,325,532	48,325,532
Tharaka Nithi County Government	2,272,640	-	-	2,272,640	2,272,640
Total	7,547,035	38,005,689	5,045,448	50,598,172	50,598,172

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 INTEREST INCOME

Description	2019-2020 Kshs	2018-2019 Kshs
Interest from commercial banks and financial institutions	688,632	--
Total	688,632	--

This is earned from fixed deposits accounts.

10 OTHER INCOME

Description	2019-2020 Kshs	2018-2019 Kshs
Exhauster Services	248,000	236,000
Connection fees	307,000	288,200
Reconnection fees		-
Sale of Materials	400,775	967,710
Fines and penalties	115,500	27,000
Other miscellaneous receipts	42,300	18,800
Compensation from Road Works Contractor	150,000	-
Total	1,263,575	1,537,710

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 (a) ADMINISTRATION COSTS

Description	2019-2020 Ksh	2018-2019 Kshs
Staff costs (note 11b)	26,711,925	29,644,764
Directors' emoluments	2,168,942	1,014,258
Electricity and water	80,679	106,575
Communication services and supplies	1,407,249	1,375,374
Transportation, travelling and subsistence	4,855,869	4,866,059
Advertising, printing, stationery and photocopying	1,245,715	1,368,724
Rent expenses	456,000	456,000
Staff training expenses	328,150	479,200
Hospitality supplies and services	852,626	209,800
Insurance costs	221,494	331,936
Bank charges and commissions	448,060	345,025
Office and general supplies and services	84,650	938,223
Auditors' remuneration	296,000	200,000
Consultancy fees	699,148	375,168
Repairs and maintenance	582,401	5,789,982
Board Administration fees and Subscription	2,670,555	2,757,590
WSTF Project Administration Expenses	5,488,128	3,427,675
Security	1,190,065	998,602
Other operating expenses	169,695	110,140
Depreciation	12,004,261	10,105,013
Increase in Provision for Bad & Doubtful Receivable	1,108,079	681,829
Amortization of intangible assets	156,579	234,869
Stakeholders & AGM Meetings	458,470	
Total	63,684,740	65,816,806

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 (b) STAFF COSTS

Salaries and allowances of permanent employees	22,213,635	20,503,493
Wages of temporary employees	563,100	1,795,500
Compulsory national health insurance schemes		-
Compulsory national social security schemes & Pension	984,485	880,525
Seconded Staff county payment	2,272,640	3,075,580
Other pension contributions		-
Leave pay and gratuity provisions		-
Staff welfare & Uniforms- Employer	678,065	3,389,666
Total	26,711,925	29,644,764
The average number of employees at the end of the year was:		
Contract employees – Management	4	4
Permanent employees – Unionisable	22	22
Temporary and contracted employees	47	47
GOK MWI Seconded Employees	6	7
Total	80	80

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 SELLING AND DISTRIBUTION COSTS

	2019-2020	2018-2019
Description	Kshs	Kshs
Inventory Issued	2,616,605	7,335,907
Tools and Consumables	-	24,150
Other selling and distribution costs	4,601,416	
Total	7,218,021	7,360,057

13 FINANCE COSTS

	2019-2020	2018-2019
Description	Ksh	Kshs
Interest expense on loans	38,210	214,323
Total	38,210	214,323

[The interest was for the loan secured to purchase motor cycles]

14 OPERATING PROFIT/(LOSS)

	2019-2020	2018-2019
	Ksh	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 11b)	26,711,925	29,644,764
Depreciation of property, plant and equipment	12,004,261	10,105,013
Amortisation of intangible assets	156,579	234,869
Provision for bad and doubtful debts	1,108,079	-
Directors' emoluments – fees	2,168,942	865,791
- other	-	148,467
Auditors' remuneration - current year fees	296,000	200,000
- prior year under-provision	168,000	-
Loss on disposal of property, plant and equipment		-
Total	42,613,786	41,198,904

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 INCOME TAX EXPENSE/(CREDIT)

(a) Current taxation

There was no income tax paid during the year

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

	2019-2020	2018-2019
	Ksh	Kshs
Profit before taxation	(276,451)	(2,577,491)
Tax at the applicable tax rate of 30%		-
Current tax		-
Prior year under-provision		-
Tax effects of expenses not deductible for tax purposes		-
Tax effects of income not taxable		-
Tax effects of excess capital allowances over depreciation/amortization		-
Deferred tax prior year over-provision		-
Total	(276,451)	(2,577,491)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 PROPERTY, PLANT AND EQUIPMENT

2020	Water Meters	Buildings & civil works	WTP, Lab Equipment & Tools	Motor vehicles, including motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Pipeline & Extensions	Water Testing Machine	WSTP Tanks & Sanitation Block	Total
COST OR VALUATION	20%	2.5%	12.5%	25%	30%	12.5%	12.5%	12.5%	2.5%	
At July 1, 2019	16,259,184	911,189	1,380,086	11,553,208	2,497,459	2,161,935	77,671,033	398,275	66,101,755	178,934,124
Additions	1,827,586	-	-	-	-	-	17,783,664	-	27,945,652	47,556,902
At June 30, 2020	18,086,770	911,189	1,380,086	11,553,208	2,497,459	2,161,935	95,454,697	398,275	94,047,407	226,491,026
DEPRECIATION										
At July 1, 2019	8,843,468	221,491	516,706	9,137,214	2,010,228	1,403,056	39,356,403	282,419	7,701,832	69,472,815
Charge for the year	1,848,660	17,242	107,923	603,999	146,169	94,860	7,012,287	14,482	2,158,639	12,004,261
At June 30, 2020	10,692,128	238,733	624,629	9,741,212	2,156,397	1,497,916	46,368,690	296,901	9,860,471	81,477,077
NET BOOK VALUE										
At June 30, 2020	7,394,642	672,456	755,458	1,811,996	341,062	664,019	49,086,007	101,374	84,186,935	145,013,949

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

2019	Water Meters	Buildings & civil works	WTP, Lab Equipment & Tools	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Pipeline & Extensions	Meter Testing Machine	WSTP Tanks & Sanitation Block	Total
COST OR VALUATION	20%	2.5%	12.5%	25%	30%	12.5%	12.5%	12.5%	2.5%	
At July 1, 2018	13,394,960	911,189	1,090,086	11,553,208	2,278,200	2,161,935	77,671,033	398,275	66,101,755	175,560,641
Additions	2,864,224	-	290,000	-	219,259	-	-	-	-	3,373,483
At June 30, 2019	16,259,184	911,189	1,380,086	11,553,208	2,497,459	2,161,935	77,671,033	398,275	66,101,755	178,934,124
DEPRECIATION										
At July 1, 2018	6,989,539	203,806	393,366	8,331,882	1,801,414	1,294,645	33,882,884	265,868	6,204,398	59,367,802
Charge for the year	1,853,929	17,685	123,340	805,332	208,814	108,411	5,473,519	16,551	1,497,434	10,105,013
At June 30, 2019	8,843,468	221,491	516,706	9,137,214	2,010,228	1,403,056	39,356,403	282,419	7,701,832	69,472,815
NET BOOK VALUE										
At June 30, 2019	7,415,716	689,698	863,380	2,415,995	487,232	758,879	38,314,630	115,856	58,399,923	109,461,309

Nithi Water and Sanitation Company Ltd

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For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 INTANGIBLE ASSETS

	2019-2020	2018-2019
	Kshs	Kshs
COST		
At July 1	1,119,964	728,464
Additions	-	391,500
Disposals		
At June 30	1,119,964	1,119,964
AMORTISATION		
At July 1	650,226	415,357
Charge for the year	156,579	234,869
Disposals		
Impairment loss		
At June 30	806,805	650,226
NET BOOK VALUE		
At June 30	313,159	469,738

Intangible Assets include software for Accounting, Billing and Payroll]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 INVENTORIES

	2019-2020	2018-2019
	Kshs	Kshs
Stationery and general stores	1,473,215	797,859
	1,473,215	797,859

19(a) TRADE AND OTHER RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Trade receivables (note 19 (b))	61,412,257	54,803,796
Deposits and prepayments	164,714	167,539
VAT recoverable	29,233,777	20,869,173
Staff receivables	-	225,000
Other receivables		-
Gross trade and other receivables	90,810,748	76,065,508
Provision for bad and doubtful receivable (note 19 (c)	(23,029,597)	(21,921,518)
Net trade and other receivables	67,781,151	54,143,990

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 (b) TRADE RECEIVABLES

	2019-2020 Kshs	2018-2019 Kshs
Gross trade receivables	61,412,257	54,803,796
Provision for doubtful receivables	(23,029,597)	(21,921,518)
	38,382,661	32,882,278
		=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	1,842,368	1,644,114
Between 30 and 60 days	2,456,490	2,192,152
Between 61 and 90 days	6,755,349	6,028,418
Between 91 and 120 days	1,228,245	1,096,076
Over 120 days	49,129,805	43,843,037
	61,412,257	54,803,796
		=====

Nithi Water and Sanitation Company Ltd

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 (c) PROVISION FOR BAD & DOUBTFUL RECIEVABLE

Period Outstanding	Amount	Percentage Provision	Amount
241- 360 days (8-12 Months)	42,988,580	25%	10,747,145
Over 1 Year	12,282,451	50%	6,141,226
Over 2 Years	6,141,226	100%	6,141,226
TOTALS	61,412,257		23,029,597

20 BANK AND CASH BALANCES

	2019-2020 Kshs	2018-2019 Kshs
Cash at bank	63,873,867	63,860,333
Cash in hand	5,600	10,239
	63,879,467	63,870,572

The bulk of the cash at bank was held at Co-operative Bank of Kenya and Kenya Commercial Bank, the Company's main bankers.

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Family Bank –Kathwana collection	054000005526	834,892	791,071
Family Bank-Kathwana Customer Deposits	054000005527	640,665	451,865
Sub- total		21,006,132	17,825,868
b) Others(specify)			
Cash in transit			
cash in hand		5,600	10,239
M pesa	PAYBILL : 901325	1,444,713	758,231
M pesa	PAYBILL : 802064	818,256	
Sub- total		2,268,569	768,470
Grand total		63,879,467	63,870,571

The bulk of the cash at bank was held at Co-operative Bank of Kenya and Kenya Commercial Bank, the Company's main bankers

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 BANK AND CASH BALANCES (Continued)

The make – up of bank balances and short term deposits is as follows:

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2019-2020 KShs	2018-2019 KShs
c) Current account			
Co-op Bank		1,157,374	585,375
Kenya Commercial bank		18,703,806	42,597,088
Barclays		-	-
Family Bank		20,743,586	2,093,770
Sub- total		40,604,766	45,276,233
d) On - call deposits			
Kenya Commercial bank		915,748	14,327,765
Co-op Bank		2,013,525	1,013,941
Family Bank		2,577,917	1,637,717
Barclays Bank		134,428	149,908
Post Bank		864,515	468,067
Sub- total		6,506,133	17,597,398
e) Fixed deposits account			
Kenya Commercial bank		14,500,000	228,471
Sub- total		14,500,000	228,471
f) Others(specify)			
cash in hand		5,600	10,237
M pesa		2,262,969	758,231
Sub- total		2,268,569	768,470
Grand total		63,879,468	63,870,572

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the *company's* shareholders. Undistributed retained earnings are utilised to finance the *company's* business activities.

Description	2019-2020	2018-2019
	Kshs	Kshs
Balance brought forward	27,857,883	30,435,375
Adjustment	-	-
Retained Earnings for the year	(276,451)	(2,577,492)
Total Retained Earnings	27,581,432	27,857,883

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 CAPITAL GRANTS

Description	2019-2020 Kshs	2018-2019 Kshs
Balance brought forward	130,544,825	130,544,825
Capital grants from Deferred grant income	42,598,744	-
Received during the year	5,045,448	-
Total	178,189,017	130,544,825

23. BORROWINGS

Description	2019-2020 Kshs	2018-2019 Kshs
Balance at beginning of the year	770,451	1,492,718
External borrowings during the year		-
Domestic borrowings during the year		-
Repayments of external borrowings during the year		-
Repayments of domestic borrowings during the year	(770,451)	(722,267)
Exchange rate gains/(losses) on revaluation of borrowings		-
Balance at end of the year	-	770,451
Less: Amounts due with one year (current portion)	-	770,451
Amounts due after one year (non-current portion)		-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 DEFERRED GRANT INCOME

Description	2019-2020 Ksh	2018-2019 Kshs
Balance B/F	42,598,744	5,182,045
Add: Grants Received	48,325,532	41,069,374
TOTAL	90,924,276	46,251,419
Less: Capital Grants (from Deferred income B/F)	(42,598,744)	-
Capital Grant received during the year	(5,045,448)	
To P&L	(5,274,395)	(3,652,675)
Deferred Grant(Balance C/F)	38,005,689	42,598,744

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

25. TRADE AND OTHER PAYABLES

	2019-2020	2018-2019
	Ksh	Kshs
Trade payables	9,663,093	6,116,690
Customer Deposits	13,694,825	12,875,825
Accrued expenses	2,370,925	1,149,454
Outstanding Audit fees	296,000	200,000
Retention/ contract monies	-	-
Other payables	8,659,959	6,629,595
	34,684,802	26,971,564

26. RETIREMENT BENEFIT OBLIGATIONS

The Company operates a defined benefit scheme for all full-time employees from July 1, 2018. The scheme is based on 7.5% percentage of basic salary of an employee at the time of recruitment. The company didn't accrue any liability at the end of the year. The funds are placed with the County Pension Fund

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

27. CASH GENERATED FROM OPERATIONS

	2019-2020	2018-2019
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(276,451)	(2,577,492)
Depreciation	12,004,261	10,105,013
Amortisation	156,579	234,869
Prior Year adjustments		
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	11,884,390	7,762,391
(Increase)/decrease in inventories	(675,356)	1,776,274
(Increase)/decrease in trade and other receivables	(13,637,161)	(6,989,305)
Increase/(decrease) in trade and other payables	6,894,238	3,441,982
Increase/(decrease) in Customer Deposits	819,000	2,201,500
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/(used in) operations	5,285,111	8,192,842
		=====
		38
(b) Analysis of changes in loans		
Balance at beginning of the year	770,451	1,492,718
Receipts during the year		-
Repayments during the year	(770,451)	(722,267)
Balance at end of the year	-	770,451
		=====
(b) Analysis of cash and cash equivalents		
Short term deposits	14,500,000	12,700,000
Cash at bank	49,373,867	51,160,333
Cash in hand	5,600	10,239
Balance at end of the year	63,879,467	63,870,572

28. RELATED PARTY DISCLOSURES

(a) Government of Kenya

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

Other related parties include:

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. RELATED PARTY DISCLOSURES (Continued)

Transactions with related parties

	2019-2020	2018-2019
	Ksh	Kshs
a) Grants from the Government		
Grants from National Government (WSTF)	48,325,532	37,549,583
Grants from County Government	-	3,500,000
Donations in kind	2,272,640	3,075,580
Total	50,598,172	44,125,163
		=====
b) Expenses incurred on behalf of related party		
Due to Water Resources Authority	1,477,619	606,915
Due to Tana Water Works Development Agency	-	4,447,177
Due to Water Services Regulatory Board	2,585,555	1,575,503
Due to Water Services Providers Association	85,000	
Total	4,148,174	6,629,595
		=====
c) Key management compensation		
Compensation to key management	513,918	403,495
Total	513,918	403,495
		=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. CONTINGENT LIABILITIES

	2019-2020	2018-2019
	Ksh	Kshs
Bank guarantees	-	-
Legal claims against the <i>company</i>	-	-
Letters of credit	-	-
Disputed tax penalties	-	-
	-	-
	-	-

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

30. FINANCIAL RISK MANAGEMENT

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Receivables from exchange transactions	67,781,151	38,547,374	29,233,777	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	63,879,467	-	-	-
Total	131,660,618	38,547,374	29,233,777	-
At 30 June 2019				
Receivables from exchange transactions	54,143,990	33,274,817	20,869,173	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	63,870,571	-	-	-
Total	118,014,561	33,274,817	20,869,173	-

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

(i) **Credit risk (Continued)**

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

ii) **Liquidity risk management**

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2020				
Trade payables	2,415,774	5,314,700	1,932,619	9,663,093
Current portion of borrowings				-
Provisions				296,000
Deferred income				38,005,689
Other Payables				8,659,959
Total	2,415,774	5,314,700	1,932,619	56,624,741
At 30 June 2019				
Trade payables	1,529,173	3,364,179	1,223,338	6,116,690
Current portion of borrowings	-	-	-	770,451
Provisions	-	-	-	200,000
Deferred income	-	-	-	42,598,744
Other Payables	-	-	-	6,629,595
Total	1,529,173	3,364,179	1,223,338	56,315,480

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

30 FINANCIAL RISK MANAGEMENT (Continued)

a) Interest rate risk

Interest rate risk is the risk that the company's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The company did not conduct a sensitivity analysis during the year. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

30 FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

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

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve		-
Retained earnings	27,581,432	27,857,883
Capital reserve	-	-
Total funds	27,581,432	27,857,883
Total borrowings	-	770,451
Less: cash and bank balances	(63,879,467)	(63,870,572)
Net debt/(excess cash and cash equivalents)	63,879,467	63,100,121
Gearing	0%	1%

31. INCORPORATION

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

32. EVENTS AFTER THE REPORTING PERIOD

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. CURRENCY

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

Nithi Water and Sanitation Company Ltd

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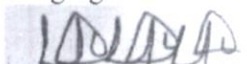
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0					

Audit Certificate not yet received

Managing Director



Date..30th September 2020

Chairman of the Board



Date..30th September 2020

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APPENDIX II: PROJECTS IMPLEMENTED BY THE COMPANY

Projects

Projects implemented by Nithi Water and Sanitation Company Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor com
1.Kathwana Water Project	RUP/J6P/II/W/13/084	WSTF & T/NITHI COUNTY GOV'T	15 Months	YES
2.Kibung'a- Kakimiki Water Project	RUP/J6P/II/W/13/083	WSTF & T/NITHI COUNTY GOV'T	15 Months	YES
3.Niwasco County Water Bill		WSTF	6 Months	YES
4.Kathwana CLTS	RUP/1/CLTS/Tharaka Nithi Niwasco/Kathwana/8	WSTF	6 months	YES
5.Kajuki CLTS Project	RUP/J6P/CLTS/Tharaka Nithi/128	WSTF	6 months	YES
6.UBSUP Phase III Project	01HS/TAWWDA/THARAKA NITHI/26	WSTF	6 months	YES
7.Kibung'a Kakimiki- Kathita Conservation Project	RUP/J6P/II/W/13/124	WSTF	6 months	YES
8.Covid 19 Response Project	J6P/COVID- 19 Emergency Response	WSTF	4 months	YES

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Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Source s of funds
1	Kathwana Water Project	44,888,393	24,631,307	94%	44,888,393	5,282,397	WSTF & COUN TY
2	Kibung'a-Kakimiki Water Project	35,671,393	17,265,008	82%	35,671,393	0	WSTF & COUN TY
3	Niwasco County Water Bill	4,952,850	3,005,664	61%	4,952,850	0	WSTF
4	Kajuki/ Kathwana CLTS Project	3,915,490	3,915,490	100%	3,915,490	3,915,490	WSTF
5	UBSUP Phase III Project	6,775,250	1,121,956	17%	6,775,250	1,121,956	WSTF
6	Kibung'a Kakimiki-Kathita Conservation Project	22,831,480	30,824	1%	22,831,480	0	WSTF
7	Covid 19 Response Project	4,077,900	-	0%	4,077,900	0	WSTF

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APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		NITHI WATER & SANIATION COMPANY LIMITED		
Break down of Transfers from Water Services Trust Fund				
FY 2019/2020				
a. Recurrent Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
1.	Kathwana CLTS project	25 th July 2019	656,200	FY-2019-2020
2.	Kathwana Water Project	30 th April 2020	236,949	FY-2019-2020
3.	Kathwana CLTS project	22 nd October 2019	656,200	FY-2019-2020
4.	UBSUP Project	31 st January 2020	1,121,956	FY-2019-2020
5.	Kajuki CLTS project	31 st January 2020	1,578,090	FY-2019-2020
6.	Kajuki CLTS project	15 th June 2020	1,025,000	FY-2019-2020
7.	Inkind Donations	30 th June 2020	2,272,640	FY-2019-2020
		Total	7,547,035	
b. Development Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
1.	Kathwana Water project	30 th April 2020	5,045,448	FY-2019-2020
		Total	5,045,448	
2.	Kibung'a-Kathita river conservation project	29 th May 2020	11,052,840	FY-2020-2021
3.	UBSUP Project	31 st January 2020	3,620,719	FY-2020-2021
4.	T.N.C Contribution on Kibung'a- Kakimiki & Kathwana Water Projects	3 rd September 2019	1,980,105	FY-2020-2021
5.	Covid19 Response Account	26 th June 2020	2,446,740	FY-2020-2021
6.	Kathwana Water project	30 th April 2020	18,905,285	FY2020-2021
		Total	38,005,689	

APPENDIX W: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Comprehensive income	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Water Sector Trust Fund	30 th April 2020	Development & Recurrent	24,187,682	236,949	5,045,448	18,905,285			24,187,682
Water Sector Trust Fund	29 th May 2020	Development	11,052,840			11,052,840			11,052,840
Water Sector Trust Fund	25 th July 2019	Recurrent	656,200	656,200					656,200
Water Sector Trust Fund	31 st January 2020	Recurrent	1,578,090	1,578,090					1,578,090
Water Sector Trust Fund	22 nd October 2020	Recurrent	656,200	656,200					656,200
Water Sector Trust Fund	15 th June 2020	Recurrent	1,025,000	1,025,000					1,025,000
Water Sector Trust Fund	26 th June 2020	Development	2,446,740			2,446,740			2,446,740
Water Sector Trust Fund	31 st January 2020	Development & Recurrent	4,742,675	1,121,956		3,620,719			4,742,675
County Government of Tharaka Nithi	3 rd September 2019	Development	1,980,105			1,980,105			1,980,105
County Government of Tharaka Nithi	30 th June 2020	Recurrent	2,272,640	2,272,640					2,272,640
Total			50,598,172	7,547,035	5,045,448	38,005,689			50,598,172