

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

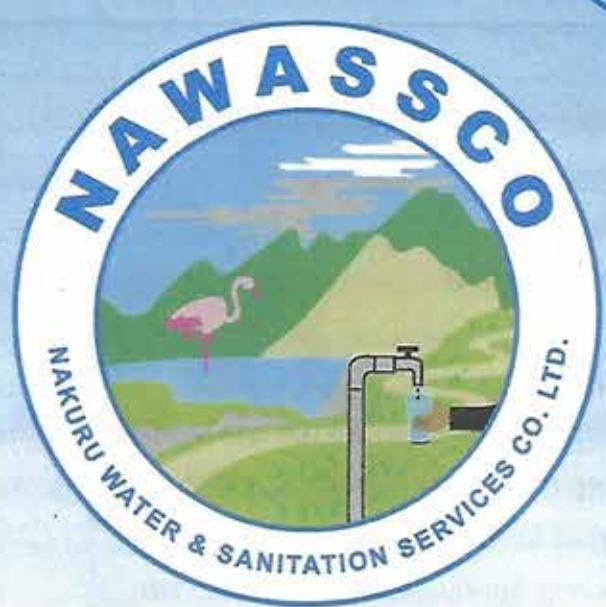
OF

THE AUDITOR-GENERAL

ON

**NAKURU WATER AND SANITATION
SERVICES COMPANY LIMITED**

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



Enriching Life

**NAKURU WATER AND SANITATION SERVICES
COMPANY LIMITED**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2020

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



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KEY ENTITY INFORMATION

Background information

Nakuru Water and Sanitation Services Company Ltd (NAWASSCO) is a Private Company Limited by Shares under the Companies Act, 2015. The Company was registered on 8th September 2003 and it is fully owned by the County Government of Nakuru. Pursuant to the provisions of the Water Act 2016, the Company is an agent of Central Rift Valley Water Works Development Agency (CRVWWDA) / County Government of Nakuru and it is mandated with the provision of water and sanitation services in the area under the jurisdiction of Nakuru Town East and Nakuru town West Sub-counties and its environs.

Vision

“To be the Leading Water Utility in Kenya”

Mission

“To provide Quality, Reliable, Adequate, sustainable water and Sanitation Services to the delight of our customers”

Core Values

These values form the foundation on which we perform our work and conduct ourselves. The values underlie our work, how we interact with each other, and the strategies we employ to fulfil our mission. They are the practices we use every day in everything we do and are a constant description of who we are.

Our core values include the following:

Customer Focus, Professionalism, Integrity, Team Work and Innovation & Creativity

Principal Activities

The mandates of the Company are as follows:

- i. To ensure that it possesses and retains all the necessary expertise necessary to the Technical, Commercial, Financial and Administrative functions.
- ii. To provide the services within its Defined Service Area.
- iii. To meet all the required water standards, guidelines and provisions of the Service Provision Agreement (SPA)
- iv. To obtain all necessary licenses, permits and warranties necessary to carry out its obligations in accordance with statutes in force.
- v. To maintain the assets in good working condition and not to dispose of any assets without the authorization of the Licensee.
- vi. To prepare proposals for improvement of the assets so as to enhance service delivery. To propose tariff adjustments to the Licensee and Regulator.

The Water Sector in Kenya

The Water Act 2016 created different but complimentary institutions to carry out functions in the sector. These includes:-

- Ministry of Water & Sanitation and Irrigation –Responsible for policy and direction on water and sanitation services in the country.
- The Water Services Regulatory Board (WASREB) -Responsible for regulation of water and sewerage services in the country.
- Water Works Development Agencies (WWDAs) – Responsible for development, maintenance and management of the national public water works within their areas of jurisdiction.
- Water Service Providers (WSPs) – Are agents of County Government. NAWASSCO is an agent of Nakuru County Government and it is responsible for provision of water and sanitation services in the jurisdiction of Nakuru Town East and Nakuru Town West sub counties and its environs.
- Water Resources Authority (WRA). Responsible for regulation, management and use of water resources.
- National Water Harvesting Authority- Responsible for the development and management of national public water works for water resources storage and flood control.
- Water Sector Fund- Responsible for the provision of conditional and unconditional grants to counties in addition to the equalization fund and to assist in financing the development and management of water services in marginalized areas/ underserved areas.
- County Governments - Under the constitution 2010, water and sanitation services is a devolved function under the County Governments.

Shareholding

The Company is fully owned by the County Government of Nakuru and is registered with 5,000 shares of Kshs.20 each. According to the Company Memorandum and Articles of Association the shares are held in trust are as follows:-

Shareholding	Number of Shares Held
The County Government of Nakuru	4,996
His Excellency the Governor of County Government of Nakuru	1
The County Executive Committee Member, Finance & Economic Planning, County Government of Nakuru	1
The County Executive Committee Member, Water, Environment, Energy & Natural Resources, County Government of Nakuru	1
The County Secretary, County Government of Nakuru	1
TOTAL	5,000

Each shareholder has one voting right and the County Government is represented by a proxy during meetings.

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Directors

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

1. Eng. John K. Kimani	Chairman	Appointed on 3 rd February 2016
2. James Nganga Gachathi	Managing Director	Appointed September 2014
3. Gladys Achieng' Ndeda	Non-Executive Director	Appointed on 3 rd February 2016
4. Jennifer Jepchumba Kigen	Non-Executive Director	Appointed on 3 rd February 2016
5. Monicah Wanjiru Gitone	Non-Executive Director	Appointed on 23 rd May 2016
6. Eng. Festus K. Ngeno	Non-Executive Director	Appointed on 9 th September, 2017
7. Dr Peter Kiplangat Katyonya	Non-Executive Director	Appointed on 10 th April, 2019

Registered office

NAWASSCO Plaza
Government Road
P.O Box 16314-20100
NAKURU

Main bankers

Co-operative Bank of Kenya
Nakuru Branch
P.O. Box 2982-20100
NAKURU

Corporate Contacts

Telephone: +254221269
E-mail: info@nakuruwater.co.ke
Website: www.nakuruwater.co.ke

Principal Advocates

Kipkoech Ogolla & Co. Advocates
Tamoh Plaza, 2nd Floor
P.O Box 17580
NAKURU

Independent Auditors

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


BOARD OF DIRECTORS' AND MANAGEMENT TEAM

Board of Directors

The Company has a Board of Directors which is responsible for:

- a) The efficient management of the human, physical, and financial resources of the company;
- b) Making policies for the Company;
- c) Approving Strategic and Business plans for the Company;
- d) Any other matters related to the management of the Company;

Members of Board of Directors who held office during the year under review were the following:-

NO	NAME	PROFILE
1.	 <p data-bbox="209 1173 544 1285">Eng. John Karanja Kimani Non-Executive (Chairman)</p>	<p data-bbox="549 770 1485 837">Eng. Karanja, 65, was appointed on 3rd February 2016 to represent Resident organizations and he is the Chairman of the Board.</p> <p data-bbox="549 882 1485 1330">He was formerly the Branch Chairman of Agricultural Society of Kenya, Central Rift Branch. He has been involved in various assignments in the Nakuru County which include; the fabrication and erection of Nyayo and Afraha Stadium flood light towers and Structural steel works for Menengai Oil Refineries. Other assignments civil and mechanical works for the automation of the Seven Folks Dam in the installation of the SCADA systems, and many more private projects such as churches, go downs, petrol Stations, canopies and foot bridges. Outside the country he was involved in the rehabilitation of several tea factories under Ocir Tea in Rwanda, major expansion of Tanwett Factory for Rai Group of expansion of Kinyara Sugar Factory for Rai Group of Companies in Northern Uganda.</p> <p data-bbox="549 1352 1485 1464">Eng. Karanja has a Degree in Bachelor of Science in structural Engineering and has attended various courses in leadership and corporate governance and project management.</p> <p data-bbox="549 1509 1485 1621">Eng. Karanja has business interests in Nakuru Town and he has a vast experience in structural engineering and construction spanning for over 37 years</p>

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<p>2.</p>	 <p>Gladys Achieng' Ndeda Non-Executive Director</p>	<p>Ms Gladys Ndeda, 61, was appointed on 3rd February 2016 to represent Professional Bodies. She is the Vice Chair of the Board.</p> <p>She has a Degree in Bachelor of Laws, Diploma from Kenya School of Law and has served as a Chief Magistrate of the High Court. Ndeda is a practicing lawyer. She has attended various courses in management and administration.</p> <p>Committee membership: Finance & Staff and Audit & Governance Committee.</p>
<p>3.</p>	 <p>Monicah Wanjiru Gitone Non-Executive Director</p>	<p>Ms Wanjiru, 45, was appointed on 23rd May 2016 to represent the Business Community.</p> <p>She has served in various institutions including Chairperson – Bahati Sub County Hospital Management Committee, Women Representative -county peace forum, Cohesion Monitor -NCIC, Lead Facilitator in training of youth on entrepreneurship and business creation in Nakuru County, Community health worker on family health and development, Member of Board of Management-Nakuru Day Secondary School and PTA Member -Moi Primary School.</p> <p>She has a Diploma in Theology and has attended various courses in management, leadership, community development, finance, and conflict resolution. She has a wealth experience in managing businesses in Nakuru Town</p> <p>Committee membership: Technical & Social (Chairperson) and Audit & Governance Committee.</p>
<p>4.</p>	 <p>Jennifer Jepchumba Kigen Non-Executive Director</p>	<p>Ms Jepchumba, 57, was appointed on 3rd February 2016 to represent Women Organisations.</p> <p>She is also the Executive Director, Rongai Social Economic Women Organisation.</p> <p>She holds a degree in Bachelor of Business Administration and Management from St. Pauls University and she is currently pursuing a Master's degree in Strategic Management at St. Paul University. She has attended various courses in leadership and management.</p> <p>Committee membership: Finance and Staff (Chairperson) and Audit & Governance Committee.</p>

<p>5.</p>	 <p>Eng. Festus K. Ngeno Non-Executive Director</p>	<p>Eng. Ngeno, 40, was appointed on 9th September, 2017 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) in charge of Water, Environment, and Energy & Natural Resources. Other positions he has held before include: Group Manager, Water Treatment Division at Davis & Shirliff Ltd, and Managing Director at Kericho Water & Sanitation Company Ltd.</p> <p>Eng. Ngeno sits in other Boards including: Council of Governors on Water, Forestry & Mining –CECMs Caucus, World Vision Kenya (WVK), Nakuru Rural Water & Sanitation Services Co. Ltd, Naivasha Water & Sanitation Company Ltd and Imarisha Lake Naivasha Management Board.</p> <p>Eng. Ngeno is a Water, Sanitation & Environmental Engineer. He has degree in BSc Water & Environmental Engineering from University of Nairobi, a Master’s degree in MSc, Water & Environmental Engineering from University of Nairobi and Currently pursuing a Doctorate Degree (PhD) in Water & Environmental Engineering at the University of Nairobi. He also has a Post Graduate Diploma Course in Leadership & Corporate Governance from Kenya College of Accountancy (KCA) University.</p> <p>He has thirteen (13years) in-depth hands-on experience and expertise in Water, Sanitation, Environmental and GIS sectors. In addition, he has good experience in the Public and Private Sector at Senior Management Level Managing Operations in Kenya, Uganda, Zambia, S. Sudan, Rwanda, Tanzania and Ethiopia.</p> <p>Committee membership: Technical & Social and Audit & Governance Committee.</p>
<p>6.</p>		<p>Dr Peter K. Katyanya, 42, was appointed on 10th April, 2019 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) in charge of Finance and Economic Planning.</p> <p>Before joining the County Government, Dr Katyanya was the General Manager Finance at the Kenya Rural Roads Authority for 5 years and he had also worked as Deputy Director Finance at Kenya Forest Service for 3 years. Previously he worked as a Senior Accountant at NHIF.</p> <p>Dr. Katyanya holds degrees in both Bachelor of Commerce and Bachelor of Science in Applied Accounting. He has a Master’s Degree in Business Administration and a PHD in Business (Banking and Finance Option).</p> <p>Committee membership: Audit & Governance committee (Chairman) and Finance & Staff committee.</p>

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7.



James N. Gachathi
Managing Director

Mr Gachathi, 50, was appointed on 26th June 2014 as the Managing Director. Before his appointment, Mr Gachathi was the Technical Manager having been appointed on 23rd October 2007.




Before joining the Company, Mr Gachathi was the Technical Manager of Nyahururu Water and Sanitation Company. He has a Degree in Bachelor of Science in Civil Engineering from University of Nairobi and on – going student of MBA (Strategic Management Option) at Egerton University.

He has a rich experience in Water Sector spanning for over 23 years




CORPORATE MANAGEMENT TEAM



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

The following are the Corporate Management Team: -

NO	NAME	PROFILE
1.	 <p>James N. Gachathi Managing Director</p>	<p>Mr Gachathi, 50, was appointed on 26th June 2014 as the Managing Director. Before his appointment, Mr Gachathi was the Technical Manager having been appointed on 23rd October 2007.</p> <p>Before joining the Company, Mr Gachathi was the Technical Manager of Nyahururu Water and Sanitation Company.</p> <p>He has a Degree in Bachelor of Science in Civil Engineering from University of Nairobi and on-going student of MBA (Strategic Management Option) at Egerton University.</p> <p>He has a rich experience in Water Sector spanning for over 23 years</p>
2.	 <p>Isaac Mokaya Makori Finance Manager</p>	<p>Mr. Makori, 50, was appointed on 18th May 2009. Before joining the Company, Mr. Makori had worked at Pyrethrum Board of Kenya. He is experienced in Financial and Management Reporting, people management, monitoring and evaluation, Taxation and project Accounting. He served as a member of the Local Committee at Kenya Revenue Authority, Nakuru for 2 years and a BOM member in various schools.</p> <p>Mr. Makori holds a Bachelor of Commerce (Accounting Option) from Kenyatta University and an MBA (Finance Option) from Kenya Methodist University. He is CPA (K) and a Member of the ICPAK. He is also a Certified M&E expert, and a member of Kenya Institute of Management and has a certificate in Strategic Leadership Development Programme (SLDP) from the Kenya School of Government (KSG), Baringo Campus. He has 25 years of work experience.</p>
3.	 <p>James Muthee Gathairu Commercial Manager</p>	<p>Mr. Gathairu, 50, was appointed on 18th May 2009. Before joining the Company, Mr Gathairu was an accountant with Kenindia Assurance Co. Ltd for 7years and Chief Accountant with BlueShield Insurance Co. Ltd for 7years.</p> <p>He has a rich experience in finance and business development spanning for over 24 years.</p> <p>Mr Gathairu holds a degree in Bachelor of Arts (Business Studies & Economics) from Kenyatta University and an MBA (Finance Option) from University of Nairobi. He has CPA (K) and is a Member of ICPAK.</p>

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<p>4.</p>	 <p>Joseph John Githinji Internal Audit Manager</p>	<p>Mr Githinji, 44, was appointed on 1st November 2013.</p> <p>Before joining the Company, Mr Githinji previously worked with M/s Kariru & Associates (Certified Public Accountants), Kenya Wildlife Service (KWS) (Ag. Manager Internal Audit and Mombasa Water (Internal Audit Manager).</p> <p>He has a rich experience in Accounting spanning for over 20 years.</p> <p>Mr Githinji holds a degree in International Business Administration (Finance Option) from United States International University (USIU). He has CPA (K) and CS (K). He is a Member of the ICPAK and ICPS (K).</p>
<p>5.</p>	 <p>Margaret Wanjiru Kinyanjui Technical Manager</p>	<p>Ms Wanjiru, 35, was appointed on 1st September, 2018.</p> <p>Before joining the Company, M/s Wanjiru worked as the Technical Manager of Nanyuki Water & Sewerage Company. Prior to Nanyuki Water Company, she was the Operations Manager Nyahururu Water & Sanitation Company and Assistant Resident Engineer of JBG GAUFF INGENIEURE.</p> <p>Ms Wanjiru holds a Bsc degree in Water & Environmental Engineering from Egerton University and an MSc in Project Planning & Management from Jomo Kenyatta University of Agriculture & Technology (JKUAT). She is a Certified M&E expert, and has various certificates in AUTOCAD, MS Project and leadership.</p> <p>She has a rich experience in Water & Sanitation Management spanning for over 10 years.</p>
<p>6.</p>	 <p>Mrs. Anne Chepkorir Turgut HR & Admin. Manager</p>	<p>Mrs Anne C.Turgut, 52, was appointed on 1st September, 2018.</p> <p>Before joining the Company, Anne worked as the County Director Human Resources, County Government of Bomet, but Seconded to Bomet Water Company. Prior to that she worked at Central Bank of Kenya where she served for 22 years in various departments including Research, Currency Operations and Branch Administration and Human Resources.</p> <p>Anne holds a degree in Bachelor of Commerce (HRM Option) from Kenyatta University and a Master's degree in Organizational Leadership from International Leadership University. She also holds a Diploma in HR, PR, and Banking.</p> <p>Anne is currently pursuing a PhD in Management and Leadership at Management University of Africa. Anne is a certified life coach and Practicing Member of the Institute of Human Resources Management (IHRM). She has a rich experience in Human Resource Management and leadership spanning for over 17 years.</p>

7.	 <p>Mr Willy Kibet Procurement Manager</p>	<p>Mr. Willy Kibet, 32, was appointed on 1st March 2019.</p> <p>Before joining the company, Mr. Kibet worked as a Tutorial Fellow for Maseno University. Prior to Maseno University, he was an Assistant Maseno University. Prior to Maseno University, he was an Assistant Director Procurement County Government of Bomet and seconded to Bomet Water Company.</p> <p>Kibet holds a degree in Purchasing and Supplies Management and a master degree in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is a registered member of the Certified Procurement and Supply Professional of Kenya (CPSP-K) and the Kenya Institute of Supplies Management (KISM).</p> <p>He has a rich experience in procurement spanning over 9 years.</p>
8.	 <p>Anthony Kipkurui Kamar ICT Manager</p>	<p>Mr Kamar, 32, was appointed on 1st March 2019</p> <p>Before joining the company, Mr Kamar worked with the Kenya Film Classification Board for 8 years as the Head of ICT. He has vast experience in project management, ICT security & audit and implementation of management information systems.</p> <p>Mr Kamar holds a bachelor's degree in Business management and IT from Kabarak university, an MBA (operations management) from the University of Nairobi; He is a member of the computer society of Kenya (FCSK).</p> <p>He has a rich experience in ICT spanning over 9 years.</p>

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, am pleased to present to you an overview of the annual report and financial statements of the Company for the year ended 30th June 2020. The strong foundation that we have laid over time by embracing our vision to be the leading Water Utility in Kenya; supported by a robust governance structure; continue to drive growth in the Company and providing momentum for a secure future.

Key Activities

During the year under review, the demand for water and sanitation services in Nakuru continued to increase due to expansion of Nakuru Town given the limited sources of water. The water demand was at over 70,000m³ per day against an average supply of 40,000m³ per day which the National Government and County Government are addressing to bring more water to Nakuru Town since it is soon becoming a city. A total of 70,098m³ per/day was achieved due to power failure and breakdown of pumps. This resulted to the company achieving an average of 18hrs of supply per a day.

During the Covid-19 pandemic period, the company promoted and facilitated good hygiene practices by leading awareness campaigns about its transmission as well as providing material support for handwashing in high-risk locations especially the low income areas. The company through the County Government of Nakuru and with the support of partners such as the Water and Sanitation for the Urban Poor (WSUP), Rotary Club of Nakuru, Central Rift Valley Water Works Development Agency and the VEI- Water Worx Project were able to set-up more than fifty (50) handwashing stations in markets, bus stages, health centres, Low Income Areas and Communal Areas of Nakuru Town.

On Non-Revenue Water (NRW), the Company achieved 31% against the sector benchmark of 25%. This was done by installing master, zonal and consumer meters to monitor and track the flow of water and its losses. This exercise was undertaken so as to be able to measure the amount of water that is supplied to a particular area with a view of ascertaining the Non-Revenue Water (NRW).

Successes

During the period, the company continued implementing its strategic plan 2018/19 to 2022/23. The plan details various investment plans which aim to ensure NAWASSCO's growth. The main objectives of the strategic plan are: increased water production to meet the demand, reduction of NRW, financial sustainability, improved corporate image & visibility and improved customer service.

During the period under review, the company continued to partner with donors in the funding of various projects. The Vitens Evides International under the WaterWorx Project funded the construction of 49.1km water pipeline extension at Barut, Rhonda, Kaptembwa and Githima as well as social connections and subsidy of 1000 No. toilets facilities at Western Zone (Kaptembwa & Rhonda) benefiting over 10,000 people. In addition Vitens Evides International under the Increasing Sustainable Access to Water in Low-Income Areas Project funded various activities including water tanks, kiosks, pre-paid meters and hygiene promotion.

The Company was involved in a number of initiatives which benefited the surrounding community. The initiatives were in line with the right to water and sanitation as enshrined in Chapter 4 (41 & 43) Kenyan Constitution – The Bill of Rights.

Challenges

During the last quarter of the year most customers fell into arrears due to covid-19 pandemic which affected their sources of income especially those whose businesses were closed down.

The cost of electricity was high due to the fact that over 90% of the water is from boreholes which is very expensive to pump. The company together with other water companies through Water Service Providers Association have applied to Kenya Power for a subsidized tariff which will reduce the cost of electricity.

The Company is faced with the challenge of limited sources of water. The current water production capacity is 40,000m³ of water per day against a demand of 70,000m³ of water per day. This is being addressed through other mechanisms that include partnerships with County Government, Central Rift Valley Water Works Development Agency (CRVWDA) and National Government. The construction of the Itare Dam water project funded by the Italian Government was stopped 2 years ago due to the financial difficulties facing the contractor. The project was expected to produce over 100,000m³ of water per day of which 70,000m³ of water per day will get to Nakuru Town.

The company sewer coverage is at 27% due to low funding from the County/National Government. This is a great risk to the town as it may be faced with sanitation related diseases. However through a project to be funded by KFW bank under the Lake Nakuru Bio-Diversity Project the sewer network will be improved and expanded.

Future Outlook

Nakuru Town is among the fastest growing towns in Kenya and it is marked to be upgraded to a city status which has created an opportunity for greater business. Due to that the Company has started positioning itself by improving of its systems and engaging qualified staff to manage its operations. The Company is also reaching out to development partners who have shown interest in funding the sewer network which currently has a low coverage at 27%.

The National Government and County Government of Nakuru are working towards getting another donor to fund the Itare Dam Project which was stopped 2 years ago due to the financial difficulties facing the contractor.

Appreciation

I would like to appreciate all our stakeholders, more so the County Government of Nakuru and Development partners for their solid commitment and support during the year ended on 30th June 2020. To our esteemed Customers, thank you for your loyalty and support. Thank you my Board colleagues, the management and staff for the good work and together we celebrate our achievements for the year 2019/20.

Thank you and May God Bless You all



JOHN KARANJA KIMANI
CHAIRMAN, BOARD OF DIRECTORS

MANAGING DIRECTOR'S REPORT

I am pleased to present the Annual Report and Financial Statements of the Company for the year ended 30th June 2020. This is the 16th annual report and financial statements for the Company and demonstrates how far we have come.

Key Activities

The company has in place a 5 year Strategic Plan (2018/19 -2022/23) which is used to improve service delivery and ensure achievement of set targets by emphasizing on areas of priority in the provision of water and sanitation services.

During the year under review, remarkable improvement activities towards service delivery were carried out the following areas:-

- i. Maintenance of water distribution network
- ii. Maintenance of sewer network
- iii. Improvement of sanitation at the low income areas
- iv. Continued use of customer complaint tracking module

On Non-Revenue Water (NRW), the Company achieved 31% against the sector benchmark of 25%. This was done by installing master, zonal and consumer meters to monitor and track the flow of water and its losses. This exercise was undertaken so as to be able to measure the amount of water that is supplied to a particular area with a view of ascertaining the Non-Revenue Water (NRW) in those areas. The exercise was done in central zone since it is the main revenue generator and the resulted to NRW reducing from 31.7% to 31%.

On water quality, the company achieved 98% against the required 100%. This was mainly due to turbidity levels in bulk water supply by the supplier. Samples taken from consumer points in the water supply system did not meet drinking water quality standards especially during the wet seasons.

The company implemented an Enterprise Resource Planning (ERP) System. The system able to integrated all functions of technical, commercial, human resource, procurement and finance. Further the system integrates with the banks for the collection of revenues. The system has brought a lot of efficiency in the operations and enhanced the company's technological and operational growth.

Financial Overview

The financial performance during the period marginally dropped as the company recorded a pre-tax profit of Kshs71.4M compared to a Kshs74.6M during the previous year. The drop in performance was mainly attributed to the effect of Covid-19 during the last quarter of the financial and NRW which reduced from 31.7% in 2018/19 to 31%.

The cost of electricity increased from an average of Kshs18.6m per month to Kshs20m per month during the year due to increase in tariff. The cost of bulk water went up due to more quantities purchased while the cost of personnel went down due to the number of staff who retired but the company automating some of its processes. Other operating and maintenance costs remained low except for regulatory levy which increased from Kshs8.8m (1% of the turnover) to Kshs39.7m (4% of the turnover) due to the new role of Water Services Regulatory Board (WASREB) as per the Water Act, 2016. The cost of chemicals and other inputs was maintained.

Successes

During the year under review, the company demonstrated resilience amidst the Covid-19 pandemic, which affected the disposable incomes of the consumers. However, as envisaged in one of our core values-of customer focus, the company continued to maintain satisfactory levels in service delivery.

The water produced was distributed to customers equitably through a rationing programme. The average water supply was 18hrs/day compared to 17hrs per day in 2018/19 and the amount of water produced was an average of 33099m³ per day compared to 34190m³ per day in 2018/19.

The company continued to improve staff competence in an effort to maintain good service delivery. The managers who are members of various professional bodies attended seminars, workshops and symposiums for the purpose of improving their skills, networking and job satisfaction. On Learning and Development, the employees across all cadres attended various trainings/workshops for performance and skill enhancement as guided by a comprehensive Learning and Development plan.

On Staff Retention, motivation and welfare, the company ensured total compliance with all policies put in place including the Collective Bargaining Agreement (CBA) with the staff union and encouraged employee involvement and participation through staff meetings across all departments. In addition an enhanced 24 hr employee insurance cover (WIBA and GPA) was procured for all employees for injuries sustained in occupational and an executive medical cover was procured for all employees across the establishment.

Challenges

The cost of electricity was high due to the fact that over 90% of the water that the company supplies is from boreholes. The boreholes are rather deep and thus expensive to run in terms of energy costs (electricity). In addition, the cost of electricity is unpredictable as it keeps on rising while our water tariff is fixed for a period of time. In addition, there is no special tariff for the water sector that would make the services cheaper given that we offer a social good. The company together with other water companies through Water Service Providers Association have applied to Kenya Power for a subsidized tariff which will reduce the cost of electricity

The Company loses a lot of water through technical means arising from old and dilapidated water infrastructure. Most of the current water networks were built many years ago and requires over Kshs800 million to replace. The National Government through Central Rift Valley Water Works Development Agency (CRVWWDA) and development partners are addressing this issue.

The sewer coverage is currently low at 27% and it is very expensive for the company to finance through the normal tariff.

The Company is faced with the challenge of limited sources of water as the current water production is 40,000M³ of water per day against the demand of over 70,000M³ of water per a day due low funding. This is are being addressed through other mechanisms that include partnerships with County Government, National Government and other Development Partners.

Future Plans

The company remains fully committed to the provision of affordable and quality water and sanitation services to its customers. The company will continue working with all the stakeholders towards the improvement of water and sanitation services so as to be leading water utility in the country.

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Appreciation

I take this opportunity to thank the County Government, Shareholders, Board of Directors, Management, Staff, and other stakeholders for their mutual cooperation, and continued support.

Thank you and best wishes to you all.



JAMES N. GACHATHI
MANAGING DIRECTOR

REVIEW OF COMPANY'S PERFORMANCE FOR FINANCIAL YEAR 2019/2020

The Company has in place a 5year strategic plan 2018/2019-2022/2023 that outlines the approach and direction that it intends to take in order to improve its performance and service delivery. The plan provides an integrated picture of where the Company is going over the next five years and serves as a communication vehicle for conveying its direction. The strategic plan demonstrates the company's focus areas or pillars, objectives, projects and the allocation of resources in response to its key strategic challenges.

The company has 4 strategic pillars and 11 objectives within its Strategic Plan for the FY 2018/2019-2022/2023. These strategic pillars are as follows:

Pillar 1: Water and sewerage infrastructure development

Pillar 2: Operational efficiency and customer service

Pillar 3: Financial Sustainability

Pillar 4: Institutional Capacity Strengthening

The company develops its annual work plans based on the above strategic pillars. Assessment of the company's performance against its annual work plan is done on a quarterly basis. The company's performance during the year against the set targets in its 4 strategic pillars is as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
Water and sewerage infrastructure development	To supply enough water	Increase water production from 38,000m ³ /day to 40,000m ³ /day	Ensure that all borehole pump-sets are operational and are at least 90% of their capacities at all times. Improve intake of surface water from current 3,000m ³ /day to 6,000m ³ /day.	A total of 33,098 per/day was achieved. The shortfall was due to power failure, breakdown pumps and reduction bulk water supply by the supplier
	Increase water coverage from 94% to 98%	Increase the distribution network coverage from 541km to 650km(in Koinange, Mwariki East and Baranabas)	Identify the network, carry out survey and the designs. Procure materials and a contractor for network expansion	Water network extension was done at Koinange and Baranabas that increased water coverage to 95%
Operational efficiency and	Increase and maintain water supply hours	Ensure water supply reliability does not fall below 18 hours	Maintain Service hours for distribution at 18 hours per day by	During the period the company achieved an average of 18hrs of supply

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
customer service	from minimum 12 to at least 20 hours per day in all zones	per day at required pressures.	producing enough water.	per a day mainly due to water shortage
	Reduce Non-Revenue Water (NRW) from the 31.7% to less than to 25%.	Install master, zonal and consumer meters to monitor and track water flow and losses	Carry out distribution line patrols to identify all illegal connections. Install smart customer meters which more efficient. Install water level sensors at the reservoir tanks to control overflows.	The exercise was done in central zone since it is the main revenue generator and the NRW reduced from 31.7% to 31 %.
	To improve water quality to meet Kenya Bureau Standards	Enhance the water quality Compliance rate for Water from current 97% to 100%	Enhanced monitoring to ensure that the quality of discharged effluent is within 90% of World Health Organisation guidelines. Equip and maintain water laboratory to conduct daily tests.	The company achieved 98% against the required 100%. This was mainly due to turbidity levels in bulk water supplied by the bulk supplier.
	To continually strengthen the company's partnership with stakeholders	Enhance co-operation between the company and main stakeholders	Carry out a detailed stakeholder analysis. Ensure Continuous engagement with all the stakeholders Develop standardized communication materials for internal and external stakeholders	The Company held one stakeholder workshop at OleKen Hotel in May 2020 where feedback on service delivery was received from the participants.

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
	To improve service provision in Low Income Areas (LIAs)	Enhance urban poor sanitation programmes for low income areas LIAs	Continue with the collaboration with development partners.	The Vitens Evi International under WaterWorx Project funded the construction of 49.1km water pipeline extension in Barut, Rhon Kaptembwa and Githir. In addition Vitens Evi International under t Increasing Sustainable Access to Water in Low Income Areas funded various activities including water tanks, kiosks, prepaid meters and hygiene promotion.
Financial Sustainability	To enhance financial sustainability of the Company	Improve revenue collection from the current Kshs72M to Kshs88M per month.	Maintain the E-billing system. Market to customers the alternative modes of bills payments available. Carry out water meters calibration and replacement of faulty meters to ensure the appropriate amount of revenue is received for water supplied.	The Company achieved an average of Kshs74.6m per month due to the effect of covid-19 which affected most of the customers during the last quarter of the year.
		Improve the collection efficiency from 93% to 100%	Enhance utilisation of electronic payment system and open more pay points. Set targets for the debt collection unit and facilitate the team. Carry out customer sensitization and	The Company achieved collection efficiency of 94% due to covid-19 pandemic which affected most customers during the last quarter of the year.

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
			enforcement of disconnections.	
		Improve the metering ratio from 97% to 98%	Identify and meter all the unmetered customers. Have enough meters in store.	The company achieved 98% due to the efforts which were put in place towards achieving 100% metering ratio.
		Reduce Non-Revenue Water (NRW) from 31.7% to 25%	Carry out distribution line patrols to identify all illegal connections. Install smart customer meters which more efficient. Install water level sensors at the reservoir tanks to control overflows.	The company undertook replacement of old meters and faulty meters with smart meters which have high accuracy levels. The exercise was undertaken in one Zone (Central Zone) due to budget constraints and this saw the revenue billing grow from an average of Kshs80.4m in the financial year 2018/2019 to an average of Kshs82.3m per month. NRW reduced from 31.7% to 31%.
		Reduce customer arrears from 87% to 20 % of revenue base	Set targets for the debt collection unit. Engage debt collection agents.	This was not achieved mainly due to covid-19 which affected most of the customers during the 2 nd half of the year.
Institutional Capacity Strengthening	Attract, develop, motivate and retain highly motivated and disciplined staff.	To improve staff productivity from 70% to 80%	Sign performance based contracts with staff aimed at improving performance. Carry out a training need assessment and implement the same.	This was done through the signing of contracts between the Board and Corporate Management Team and the same cascaded to every level of employees in the Company.

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
	Embrace emerging technologies and innovations to improve efficiency and effectiveness.	Adopt integrated technological systems	Procure and implement an Enterprise Resource Planning (ERP) system. Replace and purchase more computers. Invest in security systems all company facilities.	The Company implemented an ERP system which improve efficiency on the service delivery and the provision of timely reports for prompt decision making.
		Create a conducive environment for innovation and creativity	Each department to target one innovation during the year.	The company encourage its employees to develop new ideas of improving service delivery. The company through the innovative ideas from the staff was able to instal smart customer meters and automated some of its boreholes
	Enhance Good Corporate Governance	Strengthen capacity of the Board of Directors on corporate governance and leadership.	Train the Board of Directors and Senior Management Team on Corporate governance and leadership. Carry out sensitization of Board of Directors on the code of ethics and conduct.	During the period under review, the Board of Directors were trained on governance and leadership.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of NAWASSCO 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 is committed to full compliance of all the relevant laws including the Guidelines on Corporate Governance issued by the Regulator, WASREB.

The Corporate Governance of NAWASSCO 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 objective of the framework is to provide for the effective, ethical and accountable governance and management of the Company. The key instruments within the governance framework are: -

- The Kenya Constitution
- The Water Act 2016
- The Companies Act, 2015
- The Public Financial Management Act 2012
- The Public Financial Management Regulation 2015
- The Public Procurement and Asset Disposal Act 2015
- Employment Act 2007
- The NAWASSCO Service Charter
- NAWASSCO approved policies and procedures

The Board of Directors

The Company Board of Directors are appointed in accordance with section 69 of the Company's Articles of Association.

Roles and Functions of the Board

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 of Directors are responsible for the following: -

- (i) Implementation of Memorandum and Articles of Association
- (ii) Provision of guidelines and control function of the Company
- (iii) Approval of the organization structure and maintenance of staff terms and conditions of service
- (iv) Approval of business plans and budgets
- (v) Provision of management guidelines
- (vi) Approval of major contracts/projects
- (vii) Approval of tariff adjustments
- (viii) Approval of annual reports and financial statements
- (ix) Prudent investment of funds to ensure continuity of services
- (x) Appointment of Corporate Management Team

Composition of the Board

The Board is composed of eight (8) non-executive Directors including an independent Chairman and one (1) executive director who is also the Managing Director. The Directors represent various stake holding. They have a wide range of skills and experience and each contributes independent judgement and knowledge to the Board's discussions.

On appointment, each Director is provided with a comprehensive and tailored induction process covering the Company's business and operations and also provided with information relating to their legal and regulatory obligations.

All the Directors except the Managing Director and representatives of the County Government are required to submit themselves for re-election in accordance with the Company's Articles of Association.

Board Meetings

The Board of Directors hold quarterly meetings as per the Company's Board calendar. The Chairman may at any time that may be deemed necessary call a special meeting where there are urgent matters requiring Board attention and/or resolution. The board meetings are governed by the same rules regarding meetings as applicable to the Company. The Chairman in consultation with the Managing Director sets the agenda, date and time of the meeting with members receiving a fourteen (7) day written notice or such period that may be agreed on from time to time.

Meetings are held at the registered office of the Company. A quorum for meetings requires two-thirds of the total number of members. Members may appoint one of their own to preside over the meeting in the absence of the Chairman. Decisions are made unanimously or by majority votes of the members present. The Chairman has a casting vote in the event of a tie of votes. The board Minutes are prepared and circulated two weeks after the meeting and the Board Minutes are kept by the Board Secretary.

During the year under review the Board conducted 6 meetings.

Board Committees

The Board constituted three (3) sub-committees chaired by one director in each, namely; Finance and Staff, Technical and Social; and Audit and Governance. Each committee is required to meet four (4) times in one financial year. During the under review, the Finance and Staff committee met five (5) times, Technical and Social committee met four (4) times while the Audit and Governance committee met 5 times.

The Board appoints other committees as and when necessary. During the year the Adhoc Committee met two (2) times.

The Board Charter

The company has in place a charter which was approved in April, 2018. The Board Charter was developed to guide the Full Board in its operations and also to set the boundaries for the work of the Board. It outlines the functions of the Board and its role in the achievement of the Company's strategic objectives.

The Charter is reviewed at least annually or from time to time when it is appropriate. This Charter is available to all members of the Board for application and to the stakeholders for information.

Appointment and Removal of the Board

The Board consists of nine (9) members as guided by clause 69 of the company Memorandum and Articles of Association. The directors represent a mix of skills and the requirement of gender parity. The board is headed by a board chair who is elected by the members.

All the Directors except the Managing Director and representatives of the County Government are required to submit themselves for re-election in accordance with the Company's Articles of Association which states that a director shall be in office for a period of three (3) years but eligible for re-election for another period of three (3) years.

Board Succession Plan

In accordance with clause 69 of the company Memorandum and Articles of Association, all the Directors upon appointment except the Managing Director and representatives of the County Government are required to submit themselves for re-election for another term of Three (3) years after being in office for the first Three (3) years. However, if all the directors were appointed on the same date then a die shall be cast to determine the one to retire first.

Induction and Training of the Board

On appointment, Board members are taken through appropriate orientation program besides continuing capacity building on regulatory and market developments and periodic management briefs for effective discharge of their oversight duties. The induction programme provides the Board member with an orientation of the company, strategic plans, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics. The directors are also provided with information relating to their legal and regulatory obligations.

Board and Member Performance

The Board undertakes an annual review of its performance including that of its Committees within the provisions of its annual calendar of activities in guiding the Company to meet its mandate of providing water and sanitation services to the residents of Nakuru East and Nakuru West and its environs.

Conflict of Interest

The Board individually or collectively upholds ethical behavior and practice and expects any member with a direct and/or remote interest on a matter before it to, in good faith, excuse himself or herself from such deliberations including subsequent vote on such matter.

Board Remuneration

The Board of Directors are remunerated for their services in accordance with the prevailing relevant legislative provisions and/or as per the resolution of the shareholders during the Annual General Meeting. Each Director is also entitled to a medical cover over the tenure of directorship. The Chairman is in addition entitled to a fixed monthly honorarium and telephone allowance.

Board Ethics and Conduct

The Company adopts high ethical standards and applies strict rules of conduct, based on the best corporate practices. As part of this commitment, the Board of Directors adheres to good corporate governance by embracing the following principles:

1. Observe high standards of ethical and moral behavior;
2. Act in the best interests of the organization;
3. Remunerate and promote staff fairly and responsibly;
4. Recognize the legitimate interests of all stakeholders; and
5. Ensure that the Company acts as a good corporate citizen.

The Directors are required to act in the best interest of the Company and uphold their fiduciary responsibilities and duty of care. This involves not disclosing confidential information, avoiding real and perceived conflicts of interest, and favouring the interests of the Company over other interests. They act honestly and in good faith so as to create a culture built on principles of integrity, accountability and transparency.

Board Governance Audit

The Board ensures that a governance audit of the Company is undertaken on an annual basis. The purpose of the governance audit is to ensure that the Company conforms to the highest standards of good governance. The governance audit covers the following parameters among others:

- (a) Leadership and strategic management;
- (b) Transparency and Disclosure;
- (c) Compliance with Laws and Regulations;
- (d) Communication with stakeholders;
- (e) Board independence and governance;
- (f) Board systems and procedures;
- (g) Consistent shareholder and stakeholders' value enhancement; and
- (h) Corporate social responsibility and investment.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Operational and Financial Performance

Service Delivery

On Service Delivery the following was achieved against the set targets:

Target Description	Target	Actual	Comments
Water Coverage (%)	94	95	The target was achieved due to the pipe network extensions at Western Zone. The company received funding from Vitens Evides International under the Water 4 Life project towards the construction of 49.176 km water network extension at Kaptembwa, Barut & Rhonda. The project will improve access to water benefiting over 25,000 people.
Water quality standards (%)	100	98	The company achieved 98% against the required 100%. This was mainly due to turbidity levels in bulk water supply from NARUWASSCO. Samples taken from consumer points in the water supply system did not meet drinking water quality standards especially during the wet seasons.
Non-Revenue Water (NRW)%	29	31.1	This was not achieved due to the challenge of water losses in the water sector which was at 60% nationally and 31.1% at our company level with the acceptable level being at below 25%. The water losses occurred through technical and commercial ways. In the technical ways water was lost through leaks and bursts while in the commercial ways water was lost through illegal connections and meter tampering which the Company is addressing.
Hours of Supply (Hrs)	17.5	18	This was achieved due to more water that was available during the period.
Metering ratio (%)	96	98	This was achieved due to the efforts which company has put in place to achieve 100% metering ratio.
Collection Efficiency (%)	93	94	This was achieved due to the efforts which company has put in place to achieve 100% collection efficiency. However we have a challenge in collecting revenue from the County Government of Nakuru who are not paying their water bills promptly and are in arrears of Kshs46m

Financial Performance

The financial performance during the period was almost similar as the previous year as the company recorded a pre-tax profit of Kshs71.4m compared to a Kshs74.6m during the previous year. The non-improvement in performance was mainly attributed to the effect of Covid-19 during the last quarter of the financial

The cost of electricity increased from an average of Kshs18.6m per month to Kshs20m per month during the year due to increase in tariff. The cost of bulk water went up due to more quantities purchased while the cost of personnel went down due to the number of staff retiring and the company automating some of its processes.

Other operating and maintenance costs remained low except for regulatory levy which increased from Kshs8.8m (1% of the turnover) to Kshs39.7m (4%) due to the new role of Water Services Regulatory Board (WASREB) as per the Water Act, 2016. The cost of fuel went up due to increased number of motor vehicles, cycles and tractors used in operation. The cost of chemicals and other inputs was maintained.

2. Key Projects / Investments Decisions Implemented or Ongoing.

i. Procurement of an ERP System

During the year under review the company entered into a partnership agreement between Vitens Evides International, Nakuru Rural Water and Sanitation Company (NARUWASCO), Nakuru Water and Sanitation Company (NAWASSCO) and Naivasha Water and Sewerage Company (NAIVAWASS) for the procurement of an Enterprise Resource Planning (ERP) System. In the partnership agreement, the role of the three water utilities was to support the lead partner, Vitens Evides International objectives of ensuring availability and sustainable management of safe water and sanitation.

The overall responsibility of the lead partner was project planning, implementation and management whereas the three water utilities as part of the water operators' partnership was to locally contribute and procure an Enterprise Resource Planning System.

An agreement was on 19th August, 2019 signed with a consultant for the design and implementation of the system. As at 30th June, 2020 most of modules of the system had been implemented and were in use.

iii. Water Network Extensions

The company received funding from Vitens Evides International under the Water 4 Life project towards the construction of 49.176 km water network extension at Western Zone (Kaptembwa, Barut & Rhonda). The project will improve access to water benefiting over 25,000 people

iv. Smart Water Meters

The company started the project of installing new customer smart meters which are more efficient with an aim of raising its revenues and reduction of water losses. During the year the company installed 3,741 smart meters. Amounting to Kshs14.6 million.

v. Motor Vehicles

The company purchased 2 No. of pick for the field staff with the aim of improving service delivery to the customers.

vi. New Computers and Accessories

The Company procured new computers and other accessories which were required for the implementation of the new ERP system.

vii. Automation of Water Boreholes

The Company during year automated prison road water pumping station and works are going on at the automation of Baharini boreholes. This is aimed at reducing the cost of manning the pumps by staffs who could be redeployed to more productive areas.

viii. Replacement of Pumps and Motors

The Company replaced some of the old and inefficient pumps with the aim of increasing water production and reduction of maintenance costs. During the year the company replaced 7 broken pumps and motors amounting to Kshs6.1 million

ix. Paving and Landscaping of Main Office Block

The Company did the paving and landscaping of its main office block with the aim of improving the image of the company and creating a better working environment for its staff and customers.

3. Compliance with Statutory Requirements

The company is in compliant with the various statutory requirements including: -

Salaries Deductions - The salaries and allowances were paid on time and remittances of statutory deductions to Pension Scheme, KRA, NSSF, NHIF and SACCOs were done before due dates. As a result the company won a trophy from its Pension Administrator –CPF for timely remittance of pension monies in the water sector.

VAT - The Company being a VAT withholding Agent of KRA was able to remit and file monthly returns on time.

CORPORATION TAX – The return was promptly filed with KRA

EMA – The requirements were complied with by obtaining the licenses for our sewerage treatment plants and regular monitoring through our ISO certified laboratory to ensure that the discharges to the environment meet the standards.

WASREB levies were remitted promptly.

WARMA - Water abstraction fee was paid promptly.

NITA - Industrial training levy was remitted on a monthly basis

However an amount of Kshs5, 562,345.00 owed to National Social Security Fund has not been paid as it relates to the liabilities which were inherited from the defunct Municipal of Council of Nakuru in year 2004. The Company disputed the amount because we were informed that the debt had been settled during the time of Local Authorities Transfer Fund (LATF) and County Government of Nakuru is currently assisting the employees who are retiring to access their benefits.

4. Major Risks Facing the Organization

Various major risks are currently facing the company. These include: -

i. Water Bills Amount Owed by the County Government of Nakuru- Kshs46M

The County Government of Nakuru currently owes the company several months' water bills amounting to Kshs46m which they have not settled despite several meetings and reminders. This has caused a challenge to the company in meeting its financial obligations.

ii. Water Bills Amount Owed by the Defunct Municipal Council of Nakuru (MCN)-Kshs215M

The former MCN owes the Company Kshs215m which they refused to pay but continued demanding for services which led the company to face a lot of financial difficulties in settling its debts which had accumulated. We were informed that the amount owed by the defunct MCN was handed over to the defunct Transitional Authority which is yet to be settled.

iii. VAT Refund Claims Owed by Kenya Revenue Authority (KRA) - Kshs15M

The Kenya Revenue Authority (KRA) owes the Company VAT refund claims amounting to Kshs15m relating to period between the year 2015 and 2018 before water and sewerage services moved from VAT zero rated to VAT exempt. KRA has refunded some of the amount but has been very slow in processing the remaining balance despite the many follow ups.

iv. High Kenya Power Monthly bills averaging Kshs20m per month

90% of the water that the company supplies is from boreholes. The boreholes are rather deep and thus expensive to run in terms of energy costs (electricity). In addition, the cost of electricity is unpredictable as it keeps on rising while our water tariff is fixed for a period of time. In addition, there is no special tariff for the water sector that would make the services cheaper given that we offer a social good.

v. Scarce Sources of Water

The Company is faced with the challenge of limited sources of water. The current water production capacity is 40,000m³ of water per day against a demand of 70,000m³ of water per day. This is being addressed through other mechanisms that include partnerships with County Government, Central Rift Valley Water Works Development Agency (CRVWDA) and National Government.

The construction of the Itare Dam water project funded by the Italian Government was stopped 2 years ago due to the financial difficulties facing the contractor. The project was expected to produce over 100,000m³ of water per day of which 70,000m³ of water per day will get to Nakuru Town.

vi. Water Loss through Old and Dilapidated Water Infrastructure.

The Company loses a lot of water through technical means arising from old and dilapidated water infrastructure. The role of the company is limited to proper management and introduction of efficiency measures while the Central Rift Valley Water Works Development Agency (CRVWWDA)/County Government is supposed to provide the water infrastructure. Most of the current water network was built many years ago and requires over Kshs800 million to replace. This is the work of the National Government through Central Rift Valley Water Works Development Agency (CRVWWDA) who is the asset developer. The company is only an agent who is provided with the assets to provide water and sanitation services.

vii. Un-Accounted for Water (UFW)- 31.1%

The water sector is faced with the challenge of water losses which is at 60% nationally and 31.1% at our company level with the acceptable level being at below 25%. This contributes to loss of revenues for water companies thus making water expensive. The water losses occur through technical and commercial ways. In the technical ways water is lost through leaks and bursts while in the commercial ways water is lost through illegal connections and meter tampering which the Company is addressing.

viii. Low Sewerage Coverage - 27%

The company sewerage coverage is at 27% due to low funding from the County/National Government. This is a great risk to the town as it may be faced with sanitation related diseases. However through a project to be funded by KfW bank under the Lake Nakuru Bio-Diversity Project the sewer network will be improved and expanded.

5. Material Arrears in Statutory and other Financial Obligations

i. Central Rift Valley Water Works Development Agency (CRVWWDA) Administrative Fees – Kshs447M

The outstanding payment to CRVWWDA is as a result of the instructions which the Company received from the County Government of Nakuru in the year 2015 not to pay. The Company is waiting for the decision of the County Government on the way forward.

ii. African Development Bank (AfDB) Loan Repayment Arrears –Kshs102M

The amount relates to a loan which was acquired from African Development Bank (AfDB) by Central Rift Valley Water Works Development Agency (CRVWWDA) for the construction of the Ol Banita Well Field. According to the documents provided by CRVWWDA, the Government of Kenya acting through its Ministry of Finance in the year 2005 signed a loan agreement with CRVWWDA for financing of projects to improve water supply and sanitation services in its area of jurisdiction. The loan was from African Development Bank (AfDB) to the Government of Kenya for on-lending to the CRVWWDA.

The Principal loan amount was Kshs1, 367,823,916.00 at an interest rate of 2.5% p.a over a tenor of 30 years including a grace period of 5 years which after completion of the various projects in each Company's area of

jurisdiction was shared proportionately according to the projects undertaken. The portion for NAWASSCO was Kshs.994, 706,658 which the Company is servicing through RVWDA at Kshs39, 468,544.80 p.a.

The Company got into arrears in the repayment of the loan due to the County Government that is not regularly paying its water bills which have accumulated to Kshs46m and the defunct Municipal Council of Nakuru which owes Kshs215m as at 30th June, 2020 thus affecting payments to our suppliers and statutory requirements.

iii. Former Ministry of Water & Natural Resources- Kshs168m

In accordance with the provisions of the Water Act 2002, Nakuru Water and Sanitation Services Company Limited assumed responsibility of providing water and sanitation services in the jurisdiction of the defunct Nakuru Municipal Council with effect from 1st June 2004. To facilitate this service provision, certain operational assets and liabilities were assigned to the company by the Director of Water – Ministry of Water Resources Management and Development. The operational assets included customer accounts amounting to Kshs443, 091,806 while the operational liabilities included amounts due to National Water Corporation Kshs168, 490,370, KPLC Kshs45, 108,015, Staff pension contributions to LAP Trust Kshs6, 145,100.00 and NSSF Kshs5, 562,345 were assigned to the company for the time being subject to resolution with the Treasury - Ministry of Finance.

The amounts owing to KPLC Kshs45, 108,015 and LAP Trust Kshs6, 145,100 have since been paid. The company through the Central Rift Valley Water Works Development Agency (CRVWDA) is negotiating with the Ministry of Water and Sanitation, Ministry of National Treasury and Water Conservation and Pipeline Corporation to write off the liability of Kshs168, 490,370 because the majority of the customer arrears which were inherited turned out to be unrecoverable.

iv. National Social Security Fund- Kshs5.5m

As explained in No. 5(iii) above, this is part of the liabilities which were inherited from the defunct Municipal of Council of Nakuru (MCN) in the year 2004 and it is under dispute because we were informed that the debt was settled by the defunct MCN during the time of Local Authorities Transfer Fund (LATF) and the County Government of Nakuru is assisting the employees who are retiring to access their benefits.

The above payment arrears were caused by various challenges facing the company. These include:-

1. Water Bills amount Owed by the County Government of Nakuru- Kshs46M

The County Government currently owes the company Kshs46m which they have not settled despite several meetings and reminders. We are hoping that the County Government will soon settle their water bills so that we may also settle our financial obligations.

2. Water Bills Amount Owed by the Defunct Municipal Council of Nakuru (MCN)- Kshs215m

The former MCN owes the Company Kshs215m which they refused to pay but continued demanding for services which led the company face a lot of financial difficulties in settling its debts which continued to accumulate. The company was forced to settle some of the urgent debts which included employee pension deductions thus affecting the settlement of the outstanding debts. We were informed that the amount owed

by the defunct MCN was handed over to the defunct Transitional Authority who also handed it over to the National Government which is yet to pay.

3. VAT Refund Claims Amount Owed by Kenya Revenue Authority (KRA) –Kshs15m

The water and sanitation services were previously charged VAT at zero rate (0%) and the company was entitled to claim VAT input which the Kenya Revenue Authority (KRA) stopped refunding in February, 2015 due to the misinterpretation of the treatment in VAT Act (Cap 469) arising from sewer services. The company got a favourable interpretation of the VAT Act and the refunds started being settled with a balance of Kshs.15m remaining as at 30th June, 2020 despite several follow ups.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Company exists to transform lives through the provision of water and sanitation services. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on 5 pillars: putting the customer/citizens first, delivering relevant goods and services, improving the welfare of its employees, conserving the environment and improving operational excellence.

Below are the company achievements for each pillar during the period under review:-

1. Sustainability Strategy and Profile

The Company recognizes the fact that the way in which it conducts its activities financially has a bearing on those with an interest in its work. The Company's Financial Regulations reinforce its core values in informing policy, practice and guidance to staff of the Company to ensure fair and ethical financial practices.

During the year under review, the Company's financial activities were undertaken with reference to the following guidelines and policies:

- 1) Directors and staff code of conduct
- 2) Public officers ethics
- 3) Public Procurement and Assets Disposal Act and Regulations
- 4) Public Finance Management Act and Regulations

As part of the conditions of employment, all staffs were required to follow such policies and guidelines to ensure the Company conducted its activities in an appropriate manner.

The company had in place a 5 year plan which guided of the activities which were to be carried out and the revenues to be generated. The company was able to able meet all its financial obligations which enabled the operations to continue.

2. Environmental Performance

The Company recognizes environmental sustainability as the greatest challenge of the 21st century and commits to ensuring that all of its major strategies and operations consider their environmental and ecological aspects and impacts.

The Company participated in the conservation of the environment by planting trees. During the year, the company continued the drive for environmental conservation by planting trees in its area of operation. In collaboration with the County Government of Nakuru, the company donated trees and took part in tree planting exercise.

The Company also ensured that discharge to Lake Nakuru National Park met the required standards by conducting regular tests through its laboratory which is ISO certified.

The Company supported initiatives that minimize its impact on the environment and helped create a sustainable community by working closely with National Environment Management Authority (NEMA) and

various County departments such as the Environment and Public Health to enhance and protect the environment around us. The Company through its subsidiary company NAWASSCOAL, developed briquettes (charcoal) called Makaa.com from human waste (faecal matter). Faecal matter (human waste) is an invaluable resource that can be harnessed for economic, health and environmental development which also shows that sanitation related challenges can be solved by using market based approaches that ensures sustainability.

3. Employee Welfare

The Company is committed to being a good employer, and contributes positively to the creation of employment in the Country and Nakuru County. Our mission is to foster an environment where employees are recognized for their contributions, appreciated for their individuality, and challenged to do their best. As an employer the Company is committed to ensuring that all the employees are fully supported in their work, have a decent working environment, are fairly rewarded, and maintain a good work-life balance. The Company recognizes staff trade unions that represent and protect their interests. The Company offers competitive terms and conditions of service to its employees. The Company has in place two retirement benefits schemes (LAP Trust and NSSF) for its staff which provides earnings during the retirement period. In addition the Company has a medical and accident cover for its staff.

The Company carries out employee satisfaction survey after every two years with a view of improving the conditions and working environment of its employees and keep in touch with emerging employee issues. During the year, the Company put in place many ways to contribute positive changes to its employees including on-job trainings, participation at the games and sports and bench marking sessions that develop the employees and ensure that the company's vision is achieved.

During the reporting period, employees were able to undergo various trainings especially with the Enterprise Resource Planning (ERP) system. This did not only enhance the company's technological and operational growth but also enriched employee's technological growth.

4. Market place Practices

The company puts in place a lot of measures to ensure customer satisfaction. Annually, the company conducts a customer satisfaction survey to ascertain whether the efforts put in place by the Company are felt by the customers and any issues raised are addressed promptly.

On Persons Living with Disability all company stations are fixed with detachable rumps for ease of entry for persons confined to wheel chairs. A desk offering special services to persons living with disability is in place at the head office. In addition one special toilet for persons living with disability is in place at the head office.

The Company is committed to service delivery to its customers by creating a customer friendly environment. This was done by use of customer voice and choice system which records all customer complaints by assigning a ticket number for provision of feedback once the complaints are resolved.

During the year the company continued serving its customers by paying their water bills from the nearest points such banks and their agents (Co-operative, Family & Equity), Mpesa and Posta.

5. Community Engagement

During the year the Company ensured that water was available and was distributed equitably to all the customers and that the sewer systems were maintained.

To serve the community around who don't have piped water, the company used a water tanker donated by the County Government of Nakuru to ferry water at a fee.

During the Covid-19 pandemic period, the Company was able to undertake several Wash initiatives by promoting and facilitating good hygiene practices through awareness campaigns about its transmission as well as providing material support for handwashing in the high-risk locations. The company through the County Government of Nakuru and with the support of partners such as the Rotary Club of Nakuru, Central Rift Development Agency and the VEI- WaterWorx Project was able to set-up more than fifty (50) handwashing stations in markets, bus stages, health centres, Low Income Areas and Communal Areas of Nakuru Town.

Through maximizing access to safe drinking water, especially for vulnerable communities – Low Income Areas, the company was able to maintain where possible, water service continuity, proper treatment and accessibility for all. In the Low Income Areas, the water points were increased through several water kiosks that provided water at a subsidized rate of Kshs2.00 per litre.

Nakuru Water and Sanitation Services Company Limited
Annual Reports and Financial Statements
For the year ended 30th June, 2020

REPORT OF THE DIRECTORS

The Board of Directors present their Annual Report together with the Financial Statements for the year ended 30th June, 2020 which shows the state of the Company's trading affairs and financial position.

Principal activities

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

Results and dividend

The results of the Company for the Year ended 30th June, 2020 are set out on page 1 to 33. The net profit for the period of Kshs71, 459,845 which has been added to retained earnings. The directors do not recommend the payment of dividend.

Directors

The Directors who held office during the year and to the date of this report are shown on page v to viii in accordance with Company Memorandum and Articles of Association, Directors serve for a term not exceeding three (3) years' renewable for another one term.

Auditors

The Auditor General is responsible for statutory audit of Nakuru Water and Sanitation Services Company Ltd in accordance with article 229 of the constitution of Kenya and Public Audit Act 2015,

By order of the Board



SECRETARY

Dated 28/09 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 638 of The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of the company as at the end of the financial year 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. 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 responsibilities includes; (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintain 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 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 circumstance.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act, 2015 and water act 2016023. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of the company's transactions during the financial year ended June 30, 2020, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company's financial statements were approved by the Board on 24th September, 2020 and signed on its behalf by:



Chairman



Managing Director

Dated 28/09/ 2020

Dated 28/09 2020

REPUBLIC OF KENYA



Enhancing Accountability

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HEADQUARTERS
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Monrovia Street
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NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nakuru Water and Sanitation Services Company Limited set out on pages 1 to 32, which comprise the statement of financial position as at 30 June, 2020, and statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Undisclosed Loan from African Development Bank (AfDB)

The statements of profit or loss and other comprehensive income reflects operating and maintenance costs of Kshs.303,731,921;(2019 - Kshs.295,719,736) as disclosed under Note 8(d) to the financial statements. Included is the ADB Loan repayment amount of Kshs.39,468,540 as disclosed at the footnote to Note 8(d). As previously reported, although the Company procured the amount of Kshs.994,706,658 from African Development Bank (ADB) through Rift Valley Water Works Development Agency (RWWDA) and continues to service it, the outstanding loan balance is not reported on the financial statements as required by the standards. This is also in breach of Section 628(3)

of the Companies Act No.17 of 2015 which requires accounting records of the Company to contain day to day entries of all amounts of money received and spent.

Consequently, the accuracy and fair statement of the nil ADB loan position as at 30 June, 2020 could not be confirmed.

2. Doubtful Reserve Assets Transferred

As previously reported, the statement of financial position reflects reserve assets transferred balance of Kshs.262,893,991 and as disclosed under Note 18(c) to the financial statements. However, the balance is not supported by way of detailed analysis of customer accounts. This is contrary to Section 99(3) of the Public Finance Management (County Governments) Regulations, 2015 that requires every entry in the accounts to be supported by a voucher or document containing full details, clear narrations and particulars of the items to which it relates.

Consequently, the accuracy and fair statement of reserve assets transferred balance of Kshs.262,893,991 as at 30 June, 2020 could not be established.

3. Long Outstanding Debt - Rift Valley Water Works Development Agency

The statement of financial position reflects trade and other payables balance of Kshs.765,012,180; (2019 - Kshs.683,831,716) and as disclosed under Note 17 to the financial statements.

Included in the balance is trade payables balance of Kshs.635,795,277 which includes Kshs.446,976,985; (2019 - Kshs.410,356,723) owed to Rift Valley Water Works Development Agency on account of administrative fees payable that has accrued since the year 2013 due to instructions not to pay issued by the County Government of Nakuru. This is in breach of the service provision agreement. Further, records maintained at the Agency reflects receivables from the Company of Kshs.275,796,820 resulting to an overstatement of Kshs.171,180,165. No explanation has been provided or evidence of steps taken by the Company to resolve the matter.

From the foregoing, the accuracy and fair statement of trade and other payables balance of Kshs.765,012,180 as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Nakuru Water and Sanitation Services 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

Budget Control and Performance

The statement of comparison of budget and actual amounts reflects an approved revenue budget of Kshs.1,080,817,628. The actual income for the year amounted to Kshs.1,001,076,943 resulting to an overall shortfall of Kshs.77,312,438 or 7% of the budget. Management has not provided satisfactory explanations for the revenue shortfall that may have impacted negatively on service delivery to the residents of Nakuru town. In addition, out of the actual revenue of Kshs.1,001,076,943, actual expenditure was Kshs.929,917,098 resulting to an under absorption of Kshs.71,159,845 or 7%.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Non- Revenue Water

Available records indicate that the Company produced 12,100,233 cubic meters (M³) of water, of which only 8,322,183 M³ were billed to customers leaving out the balance of 3,778,050 M³ unbilled representing 31% of the production as Non-Revenue Water (NRW). The NRW exceeded the set threshold of 25% as approved by the Water Services Regulatory Board (WASREB) guidelines. No explanations have been rendered for the high NRW and measures being put in place to resolve the loss in revenue.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, except for the matters under the Basis for Qualified Opinion and Conclusion on Effectiveness of Internal Controls, Risk Management and Overall Governance sections of my report, 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 and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the 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 are responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

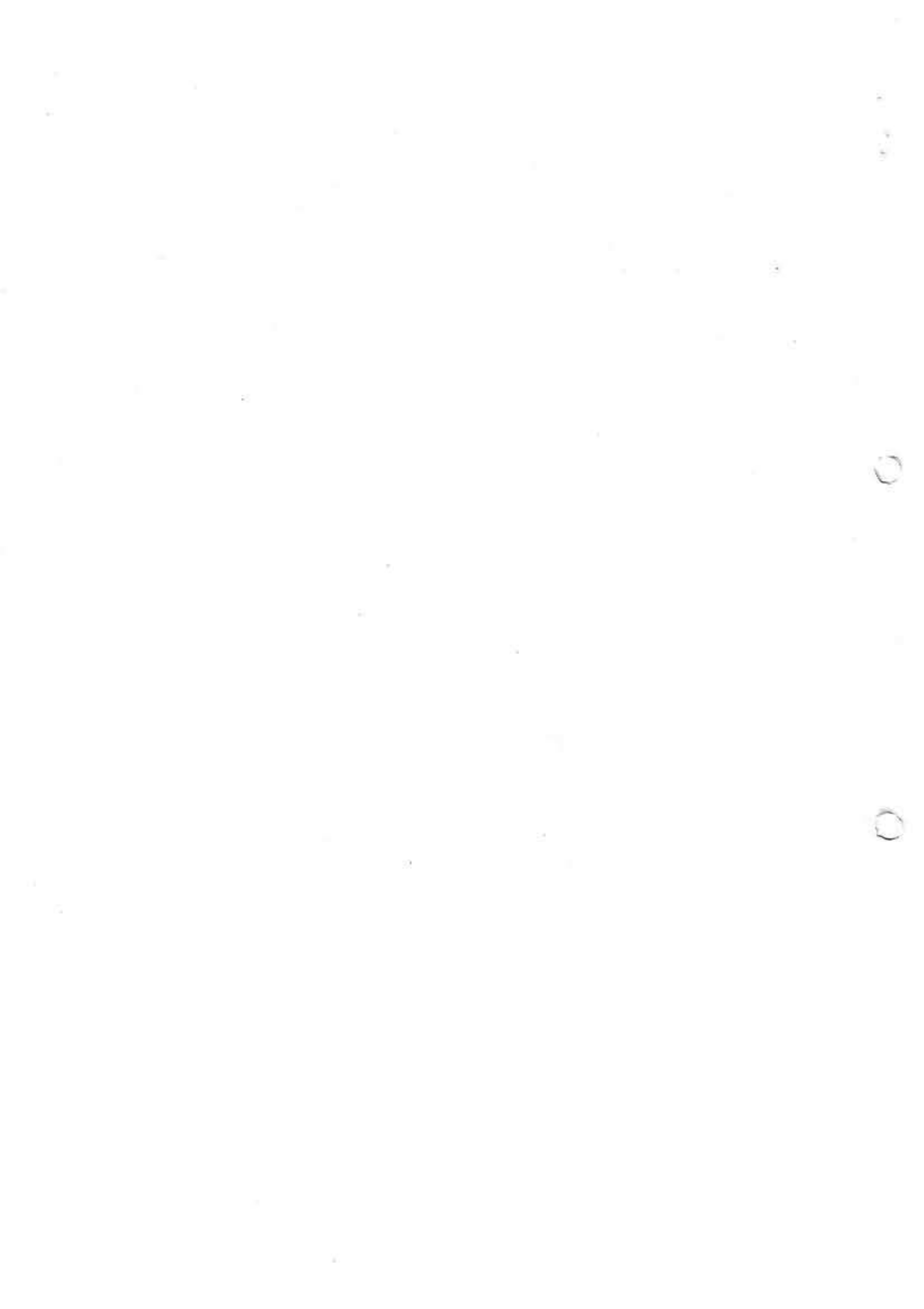
I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

11 August, 2021



Nakuru Water and Sanitation Services Company Limited
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For the year ended 30th June, 2020

REPORT OF THE INDEPENDENT AUDITORS ON NAKURU WATER AND SANITATION SERVICES COMPANY LTD

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

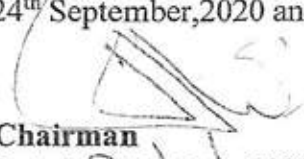
	NOTE	2020 (KSHS)	2019 (KSHS)
REVENUES			
Sales/Turnover	6(a)	987,077,239	963,149,470
Cost of Sales	8(a)	(306,242,035)	(278,685,569)
Gross profit		680,835,204	684,463,901
Interest on Fixed Deposit	6(b)	12,705,616	16,227,615
Other Income	6(c)	1,294,088	6,806,693
TOTAL REVENUES		694,834,908	707,498,209
EXPENSES			
Administration Costs	8(b)	319,643,143	331,931,163
Operating and Maintenance Costs	8(d)	303,731,921	295,719,736
Provision for impairment losses	15(a)	-	5,253,928
TOTAL EXPENSES		623,375,064	632,874,827
OPERATING PROFIT/(LOSS) BEFORE TAXATION		71,459,845	74,593,382
Income tax expenses	9 (a)	-	-
PROFIT/(LOSS)		71,459,844	74,593,382

Nakuru Water and Sanitation Services Company Limited
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STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	NOTE	2020	2019
		(KSHS)	(KSHS)
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	102,521,863	101,965,772
Intangible assets (software WIP)	12	30,288,249	1,056
Prepaid operating lease rentals	13	118,650,184	109,536,621
Total Non-Current Assets		251,460,296	211,503,448
Current Assets			
Inventories	14	29,333,308	15,694,087
Trade and other receivables	15(a)	831,022,578	738,069,728
Investments	20	160,100,000	160,100,000
Bank and cash equivalent	16	136,701,544	146,755,522
Total Current Assets		1,157,157,430	1,060,619,337
TOTAL ASSETS		1,408,617,726	1,272,122,786
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Ordinary share capital	10	100,000	100,000
Revaluation Reserve	13(b)	35,458,882	36,640,845
Reserve-Assets transferred	18(c)	262,893,991	262,893,991
Accumulated Profit/Losses		131,068,830	59,608,986
Total Share Capital and Reserves		429,521,703	359,243,822
Grants from WSTF	19(i)	33,456,154	51,166,830
Grants from SUWASA	19(ii)	20	20
Grants from Vitens Evides	19(iii)	3,380,611	14,472
Grants from County Government of Nakuru	19(iv)	3,094,343	3,713,212
Total Share Capital, Reserves and Grants		469,452,831	414,138,356
Non-Current Liabilities			
Non-Current accounts payable	18(c)	174,152,715	174,152,715
Total Non-Current Liabilities		174,152,715	174,152,715
Current Liabilities			
Trade and other payables	17	765,012,180	683,831,716
Total Current Liabilities		765,012,180	683,831,716
TOTAL EQUITY AND LIABILITIES		1,408,617,726	1,272,122,786

The Financial Statements on pages 1 to 33 were approved by the Board of Directors during a meeting held on 24th September, 2020 and signed on its behalf by: -


Chairman
Dated 28/09/2020


Managing Director
Dated 28/09/2020


Finance Manager M/ No. 6774
Dated 28/09/2020

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

	NOTE	ORDINARY SHARE CAPITAL	RESERVES (KSHS)	ACCUMULATED LOSS (KSHS)	TOTAL (KSHS)
At July 1, 2018		100,000	371,776,317	(14,984,397)	356,891,920
Amortization of Grant from WSTF	19(i)	-	(16,728,077)	-	(16,728,077)
Amortisation of Grant CGN	19 (iv)	-	(618,869)	-	(618,869)
Total comprehensive income		-	-	74,593,382	74,593,382
At June 30, 2019		100,000	354,429,370	59,608,986	414,138,356
At July 1, 2019		100,000	354,429,370	59,608,986	414,138,356
Amortisation of Grant from WSTF	19 (i)	-	(17,710,676)	-	(17,710,676)
Amortisation of Grant CGN	19(iv)	-	(618,869)	-	(618,869)
Amortisation on revaluation	13(a)	-	(1,181,963)	-	(1,181,963)
Grants from Vitens	19(iii)	-	3,366,139	-	3,366,139
Total comprehensive income		-	-	71,459,844	71,459,844
At June 30, 2020		100,000	338,284,001	131,068,830	469,945,831

Nakuru Water and Sanitation Services Company Limited
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2020

	NOT E	2020 KSHS	2019 KSHS
CASH GENERATED FROM OPERATING ACTIVITIES			
Profit/loss after income tax		71,459,844	74,593,382
Adjustments for:			
Depreciation on plant property and equipment	11	23,783,076	17,481,582
Amortization of prepaid operating lease rentals	13	3,494,984	1,623,093
Changes in working capital			
Increase in Receivables and Prepayments	15(a)	(92,952,851)	(27,585,798)
Increase in Payable and accrued expenses	17	81,180,466	62,090,995
Increase in Inventories	14	(13,639,221)	2,329,350
Net cash generated from/(used in) operating activities		73,326,298	130,532,604
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(42,668,712)	(21,028,497)
Purchase of ERP (Software WIP)	12	(30,287,193)	-
Paving and Landscaping of office block	13	(13,790,510)	-
Maturity of Fixed bank deposit	20	160,000,000	150,000,000
Investment in Fixed bank deposit	20	(160,000,000)	(160,000,000)
Net cash generated from/(used in) investing activities		(86,746,415)	(31,028,497)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants from VITENS	19(iii)	3,366,139	-
Net cash generated from/(used in) financing activities		3,366,139	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(10,053,978)	99,504,107
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	16	146,755,522	47,251,415
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	16	136,701,544	146,755,522

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

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance Difference		Explanation of Variances
	2019/2020	2019/2020	2019/2020	2019/2020			
					(Kshs)	%	
REVENUE							
Water and Sewerage charges	1,064,075,984	-	1,064,075,984	987,077,239	(91,605,058)	(9.42)	The non-achievement of revenue target was due to NRW of 31.1% against target of 27%
Other income	16,741,644	-	16,741,644	13,999,704	(197,912)	(1.20)	The receipt of laboratory samples for testing that was budgeted for
Total income	1,080,817,628	-	1,080,817,628	1,001,076,943	(77,312,438)	(7.70)	
Expenses							
Compensation of employees	281,195,872	-	281,195,872	281,182,991	(12,881)	(0.00)	
Board Expenses	10,072,856	-	10,072,856	6,719,490	(3,353,366)	(49.9)	The vote was underspent due to reduced meetings as a result of the Covid pandemic
Personnel subsistence and performance incentive	18,905,400	-	18,905,400	18,855,022	(50,378)	(0.27)	
Personnel medical and occupational health	9,282,648	-	9,282,648	8,818,003	(464,645)	(5.27)	The under-expenditure of this vote was due to the competitive bids received during the tender process

Nakuru Water and Sanitation Services Company Limited
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							for medical cover.
Personnel description Training	4,636,400	-	4,636,400	4,067,637	(568,763)	(13.9)	The vote was underspent due to training being held through zoom as result of the Covid -19 pandemic
Block water purchase	48,988,540	8,500,000	57,488,540	57,476,684	(11,856)	(0.02)	
Chemicals	11,661,611	(2,050,000)	9,611,611	9,123,222	(488,390)	(5.35)	Underspending on chemicals was due to less amount of water abstracted from river sources which requires a lot of cleaning.
Electricity	236,297,061	3,500,000	239,797,061	239,642,129	(154,931)	(0.06)	
Depreciation		-	-	27,278,060	27,278,060	100	This is book entry
License, administrative fees, and ADB rent	78,488,546	-	78,488,546	78,488,546	0.45	0.00	
Plant fittings	11,588,140	-	11,588,140	10,515,559	(1,072,581)	(10.2)	The vote was underspent due to consumption of materials that were in stock at the start of the year.
Professional fees	6,582,800	4,600,000	11,182,800	10,799,397	(383,403)	(3.55)	The vote was unspent since activities were suspended due to Covid-19 pandemic
Abstraction and permit Fees	6,935,762	-	6,935,762	5,479,854	(1,455,908)	(26.6)	The vote was underspent due abstraction of less volumes of water than the budget

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Motor Vehicles repairs and maintenance	6,448,134	-	6,448,134	5,078,435	(1,369,699)	(26.9)	The vote was underspent since some motor vehicles and cycles were grounded due to slowdown of business as a result of Covid-19 pandemic.
Insurance	3,000,000	-	3,000,000	2,653,319	(346,681)	(13.1)	The underspenditure of this vote was due to the competitive bids received during the tender process.
Printing and stationery	4,006,780	-	4,006,780	3,290,211	(716,569)	(21.8)	The expenditure was due to less consumption of stationery due to use of ERP.
Telephone	4,224,000	-	4,224,000	3,871,476	(352,524)	(9.11)	The underspenditure was due to discontinuation of fixed lines and adoption of mobile phone use.
Security	16,860,000	-	16,860,000	16,081,970	(778,030)	(4.84)	The underspenditure of this vote was due to the competitive bids received during the tender process for medical cover.
Postage	9,301,300	(6,500,000)	2,801,300	1,880,682	(920,618)	(48.9)	The underspenditure was due to the new innovation of sending bills through mobile phones and internet.

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el and bricants	9,643,200	8,550,000	18,193,200	17,510,314	(682,886)	(3.90)	The under expenditure was due to grounding of some vehicles due slowdown in business due to Covid 19
nt	700,000	-	700,000	692,616	(7,383.74)	(1.07)	
ners enses	131,872,696	(4,600,000)	127,272,696	120,111,482	(4,732,968)	(3.86)	Less expenditure was majorly on maintenance on manholes and sewerage ponds which slowed down due Covid-19 pandemic
tal penditure	910,691,746	12,000,000	922,691,746	929,617,098	9,353,599	1	The over expenditure is depreciation which is book entry .
rplus for the riod	170,125,882	12,000,000	158,125,882	71,459,844	(86,666,038)	(121.3)	

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Nakuru Water and Sanitation Services Company Ltd (NAWASSCO) is a Private Company Limited by Shares under the Companies Act 2015. The Company was registered on 8th September 2003 and it is fully owned the County Government of Nakuru. Pursuant to the provisions of the Water Act 2016, the Company is an agent of Central Rift Valley Water Works Development Agency (CRWWDA) / County Government of Nakuru and it is mandated with the provision of water and sanitation services in the area under the jurisdiction of Nakuru town east and Nakuru town west sub-counties and its environs.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(i) Statement of compliance

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 is in conformity with International Financial Reporting Standards (IFRS) that allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the company's accounting policies.

(ii) Basis of preparation

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

The financial statements have been prepared in accordance with the Public Finance Management Act 2012, Companies Act 2015, State Corporations Act and International Financial Reporting Standards (IFRS).

(iii) Separate Financial Statements

The Company, and its subsidiary Company, NAWASSCOAL Company Ltd prepared separate financial statements.

The Company is wholly owned (100%) company of the County Government of Nakuru and it wholly owns (100%) shareholding in the subsidiary Company, NAWASSCOAL.

In the preparation of the financial statements, the Directors of NAWASSCO were of the opinion that the two companies should prepare separate financial statements because of the following reasons: -

- a. NAWASSCO is a wholly owned company of the County Government of Nakuru meaning the County Government has a direct 100% interest in the subsidiary Company, NAWASSCOAL.
- b. The natures of business for the two companies are different. NAWASSCO is a water and sanitation services provider with a cost recovery objective whereas NAWASSCOAL is a manufacturing and trading Company with a profit making objective.
- c. NAWASSCOAL Company's initial assets were funded by grants from donors. However, NAWASSCO has provided it with a loan of Kshs13, 477,375.

The accounting policies adopted have been consistently applied to all the years presented.

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

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

IFRS 16: Leases

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

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. Based on the Directors' assessment, right of use assets of Ksh 118,650,184 lease liabilities of Ksh Nil and a deferred tax asset of Ksh Nil have been recognised with a corresponding decrease of the net amount in retained earnings in these financial statements.

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 entity 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.

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 entity 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 entity 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 2019)

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 entity 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 entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term ‘material’ to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted

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 2019-Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2019, 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 IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

iii) **Early adoption of standards**

The company did not early – adopt any new or amended standards in the financial year ended 30 June 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 recognized to the extent that it is probable that future economic benefits will flow to company and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the company’s activities, net of value-added tax (VAT),

where applicable, and when specific criteria have been met for each of the *NAWASSCO*'s activities as described below: -

- i) **Revenue from water and sewerage charges** represents amounts actually billed to customers for water consumption and sewerage.
- ii) **Grants from National and County Governments** are recognized 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 realized 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 recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Other income** is recognized as it accrues.

b) 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 recognized in profit or loss in the income statement.

c) 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 incomplete works on buildings and other civil works and installations.

Motor vehicles and equipment are stated at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

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Depreciation is calculated using the straight line method to write down the cost of assets to their residual values over their estimated useful lives, as follows:-

(i)	Leasehold Land and Buildings	Over the remaining period of the lease
(ii)	Pumps and Motors	5 years
(iii)	Motor Vehicles and Cycles	4 years
(iv)	Furniture, Fittings and Office Equipment	8 years
(v)	Computers	3 years
(vi)	Water Meters	7 years
(vii)	Prepaid Water Meter	5 years
(viii)	Office Block	50 years
(ix)	Software	3 years
(x)	Electric fence	8 years
(xi)	Network extensions	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Motor vehicles and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of motor vehicles and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

d) Intangible assets

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

e) Amortization and impairment of intangible assets

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

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

f) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the

lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

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

g) Fixed Deposit investments

Fixed interest investments refer to investment funds placed under Commercial banks for long-term or short term with the intention of earning interest income upon the maturity. Fixed interest accounted through profit or loss.

h) Inventories

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

i) Trade and other receivables

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

j) Taxation

Current income tax

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

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

k) 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

l) 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 amortized cost using the effective interest rate method. Amortized 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 capitalized as part of the cost of the project.

m) Trade and other payables

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

n) Retirement benefit obligations

The Company operates a defined pension scheme for all full-time employees. The scheme is administered by Lap trust where employees contribute 12% of their gross pay and the Company contributes 15% of same. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the company and employees. The company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. The

company's contributions to the defined contribution schemes are charged to the profit and loss account in the year to which they relate.

o) 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.

p) Budget information

The original budget for financial year 2019-20 was approved by the Board of Director and was subsequently submitted to the County Government on 19th May 2020.

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

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

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 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. In the current financial year, no adjustments were done.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its

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

b) Comparative figures

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

c) 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 Entity
- 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

d) Provisions

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.

6. (a) SALES / TURNOVER

	2020	2019
	(KSHS)	(KSHS)
Water charges	741,710,906	722,362,103
Sewerage charges	245,366,333	240,787,367
Total	987,077,239	963,149,470

(b) INTEREST ON FIXED DEPOSIT

	2020	2019
	(KSHS)	(KSHS)
Interest on fixed deposit	12,705,616	16,227,615
TOTAL	12,705,616	16,227,615

The interest on fixed deposit has been separated from the other incomes

(c) OTHER INCOME

	2020 (KSHS)	2019 (KSHS)
House rent	287,050	520,000
Laboratory services	407,950	1,869,861
Water connection and Reconnection fee	-	1,752,550
Sewer Connection and Blockage fees	-	199,400
Bulk Water Sales	-	1,360,315
Labour Charges	-	358,600
Interest on Savings	2,141	-
Meter Service and Replacement fee	-	427,271
Payroll Recoveries	25,583	38,200
Customer Statement and Copy Bill	-	154,064
Interest on NAWASSCOAL Loan	571,364	126,432
Total	1,294,088	6,806,693

Other sales that relate to customer's water and sewer connections have been included in the water and sewer charges after adopting the Enterprise Resource Planning (ERP).

The Company accounted for 68.9% (68.25% 2018/19) of the water produced. The 31.1 % (31.75 % 2018/19) loss is due to technical and commercial losses.

7. OPERATING PROFIT/ (LOSS)

	2020 (KSHS)	2019 (KSHS)
The operating profit/(loss) is arrived at after charging/ (crediting):		
Staff costs (note 8b)	281,182,991	288,653,406
Depreciation of property, plant and equipment	23,783,076	17,481,582
Amortization of land and building	3,494,984	2,905,144
RVWSB Administrative Fees	39,020,201	62,354,44.
RVWSB ADB Loan repayment	39,468,545	39,468,545
Provision for bad and doubtful debts	-	5,253,928
Directors' emoluments - fees	5,028,488	8,128,490
- other	1,691,002	2,066,524
Auditors' remuneration - current year fees	382,500	382,500
Total	394,051,787	426,694,564

8. (a) COST OF SALES

	2020 (KSHS)	2019 (KSHS)
Bulk water purchases	57,476,684	48,525,066
Chemicals	9,123,222	5,918,000

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Electricity	239,642,129	224,242,503
Total	306,242,035	278,685,569

(b) ADMINISTRATION COSTS

	2020	2019
	(KSHS)	(KSHS)
Staff costs (note 8c)	281,182,991	288,653,406
Directors' emoluments	6,719,490	10,510,014
Transportation, travelling and subsistence	18,855,022	18,972,211
Staff training expenses and subscriptions	4,067,637	4,564,054
Personnel medical and occupational health	8,818,003	9,231,478
Total	319,643,143	331,931,163

(c) STAFF COSTS

	2020	2019
	(KSHS)	(KSHS)
Salaries and allowances of permanent employees	243,952,885	238,832,968
Wages of temporary employees	6,809,045	6,842,485
Compulsory national social security schemes	491,600	1,046,000
Other pension contributions	29,967,861	41,931,953
Total	281,182,191	288,653,406

	2020	2019
	(KSHS)	(KSHS)
The average number of employees at the end of the year was:		
Permanent employees – Management	40	44
Permanent employees – Unionsable	147	155
Contract employees	27	28
Total	214	227

(d) OPERATING AND MAINTENANCE EXPENSES

	2020	2019
	(KSHS)	(KSHS)
Depreciation and Amortization	27,278,060	19,104,674
RVWSB Administrative and Lease Fees	78,488,546	103,180,594
Water Fittings	10,515,559	11,063,774
Professional Fees	10,799,397	16,608,948
Stationery and photocopying	3,290,211	4,866,927
Rent expenses	692,616	493,800
Abstraction and permit fee	5,479,854	5,662,372
Motor Vehicles repairs and maintenance	5,078,435	6,388,620
Insurance	2,653,319	1,980,873
Telephone	3,871,476	3,215,154
Security	16,081,970	16,734,420

Postage	1,880,682	1,351,962
Fuel and Lubricants	17,510,314	9,883,259
Other operating expenses	120,111,482	95,184,354
Total	303,731,921	295,719,736

Included in the RVWSB/RVWDA administrative and Lease Fees amount of Kshs78, 488,546 is Kshs.39, 468,544.80 being Lease fees towards annual servicing of a principal loan of Kshs994, 706,658.00 which RVWSB/RVWDA took from African Development for the construction of Olbanita water project.

9. INCOME TAX EXPENSE/ (CREDIT)

Current Taxation	2020	2019
	(KSHS)	(KSHS)
Current taxation based on the adjusted profit for the year at 30%	-	-
22	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	-

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

	2020	2019
	(KSHS)	(KSHS)
Profit before taxation	71,459,845	74,593,382
Add: Expense not deductible for tax purposes	27,394,060	26,663,522
Less: Expenses deductible for tax purposes	(73,422,714)	(136,802,570)
Adjusted loss for tax purposes	25,411,191	(35,545,666)
Tax losses B/F	(38,226,435)	(2,680,769)
Total losses C/F	(12,815,244)	(38,226,435)

The company made a profit during the year under review. However according to section 4 of the income tax Act cap 480, losses are supposed to be carried forward for a period of 4 years therefore only losses relating to the year 2014 and after have been carried forward. Since the computed tax profit is negative there is no liability for the period.

10. ORDINARY SHARE CAPITALS

	2020	2019
	(KSHS)	(KSHS)
Authorised:		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000
Issued and fully paid:		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000

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11. PROPERTY, PLANT AND EQUIPMENT

2020	Water Meters	Network Extensions	Pumps and Motors	Motor Vehicles including Motor Cycles	Computers & related equipment	Office equipment, electric fence, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
July 1, 2019	80,408,789	83,640,386	68,153,357	12,558,871	13,438,583	20,366,814	2,710,828	281,277,629
Additions	14,628,381	3,458,075	7,443,503	6,330,800	7,377,939	421,683	5,719,159	45,379,540
Disposals	-	-	-	-	-	-	(2,710,828)	(2,710,828)
June 30, 2020	95,037,170	87,098,461	75,596,860	18,889,671	20,813,523	20,788,497	5,719,159	323,946,341
DEPRECIATION								
July 1, 2019	(59,519,224)	(33,456,154)	(51,824,687)	(12,073,126)	(13,019,213)	(9,419,454)	-	(179,311,857)
Charge for the year	(7,656,771)	(691,615)	(9,379,534)	(1,730,100)	(2,777,026)	(1,548,030)	-	(23,783,076)
Charge for disposals	-	(17,710,676)	-	-	-	(618,869)	-	(18,329,545)
June 30, 2020	(67,175,995)	(50,875,846)	(61,204,221)	(13,803,226)	(15,796,240)	(11,586,352)	-	(221,424,478)
BOOK VALUE								
June 30, 2020	27,861,176	36,222,615	14,392,640	5,086,444	5,020,283	9,202,145	5,719,159	102,521,863
2019	Water Meters	Network Extensions	Pumps and Motors	Motor Vehicles including Motor Cycles	Computers & related equipment	Office equipment, electric fence, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
July 1, 2018	72,288,789	83,640,386	59,188,733	12,558,871	13,180,947	19,391,405	-	260,249,132
Additions	8,120,000	-	8,964,624	-	257,638	975,409	-	18,317,669
Disposals	-	-	-	-	-	-	2,710,828	2,710,828
June 30, 2019	80,408,789	83,640,386	68,153,357	12,558,871	13,438,583	20,366,814	2,710,828	281,277,629
DEPRECIATION								

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At July 1, 2018	(52,963,422)	(16,728,077)	(43,310,336)	(11,925,726)	(12,287,443)	(7,268,323)	-	(144,482,529)
Charge for the year	(6,555,799)	-	(8,514,351)	(147,400)	(731,770)	(1,532,262)	-	(17,481,582)
Charge for grants	-	(16,728,077)	-	-	-	(618,869)	-	(17,346,946)
At June 30, 2019	(59,519,224)	(33,456,154)	(51,824,687)	(12,073,126)	(13,019,213)	(9,419,454)	-	(179,311,857)
NET BOOK VALUE								
At June 30, 2019	20,889,565	50,184,232	16,328,670	485,745	419,370	10,947,361	2,710,828	101,965,772

12. TANGIBLE ASSETS

	2020 (Kshs)	2019 (Kshs)
COST		
At July 1 st 2019	5,233,596	5,233,596
Additions (WIP)	30,287,193	-
Disposals	=	=
At June 30 th 2020	35,520,789	5,233,596
AMORTISATION		
At July 1 st 2019	(5,232,540)	(5,084,595)
Charge for the year	-	(147,945)
Disposals	-	-
Impairment loss	-	-
At June 30 th 2020	(5,232,540)	(5,232,540)
NET BOOK VALUE	30,288,249	1,056

The software is fully amortized and the company is in the process of acquiring a new ERP.

13. (a) LAND AND BUILDING

	Lease hold land (Kshs)	Buildings (Kshs)	Total (Kshs)
COST			
At July 1 st 2019	50,000,000	81,101,010	131,101,010
Additions	-	13,790,510	13,790,510
Disposals	-	-	-
At June 30 th 2020	50,000,000	94,891,520	144,891,520
AMORTISATION			

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At July 1 st 2019	(10,256,405)	(11,307,984)	(21,564,389)
Charge for the year	(433,967)	(3,061,017)	(3,494,984)
Charge on revaluation	<u>(1,181,963)</u>		<u>(1,181,963)</u>
At June 30th 2020	(11,872,335)	(14,369,001)	(26,241,336)
NET BOOK VALUE			
At June 30 2020	38,127,665	80,522,519	118,650,184
At June 30 2019	42,307,694	73,039,211	109,536,621

The company land, Nakuru Municipality Block 4/27 along government road was on 25th August 2011 re-valued to Kshs. 50,000,000 by professional valuers Messrs Hectare & Associates of P.O Box 4170 -20100 Nakuru. The resultant incremental value of Kshs 37,922,895 was incorporated in the Financial Statements. The Buildings relates to the Company Head office block and central Zone office along Government Road Nakuru Municipality Block 4/27.

(b) REVALUATION RESERVE

	2020	2019
	(Kshs)	(Kshs)
Revaluation of land and office block	36,640,845	37,922,895
Amortisation on revaluation	<u>(1,181,963)</u>	<u>(1,282,050)</u>
Total	35,458,882	36,640,845

14. INVENTORIES

	2020	2019
	(Kshs)	(Kshs)
Technical stocks and stationery	29,333,308	15,694,087
Total	29,333,308	15,694,087

These relates to water chemicals, water fittings, and office stationery.

15. (a) TRADE AND OTHER RECEIVABLES

	2020	2019
	(Kshs)	(Kshs)
Trade receivables	789,688,516	702,038,504
Less accumulated provisions for bad and doubtful trade receivables	=	<u>(49,036,883)</u>
Net trade receivables	789,688,516	653,001,621

Other Receivables		
Deposits and prepayments	11,225,327	10,474,200
VAT recoverable	15,093,230	64,928,203
Staff receivables	-	61,156
NAWASSCOAL Loan	13,477,375	4,621,945
Cash collection by Posta	207,584	252,785
Bank charges receivable	-	3,517,305
Accrued Interest on NAWASSCOAL Loan	521,879	154,065
Accrued interest on fixed Deposit	808,667	1,058,448
Total trade and other receivables	831,022,578	738,069,728

The loan to NAWASSCOAL relates to an amount which was loaned to the subsidiary company whose repayment will start after the 3rd year when the subsidiary is expected to breakeven. The interest rate of 5% is chargeable per year.

(b) STAFF RECEIVABLES

	2020 (Kshs)	2019 (Kshs)
Gross staff loans and advances	-	61,158
Provision for impairment loss		-
Less: Amounts due within one year	-	(61,158)
Amounts due after one year		-

16. BANK AND CASH AND CASH EQUIVALENTS

	2020 (Kshs)	2019 (Kshs)
Cash in bank	136,701,544	146,755,522
Cash at hand	-	-
Total	136,701,544	146,755,522

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

Detailed analysis of the cash and cash equivalents

	Account Number	2020 (Kshs)	2019 (Kshs)
a) Current account			
Co-operative bank (Revenue A/C)	01136087648601	14,296,657	31,628,898
Co-operative bank (Expenditure A/C)	01136087648600	315,418	11,317,436
Co-operative bank (Savings A/C)	01100087648600	116,257,340	90,678,099
Co-operative bank (Water Worx A/C)	01136087648611	831,330	8,820,012
Co-operative bank (NACOSTEC A/C)	01136087648612	107,440	111,760

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Family bank – revenue collection	018000046253	2,513,236	1,345,647
Mpesa receivable from Safaricom		156,855	370,090
Equity bank – revenue collection	0310261237839	2,223,268	2,483,580
Grand total		136,701,544	146,755,522

17. TRADE AND OTHER PAYABLES

	2020 (Kshs)	2019 (Kshs)
Trade payables	635,795,277	567,699,435
Accrued expenses	382,500	382,500
Other payables	128,834,403	115,749,781
Grand total	765,012,180	683,831,716

Trade payables relate to suppliers' outstanding balances, Administrative fees to RVWSB and ADB loan repayments. Accrued expenses relate to audit fees.

18. RELATED PARTY DISCLOSURES

(a) County Government of Nakuru

The County Government of Nakuru is the principal shareholder of the *company*, holding 100% of the company's equity interest. The company was previously owned by the defunct Municipal Council of Nakuru and currently owned by the County Government of Nakuru.

(b) NAWASSCOAL Company Ltd

The Company was registered as a subsidiary in 20th September, 2018 and it is wholly owned (100%) by NAWASSCO

Other related parties include: -

- o Key Management
- o Board of Directors

Transactions with related parties

	2020 (Kshs)	2019 (Kshs)
i) Transactions with related parties		
Sales of goods /services to County Government of Nakuru	23,495,761	30,029,592
Sale of goods /services to NAWASSCOAL	184,210	18,394
Loan to NAWASSCOAL	8,855,430	4,621,945
Total	32,535,401	34,669,931
ii) Key management compensation		
Salaries and other short term employment benefits	37,550,551	17,031,491
Total	37,550,551	17,031,491

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iii) Directors' remuneration		
Directors sitting allowance	5,028,488	8,128,491
Chairman honorarium	<u>938,573</u>	<u>921,423</u>
Total	5,967,061	9,049,914
iv) Outstanding balances arising from sale and purchase of goods/services		
Non-current receivables from defunct Municipal Council of Nakuru	215,703,436	215,703,436
Currently County Government of Nakuru	46,273,188	59,098,553
Loan to NAWASSCOAL	<u>13,477,375</u>	<u>4,621,945</u>
Total	275,453,999	279,423,934

c) Assets and Liabilities Transferred

In accordance with the provisions of the Water Act 2002, Nakuru Water and Sanitation Services Company Limited assumed responsibility of providing water and sanitation services in the jurisdiction of the defunct Nakuru Municipal Council with effect from 1st June 2004. To facilitate this service provision, certain operational assets and liabilities were assigned by the Director of Water –Ministry of Water Resources Management and Development. The operational assets included customer accounts amounting to Kshs443,091,806 while the operational liabilities included amounts due to National Water Corporation Kshs168,490,370, KPLC Kshs45,108,015 and employees' statutory deductions Kshs.11, 707,446 all amounting to Kshs225, 305,830 were assigned to the company for the time being subject to resolution with the Treasury - Ministry of Finance. Overall the net operational assets amounting to Kshs217, 785,976 were included as a reserve in the Financial Statements.

The company on 16th June 2011 wrote to the Rift Valley Water Services (RVWSB) requesting them to negotiate on its behalf with the Ministry of Water and irrigation, Ministry of Finance and National Water Conservation and Pipeline Corporation to write off the liability of Kshs168, 490,370.

Further the company on 23rd June 2011 and 17th may 2016 wrote to Kenya Power requesting them to provide us details on how the Kshs45, 108, 015 was settled because the current bills were up to date.

On 26th July 2011 Kenya Power responded that according to their records there was no amount owing and that it was not possible to provide the details of who settled the bills. In view of the Kenya Power response, the Board of Directors resolved that the amount be written off against a reserve of assets Transferred to the Company at inception. After the adjustment and payment of staff employees' deduction (Pension to LAPTRUST) Kshs6, 145,100 the Non -current accounts payable reduced to Kshs174, 052,100 as at 30th June 2019 while the reserve of assets transferred increased to Kshs.262, 893,991.

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	2020	2019
	(Kshs)	(Kshs)
Long term liability movement		
National Water Corporation	168,490,370	168,490,370
NSSF	5,562,345	5,562,345
Share Capital in NAWASSCOAL	<u>100,000</u>	<u>100,000</u>
TOTAL	174,152,815	174,152,815

The total authorized number of ordinary shares is 100 with a par value of Kshs 1,000 per share are owned by NAWASSCO. All issued shares are not paid for.

19. GRANTS FROM WATER SERVICES TRUST FUND (WSTF), SUWASA/USAID, VITENS EVIDES AND CGN

(i) Project funded by WSTF

	2020	2019
	(Kshs)	(Kshs)
WSTF-Rhonda Project	3,640,208	6,248,634
WSTF-Kaptembwa Project	3,440,104	5,915,042
WSTF-London /Manyani	4,992,334	7,283,000
WSTF-Free area/Kiratina	5,233,884	7,971,677
WSTF Project Mzee Wanyama	5,149,872	7,911,449
WSTF Project Prepaid Meters	850,760	1,599,782
Githima, Bondeni & Misonge WSTF Project	3,123,345	4,072,035
Baruti WSTF Project	3,547,592	4,811,558
Pre-paid water Meters & Maji Soko kiosks	<u>3,478,052</u>	<u>5,353,653</u>
Total Funds	33,456,154	51,166,830

(ii) Prepaid Meters by SUWASA

	2020	2019
	(Kshs)	(Kshs)
Cost	11,137,096	11,137,096
Accumulated Amortization	(11,137,076)	(11,137,076)
Charged for the year	-	-
Totals funds	20	20

(iii) Grants by Vitens Evides

	2020	2019
	(Kshs)	(Kshs)
Cost	4,312,027	4,312,027
Materials for improved kiosks and pre-paid water project	3,366,139	-

Accumulated Amortization	(4,297,555)	(4,297,555)
Totals funds	3,380,611	14,472

(iv) Grants by County Government of Nakuru

	2020	2019
	(Kshs)	(Kshs)
Cost	4,950,950	4,950,950
Accumulated Depreciation	(1,237,738)	(618,869)
Charge for the year	(618,869)	(618,869)
Totals funds	3,094,343	3,713,212

20. INVESTMENTS

	2020	2019
	(Kshs)	(Kshs)
Fixed deposit	160,000,000	160,000,000
Investment in subsidiary (NAWASSCOAL)	100,000	100,000
Accumulated Investments	160,100,000	160,100,000

(a) Fixed Deposit

The company on 6th June 2019 invested Kshs160, 000,000 in a fixed deposit at Cooperative Bank at interest rate of 10.50%. The fixed deposit matured on 6th June 2020. The company re-invested Kshs160, 000,000 on 8th June 2020 Cooperative bank at interest of 9.30% which will mature on 8th June 2021 for which the company has accrued net interest for one month up to 30th June 2020 Kshs808, 667.

(b) Investment in subsidiary – NAWASSCOAL

Company	Activity	Ownership	2020	2019
			(Kshs)	(Kshs)
NAWASSCOAL	Manufacturing of Briquettes	100%	100,000	-

21. CONTINGENT LIABILITIES

The company has no contingent liabilities in respect of bank, guarantees and other matters arising in the course of business.

22. FINANCIAL RISK MANAGEMENT

The entity'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 minimize the potential adverse effect

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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: -

(i) Credit risk

The entity 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 entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows: -

	Total Amount (Kshs)	Fully Performing (Kshs)	Past Due (Kshs)	Impaired (Kshs)
At 30th June 2020				
Receivables from exchange transactions	831,022,578	198,858,264	632,164,314	-
Bank balances	136,701,544	136,704,544	-	-
Total	967,724,122	335,562,808	632,164,314	-
At 30th June 2019				
Receivables from exchange transactions	737,909,472	135,068,106	602,841,365	-
Bank balances	146,755,522	146,755,522	-	-
Total	884,664,994	281,923,628	602,841,365	-

The company has significant concentration of credit risk on amounts due from the County Government of Nakuru.

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 entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and

long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

	Less than 1 month	Between 1 & 3 Months	Over 5 Months	Total
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
At 30th June 2020				
Trade payables	54,687,048	31,684,615	549,423,614	635,795,277
Customer Deposits	586,393	1,500,000	84,649,809	86,736,202
Accrued audit fees	382,500	-	-	382,500
Unclaimed Mpesa receipts	-	-	1,029,928	1,029,928
Employee benefit obligation	4,013,500	-	-	4,013,500
Customer pre-payments	6,927,341	8,659,176	19,050,188	34,636,705
Water worx Projects and revolving fund	-	-	2,418,067	2,418,068
Total	59,669,442	33,214,615	637,521,418	765,012,180
At 30th June 2019				
Trade payables	72,179,191	61,971,725	485,566,332	619,717,248
Customer Deposits	550,000	1,250,000	83,399,809	85,199,809
Accrued audit fees	382,500	-	-	382,500
Unclaimed Mpesa receipts	-	964,182	1,050,922	2,015,103
Employee benefit obligation	18,246,867	-	-	18,246,867
Total	91,358,558	64,185,907	570,017,063	725,561,527

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 entity'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

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day implementation of those policies. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

iv) Interest rate risk

Interest rate risk is the risk that the entity'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 endeavored to bank with institutions that offer favorable interest rates.

(i) 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 entity capital structure comprises of the following funds: -

	2020	2019
	(Kshs)	(Kshs)
Revaluation reserve	35,458,882	36,640,845
Retained earnings	131,068,829	59,608,986
Capital reserve	302,925,119	317,888,525
Total funds	469,452,830	414,138,356

23. INCORPORATION

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

24. EVENTS AFTER THE REPORTING PERIOD

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

25. CURRENCY

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

As at the time of submitting the financial statements the company had not received the Auditor General Report for the 2018/19 financial year.

APPENDIX II: PROJECTS IMPLEMENTED BY THE COMPANY.

The Company purchased operational assets amounting as outlined in Note number 11, 12 & 13

APPENDIX III: INTER-ENTITY TRANSFERS

The company has loaned its subsidiary Company, NAWASSCOAL Kshs13, 477,375 at an interest rate of 5 % p.a which has been disclosed under Trade and other receivables Note15(a) n and related party disclosures Note 18(iv).

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

There were no transfers from other government entities

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Enriching Life



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