

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NYERI WATER AND SEWERAGE
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE 2018**

NYERI WATER & SEWERAGE COMPANY LIMITED



ANNUAL REPORT AND FINANCIAL STATEMENTS

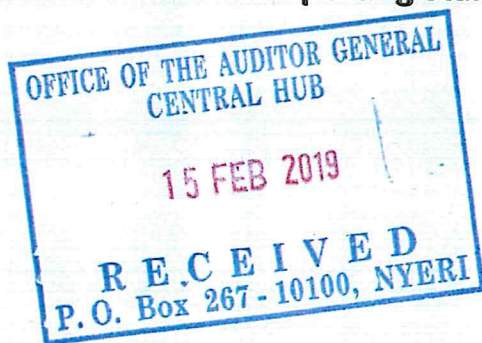
FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2018

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



ISO 9001:2015 Certified



ISO/IEC 17025:2005 Accredited



NYERI WATER AND SEWERAGE COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR

ENDED 30TH JUNE 2018

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NYERI WATER AND SEWERAGE COMPANY LIMITED COMPANY INFORMATION FOR THE YEAR ENDED 30TH JUNE 2018

INCORPORATION

The Company is incorporated under the Kenyan Companies Act 2015

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE
OFF/KENYATTA ROAD
P.O BOX 1520-10100
NYERI

Tel: [061-2034548](tel:061-2034548), [061-2034623](tel:061-2034623), [061-2034617](tel:061-2034617)

Email: info@nyewasco.co.ke

Website: www.nyewasco.co.ke

BOARD OF DIRECTORS



Joseph M. Wachiuri – Chairman, Board of Directors

He was appointed in April 2015 as a director representing the professionals and has over thirty years' experience from both the private and public sector.

He holds a Master of Business Administration degree in Finance and Bachelor of Commerce degree from the University of Nairobi. He is an accomplished leader and is involved in various social and local development initiatives.



Robert G. Wanjau – Chairman, Finance and Administration Committee

He was appointed in April 2015 as a director representing the business community. He is a professionally trained teacher and has over thirty years' experience from both the teaching and private sector.

His academic qualifications Bachelor of Education in Science from the University of Nairobi. He is also an accomplished leader and is involved in various social and local development initiatives.



Purity G. Ngunjiri – Chairperson, Audit Committee

She was appointed in April 2015 as a director representing women organizations and is a professionally trained teacher with over thirty years' experience from both the teaching and private sector.

She is a P1 teacher, an accomplished leader involved in various social and local development initiatives.



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She is a P1 teacher, an accomplished leader involved in various social and local development initiatives.



Jackson G. Kanyingi – Chairman, Technical Committee

He was appointed in April 2015 as a director representing resident associations and is a professionally trained teacher with over thirty years' experience from both the teaching and private sector. He is a P1 teacher and an accomplished leader involved in various social and local development initiatives.



Patrick M. Stom

He was appointed in May 2017 as a director representing the Cabinet Secretary, National Treasury and has over ten years' experience in public service. He is an accountant pursuing a Master of Science from Jomo Kenyatta University and a Bachelor of Business Administration – Accounting Option Organization from the Moi University. He is also a Certified Public Accountant



Patrick K. Munuhe

He was appointed in April 2018 as a director representing farmers organizations. He is a teacher by profession and pursuing a Masters degree in Educational leadership Management at the Kenya Methodist University and is a graduate of the University of Nairobi with a Bachelors of Education degree. He also possess a Diploma in Education Management from the Kenya Education Management Institute.



Angela W. Kimaru

She was appointed in April 2018 as a director representing Institutional Consumers. She is a professionally trained teacher with a Master of Education degree from Kenyatta University and a Bachelor of Education degree from Egerton University. She has over twenty years experience.



Paul M. Wambugu

He was appointed in May 2018 as a director representing the Office of the Governor of the County Government of Nyeri. He holds a Bachelor of Arts Degree from Kenyatta University and post graduate Diploma in Marketing from Chartered Institute of Marketing. He is the County Chief of Staff



Stanley M. Mutuota

He was appointed in May 2018 as a representative of the Office of the County Executive Committee Member – Water, Environment and Natural Resources in the County Government of Nyeri. He holds a Bachelor of Science degree in Agriculture from the University of Nairobi. He is the acting Chief Officer in the department of Water, Environment and Natural Resources.



Nicholas W. Kariuki

Represents the Chief Executive Officer, Tana Water Services Board. He holds Master of Business Administration in strategic Management from Kenya Methodist University, Master of Arts in Project Management and A Bachelor of Commerce in Accounting Option from the University of Nairobi. He is also a Certified Public Accountant and Certified Public Secretary



Richard K. Gikuhi

He is the Company Secretary and has Masters degree in Business Administration from Moi University and Certified Public Secretary with a wide range of experience in Corporate Governance and Management of over forty years. He is an accomplished leader and a fellow of the Institute of Certified Public Secretaries of Kenya and a member of the Kenya Institute of Management.



Mr. Stephen N. Githinji

Representing the Office of the County Executive Committee Member – Water, Environment and Natural Resources in the County Government of Nyeri. He is a holder of Bachelor of Science in Civil Engineering from University of Nairobi, Master of Business Administration (Strategic Management from Kenya Methodist University and Master of Arts in Project Management from the University of Nairobi. He retired in April 2018



George M. Mwangi

Representing the Office of the Governor of the County Government of Nyeri. He is an Administrator by profession. He holds Bachelor of development studies and retired in April 2018.

EXECUTIVE MANAGEMENT TEAM



Peter M. Gichaaga – Managing Director.

He is a Certified Public Accountant, Certified Public Secretary and holds Master of Science (Finance), from the University of Nairobi, Master of Business Administration (Strategic Management) and Bachelor of Business Administration (Accounting and Finance) from Kenya Methodist University and also a Diploma in Business Management from the Kenya Institute of Management.



Samuel N. Karogo – Head of Finance and Administration.

He is a Certified Public Accountant and a Certified Public Secretary. He also holds a Master of Business Administration in Finance degree from the University of Nairobi and Bachelor of Commerce in Accounts from the University of Mangalore of India. He left the company on 31st January 2018 after expiry of contract



Peter G. Kahuthu – Head of Technical Services

He is an engineer and holds a Bachelor of Science in Civil Engineering from the University of Nairobi and is an Associate Expert for Environmental Impact Assessment and Audit.



James N. Ngunjiri - Chief Water and Sewerage Engineer.

He holds a Bachelor of Science Technology degree in Civil Engineering from Egerton University and a Diploma Civil Engineering from Jomo Kenyatta University of Agriculture and Technology



Wilson K. Mwai - Chief Internal Auditor.

He is a Certified Public Accountant and is also Certified in Risk and Information Control Audit by the Information Systems Audit and Control Association and a Diploma in Technical education



Joyce Munira - Senior Human Resources and Administration Officer.

She is a holder of a Master of Business Administration and a Bachelor of Arts degree in Human Resource Management from Kenyatta University and a Diploma in Business Management from the Kenya Institute of Management.

ADVOCATES

1. G.K.Kibira Advocates
P.o Box 681-10100
NYERI
2. Muthoga Gaturu & Company
Po Box 1294-10100
NYERI
3. Sichangi Partners Advocates
P.o Box 983-10100
NYERI

AUDITORS

Auditor General
P.o Box 30084-00100
NAIROBI

BANKERS

1. Barclays Bank of Kenya Limited
Nyeri Business Centre,
P.o Box 239-10100
NYERI.
2. National Bank of Kenya Limited
Nyeri Branch,
P.o Box 1629-10100
NYERI.
3. Consolidated Bank
Nyeri Branch
P.o Box 935-10100
NYERI.
4. Equity Bank
Nyeri Branch
P.o Box 2064-10100
NYERI.
5. KCB Bank Limited
Nyeri Branch
P.O Box 215- 10100
NYERI.
6. Co-operative Bank of Kenya Ltd.
Nyeri Branch
P.O. Box 1032-10100
NYERI.
7. Ecobank Kenya Limited
P.O. Box 926-10100
NYERI.

NYERI WATER AND SEWERAGE COMPANY LIMITED



REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2018

The Directors submit their report and the audited financial statements for the Year ended 30th June 2018

1 PRINCIPAL ACTIVITIES

The principal activities of the company are the provision of water and sewerage services within the area of the Nyeri Sub-County and its environs .

2 RESULTS

During the year, the company made a surplus before and after tax of Kshs 64,396,664 as shown by the results for the year set out on page 16.

3 DIVIDEND

The directors do not recommend the payment of a dividend.

4 DIRECTORS

Directors who served during the year are shown on page 2 & 5.

5 AUDITORS

The Accounts are Audited by the Office of the Auditor General, in accordance with the provisions of Article 229 of Constitution of Kenya and Section 35 of the Public Audit Act 2015.

By order of the Board

Secretary

Date: 31/01/2019





Chairman's Statement

In the year 2017/18, we entered into the 2nd year under our five year Strategic Plan cycle. It was a year that reminded us of the importance of strong values and culture which were vital to our customers, shareholders, stakeholders and the entire County of Nyeri and also our great Country at large. Our strategy remains robust and we continue to execute our mandate to provide water and sanitation services in line with the license conditions of the Water Services Regulatory Board (WASREB) as a delegated and devolved function of the County Government of Nyeri.

Performance and Operating Environment

Over the last year, we extended our services to areas beyond our original area of service in Mathira West, Kieni East and Tetu Sub Counties. We also continue to forge stable and long term relationships with our willing development partners and Government in order to enrich our level of services to not only meet but strive to exceed customer expectations.

We are well aware of the many challenges and opportunities in the water services subsector and are continually improving on our commitment to innovation and new technology to enhance our services to our customers. Our ambition is to continue leading the sector's results on best management approaches to reduce Non Revenue Water (NRW) levels, enhance customer service, and project management including Operations and maintenance.

This progressive approaches helped us achieve tremendous results in the year 2017/18 despite of the numerous challenges encountered especially on the economic environment in the Country. In this regard, we continued to improve the balance sheet by 7% in net worth and grew our revenues by 8%. We continued to ensure minimum water losses within our water pipeline network and comfortably closed the year with a Non-Revenue Water level of below the 20% thus maintaining the regulatory requirements by the end of the financial year under consideration, the NRW was 14.3% compared to 17.59%.

The Company's successful performance is founded on the way it carries out its business founded on robust corporate values, including a clear commitment to serve its customers and society at large. We foster inclusivity and our presence in the areas we serve present a stable and reliable service that can be depended upon by all. We continue to work closely with partners in both the private and public sector to improve livelihood through our Corporate Social Responsibility programmes to actively uplift the living standards of the vulnerable members of our community. During the year we actively took part and supported the following organizations:-

1. Huruma Child Support Network, Ramadhan IFTAR Festivals, World Aids Day, National Council for People with Disability
2. Nyeri Hospice Walk, County Referral Pediatric Ward and Action for Orphans by Saint Joseph CBO, Mater Heart Run, Kenya Red Cross

Once again, I am humbled and delighted to report that the Company's performance culture in the sector continued to be maintained and the Water Services Regulatory rating placed the Company as the top ranked water utility in Kenya for the 9th and 10th years' consecutively in the Impact Issue No.10 of 2018. Overall the company scooped six out of the seven awards considered on the key performance indicators:-

1. Best Overall
2. Best performing utility in Governance
3. Best performing utility in NRW
4. Best utility in pro-poor services
5. Top utility in very large category and
6. Best utility in Tana Water Services Board region

Our successes cannot be explained without the contribution and fantastic performance of our workforce. We have a great team which shares the Company's vision, mission and values. We therefore endeavor to invest continually in their career and professional development through sponsorship for seminars, workshops and short term training. Their commitment makes us optimistic and gives us the zeal that is required to provide guidance as a Board so that we can continue leading the Company to attain our aspiration.

The management has spent valuable time to institute necessary changes in the operational systems and meet our customers to understand what they expect from us. They have also taken the opportunity to engage with our customers facing the employees in order to see customers through their eyes and make sure that they understand what they experience on a day to day basis. Through the regular reporting done by top management and our active engagement with them, we as a Board are able to ensure the fulfilment of our customers' needs which are reflected in the governance decisions we make for the Company. In this respect, I am happy to report that the Company introduced an interactive Customer Service Management System (Majivoice), positively embraced cashless payment of bills system where customers pay their bills through our appointed agencies: Safaricom – Mpesa platform, Equity Bank, Family Bank and Eco Bank and the Nyewasco mobile portal.

The Company successfully commenced the Sewer extension projects financed by the Co-operative Bank of Kenya through the Commercial financing programme of the World Bank's Results Based Finance concept of Output Based Aid (OBA) spearheaded by the Water Sector Trust Fund. The projects are expected to be completed in the first quarter of the next financial year and we are confident that the Company will qualify for 60% subsidy for timely completion of the projects. These projects will go a long way into improving the sanitation level and accelerated growth in the earmarked areas of Nyeri town i.e. King'ong'o – Gatende Estate, Kamakwa – Kandara Estate, Ngangarirhi – Classic Estates and Ruring'u – Skuta Estates. Other major improvement projects have also been proposed for funding by our development partners to extend water and sewer services.

As Chairman, I continue to stress the need for nurturing genuinely customer focused culture whose approach is based on the interest of the people we are called upon to serve and for the best interests of the shareholders – the County Government of Nyeri. In this respect, the Board stands firm in its commitment to execute on its responsibility to boldly tackle the conduct and governance issues in order to successfully address and deliver to our customers, shareholders and employees by observing merit and ensuring

that we have a range of skills and competencies among the members of the Board and top management to support achievement of the strategy.

Future Outlook

The year was very challenging given the prolonged electioneering period and the company was not able to implement the approved new tariffs. However, given that the period had weathered out, we are happy to note and appreciate the support accorded to the Company by the new administration of the County Government of Nyeri. For this reason, there is conducive working environment and with this positive effect of political goodwill, we are hopeful that the Company will continue to perform well and experience growth into the future as we remain optimistic that the worst is behind us and the future presents enormous opportunities as the world becomes integrated as a global village. For the last three years, we have heavily invested in restructuring the company by bringing on board an energetic management team, improving on technology and strengthening systems and it is therefore time to scale up our operations to realize maximum returns to all our stakeholders.

Appreciation

I wish to extend my sincere gratitude to all our esteemed customers, shareholders, development and business partners, my colleagues in the Board, the Executive Management team and our employees for their unwavering support and confidence in the Company.



Joseph M. Wachiuri
Chairman
10th August, 2018



NYERI WATER AND SEWERAGE COMPANY LIMITED

The Managing Director's Statement

I am delighted to present to you the Nyeri Water and Sewerage Company (NYEWASCO) Annual Report and Financial Statements for the year ended 30th June 2018. It gives me great pleasure yet again to report that NYEWASCO has recorded another year of impressive financial performance. This demonstrates that the company is healthy with a growing demand for its services in the neighbouring service areas whose capacity to contribute substantial gains to the County of Nyeri economy through our core mandate of providing water and sanitation services.

The robust performance has been driven by prudent financial management, dedicated staff and effective guidance from the Board of Directors. We partnered with our customers and other stakeholders to become more customer focused and more efficient in our operations to ensure security of the water supply and sewerage services to the people of Nyeri town sub county and those in the neighbouring sub counties. In 2017/18, our dedication to operational excellence yielded a strong set of financial results. The following are some of our critical highlights of the key performance indicators that capture the year under review:-

FINANCIAL PERFORMANCE

The Company posted a 14.89% growth in Pre-Tax profit to Kshs. 64,396,664 for the financial year ended 30th June 2018 compared to Kshs. 54,809,424 in FY 2016/17.

Throughput

During the period under review, the Company recorded a significant growth in Water and Sewer billings where 6,546,318m³ and 1,571,440m³ produced and treated was sold compared to 6,366,328m³ and 1,384,464m³ in FY 2016/17. This is equivalent to a growth of 2.8% and 13.5% respectively. Further, the water and sewer active connections increased to 28024 and 7906 in 2017/18 from 27436 and 7586 in the previous year representing a growth of 2% and 4% respectively.

Revenue

The revenue increased to Kshs. 453,552,645 comprising of Kshs. 329,265,209 and Kshs.124,287,436 for water and sewer billings in the year under review from Kshs.417,836,715 comprising of Kshs.303,889,246 and Kshs.113,947,469 water and sewer billings recorded in FY 2016/17, equivalent to a 8% increase. In addition, there was other income generated from various sources that declined slightly to Kshs.11,003,745 in the year under review from Kshs. 11,589,195 in FY 2016/17 representing a 5% decrease.

Operating Expenditure

While the Company operated within the budgeted expenditure during the year, total operating expenditure increased by 7.27% to Kshs.407,860,365 from the previous year's Kshs.378,201,964. The increase in the operating expenditure is attributable to

escalation of prices for most of the commodities used in operations and the increase in staff cost due to annual salary adjustments to cushion for increase in cost of living. It is also important to note that despite the expected implementation of new tariffs the company was not able to charge the tariff due to the long electioneering season.

There was also a significant reduction in Board of Directors expenses since the scheduled Board tour was postponed to the following year. In addition the company accrued the payment of the Tana Water Services Board Administration fees later in the year because there was an advisory circular No.1 from the Water Services Regulatory Board Ref: WASREB/LEGAL/582 VOL.IV/(32) of 6th June 2017 which advised the Water Service Providers to accrue the licensee administration fee until 1st July 2017. However, the advisory was later retracted through advisory circular No. 2 Ref: WASREB/LEGAL/582VOL.IV(34) dated 2nd August, 2017 which advised that the Administration fee shall continue to be money due to the Water Services Board until consultations between WASREB, Ministry of Water & Sanitation and the County Governments are concluded on the use of the fees after July 2017. In addition, the lease fee payable to the County Government was also not accrued because the lease agreement between the defunct Municipal Council of Nyeri subsumed by the County Government of Nyeri expired in December 2015 and had not been renewed.

Financial Position

The Company closed with Cash reserves in form of Fixed deposit and also Cash and Cash Equivalents of Kshs.134,129,154 and Kshs.53,563,707 compared to Kshs. 142,069,591 and Kshs.27,347,561 respectively in the previous year. This strong financial position and robust Cashflow will support the planned capacity enhancement projects for water and sewerage extensions to unserved areas neighbouring the official service area of the Company. The Company met all its statutory obligations during the year under review.

KEY CAPITAL PROJECTS

During the year under review, the Company laid firm measures for the implementation of key capital projects whose status is given below:-

1. Completion of Rwanyaga Water Extension Project

This project was commenced in the previous FY and was completed in August 2017. The project covers parts of Mathira West Sub-County and was requested by the customers in the target area who were neighbouring areas that were already benefiting from water services by the Company. The project covered a total length of 12 kilometers and construction of a masonry tank with a capacity of 225³. Currently, 163 customers have been connected with water and are enjoying the services on a 24/7 supply.

2. Upgrading of KCC – Chaka transmission main pipeline

This is 3 inch pipeline which was upgraded to a 6 inch pipeline measuring approximately 2.5 kilometers. The upgrade was prioritized on account of the increased demand for water services in Chaka town and the adjacent areas including Brooke side, Mount Kenya area, Milimani and Karundas.

3. Upgrading of Kihuyo – Mweiga transmission Main pipeline

The area covered used to experience frequent bursts along the main pipeline resulting to massive water losses i.e. high Non Revenue Water levels. The Company therefore embarked on upgrading the critical sections covering a length of 2 kilometers since the

allocated budget for upgrades was not sufficient to cover the entire 6 kilometers. In this regard, the existing pipeline capacity was increased from 4 inch to 6 inch for a distance of 1.2 kilometers and the class of pipes used was changed from UPVC PN10 to HDPE PN16.

4. Sewer Extension Project under the Results Based Financing Concept

In February 2018, the Company commenced construction of the new sewer extension project financed through the Output Based Aid (OBA) programme by the Water Sector Trust Fund (WSTF) and supported by the World Bank Group. The commercial financing was financed by the Co-operative Bank of Kenya to the tune of Kshs.194,249,348. The scope of the project covers the following areas:-

- (a.) King'ong'o – Gatende Estate (Lot I) – Kshs.70,671,436.01
- (b.) Ruring'u – Skuta Estate (Lot II) – Kshs.35,369,771.33
- (c.) Kamakwa – Kandara Estate (Lot III) – Kshs.57,276,814.18
- (d.) Classic – Ngangarithi Estate (Lot IV) – Kshs.30,931,326.80

The loan disbursement is based on the accomplished certified works.

Upon completion of the project and achievement of the agreed milestones, the project is expected to result to an additional 2,906 sewer connections and benefit a population of approximately 14,530. In addition, the Company will benefit from 60% subsidy from the World Bank and substantially increase the sewer revenue which is projected to be over Kshs. 3,000,000 per month.

5. Other Minor Capital Projects

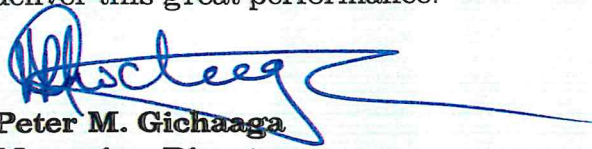
The Company also undertook various minor extensions of both water and sewer networks and procured other assets as summarized below:-

- (a.) Improvement of existing pipelines and rehabilitation of reservoir and tanks.
- (b.) Sewer extension
- (c.) Motor Vehicles and Motor Cycles.
- (d.) Computer hardware, printers and accessories including new software
- (e.) Laboratory and Electromechanical equipment

Appreciation

Let me conclude by thanking our Shareholders – the County Government of Nyeri, Ministry of Water and Sanitation and its State Corporations i.e. Water Sector Trust Fund, Water Services Regulatory Board and Tana Water Services Board for their distinguished role in helping us achieve this success. I would also like to appreciate the Chairman and the Board of Directors for the support and guidance they provided to the Management throughout the year. To our customers, it is a big thank you for choosing to maintain your confidence with us and certainly without your support these results could not have been possible.

Finally, I wish to sincerely thank all the NYEWASCO staff for working tirelessly to deliver this great performance.


Peter M. Gichaaga
Managing Director
10th August 2018



NYERI WATER AND SEWERAGE COMPANY LIMITED.

CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

We are committed to Continuous improvement in our corporate and Social Responsibility by acting in a socially responsible way, continually improving our performance and meeting all relevant legislation and encouraging our staff to be mindful of the effects of their actions on any natural resource.

Specifically, Nyewasco has a Workplace Environment Policy and continues to implement environmental awareness programmes among staff. Nyewasco ensures that projects implemented as well as activities under its operations comply with the National Environmental Management Authority (NEMA) requirements.

Our Mission is in tandem with our mandate and defines the goals for which we will undertake activities in the context of sustainability, as well as social well-being.

We consider the community we serve as a key stakeholder in our business initiatives and our CSR activities aim to make a difference under one of the key pillars of vision 2030 i.e. the social pillar.

We continue to devote resources to support projects such as tree planting through Chania River Water Resource Users Association. We have over the years supported water harvesting in schools, community water points and places of worship.

Our concern for the less fortunate members of the society is reflected by the support we give to.

1. Huruma Child Support Network, Ramadhan IFTAR Festivals, World Aids Day, National Council for People with Disability
2. Nyeri Hospice Walk, County Referral Pediatric Ward and Action for Orphans by Saint Joseph CBO, Mater Heart Run, Kenya Red Cross



NYERI WATER AND SEWERAGE COMPANY LIMITED

STATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE YEAR ENDED 30TH JUNE 2018

The company's Act requires the directors to prepare financial statements for each financial year which gives a true and a fair view of the state of affairs of the company as at the end of the financial period and of its operating results for the year. It also requires the directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenya Company's Act. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements which have been prepared using accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Financial Reporting Standards and the requirement of the Kenyan Companies Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results.

The directors further accept responsibility for the maintenance of proper accounting records which may be relied upon in the preparation of the financial statements as well as adequate 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.

Director:

Director:

Date:

30/07/2019

Date:

30/01/2019

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NYERI WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Nyeri Water and Sewerage Company Limited set out on pages 16 to 33, which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Nyeri Water and Sewerage Company Limited as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and comply with both the Water Act, 2002 and the Kenyan Companies Act, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Nyeri Water and Sewerage Company Limited in accordance with ISSAI 30 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 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. Except for the matter described in the Basis for Conclusions on Lawfulness and Effectiveness in use of Public Resources section, I have determined that there are no key audit matters to communicate in my report.

Other Information

The directors are responsible for the other information. The other information comprises the report of directors as required by the Companies Act, 2015, and the statement of the

directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Unpaid Lease Fees

Trade and other payables disclosed under Note 22 to the financial statements includes payables totalling Kshs.133,464,261. As previously reported, included in the payables balance are lease fee and board administration fee payables of Kshs.34,284,671 and Kshs.45,205,838, respectively. The unpaid board administrative fees relate to unremitted lease fees owed to Tana Water Services Board. However, the Company deposits the unpaid lease fees in a special account under instruction from the County Government of Nyeri, although the practice is not supported by relevant legislation.

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 Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with books of account; and
- (iv) In my opinion the information given in the report of the directors on page 7, is consistent with the financial statements.

Responsibilities of Directors and Those Charged with Governance

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

In preparing the financial statements, the directors are responsible for assessing the ability of Nyeri Water and Sanitation Company Limited to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

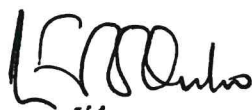
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting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

conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease as a going concern.

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

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

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



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

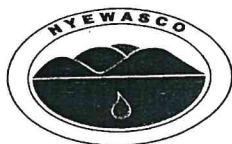
Nairobi

16 April 2019



NYERI WATER AND SEWERAGE COMPANY LIMITED
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
YEAR ENDED 30TH JUNE 2018



	Notes	2018 <u>Kshs</u>	2017 <u>Kshs</u>
REVENUES			
Turnover	3a	453,552,645	417,836,715
Other Income	3b	<u>11,003,745</u>	<u>11,589,195</u>
Total Income from Operations		464,556,390	429,425,910
Amortisation of Grant	19	<u>5,209,687</u>	<u>4,954,855</u>
TOTAL REVENUE		<u>469,766,077</u>	<u>434,380,765</u>
OPERATING EXPENSES:			
Administration expenses	4	87,469,535	92,046,360
Staff Expenses	5	145,484,160	140,440,152
Board of Directors Expenses	6	4,758,475	8,732,824
Operations Expenses	7	68,356,099	61,313,855
Water Service Board Fee and Lease Fee	8	42,122,047	21,148,096
Regulatory Fee	9	4,608,323	4,257,407
Depreciation	14	<u>55,061,726</u>	<u>50,263,270</u>
TOTAL OPERATING EXPENSES:		<u>407,860,365</u>	<u>378,201,964</u>
Operating Profit/(Loss)		61,905,712	56,178,801
V.A.T Refunds	10	10,996,626	10,123,839
Finance Income	11(a)	9,963,449	8,221,044
Net Finance Costs	11(b)	<u>(18,469,123)</u>	<u>(19,714,260)</u>
Profit/(Loss) Before Taxation	12	64,396,664	54,809,424
Taxation	13	<u>-</u>	<u>-</u>
Profit/(Loss) After Taxation		<u>64,396,664</u>	<u>54,809,424</u>



NYERI WATER AND SEWERAGE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30TH JUNE 2018

	Notes	2018 <u>Kshs</u>	2017 <u>Kshs</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	14	1,094,056,396	1,057,830,483
Total Non-Current Assets		<u>1,094,056,396</u>	<u>1,057,830,483</u>
CURRENT ASSETS			
Inventories	15	15,353,420	15,704,637
Trade and other receivables	16	208,956,703	162,680,649
Fixed Deposits	17(a)	134,129,154	142,069,591
Cash and cash equivalents	17(b)	<u>53,563,707</u>	<u>27,347,561</u>
Total Current Assets		<u>412,002,984</u>	<u>347,802,438</u>
TOTAL ASSETS		<u>1,506,059,380</u>	<u>1,405,632,921</u>
FINANCED BY			
SHAREHOLDERS' EQUITY			
Share capital	18	75,000,000	75,000,000
Accumulated reserves		387,771,137	323,374,473
Capital grant	19	<u>46,862,771</u>	<u>41,677,497</u>
Capital & Reserves		<u>509,633,908</u>	<u>440,051,970</u>
NON-CURRENT LIABILITIES			
Borrowings	20	<u>661,303,974</u>	<u>712,141,192</u>
Total Non-Current Liabilities		<u>661,303,974</u>	<u>712,141,192</u>
CURRENT LIABILITIES			
Borrowings-KFW	20(a)	50,417,076	50,417,076
Borrowings-OBA	20(b)	35,743,246	-
Consumer deposits	21	81,863,526	77,096,637
Trade and other payables	22	164,442,125	121,939,798
Taxation	23	2,655,525	3,986,248
Total Current Liabilities		<u>335,121,498</u>	<u>253,439,759</u>
TOTAL EQUITY AND LIABILITIES		<u>1,506,059,380</u>	<u>1,405,632,921</u>

The accounts were signed on behalf of the Board of Directors on..... by:


)

)

DIRECTOR

DIRECTOR



NYERI WATER AND SEWERAGE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2018

Notes	Share Capital Kshs	Reserves Kshs	Capital Grant	Total Kshs
At 01.07.2017	75,000,000	268,614,246	39,638,865	383,253,111
Prior year Adjustment		(49,197)		(49,197)
Additions during the year			6,993,487	6,993,487
Amortisation			(4,954,855)	(4,954,855)
Surplus for the period	-	54,809,424	-	54,809,424
At 30.06.2017	<u>75,000,000</u>	<u>323,374,473</u>	<u>41,677,497</u>	<u>440,051,970</u>
At 01.07.2017	75,000,000	323,374,473	41,677,497	440,051,970
Additions during the year			10,394,961	10,394,961
Amortisation			(5,209,687)	(5,209,687)
Surplus for the period	-	64,396,664	-	64,396,664
At 30.6.2018	<u>75,000,000</u>	<u>387,771,137</u>	<u>46,862,771</u>	<u>509,633,908</u>



NYERI WATER AND SEWERAGE COMPANY LIMITED
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2018

	Notes	2018 <u>Kshs</u>	2017 <u>Kshs</u>
Cash Generated from/(Used in) Operations			
Surplus before taxation		64,396,664	54,809,424
Adjustments for:			
Depreciation	14	55,061,726	50,263,270
Amortisation of Grant	19	(5,209,687)	(4,954,855)
Interest income	11(a)	(9,963,449)	(8,221,044)
loan interest Charge	20	18,469,123	19,714,260
Operating profit before changes in working capital		122,754,377	111,611,055
Changes in Working Capital			
Inventories	15	351,217	(78,470)
Trade and other receivables	16	(46,276,054)	(15,240,142)
Consumer deposits	21	4,766,889	6,635,448
Trade and other creditors	22	42,502,327	28,776,557
Cash generated from operations		124,098,755	131,704,448
Income Tax Paid	23	(1,330,723)	(1,113,450)
Net cash generated from operations		122,768,032	130,590,998
Cash Flows From Investing Activities			
Interest received	11a	9,963,449	8,221,044
KFW Interest Charged	20(a)	(18,171,154)	(19,714,260)
OBA Interest Charged	20(b)	(297,969)	-
Purchase of fixed assets	14	(91,287,639)	(40,617,416)
Net cash generated from/(used in) investing activities		(99,793,314)	(52,110,632)
Cash Flows From Financing Activities			
Proceeds from Grants	19	10,394,961	6,993,487
O.B.A Loan		35,743,246	-
KFW loan Interest Accrued but Capitalised		5,881,992	6,302,135
KFW Loan Capital Repaid		(56,719,210)	(57,139,353)
Net cash generated from/(Used in) financing activities		(4,699,010)	(43,843,731)
Net increase/(decrease) in cash and cash equivalents		18,275,709	34,636,635
Cash and cash equivalents:			
At the start of the year	17c	169,417,152	134,829,714
At the end of the year	17c	187,692,861	169,466,349
Prior year adjustment			(49,197)
			169,417,152
		-	-

NYERI WATER AND SEWERAGE COMPANY LIMITED
2.2 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	Notes	Original Budget 2017-2018 Kshs	Adjustments 2017-2018 Kshs	Final Budget 2017-2018 Kshs	Actuals on Comparable Basis 2017-2018 Kshs	Performance
REVENUE:						
Income from Water	a)	376,361,954.92	(49,102,863.92)	327,259,091.00	329,265,209.00	2,006,118.00
Income from Sewer	b)	142,716,227.99	(19,050,532.99)	123,665,695.00	124,287,436.00	621,741.00
Other Income	c)	22,532,876.79	-	22,532,876.79	11,003,745.00	(11,529,131.79)
Total Income from Operations		541,614,059.70	(68,153,396.91)	473,457,662.79	464,556,390.00	(8,901,272.79)
Armotisation for Grants		5,209,687.00	-	5,209,687.00	5,209,687.00	-
Total Income		546,820,746.70	(68,153,396.91)	478,667,349.79	469,766,077.00	(8,901,272.79)
EXPENSES:						
Administration expenses	d)	(114,179,400.00)	(36,042,713.00)	(78,136,687.00)	(87,469,535.00)	(9,332,848.00)
Staff Expenses	e)	(157,696,865.00)	(8,294,625.00)	(149,402,240.00)	(145,484,160.00)	3,918,080.00
Board of Directors Expenses	f)	(9,500,000.00)	-	(9,500,000.00)	(4,758,475.00)	4,741,525.00
Operations Expenses	g)	(83,766,600.00)	(21,386,643.00)	(62,379,957.00)	(68,356,099.00)	(5,976,142.00)
Water Service Board Fee and Lease Fee		(42,122,047.00)	-	(42,122,047.00)	(42,122,047.00)	-
Regulatory Fee		(5,416,110.00)	-	(5,416,110.00)	(4,608,323.00)	807,787.00
Depreciation		(55,061,726.00)	-	(55,061,726.00)	(55,061,726.00)	-
Total Expenditure		(467,742,748.00)	(65,723,981.00)	(402,018,767.00)	(407,860,365.00)	(5,841,598.00)
Surplus from Operating Activities		79,077,998.70	(2,429,415.91)	76,648,582.79	61,905,712.00	(14,742,870.79)
V.A.T Refunds		-	-	-	10,996,626.00	10,996,626.00
Finance Income		-	-	-	9,963,449.00	9,963,449.00
Net Finance Costs		(33,500,000.00)	(7,450,000.00)	(26,050,000.00)	(18,469,123.00)	7,580,877.00
Surplus Before Taxation		45,577,998.70	(9,879,415.91)	50,598,582.79	64,396,664.00	13,798,081.21
Taxation	h)	-	-	-	-	-
Surplus After Taxation		45,577,998.70	(9,879,415.91)	50,598,582.79	64,396,664.00	13,798,081.21

Explanatory Notes: Income

a) & b) The Performance difference (+)1% Water/Sewer revenue was due to increase in both water and sewer connections. All the same sewer revenue is expected to increase even more once the OBA projects are completed.

c) Other income was below the budgeted by 11,529,131.79(-)51% during the year. This item was slightly affected by handing over County Government Ring road houses previously managed by the company. This reduced other income by Kshs. 338,400.00 during the year. It is, however, Comparable to the previous year when the accumulated other income was Kshs. 11,589,195.00.

Explanatory Notes: Expenditure

d) The Performance difference of (-)12% Administration expenses was due to Bad & Doubtful debt provision of Kshs. 5,692,233 and also provision for staff leave days which was Kshs. 1,250,646.23.

e) The Board of Directors expenditure was maintained within the budget and regulatory guidelines.

f) The Performance difference of (-)9.6% Operations expenses was mainly due to price escalation on various operations/maintenance items.

g) Accrual for Kshs. 21,148,095.96 and 20, 973,951.00 has been made in the accounts in respect of Water Service Board fee and County Government lease fee respectively.

h) No provision for corporate Tax has been made since the company is still carrying forward a taxable loss as a result of Capital Deductions claimed on Nyeri Water Extension Project. However given the fact that more capital projects are now being implemented further capital deductions may be claimed once they are completed leading to more taxable losses.

NB: The Tax Appeal Tribunal is yet to make a ruling on the V.A.T Tax dispute of Kshs. 35,384,476.00 and hence no refunds have been made yet by K.R.A. The claims receivable is Kshs. 44,956,787.31



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

1 GENERAL INFORMATION

Nyewasco was established as a limited liability company on 23rd September 1997 and in compliance with the water act of 2016. Its main mandate is to provide high quality water and sewerage to the people of Nyeri sub county and its environs. The company has a function structure, headed by the managing director who leads a management team of heads of departments.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

a) Basis of accounting

The financial statements are prepared on the historical cost basis and in accordance with International Financial Reporting Standards (IFRS)

b) Revenue Recognition

Revenue is recognized to the extent that it is probable that its economic benefits will flow to the company and the revenue can be reliably measured. Revenue from provision of water and sewerage is recognized when these services are delivered to customers and billed by the company.

c) Capital Development Project

With the assistance of the Government of the Republic of Kenya and the Kreditanstalt für Wiederaufbau (KfW), of the Federal Republic of Germany, the company embarked on a Rehabilitation and Extension of Water and Sewerage services. The project has now been completed.

d) Property, Plant & Equipment

Property, Plant & Equipment are stated at cost, less accumulated depreciation and any impairment in value.

The cost of laying new pipes, installing new meters, replacing old pipes and meters is capitalised under plant and machinery.

e) Depreciation

Depreciation is calculated on the reducing balance basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives. The annual depreciation rates in use are:

Company assets		KfW funded assets	
Freehold Land	Nil	Buildings	2.50%
Buildings	2.00%	Infrastructural assets	2.50%
Furniture and equipment	12.50%	Plant and machinery	7.00%
Motor vehicles	25.00%	Equipment	12.50%
Plant and machinery	12.50%	Computer hardware and software (GIS)	20.00%
Computers and typewriters	30.00%		

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the last cost basis. Net Realizable Value is the estimated selling price in the ordinary course of the business less estimated costs of completion and costs necessary to make the sale.

g) Deferred Taxation

No deferred taxation is provided as there are no timing differences.

h) Lease Charges

Operating lease charges are charged to profit and loss account on the accrual basis.



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018 (CONT'D)

i) Retirement Benefits

The company operates a defined contribution scheme. The scheme is open to employees who qualify as Local Government Officers and is funded from contributions by both the company and employees. Employees who are not members of the Kenya Local Government Officers Super-annuation Fund are members of the National Social Security Fund, a statutory pension scheme. The company's contributions to the schemes are charged to the income statement in the year to which they relate.

The company has also established a contributory Staff Retirement Benefit and Life Assurance Scheme. The assets of this scheme are held in a separate Trustee administered fund in compliance with Retirement Benefit Authority Regulations.

j) Provision for Staff Leave Entitlement

A provision is made to recognise staff entitlement in respect of annual leave not taken as at the end of the financial year. The monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

k) Foreign Currency

Transactions during the year in foreign currency are converted into Kenya shillings at rates ruling at the transaction date. Assets and liabilities denominated in foreign currency are translated into Kenya Shillings at the rates of exchange ruling at the balance sheet date.

l) Trade Receivables

Accounts receivable are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts.

m) Trade Payables

Trade payables are stated at their nominal value.

n) Amortisation of Capital Grant

Grants received for capital assets are credited to the capital grant account net of amortisation which is released to the income statement over the life of the relevant assets.

o) Fair Statement of Trade Receivables

General provisions are made based on the management's evaluation of the trade receivables' balance and other exposures in respect of losses, which although not specifically identified, are known from experience to be present in the trade receivables balance.

Bad debts are written off when all reasonable steps to recover them have been taken without success.

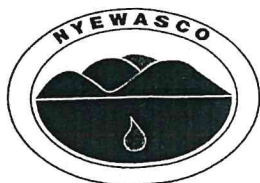
p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, in hand and short term deposits with a maturity of 3 months or less.

For purpose of the cash flow statement, cash and cash equivalents comprise of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

q) Reserves

Surpluses / (Deficits) from income statement are accumulated in the reserve account.



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018 (CONT'D)

- r) Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current
- s) **Provisions**
Provisions are recognized when the company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where the company expects a provision to be reimbursed, for example under insurance, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually uncertain.

- t) **Impairment**
At each balance sheet date, the company reviews the carrying amounts of its financial assets to determine whether there is any indication that these assets have suffered an impairment loss.
Impairment loss occurs where the asset is carried at more than its recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset.
If such an indication exists, the recoverable amount is estimated. An impairment loss is recognized as an expense unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

2 (a) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

- i) Critical accounting estimates and assumptions:

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in note 1(e) above.

- ii) Critical judgements in applying the entity's accounting principles

In the process of applying the company's accounting policies, management has made judgements in determining:

- The classification of financial assets and leases.
- Whether the assets are impaired.

2 (b) RISK EXPOSURE

- (i) The company continues to be negatively affected by increase in inflation and commodity prices while the income remains relatively static due to the Rigid Tariff approval process. However the Management and The Board is actively following up on a Regular Tariff Review which will ensure a cost recovery Tariff is in Place. This will mitigate against rising commodity prices as well as power costs.
- (ii) The catchment area degradation has continued to affect the minimum dry weather flow at the company raw water intake. This means that in the near future the company capacity to abstract 27,000 cubic of water daily may be adversely affected. However the management and the board are aggressively following up the possibility of having an upstream storage by constructing a reservoir or dam.



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018 (CONT'D)

2(C) AMMENDMENTS TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS WITHIN THE FINANCIAL YEAR 2017-2018

Ammendment/Interpretation to a Standard	Effective date	Impact
<p>Annual Improvements to IFRS Standards 2015-2017 Cycle (Amendments to IFRS 3 & IFRS 11, IAS 12 and IAS 23)</p> <p>(Issued 12 December 2017)</p>	<p>Effective for annual period beginning on or after 1 January 2019</p> <p>(Not yet endorsed by the EU)</p>	<p>Makes Amendments to the following Standards:</p> <p>IFRS 3 and IFRS 11 - The amendment to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendment to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.</p> <p>IAS 12- the amendments clarify that the requirements (to recognise the income tax consequences of dividends where the transactions or event that distributable profits are recognised apply to all income tax consequences of dividends.</p> <p>IAS 23- The amendments clarify that if any specific borrowing remains outstanding after the related is ready for its intended use or sale, that borrowing becomes part of the fund that an entity borrows generally when calculating the capitalisation rate on general borrowing.</p> <p>(These Standards are not relevant to NYEWASCO Ltd hence has no impact to the Company)</p>
<p>Plan Amendment, curtailment or settlement (Amendments to IAS 19)</p> <p>(Issued 7 February 2018)</p>	<p>Effective for annual period beginning on or after 1 January 2019</p> <p>(Not yet endorsed by the EU)</p>	<p>If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumption used for the remeasurement.</p> <p>In addition, amendmend have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirement regarding the asset ceiling.</p> <p>(This Standard is not relevant to NYEWASCO Ltd hence has no impact to the Company)</p>

**NYERI WATER AND SEWERAGE COMPANY LIMITED****NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 2018 (CONT'D)**

	30th June 2018 Kshs	2017 Kshs
3a TURN OVER		
Water billings and Meter Rent	329,265,209	303,889,246
Sewer billings	<u>124,287,436</u>	<u>113,947,469</u>
	<u>453,552,645</u>	<u>417,836,715</u>
3b OTHER INCOME		
Reconnection fees	5,008,500	5,549,500
Application and Water connection fee	3,423,100	3,643,100
Sewer connection fees	297,771	182,000
Sale of tender forms	-	-
Rent	637,700	775,300
Laboratory testing	476,205	489,250
Meter calibration and Testing	279,500	218,780
Miscellaneous	<u>880,969</u>	<u>731,265</u>
	<u>11,003,745</u>	<u>11,589,195</u>
4 ADMINISTRATION AND ESTABLISHMENT EXPENSES		
Training, Workshops & Education Tours	5,310,849.30	5,878,777
Environmental Protection & Social R.	1,039,164.93	848,422
Veh. Fuel & Maint.	2,757,806.66	5,005,249
Transport	493,870.00	931,591
Uniforms, Laundry & Cleaning Materials	3,276,105.87	3,176,737
Electricity	923,304.25	1,017,021
Tel. & Postage	5,156,928.22	4,509,252
Security	10,347,154.72	8,206,837
Insurance	15,507,780.75	12,556,990
Audit Fees, Statutory levies & Prof. Fees	1,921,824.09	2,974,092
Stationery & Printing	2,721,702.07	2,452,388
I.S.O 9001 2015	1,138,770.20	1,873,937
Water & Sewerage Charges	1,049,355.20	1,299,572
Catering	2,782,276.65	1,971,703
Donations & Subscriptions	761,548.00	609,184
Advert. & P. Relations	3,241,208.00	1,953,431
Business Travel & Allowances	2,802,455.00	4,410,915
Water Abstraction	3,332,626.00	3,198,241
A.S.K Show & Functions	1,751,324.91	1,043,435
Periodicals	268,540.00	279,035
Provision For Bad Debts	5,692,233.00	14,721,564
Sports, OHS & H.I.V Mgt & Resource C	5,423,320.00	5,156,206
Long Service Award & Staff Leave Days	1,607,996.23	2,821,415
Water Safety Plan & Risk Management	-	600,000
NEMA & KEBS & WRMA	757,924.10	604,000
Disludging, Investigations & Fitness C	163,876.50	411,114
Sample Analysis	792,010.00	774,744
Office Furniture Repairs	40,863.16	47,850
Strategic plan	-	2,712,658
Claims	90,405.00	-
Job evaluation	2,829,200.10	-
Bank Charges	<u>3,487,112.01</u>	<u>-</u>
	<u>87,469,535</u>	<u>92,046,360</u>



NYERU WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 2018 (CONT'D)

	30th June 2018 Kshs	2017 Kshs
5 STAFF EXPENSES		
Salaries, Wages & Allowances	145,354,377	139,180,848
Staff Welfare	129,783	1,259,304
	<u>145,484,160</u>	<u>140,440,152</u>
6 BOARD OF DIRECTORS EXPENSES	<u>4,758,475</u>	<u>8,732,824</u>
7 OPERATIONS EXPENSES		
Repairs & Maint.	35,516,404	28,299,717
Chemicals	10,063,556	9,702,770
Re-agents & Apparatus	522,083	799,350
Electricity	20,160,313	19,715,845
Accreditation ISO 17025	2,093,742	2,796,173
	<u>68,356,099</u>	<u>61,313,855</u>
8 WATER SERVICE BOARD EXPENSES AND LEASE FEE		
Provision for County Lease fee	20,973,951	-
Water S. Board Admin. fees	21,148,096	21,148,096
	<u>42,122,047</u>	<u>21,148,096</u>
9 REGULATORY FEES		
Water Services Regulatory Board Fees	4,608,323	4,257,407
10 V.A.T REFUNDS	<u>10,996,626</u>	<u>10,123,839</u>
This amount include claims lodged with K.R.A for V.A.T due to water Services being zero rated.		
11(a) FINANCE INCOME	9,963,449.00	8,221,044.00
11(b) FINANCE CHARGE		
Finance Costs include KFW, OBA Loan Interest & Bank Charges	<u>21,955,417</u>	<u>19,714,260</u>
12 SURPLUS BEFORE TAXATION		
The Profit before taxation is stated after charging:		
Depreciation	55,063,135	50,139,415
Directors' emoluments	4,758,475	8,732,824
Auditor's remuneration net of VAT	-	600,000
Net finance costs-KFW	18,171,154	19,714,260
Net finance costs-OBA	<u>297,969</u>	<u>-</u>
13	No provision for Tax has been made for the year as the Company has Taxable Losses carried forward on investments deductions.	



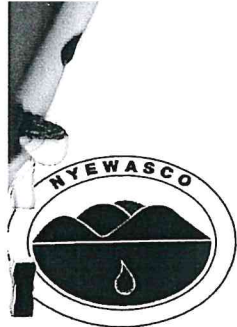
NYERI WATER AND SEWERAGE COMPANY LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018 (CONT'D)

14 14 a) Property, Plant & Equipment

	Freehold Land Kshs.	Buildings Kshs.	Plant & Machinery Kshs.	Furniture & Equipment Kshs.	Motor Vehicles/Cycles Kshs.	Computers & Typewriters Kshs.	Work in Progress	Total Kshs.
COST								
At 1st July 2016	9,000,830	113,477,149	1,336,576,497	27,046,246	26,956,706	49,659,423	-	1,562,716,851
Additions for the Year	568,380	1,629,580	23,236,120	3,071,174	1,048,160	4,122,298	6,941,704	40,617,416
Transfer during the year	-	-	-	-	-	-	-	-
At 30th June 2017	<u>9,569,210</u>	<u>115,106,729</u>	<u>1,359,812,617</u>	<u>30,117,420</u>	<u>28,004,866</u>	<u>53,781,721</u>	<u>6,941,704</u>	<u>1,603,334,267</u>
At 1st July 2017	9,569,210	115,106,729	1,359,812,617	30,117,420	28,004,866	53,781,721	6,941,704	1,603,334,267
Additions for the Year	1,117,400	3,163,435	35,988,484.13	717,540.00	5,019,322	9,427,428.00	35,854,030.61	91,287,639.34
Transfer during the year	-	-	7,052,489	-	-	-	(7,052,489)	-
At 30th June 2018	<u>10,686,610</u>	<u>118,270,164</u>	<u>1,402,853,590</u>	<u>30,834,960</u>	<u>33,024,188</u>	<u>63,209,149</u>	<u>35,743,246</u>	<u>1,694,621,906</u>
DEPRECIATION								
At 1st July 2016	-	23,247,633	396,667,514	15,091,577	19,649,988	40,583,802	-	495,240,514
Charge for the year	-	<u>2,135,773</u>	<u>40,620,350</u>	<u>1,878,252</u>	<u>2,088,719</u>	<u>3,540,176</u>	-	<u>50,263,270</u>
At 30th June 2017	-	<u>25,383,406</u>	<u>437,287,864</u>	<u>16,969,829</u>	<u>21,738,707</u>	<u>44,123,978</u>	-	<u>545,503,784</u>
At 1st July 2017	-	25,383,406	437,287,864	16,969,829	21,738,707	44,123,978	-	545,503,784
Charge for the year	-	<u>2,148,155</u>	<u>42,968,848</u>	<u>1,733,162</u>	<u>2,821,370</u>	<u>5,390,191</u>	-	<u>55,061,726</u>
At 30th June 2018	-	<u>27,531,561</u>	<u>480,256,712</u>	<u>18,702,991</u>	<u>24,560,077</u>	<u>49,514,169</u>	-	<u>600,565,510</u>
NET BOOK VALUE								
At 30th June 2018	<u>10,686,610</u>	<u>90,738,603</u>	<u>922,596,878</u>	<u>12,131,969</u>	<u>8,464,111</u>	<u>13,694,980</u>	<u>35,743,246</u>	<u>1,094,056,396</u>
At 30th June 2017	<u>9,569,210</u>	<u>89,723,323</u>	<u>922,524,753</u>	<u>13,147,591</u>	<u>6,266,159</u>	<u>9,657,743</u>	<u>6,941,704</u>	<u>1,057,830,483</u>

Leased assets

Assets valued at Kshs 509,716,093 by Uniconsult Kenya Limited in 1998, were leased to Tana Water Services Board by the Defunct Municipal Council of Nyeri. The assets, comprising of land, building structures, plant, machinery, tanks, reservoirs, sewerage works and fish ponds, are utilised by the company in the provision of water and sewerage services under Services Provision agreement with Tana Water Services Board. These assets are not included in the books of the company as were owned by the Defunct Municipal Council of Nyeri and now by the County Government. Government of Nyeri which replaced it after devolution following inauguration of new constitution in 2010.

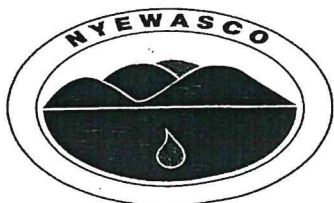


NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018 (CONT'D)

b) Property, Plant & Equipment

	Freehold Land Kshs.	Buildings Kshs.	Plant & Machinery Kshs.	Furniture & Equipment Kshs.	Motor Vehicles/Cycles Kshs.	Computers & Typewriters Kshs.	Work in Progress	Total Kshs.
COST								
At 1st July 2016	9,000,830	37,527,763	295,088,666	18,621,331	26,956,706	22,245,805		409,441,101
Additions for the Year	568,380	1,629,580	23,236,120	3,071,174	1,048,160	4,122,298	6,941,704	40,617,416
Transfer during the year	-	-	-	-	-	-	-	-
At 30th June 2017	<u>9,569,210</u>	<u>39,157,343</u>	<u>318,324,786</u>	<u>21,692,505</u>	<u>28,004,866</u>	<u>26,368,103</u>	<u>6,941,704.00</u>	<u>450,058,517</u>
At 1st July 2017	9,569,210	39,157,343	318,324,786	21,692,505	28,004,866	26,368,103	6,941,704	450,058,517
Additions for the Year	1,117,400	3,163,435	35,988,484	717,540	5,019,322	9,427,428	35,854,031	91,287,639
Transfer during the year	-	-	7,052,489	-	-	-	(7,052,489)	-
At 30th June 2018	<u>10,686,610</u>	<u>42,320,778</u>	<u>361,365,759</u>	<u>22,410,045</u>	<u>33,024,188</u>	<u>35,795,531</u>	<u>35,743,246</u>	<u>541,346,156</u>
DEPRECIATION								
At 1st July 2016	-	7,015,928	162,289,539	9,387,525	19,649,988	17,362,146	-	215,705,126
Charge for the Year	-	642,831	19,504,409	1,538,144	2,088,719	2,701,784	-	26,475,887
At 30th June 2017	-	<u>7,658,759</u>	<u>181,793,948</u>	<u>10,925,669</u>	<u>21,738,707</u>	<u>20,063,930</u>	-	<u>242,181,013</u>
DEPRECIATION								
At 1st July 2017	-	7,658,759	181,793,948	10,925,669	21,738,707	20,063,930	-	242,181,013
Charge for the Year	-	692,537	22,446,479	1,435,568	2,821,370	4,719,477	-	32,115,431
At 30th June 2018	-	<u>8,351,296</u>	<u>204,240,427</u>	<u>12,361,237</u>	<u>24,560,077</u>	<u>24,783,407</u>	-	<u>274,296,444</u>
NET BOOK VALUE								
At 30th June 2018	<u>10,686,610</u>	<u>33,969,482</u>	<u>157,125,332</u>	<u>10,048,808</u>	<u>8,464,111</u>	<u>11,012,124</u>	<u>35,743,246</u>	<u>267,049,712</u>
At 30th June 2017	<u>9,569,210</u>	<u>31,498,584</u>	<u>136,530,838</u>	<u>10,766,836</u>	<u>6,266,159</u>	<u>6,304,173</u>	<u>6,941,704</u>	<u>207,877,504</u>



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018 (CONT'D)

14 c) Property, Plant & Equipment (Nyeri Water Extension and Rehabilitation Project)

	Buildings Kshs.	Plant & Machinery Kshs.	Furniture & Equipment Kshs.	Computers Hardware and Software Kshs.	Total Kshs.
COST					
At 1st July 2016	75,949,386	1,041,487,831	8,424,915	27,413,618	1,153,275,750
Additions for the year	-	-	-	-	-
At 30th June 2017	<u>75,949,386</u>	<u>1,041,487,831</u>	<u>8,424,915</u>	<u>27,413,618</u>	<u>1,153,275,750</u>
At 1st July 2017	75,949,386	1,041,487,831	8,424,915	27,413,618	1,153,275,750
Additions for the year	-	-	-	-	-
At 30th June 2018	<u>75,949,386</u>	<u>1,041,487,831</u>	<u>8,424,915</u>	<u>27,413,618</u>	<u>1,153,275,750</u>
DEPRECIATION					
At 1st July 2016	16,231,705	234,377,975	5,704,052	23,221,656	279,535,388
Charge for the Year	<u>1,492,942</u>	<u>21,115,941</u>	<u>340,108</u>	<u>838,392</u>	<u>23,787,383</u>
At 30th June 2017	<u>17,724,647</u>	<u>255,493,916</u>	<u>6,044,160</u>	<u>24,060,048</u>	<u>303,322,771</u>
At 1st July 2017	17,724,650	255,493,916	6,044,160	24,060,049	303,322,775
Charge for the Year	<u>1,455,618</u>	<u>20,522,369</u>	<u>297,594</u>	<u>670,714</u>	<u>22,946,295</u>
At 30th June 2018	<u>19,180,268</u>	<u>276,016,285</u>	<u>6,341,754</u>	<u>24,730,763</u>	<u>326,269,070</u>
NET BOOK VALUE					
At 30th June 2018	<u>56,769,118</u>	<u>765,471,546</u>	<u>2,083,161</u>	<u>2,682,855</u>	<u>827,006,680</u>
At 30th June 2017	<u>58,224,736</u>	<u>785,993,915</u>	<u>2,380,755</u>	<u>3,353,569</u>	<u>849,952,975</u>



NYERI WATER AND SEWERAGE COMPANY LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018 (CONT'D)

	2018 Kshs	2017 Kshs
15 INVENTORIES		
Pipes and fittings	12,594,601	13,334,589
Chemicals	1,570,312	1,676,994
Clotting and Uniform	-	-
Stationery	273,753	227,449
Cleaning Materials	28,329	16,990
Hardware and Tools	886,425	448,615
	<u>15,353,420</u>	<u>15,704,637</u>
16 TRADE AND OTHER RECEIVABLES		
Trade receivables	200,031,607	162,012,089
Provision for doubtful debts	(49,206,431)	(43,514,197)
	150,825,176	118,497,892
V.A.T. Refunds	44,956,787	33,960,161
Other receivables, deposits and prepayments	13,174,740	10,222,596
	<u>208,956,703</u>	<u>162,680,649</u>
17 CASH AND CASH EQUIVALENT		
(a) Water Accounts Deposits		
National Bank Fixed Deposit account	75,000,000	70,000,000
Special Fund	38,168,975	36,500,000
Loan Repayment Deposits	20,510,179	30,000,000
Gratuity	-	5,569,591
KCB Bank	450,000	-
Performance Guarantee(WASREB)	134,129,154	142,069,591
(b) Cash at Bank: Current accounts		
Barclays Operation Account	5,790,807	10,051,784
National Bank collection account	4,813,554	5,105,844
National Bank Deposit account	16,603,332	7,541,091
KCB Salaries Account	5,757,654	3,931,022
KCB Collection Account	870	-
National Bank special account	3,701,126	185,722
Co-op Bank-Subsidy/Escrow account	10,826,006	-
Co-op Bank Collection account	2,571,531	-
Equity Collection Account	1,780,659	83,172
Family Bank Collection account	974,862	-
Fixed Deposit under lien	-	448,926
Mpesa Account	298,453	-
Eco Bank Collection Account	444,852	-
	<u>53,563,707</u>	<u>27,347,561</u>
(c) Total Cash and Cash Equivalent	<u>187,692,861</u>	<u>169,417,152</u>
Included in the Co-op Bank Escrow is an amount of Kshs 10,394,961.00 being WSTF subsidy on the on-going Sewer extension projects and also Kshs 431,045.00 being an amount retained by the bank as a security for the loan.		
18 SHARE CAPITAL		
Authorised share capital:		
3,750,000 ordinary shares of Kshs 20 each	<u>75,000,000</u>	<u>75,000,000</u>
Issued and fully paid:		
3,750,000 ordinary shares of Kshs 20 each	<u>75,000,000</u>	<u>75,000,000</u>
19 CAPITAL GRANT		
Balance at 1st January	41,677,497	39,638,865
Additional Grants During the Year	10,394,961	6,993,487
Less: Amortisation During the Year	(5,209,687)	(4,954,855)
Balance at 31st December	<u>46,862,771</u>	<u>41,677,497</u>
This relates to :		
a The Grants brought forward Relates to WSTF and County Government of Nyeri projects less amortisation charged.		
b The additional Grant of Ksh 10,394,961 was on OBA Sewer Project by Water Services Trust Fund.		
20(a) BORROWINGS		
National Treasury Loan		
Amount as at 1st January	762,558,268	813,395,486
Payment made during the year	(69,008,372)	(70,268,799)
Interest Charged During the year	18,171,154	19,431,581
Total outstanding at 30th June	<u>711,721,050</u>	<u>762,558,268</u>
Amount due within one year (Current Portion)	50,417,076	50,417,076
Amount due after one year (Non -Current Portion)	<u>661,303,974</u>	<u>712,141,192</u>
20(b) O.B.A Project Loan	35,743,246.00	-
Interest Charged During the year	297,969.22	-



NYERI WATER AND SEWERAGE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018 (CONT'D)

2018 2017

21 CONSUMER DEPOSITS

81,863,526 77,096,637

These are refundable deposits paid by customers. The deposits are refunded on closure of a Water Account.

22 TRADE AND OTHER PAYABLES

Trade payables	133,464,261	90,361,864
Accruals and Provision for unpaid leave	17,576,136	19,457,559
Prepaid Water accounts	3,101,993	5,659,401
Unidentified Customer Payments	942,623	194,423
Other payables	<u>9,357,112</u>	<u>6,266,551</u>
	<u>164,442,125</u>	<u>121,939,798</u>

23 TAXATION

Balance b/w	3,986,248	5,099,698
Payment During the Year	(1,330,723)	(1,113,450)
Charge for the year	-	-
Balance as at 30th June 2018	<u>2,655,525</u>	<u>3,986,248</u>

24 RELATED PARTY DISCLOSURE

A) County Government of Nyeri

The Company is wholly owned by the County Government of Nyeri which has leased its Assets to the Company. The lease fee is Kshs. 20,973,951 annually which has been accrued in the accounts.

During the year the Company collected and Remitted Kshs 13,886,450.00 refuse fees on behalf of the County Government of Nyeri.

B) Tana Water Services Board

The Company has a Service provision agreement with Tana Water Services Board to provide water and sewerage services to the defunct Nyeri Municipality and its environments. Tana Water Services Board Charges Annual Administration Fee of Kshs. 21,148,095.96 has been accrued.

C) Water Services Regulatory Board

The Company is Regulated by Water Services Regulatory Board. During the Period the Company paid Ksh 4,608,323.00 to Water Services Regulatory Board as regulatory fee.

25 NUMBER OF EMPLOYEES

As at 30th June 2018	<u>120</u>	<u>125</u>
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26 CONTINGENT LIABILITIES

Bank Guarantee	-	-
VAT Tax Dispute	35,384,476	35,384,476
Legal Claims Against the Company	<u>1,018,724</u>	<u>700,000</u>
Total Estimated Amount	<u>36,403,200</u>	<u>36,084,476</u>

The Above claims related to Suits against the company for general and special damages in two Cases.
The company has lodged defense against the two cases and the lawyers are of the opinion that the defense will be successful.

27 CAPITAL COMMITMENTS

Authorized and contracted:	-	-
Authorized but not contracted	<u>344,519,091</u>	<u>344,519,091</u>



NYERI WATER AND SEWERAGE COMPANY LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018 (CONT'D)

28 FINANCIAL RISK MANAGEMENT

The company assesses, forecasts as well as identifies risk through its Audit and Risk Management Board Committee. However the company is exposed to the following risks:

a) Liquidity Risks

This is the risks that the company is unable to meet its obligations as they fall due as a result of sudden and potentially protracted increase in cash outflows. These outflows could be principally through increase of general wages through industrial action and court awards, inflationary pressure, currency depletion or unexpected operational, maintenance costs due to an Act of God eg earthquake, floods or Lands. This risk is inherent in any water Company or utility based organisation.

The company manages this risk by properly maintaining stringent cashflow management and adherence to the budgets.

A contingency account is in place to mitigate some of the factors. Known Risks have been insured against.

b) Operational Risk.

This is a risk attributable to direct impacts resulting from human factors, inadequate or failed internal processes and systems or external events. Operational risks are inherent in the Company business activities and are typical of any water Provider.

Losses from operational risks of small significance are expected to occur and are accepted as part of normal course of service delivery. Those of material significance are rare and the company seeks to reduce the likelihood of these.

29 INCORPORATION

The company is incorporated under the Kenyan Companies Act.

30 CURRENCY

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