

REPORT

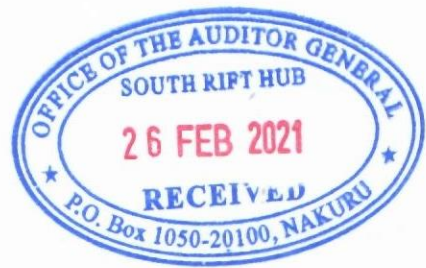
OF

THE AUDITOR-GENERAL

ON

**NAIVASHA WATER AND SANITATION
COMPANY LIMITED**

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



NAIVASHA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDING
JUNE 30, 2020

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

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KEY ENTITY INFORMATION

Background Information

Naivasha Water and Sanitation Company Ltd (NAIVAWASCO) was established by the Water Act 2016 of Parliament. At the county level, NAIVAWASCO is represented by the County Executive Committee Member for Environment, Water and Natural Resources who is responsible for the general policy and strategic direction of the NAIVAWASCO.

Vision

A world class water and sanitation service provider.

Mission

To provide adequate, quality, affordable and sustainable water and sanitation services that meet all our customers' needs and expectations within our area of operation through utilization of contemporary systems and technology.

Principal Activities

The principal activity of NAIVAWASCO is to supply affordable, clean water and sanitation services to Naivasha Town and its environs.

Directors:

Johnson Karanja	Chairman	Appointed on April 2020
CPA Muchinah Gitau	Member	Appointed on July 2018
Catherine Gachara	Member	Appointed on May 2017
Eng. Job Tomno	Member	Appointed on July 2018
Mark Kariuki	Member	Appointed on May 2015
Joyce Lairumbe	Member	Appointed on April 2020
Pius Langat	Member	Appointed on July 2019

Key Management

1. Nahashon Wahome	Managing Director
2. Felix Mwarema	Technical Manager
3. Winnie Karanja	Finance Manager
4. Harry Njunge	Distribution and Sales Manager

Corporate Secretary

Mr. Gikuhi Kiana
P.O Box 1271-10100
Nyeri

Registered Office

Water works along Kenyatta Avenue next to KWSTI
P.O. Box 321
Naivasha, KENYA

Corporate Headquarters

P.O. Box 321-20117
Water works along Kenyatta Avenue next to KWSTI
Naivasha, KENYA

Corporate Contacts

Telephone: (254) 0705877770
E-mail: info@naivashawater.go.ke
Website: www.naivashawater.go.ke

Corporate Bankers

1. Kenya Commercial Bank
Kenyatta Avenue
P.O. Box 130-20117
Naivasha, Kenya
2. Cooperative Bank
Cooperative house- Mai Mahiu Road
P.O. BOX 1180-20117
Naivasha, Kenya
3. Sidian Bank
Pennibrah House, Moi Road
P.O Box 558-20117
Naivasha, Kenya
4. Family Bank
Moi Road
P.O BOX 1614
Naivasha Kenya
5. Post Bank Moi Road
P.O Box 4199
Nakuru Kenya
6. Safaricom Mpesa
 - i. Business Number 641771
 - ii. Business Number 335450

Independent Auditors





Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084-00100
Nairobi, Kenya


Principal Legal Advisers

1. The County Attorney
Nakuru County
P.O. Box 14797-20100
Nakuru, Kenya.




2. Mirugi Kariuki and Co Advocates
P.O Box 1689-20100
Nakuru, Kenya

2. THE BOARD OF DIRECTORS

 <p>1. Johnson Karanja</p>	<p>He is the Board Chairman. He holds a degree of bachelor of science from Egerton university He has a vast experience in business administration. He represents the professional organizations in the Board. He joined the company in April 2020.</p>
 <p>2. Joyce Lairumbe</p>	<p>She is a member of Finance and Administration Committee. She holds a certificate in community health and represents special interest groups (women, people living with disability, youths and marginalized communities) in the Board. She joined the Company in April 2020</p>
 <p>3. CPA Muchinah Gitau</p>	<p>He is the current Chief Officer Finance Nakuru County Government representing the shareholder in the Board. He holds degree in Banking and Finance as well as a CPA and CPS holder and currently pursuing Masters of Science in Finance. He is a member of the Finance and Administration Committee as well as Audit, Risk and Governance having joined the company in July 2018.</p>
 <p>4. Catherine Gachara</p>	<p>She is a Member of Finance and Administration committee as well as Audit, Risk and Governance representing domestic Consumers in the Board. She has been a long serving civil servant in the Ministry of Livestock development, a member of Land Dispute Tribunal and currently the vice-chair of Maendeleo ya Wanawake Organization. She has a diploma in Church Ministries Discipleship. She has been serving in the Board since 2012 and was re-elected in May 2017.</p>

 <p>5.Pius Langat</p>	<p>He is a Member of Technical Committee meeting and holds a higher national diploma in Automobile engineering. He represents Community Based Organizations in the Board having joined the Company in 2019.</p>
 <p>6. Eng. Job Tomno</p>	<p>He is currently the Chief Officer Water and Environment in Nakuru County Government. He hold a Civil Engineering Degree and a Masters in Business Administration. He sits in the Technical Committee as a representative of the County Government. He joined the company in July 2018.</p>
 <p>7.Mark Kariuki.</p>	<p>He is a member of the Technical and Audit, Risk and Governance committees and represents Commercial Consumers in the Board. He has a vast experience in the hospitality sector with knowledge from New York and Greece. He has been a Board Member of various institutions including Lake Naivasha Imarisha Board and Development Committee Kenya Medical Training Institute to name just a few. He joined the company in May 2015, and was re-elected in April 2020</p>
 <p>8. CPS Gikuhi Kiana.</p>	<p>He is the company secretary. He is a member of the Fellow of institute of Certified Public Secretaries of Kenya (FCPSK), Member of Kenya Institute of Management (MKIM), Member of Audit Risk and Governance Committee – KIM having pursued an MBA (strategic Management) from Moi University. He has a rich employment record in various institutions within the country and thus a vast experience in company secretarial duties. He joined the company in 2015.</p>

3. CORPORATE MANAGEMENT TEAM

 <p>1. Nahashon Wahome</p>	<p>Managing Director</p> <p>He is the Managing Director since July 2018 having joined the company in November 2014. He has a Bsc in Water Engineering (Hons) and currently pursuing MSc. Soil and Water Engineering. He is a registered Engineer and also a member of Institute of Engineers Technologists (IET). He is the secretary to the board. He has a wide experience in projects management.</p>
 <p>2. Winnie Karanja</p>	<p>Finance Manager</p> <p>She is the Finance Manager having joined the company in June 2019. She sits as the secretary to the Finance and Administration Committee. She has a degree in Finance, Masters in Business Administration and a CPA-K holder</p>
 <p>3. Harry Njung'e</p>	<p>Distribution and Sales Manager</p> <p>He is the Distribution and Sales Manager having joined the company in 2014. He holds a degree in Geomatic Engineering from JKUAT and a postgraduate diploma in Marketing Management. He has wide experience in Sales and Marketing, Customer Service, NRW Management and GIS</p>



4. Felix Mwarema

Technical Manager

Joined the company in June 2019 and has broad experience in water systems; holding a Bachelor's degree in Agricultural Engineering and a diploma in Management. He is a secretary to the Technical Committee.

4. CHAIRMAN'S STATEMENT



Despite the global pandemic during the year, I am pleased to report that the company remained resilient and delivered solid results. Being among the essential service providers, the company strived doing all it can to ensure Water supply is continuously available to the residents of Naivasha to help control the spread.

As agents of the County Government of Nakuru, the company has the mandate to provide water and sanitation services. Through implementation of new and on-going projects among them being new customers in Kayole, more quality water was produced and sold to the consumers during the year. This happened out of hard work from the employees and the stakeholders who have contributed and enabled the company to provide better services to the residents of Naivasha.

Partnership.

The company has enjoyed partnerships with the Kingdom of Netherlands under the waterworks project. Under this the project has supported the utility in capacity building, energy audit, climate resilient programs and installation of 10 hand washing amidst the Covid-19 pandemic. The company also entered into a partnership with Water and Sanitation for the Urban poor (WSUP) who have supported the company in marketing activities including demand creation and network intensification in the low-income areas. The company also partnered with Sanivation a sanitation social enterprise in faecal sludge management activities in Naivasha.

I would also like to appreciate the County Government of Nakuru led by His Excellency the Governor Hon Lee Kinyanjui for continuous support that he has granted the Company. Currently the County is supporting on the on-going Sewer project at CCCR that aims at rehabilitating 15 sewer manholes and expand the sewer network by 1.9KM.

The Company intends to continue working closely with the development partners for the benefit of the residents of Naivasha and still looking forward to reach other new areas within Naivasha Sub-County such as Mai Mahiu, Kihoto and Kinamba.

We are looking forward to a better 2020/2021!

Sign.....*Johnson Karanja*.....

Johnson Karanja
Chairman, Naivasha Water and Sanitation Company Ltd.

5. REPORT OF THE CHIEF EXECUTIVE OFFICER



During the year 2019/2020, the company closed with a total income of KSHSSs.159,218,879 which is 15% increment from the previous 2018/2019. The increase was brought by the significant sales witnessed through various expansion projects that saw the company for the first-time supply water to new areas. The growth was also is seen through an increase in the number of customers served which increased by 21% connection. Additionally, the company has experience demand of water supply from the existing customers, this shows that our consumers are entrusting us with our services delivery and we are committed to deliver the very best.

The company successful managed to change its office location from Jonka Building to new offices at Water Works next to KWS along Kenyatta Avenue. This will see the company save on rent expenses as well as have enough space to accommodate customers and hold meetings.

On-going Projects

The company has several projects that are still on going which some are facilitated by donors and others supported by the county government.

These projects include,

- Construction of a 50m3/day decentralized treatment facility at the Sewer Treatment Plant in Naivasha – fully funded by WSTF
- Construction of a steel elevated tank, 250 cum for Kihoto and 6 water kiosks at Karagita and Kihoto to serve the low-income consumers by KISIP
- Construction of 200 toilets at Kabati by UBSUP
- Rehabilitation of sewer manholes and 1.9km sewer network expansions supported by Nakuru County

The company received accolades from WASPA in Service levels (increasing hours of supply), 1st Place Operation and Maintenance cost reduction and Non-Revenue reduction 2nd place due to increased operational efficiency. The company was also recognized by WASREB to be among the top improvers in terms of performance. This affirms the hard work put in by the staff and support from the shareholders.

Sign.....

Managing Director

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2020

6. REVIEW OF NAIWASCO PERFORMANCE FOR FINANCIAL YEAR 2019/2020

NAIVAWASCO has 3 strategic pillars and objectives within its Strategic Plan for the Financial Year 2018/2019- 2022/2023. These strategic pillars are as follows:

Pillar 1: Increased Water and Sanitation Coverage

Pillar 2: Improved Customer Satisfaction

Pillar 3: Increased Financial sustainability

NAIVAWASCO develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. NAIWASCO achieved its performance targets set for the Financial Year 2019/2020 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Increase Water and Sanitation Coverage	➤ Increased water production to 86%	➤ Water Production increased volumes	➤ To upgrade borehole and high-lift pump systems at Karati and DTI	➤ Upgraded borehole and high lift pump at Karati and DTI
	➤ Expansion of water network infrastructure	➤ New main lines and sub main lines	➤ Extending Kayole water network to upper Kayole Keroche area ➤ Extending Mirera water supply	➤ New supply water lines in Kayole ➤ New supply water lines in Mirera
	➤ Increase access to improved sewer	➤ Development of Waste Water Treatment	➤ Development of Waste Water Treatment	➤ Decentralized Sewer Treatment

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FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2020

	coverage to 30% and decent onsite sanitation for all in the service area	Infrastructure	Infrastructure	Facility Built
Pillar 2.Improved Customer Satisfaction	➤ Increase and maintain customer satisfaction level.	➤ Enhancement of customer relations through effective communication	➤ Giving timely information to customers. ➤ Giving prompt and immediate response to customer complaints	➤ Good customer relations ➤ Satisfied customers ➤ Reduced customer complains
Pillar 3.Increased financial sustainability	➤ Increase Water sales.	➤ Increase water connections	➤ Increasing customer connections ➤ Increasing water production hours ➤ Increasing water distribution hours	➤ Increased water sales from KSHSSs.75,701,430 to 99,920,080 ➤ Increasing customer connections from 4,765 to 5,999 ➤ Reduction of Non-Revenue Water from 35% to 31%
	➤ Increased Sewer Sales	➤ Increase Sewer Connections	➤ Expanding sewer infrastructure ➤ Increasing customer sewer connections from 1,439 to 1,543	➤ Increased sewer Sales from KSHSSs 47,685,461 to KSHSSs.48,543,337 ➤ Customer sewer connections moved from 1,439 to 1,543

7. CORPORATE GOVERNANCE STATEMENT

The Board of Directors was composed of seven (7) Board members representing different stakeholders. The County Government of Nakuru is represented by two Directors while the other five Directors represent stakeholders within our area of service delivery.

Every year, two directors retire in succession to ensure retention of institutional memory.

To support the business of the Board, there are three committees namely, Finance and Administration Committee, Audit Risk and Governance Committee and Technical Committee. The three Committees meet every quarter and the Full Board meets once every quarter.

The business of the Board is guided by the Board Charter and the members of the Board are evaluated at the end of the year. The evaluation is carried out by an independent NAIWASCO and the recommendations are shared and implemented the following year.

The roles and functions of the Board are well articulated by the Board, the Chairperson, the Committees, the Directors and the Managing Director are well documented in the Board charter and are respected.

Through the involvement of the County Government and supporting donor agencies, the members are put through a training process and they sign a code of conduct for Board Members.

The remuneration of the Board is guided by WASREB guidelines and the resolution of the shareholders.

Going Concern

The Directors confirm that the company has adequate resources to continue in business for the foreseeable future and therefore the continued use of the going concern as a basis when preparing financial statements.

SIGNED:

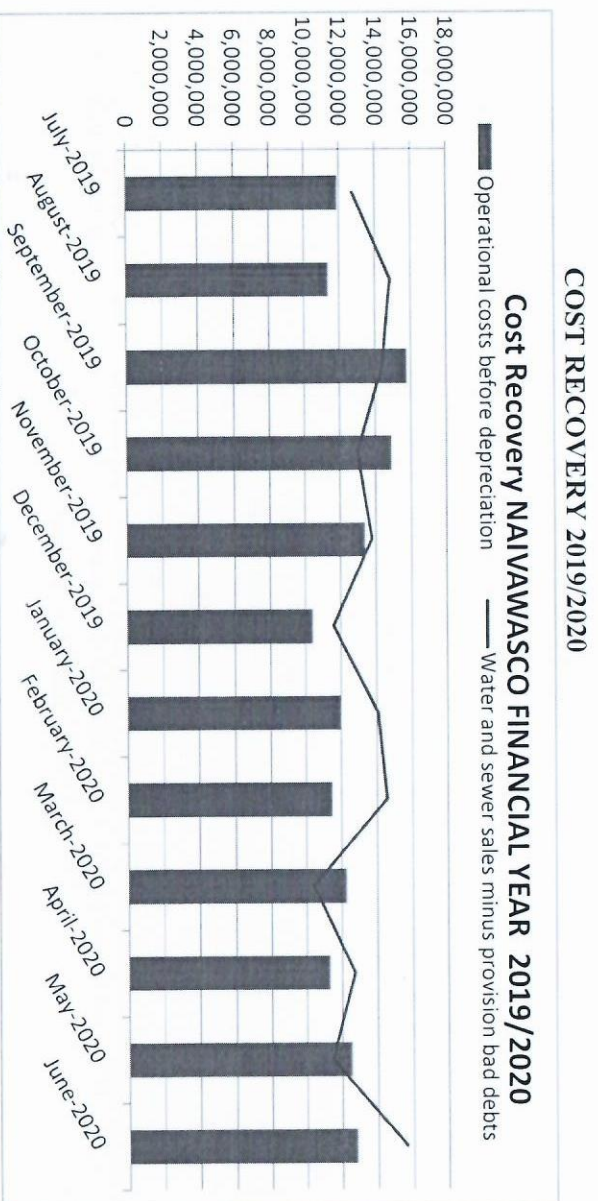


.....
Chairperson

8. MANAGEMENT DISCUSSION AND ANALYSIS

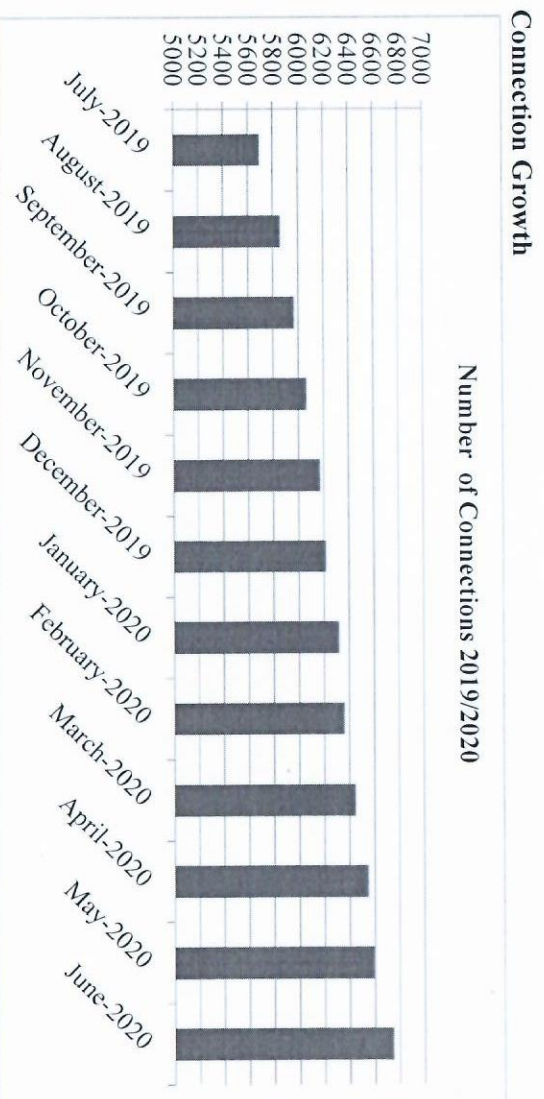
Cost Recovery

During the year the company was able to recover its cost from the Sales of Water and Sewer services, however, some months the sales would go down due to change in climate when a lot of rainfall was experience leading to low demand of water. Below is graph showing company performance on Cost Recovery.



New Connections

The company experienced steady growth in the number of connections both in Water and Sewer due to expansion to new areas and improved sewer infrastructure. The is as shown in the graph below



The following table shows the projects that NAIWASCO is undertaking and their status.

SN	PROJECT NAME	MAIN COMPONENTS	STATUS
1	UBSUP Project for Kabati and Karagita	Construction of 200 flush pours toilets.	Completion status: 70%
2	NRW Interventions project for CBD: [VEI Supported]	<ol style="list-style-type: none"> 1. Replacement and augmentation of 0.7km Asbestos pipes, (160mm) 2. Construction of 2.4km distribution system 3. Bulk and consumer meter testing 4. Leak detection and corrections 	Completion status: 99%
3	Kiu Water project	<ol style="list-style-type: none"> 1. Construction of 100m³ steel elevated tank at Mirera 2. Construction of 18km distribution network <p>Installations of high lift pump at Karate.</p>	Completion status: 17%

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

NAIVAWASCO exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on NAIVAWASCO pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar:

1. Sustainability strategy and profile -

According to the NAIVAWASCO 2020-2024 Strategic plan, improved operational and institutional performance is key to the sustainability of the Company. NAIVAWASCO plans to optimise operational and institutional systems through the strategic objectives, strategies and strategic actions, these includes but not limited to Reduction of NRW to 23% through Development and implementation NRW Reduction Framework, Reduction of requisition process for issuance of materials for Operation and Maintenance by atomization of processes, Enhancing company risk management and compliance through reduction of the Company's exposure to risks and strengthening of internal control framework.

Financial sustainability is also critical to service delivery and on-going infrastructure development, maintenance and improvements. Efficient and effective resource mobilisation and management will help the Company to move the business towards successful execution of strategic objectives and reaching its goals.

2. Environmental performance

NAIVAWASCO has environmental policy that promotes sustainable environmental conservation practices such as restoration of water catchment areas, preserving ecosystems and biodiversity conservation. It also ensures awareness creation on climate change; impacts on water, adaptation and mitigation measures to improve on water resource to the people. advocates on improving public and environmental health through sustainable, effective and efficient sanitation service delivery.

3. Employee welfare

NAIVAWASCO through a Human Resource policy is committed to building a highly skilled and motivated workforce that will perform effectively in their positions as well as further the company mission. All recruitments are conducted in an open and transparent manner without undue influence from stakeholders, shareholders, members of the Board of Directors or any member of staff irrespective of their seniority.

The Policy guides on the Company staff welfare services including counselling on personal problems, assistance with problems of health or sickness. It supports the formation of staff welfare initiatives and encourages employees to register as members of welfare associations formed by members of staff, as well as savings and co-operatives savings society. Further to this NAIVAWASCO through the policy ensures that all employees comply with all applicable OSHA standards as required in the Occupational Safety and Health Act of 2007, (OSHA).

4. Market place practices-

- a) **Responsible competition practice-** The Company annually advertises for registration and prequalification of Vendors in a print media with wide circulation giving opportunities to different categories including reservation of disadvantages groups. It also exercises open and transparent tendering process to ensure business integrity and ethics.
- b) **Responsible Supply chain and supplier relations-** NAIVAWASCO maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.
- c) **Responsible marketing and advertisement-**The company continue carrying out water clinics, road shows and barazas in all the zones to interact with the customers and reach out to others who are not connected
- d) **Product stewardship-** The company carry out public participations during negotiation of tariff changes

5. Community Engagements-

- a) During the year the company supported the education system in Naivasha Sub County by providing 10 desks to Naivasha Central Primary School. It also provided drinking water to Naivasha Buffalo Cyclists competition as part of Corporate Social Responsibility engagement
- b) Additionally, during the global pandemic of Coronavirus NAIVAWASCO partnered with Central Rift Valley Water Works Development Agency and Vitens Evides in providing Tanks, Water, Soaps and Sanitizers to Naivasha Community.

10. REPORT OF THE DIRECTORS

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

Principal activities

The company's main activity is the provision of affordable clean water and sanitation services to the residents of Naivasha Sub-County and its environs.

Results

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

Directors

The members of the Board of Directors who served during the year are shown on page vi. In accordance with Regulation of NAIVAWASCO's Articles of Association, Mr Daniel Pareiyo, Mark Kariuki and Fredrick Maina retired by rotation. Mark Kariuki was re-elected; Johnson Karanja and Joyce Lairumbe joined the company in April 2020.

Auditors

The Auditor General is responsible for the statutory audit of NAIVAWASCO in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. Kenya National Audit was nominated by the Auditor General to carry out the audit of NAIVAWASCO for the year/period ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.



By Order of the Board Chairperson

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

		2019/2020	2018/2019
	Note	KSHS	KSHS
Income	6	154,806,436	134,109,383
Cost of Sales			
Electricity	7	42,970,653	20,530,637
Operations and Maintenance	8	10,112,256	10,275,592
Total Cost of Sales		53,082,909	30,806,229
Gross Profit		101,723,527	103,303,154
Grants	9	4,412,444	7,739,872
		106,135,971	111,043,025
Expenditure:			
Administration Costs	10	90,879,757	93,898,071
Audit Fees	11	300,000	300,000
Board Expenses and AGM	12	2,991,954	3,304,508
Depreciation	13	9,851,838	9,746,068
Amortization	14	220,335	982,658
Finance Cost	15	8,912,964	9,165,461
Total Expenditure		113,156,848	108,231,305
Net Loss		(7,020,877)	(6,353,740)

Notes Pages 15 to 23

Managing Director
Name: Nahashon Wahome

Sign.....
Date..... 25/02/2021

Head of Finance
Name: Winnie Karanja
ICPAK MNO: 20778

Sign.....
Date..... 25/02/2021

Chairman of the Board
Name: Johnson Karanja

Sign.....
Date..... 25/02/2021

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2020

Assets	Note	2019/2020 KSHS	2018/2019 KSHS
Non-Current Assets			
Property, Plant and Equipment	16	194,393,344	192,893,779
Intangible Assets	17	514,116	734,451
Total Non-Current Assets		194,907,459	193,628,230
Current Assets			
Receivables	18	135,220,532	112,780,921
Deposit	19	730,169	744,169
Cash and Bank	20	17,070,784	10,616,200
Total Current Assets		153,021,485	124,141,290
Net Assets		347,928,945	317,769,520
EQUITY AND LIABILITIES			
Capital and Reserves			
Authorized Capital	21	100,000	100,000
Capital grants	22	211,850,723	145,799,013
Capital Reserves	23	56,581,095	56,581,095
Revenue Reserves	24	(26,922,084)	(19,901,207)
		241,609,733	182,578,901
Non-Current Liabilities			
Borrowings	25	21,818,414	84,309,174
Current Liabilities			
Payables	26	72,305,871	40,845,197
Customer Deposit	27	11,360,559	9,636,559
Customer Prepayments	28	834,368	399,689
		84,500,797	50,881,445
TOTAL EQUITY AND LIABILITIES		347,928,945	317,769,520

The financial statements were approved by the Board of Directors and signed on its behalf by;

Managing Director

Name: Nahashon Wahome

Sign.....

Date.....25/02/2021

Head of Finance

Name: Winnie Karanja

ICPAK M/NO:20778

Sign.....

Date.....25/02/2021

Chairman of the Board

Name: Johnson Karanja

Sign.....

Date.....25/02/2021

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2020

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

	Revenue	Share	Capital	Capital	Total
	Reserves	Capital	Reserves	Grants	
	KSHS	KSHS	KSHS	KSHS	KSHS
As at 1 July 2018	(13,547,467)	100,000	56,581,095	129,354,763	172,488,390
Additions during the year	(6,353,740)	-	-	16,444,250	10,090,510
As at 30 June 2019	(19,901,207)	100,000	56,581,095	145,799,013	182,578,899
As at 1 July 2019	(19,901,207)	100,000	56,581,095	145,799,013	182,578,900
Additions during the year	(7,020,877)	-	-	66,051,710	59,030,833
As at 30 June 2020	(26,922,084)	100,000	56,581,095	211,850,723	241,609,733

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

		2019/2020	2018/2019
	Note	KSHS	KSHS
A Operating Activities			
Surplus for the year		(7,020,877)	(6,353,740)
Adjustment for:			
Depreciation	13	9,851,838	9,746,068
Amortization	14	220,335	982,658
Changes in working capital:			
(Increase) in Receivables	18	(22,439,611)	(4,484,333)
Decrease in Deposits	19	14,000	(168,000)
Increase in Payables	26	31,460,673	6,827,370
Increase in Customer Deposits	27	1,724,000	2,492,000
Increase in Customer prepayments	28	434,679	(31,400)
Net Cash From Operating Activities		14,245,037	9,010,623
C Investing Activities			
Increase in assets	16	(11,351,402)	(45,907,045)
B Financing Activities			
Increase in Capital Funding	22	66,051,710	16,444,250
(Decrease) in Loan Amount	25	(62,490,760)	21,372,988
D Movement in Cash and Cash Equivalent			
Cash and Cash equivalent for the year		6,454,584	920,816
Cash and Cash Equivalent Brought Forward		10,616,200	9,695,384
Actual Balance	20	17,070,784	10,616,200

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2020

17. STATEMENT OF COMPARISON BETWEEN BUDGET AND ACTUAL

FINANCIAL YEAR	2019/2020	2019/2020	2019/2020	PERFORMANCE	EXPLANATIONS ON THE DIFFERENCE
INCOME	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	DIFFERENCE	
	KSHS	KSHS	KSHS	KSHS	
Water and Sewer charge	164,305,458	160,083,208	148,463,417	(11,619,791)	Decrease in water consumption by Keroche industries as well as the global pandemic of Coronavirus (COVID 19).
New Connection	3,151,000	2,466,000	1,189,600	(1,276,400)	Delay in Kihoto, County Council Region, and Kamere and Mai mahiu projects.
Exhauster Fees	1,800,000	1,800,000	2,115,000	315,000	More exhaustion done during the year
Miscellaneous Incomes	5,497,748	5,268,248	2,801,419	(2,466,829)	Adjustments carried out during the year
Rent Income	360,000	360,000	237,000	(123,000)	Conversion of rental houses to offices
	175,114,206	169,977,456	154,806,436	(15,171,020)	
Revenue Grant	0	0	4,412,444	4,412,444	Revenue Grant received not anticipated
Total Income	175,114,206	169,977,456	159,218,879	(10,758,576)	
Cost of Sales					
Electricity	41,707,357	40,092,233	42,970,653	(2,878,420)	Accumulation of unbilled production meter by the Kenya Power and Lightning

NAIVASHA WATER AND SANITATION COMPANY LTD
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					Company Ltd
Operations and Maintenance	13,241,740	12,112,184	10,112,256	1,999,928	Reduced Operation and Maintenance due to cost cutting measures
	54,949,098	52,204,417	53,082,909	(878,492)	
Expenditure					
Audit Fees	600,000	300,000	300,000	0	
Board Expenses and AGM	2,800,000	2,800,000	2,991,954	(191,954)	Special Board meeting during selection of new board members
Depreciation and Amortization	10,800,000	10,800,000	10,072,173	727,827	Non purchase of assets
Salaries, Wages and Staff Welfare	68,941,344	69,583,280	66,095,146	3,488,134	Non realization of expected new connections caused delay of absorption of new employee.
Electricity Office	180,000	180,000	188,107	(8,107)	
Stationary and Printing	600,000	600,000	544,820	55,180	Reduction of use of hard copies to emails
Repair and Maintenance Office	120,000	120,000	60,085	59,915	
Conference and Meetings	300,000	1,050,000	1,009,359	40,641	
Motor vehicle	972,000	972,000	844,548	127,452	
Computer Expenses	180,000	180,000	315,070	(135,070)	Upgrading of computer software and maintenance
Office Expenses	160,000	400,000	421,147	(21,147)	
Other Expenses	300,000	300,000	635,820	(335,820)	Kenya Revenue Authority penalty
Insurance	430,000	430,000	15,108	414,892	Non purchase of Motor vehicles as expected.

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2020

Telephone and Postage	774,701	749,749	807,311	(57,561)	Sending of Bills
Regulatory Levy, Subscription and Neman Fees	2,323,055	2,400,832	5,109,110	(2,708,278)	Revised Levy from 1% to 4%
Training and Entertainment ,customer hospitality,Performance Reward and Enforcement	1,818,240	1,818,240	950,197	868,043	Training reduced due to travelling restrictions due to corona pandemic
Travel and Accommodation	2,040,000	2,040,000	1,856,820	183,180	Travelling restrictions
Rent	1,648,047	1,297,837	1,352,860	(55,023)	
Advertisement	300,000	300,000	113,390	186,610	
Bank Charges	240,000	240,000	379,307	(139,307)	Interest on overdraft
Legal/Consultancy/Professional Fees	2,500,000	1,666,667	1,685,797	(19,131)	
Security	3,600,000	3,795,000	3,972,801	(177,801)	Additional guard acquired to guard the new office premise
Expected Opex	1,200,000	600,000	0	600,000	Delay in projects as expected.
WSTF Activities		0	487,599	(487,599)	
Provision for Bad Debts	1,672,800	1,628,553	4,035,354	(2,406,801)	Increase in customer debts
Finance Cost	15,600,000	13,350,000	8,912,964	4,437,036	Subsidy From Water Services Trust Fund reduced the interest
TOTAL EXPENDITURE	120,100,186	117,602,158	113,156,848	4,445,310	
Surplus/(Deficit)	64,922	170,881	(7,020,877)	(14,325,394)	

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Naivasha Water and Sanitation Company Ltd (NAIVAWASCO) were established in November 2006 and derive its authority and accountability from Water Act of Parliament in (2016). The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to supply affordable, clean water and services to Naivasha Town and its environs. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

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

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

iii) Early adoption of standards

The NAIVAWASCO did not early – adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

Revenue from the sale of goods and services is recognised in the year in which the NAIWAWASCO provides services to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

Grants from Development Partners are recognised in the year in which the NAIWAWASCO actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Finance income comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

Other income is recognised as it accrues.

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

Buildings and civil works	2.5%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

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

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the 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 recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method. Currently NAIWASCO is not operating on inventories.

h) Trade and other receivables

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

i) 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 NAIWASCO 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. 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.

j) 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 the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the .

k) Borrowings

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

l) Trade and other payables

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

m) Retirement benefit obligations

The NAIWAWASCO operates a defined contribution scheme for all full-time employees from November 2012. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The employee contributes 12% and the company contributes 15% of basic pay and house allowance. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KSHS.400 per employee per month.

n) Provision for staff leave pay

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

o) Budget information

The original budget for Financial Year 2019-20 was approved by the Board of Directors on July 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the NAIWAWASCO upon receiving the respective approvals in order to conclude the final budget.

The NAIWAWASCO'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 statement of comparison of budget and actual amounts of these financial statements.

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the 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 NAIWASCO's financial statements in conformity with International Financial Reporting Standard 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.

The following are the judgments, estimates and assumptions made:

- a) The company is a going concern and will carry out its objectives in the future.
- b) The company uses accrual basis of accounting.
- c) The company depreciates and amortises its Non-current assets as explained in note 3 above.
- d) The company makes a provision for bad debts at 20% of outstanding balance after three years as stipulated on the company's finance manual.

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

Useful lives and residual values

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

The condition of the asset based on the assessment of experts employed by the NAIWASCO

- a) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- b) The nature of the processes in which the asset is deployed
- c) Availability of funding to replace the assets
- d) Changes in the market in relation to the asset

Provision for Bad Debts

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect the entire amount due according to the original terms of receivables.

Provisions were raised and management determined an estimate based on the information on the finance manual.

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.

The company through support from the finance manual has considered providing for bad debts that have accrued for more than 3 years at a rate of 20%. The increase in provision is debited in the comprehensive income statement. The amount of the provision is KSHS.4, 035,354

<u>Aging accounts receivable</u>	Provision for bad debts.		
	KSHS		KSHS
0-1 year	11,300,411	0%	0
2-3 years	8,953,914	0%	0
Over 3 years	96,609,862	20%	19,321,972
	116,864,186		15,286,618
Increase in provision from previous year			4,035,354

NAIVASHA WATER AND SANITATION COMPANY LTD
 FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2020	2019
		Kshs	Kshs
6	Income		
	Water and Sewer charge	148,463,417	124,347,700
	New Connection	1,189,600	1,858,000
	Exhauster Fees	2,115,000	1,905,000
	Miscellaneous Incomes	2,801,419	5,652,183
	Rent Income	237,000	346,500
		154,806,436	134,109,383
7	Electricity	42,970,653	20,530,637
8	Operations and Maintenance	10,112,256	10,275,592
9	Revenue Grants		
	WSTF	3,537,975	6,914,000
	VITENS	150,000	825,872
	SNV	487,200	-
	WSUP	237,269	
		4,412,444	7,739,872
10(a)	Administrative Cost		
	Salaries and Wages(10b)	64,665,730	61,687,091
	Electricity Office	188,107	164,218
	Stationary and Printing	544,820	736,037
	Repair and Maintenance Office	60,085	137,585
	Conference and Meetings	1,009,359	824,301
	Motor vehicle	790,686	1,032,117
	Motor cycle	53,862	89,875
	Computer Expenses	315,070	323,588
	Customer Hospitality	64,800	20,000
	Office Expenses	271,147	161,138
	Other Expenses	635,820	180,500
	Enforcement Fees	55,100	51,000
	Performance Reward	63,000	215,000
	Donations and Contribution	-	-
	Insurance	15,108	391,755
	Telephone and Postage	807,311	530,836
	Transport	-	370,027
	Regulatory Levy, Subscription and Nema Fees	5,109,110	1,463,459
	Training and Entertainment	767,297	1,037,237
	Travel and Accommodation	1,856,820	2,522,936

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	Rent	1,352,860	1,644,046
	Advertisement	113,390	471,930
	Bank Charges	379,307	246,114
	Legal/Consultancy/Professional Fees	1,685,797	2,054,992
	Security	3,972,801	3,371,241
	Staff Welfare	1,429,416	473,210
	Project Fees	-	3,551,176
		86,206,804	83,751,409
	EXPENSES BY VEI/WSUP/RVWSB		
	CSR Activities	150,000	
	Total expenses(VEI)	150,000	-
	Provision for Doubtful Debts	4,035,354	3,262,669
	Expenses By WSTF		
	WSTF CSR Activities -Kabati	232,875	6,883,992
	WSTF Activities-DTF	140,000	
	WSTF Activities-By Naivawass	114,724	
		487,599	6,883,992
	Total Expenses	90,879,757	93,898,070
10(b)	Salaries and Allowances of Permanent Employees	56,378,439	48,426,318
	Wages of Temporary Employees	1,017,820	7,949,962
	Compulsory NSSF	205,000	220,600
	Other Pension Contributions	3,514,234	3,301,697
	Leave pay and Gratuity	3,550,236	1,788,514
		64,665,730	61,687,091
11	Audit Fees		
	Annual Provision for Audit Fees	300,000	300,000
12	Board expenses		
	Board Chairman Honoraria	325,710	291,426
	Board -Corporate and Stakeholders	10,000	109,000
	Board Committee Meetings	659,998	512,987
	Board Full Board Meeting	832,239	621,426
	AGM and EGM	-	548,879
	Board expenses - Other	1,164,007	1,220,789
	Total Board expenses	2,991,954	3,304,508
13	Depreciation	9,881,838	9,746,068
14	Amortization	220,335	982,658
15	Finance Cost		
	Interest on Loan	8,912,964	9,165,461

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Property, Plant and Equipment

Description	Buildings, Water and Sewer Works	Water Meters	Computers	Furniture and Fittings	Tools and Equipment's	Work in Progress	Total
Cost	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
As at 01/07/2018	78,562,135	15,098,851	4,583,863	2,832,016	17,451,300		118,528,165
Cost of Work in progress completed	62,936,186	-	-	-	-		62,936,186
Additions during the year	41,589,759	1,377,931	477,328	136,800	2,325,227		45,907,045
Total Cost	183,088,080	16,476,782	5,061,191	2,968,816	19,776,527	-	227,371,396
Charge for the year	(4,577,202)	(2,059,598)	(266,101)	(371,102)	(2,472,066)		(9,746,068)
Accumulated Depreciation Work in Progress	(1,573,405)	-	-	-	-	-	(1,573,405)
Accumulated Depreciation	(6,299,285)	(5,556,789)	(4,174,188)	(1,413,725)	(5,714,157)		(23,158,144)
Total Depreciation	(12,449,891)	(7,616,386)	(4,440,289)	(1,784,827)	(8,186,223)	-	(34,477,616)
Net Book value as at 30 June 2019	170,638,189	8,860,396	620,902	1,183,989	11,590,304	-	192,893,779
Cost							
As at 01/07/2019	183,088,080	16,476,782	5,061,191	2,968,816	19,776,527	-	227,371,396
Additions During the year	3,907,343	501,120	20,000	37,485	116,724	6,768,730	11,351,402
Total Cost	186,995,424	16,977,902	5,081,191	3,006,301	19,893,251	6,768,730	238,722,798
Charge for the year	(4,674,886)	(2,122,238)	(192,271)	(375,788)	(2,486,656)	-	(9,851,838)
Accumulated Depreciation	(12,449,891)	(7,616,386)	(4,440,289)	(1,784,827)	(8,186,223)	-	(34,477,616)
Total Depreciation	(17,124,777)	(9,738,624)	(4,632,559)	(2,160,614)	(10,672,880)	-	(44,329,454)
Net Book Value as at 30 June 2020	169,870,647	7,239,278	448,631	845,687	9,220,371	6,768,730	194,393,344

17. Intangible Assets

Intangible Assets	Computer Software
	KSHS
Cost	
As at 01/07/2018	3,275,527
Additions during the year	-
Total Cost	3,275,527
Charge for the year	(982,658.10)
Accumulated Depreciation	(1,558,418)
Total Depreciation	(2,541,076)
Net Book value as at 30/06/2019	734,451
Cost	
As at 01/07/2019	3,275,527
Additions during the year	-
Total Cost	3,275,527
Charge for the year	(220,335)
Accumulated Depreciation	(2,541,076)
Total Depreciation	(2,761,411)
Net Book Value as at 30/06/2020	514,116

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FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

			2019/20	2018/2019
18	Receivable		KSHS	KSHS
	Due from Customers		116,864,186	91,804,955
	Salary advances and Imprests		269,934	351,880
	VAT Recoverable		18,009,890	20,613,564
	Other Receivable		76,522	10,523
			135,220,532	112,780,921
19	Deposits			
	Jostas Building		105,000	105,000
	Biashara Plaza		-	75,000
	Kenya Power and Lighting Company		625,169	564,169
			730,169	744,169
20	Cash and Bank			
	Cash at Bank		16,997,396	10,395,125
	Cash in Hand		73,388	221,075
			17,070,784	10,616,200
	The bulk of cash at Bank was held at Cooperative Bank and Sidian bank			
	Detailed analysis of the cash and cash equivalents			
	Name of the Bank	Bank Account Number	30/06/2020	30/06/2019
	a)Cash in Bank		KSHS	KSHS
	Kenya Commercial Bank	1104269716	-	(33)
	Kenya Commercial Bank	1113964162	5,930	64,411
	Sidian Bank	1020200036	691,775	168,862
	Co-operative Revenue Account	1141626743800	45,334	134,949
	Co-operative Expenditure Account	1141626743801	5,739,647	137,682
	Co-operative Business Account	1136626743801	1,438,004	1,829,737
	Co-operative Social Connection Account	1136626743800	14,328	469,097
	Co-operative Collateral Account	1246626743800	(0)	2,780,369
	Post Bank Account	744130012413	15,443	361,319
	Family Bank Account	53000041749	45,705	600
	Mpesa Account	335450		267,885
	Co-operative Karagita Kabati Project	1141626743802	3,304,800	-
	Total		11,300,966	6,214,878
	(b) Cash on hand			
	Form of cash holding			
	Liquid cash(petty cash)		73,388	221,075
	Total		73,388	221,075

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2020

	c)Short term deposits			
	Kenya Commercial Bank	1116375060	5,696,429	4,180,246
	Total		17,070,784	10,616,200
21	Share Capital			
	Authorized			
	5000 Ordinary Shares(KSHS 20 each)		100,000	100,000
22	Capital Fund			
	Funding from MOW		12,283,073	12,283,073
	Funding from GTZ		5,878,877	5,878,877
	Funding from WSUP		1,746,681	529,400
	Funding from WSTF		79,885,006	15,050,577
	Funding from VEI		106,699,757	106,699,757
	Funding from World Bank		5,357,329	5,357,329
			211,850,723	145,799,013
23	Capital Reserves			
	Balance brought forward		56,581,095	56,581,095
	Additions during the Year		-	-
24	Revenue Reserves			
	Balance brought forward		(19,901,207)	(13,547,467)
	Surplus for the year		(7,020,877)	(6,353,740)
			(26,922,085)	(19,901,207)
25	Non-Current Liabilities			
	Borrowings		21,818,414	84,309,174
26	Payables			
	Adebe Auto Paints		22,500	22,500
	Ambassador Supplies		6,692	19,600
	Amua Water Systems		228,506	34,846
	Aqualitic		-	26,675
	Astorian		606,409	388,673
	Bethway Stationers		5,100	5,100
	Biikei Trading		2,944	2,944
	Carbacid Ltd		11,588	11,588
	Casual Wages		4,700	4,700
	Chemba Timber Enterprises		959	33,600
	Copy Cate Enterprises		507,891	511,604
	Cowango Electrical Consultants		-	42,750
	Coast Industrial and Safety Supplies		113,911	-
	Danco Capital Ltd		283,360	56,182
	Davis Media		7,000	7,000
	Davis And Shirliff		110,979	-
	Disney Insurance Brokers		191,755	191,755

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Doshi and Co Hardware Ltd		38,960	36,199
Dr Ngatiri		20,000	20,000
Downway Enterprise Ltd		68,842	
Equatorial Naivasha General Hardware		512	102,869
Fairdeal Furniture		42,148	5,321
Fixit Fundi		1,500	1,500
Friends Of Lake Nakuru		37,000	37,000
G-Zap Computers		9,860	9,860
Gearr Consultants		5,200	5,200
Gikuhi Kiana Company		118,240	322,007
Green Health And Safe Environs		227,462	46,400
Grapeland General Hardware		1	
Hakika Engineering		29,000	29,000
Helmi International		30,000	30,000
Hachfeld Limited		180,444	
Hanksharry General Suppliers		295,988	
Heri General Merchants Ltd		196,159	
Intercity Secure Homes		2,174,512	970,326
Ipa Laboratories Ltd		-	236,897
Jg Kaniu		9,983	4,358
Johny Domestic Goods		0	-
Jolly Exhausters		10,500	10,500
Jada Communication		26,880	-
Jumbo Tower		0	-
Kags Trading Co. Ltd		94,146	-
Keja Move Ltd		39,809	-
Kenya Power and Lightning Company		17,459,629	1,635,189
Kinetics Engineering Ltd		40,730	40,730
Kwirera Hardware		175,768	175,768
Kings Link Ventures K Ltd		156,484	-
Labelle Inn		16,107	-
Lugaries Alto Technologies		208,161	122,612
Magmix Enterprises		391,407	-
Markom Company Ltd		248,922	969,394
Maydell Business Systems		34,770	
Mbinu Solutions		30,630	30,630
Megalink Technologies		124,270	-
Mfi Document Solution		1	12,001
Microtech Ltd		2,000	2,000
Morosa Enterprises		6,750	6,750
Mum's Caterers		19,780	-

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Nairobi Iron Mongers	451,685	467,894
Naiva Boch Auto Toyota	113,100	173,220
Naivas Ltd-Kubwa Branch	-	46,791
Naivasha General Masters	1,720	41
Nakuru Water Company	142,420	142,420
Nation Media Group Ltd	196,958	288,718
Nesvax Innovations	71,956	-
Netspace Kenya Ltd	14,904	14,904
Njokama Electricals	100,000	325,606
Nuevotech Ltd	0	-
Office of the Auditor General	1,197,172	1,197,172
Onkev Water Service Ltd	45,609	
Patmat Bookshop Ltd	86,200	219,981
Penibrah K Ltd	9,350	9,350
Pixie Enterprises	18,000	18,000
Presice Machineries	12,000	12,000
Primax Office Solutions	60,900	60,900
Py-Rex East Africa	71,445	141,445
Rogi Oriega and Co Advocates	96,280	96,280
Rvwsb	4,467,743	4,467,743
Red Concepts Limited	357,223	
Rockpet Ltd	23,579	
Saraj Kenya Ltd	95,535	95,535
Sea Horse Products Ltd	79,740	79,740
Smartchip Dynamics Ltd	136,347	218,797
Smati Graphics	94,044	94,044
St Francis Xavier Catholic	26,250	26,250
Staff Top Up Allowance	437,162	437,162
Standard Group	111,435	58,410
Stehia Workshop	4,950	4,950
Stephen Gichore Mwaura	30,900	30,900
Thamic Electricals Systems And Glassmart	149,132	99,368
Trimarey Kenya	1	1
Tridel Investment Limited	47,497	-
Upande	-	462,000
Viewers Park Hotel	42,400	15,862
Virojo Company Limited	89,352	38,329
Wakir General Hardware	-	27,092
Warma	720,997	688,052
Waspa	240,000	80,000
Wasreb	4,861,499	1,164,848
Water Shop	20,427	-

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	Withholding Tax		49,805	-
	Provisions and Accruals		20,579,054	16,243,700
	N.S.S.F		85,400	2,400
	N.H.I.F		87,350	94,000
	P.A.Y.E EMPLOYEES		1,987,680	693,586
	P.A.Y.E BOARD		534,180	208,423
	NET PAY		3,192,566	595,103
	LAPTRUST		3,582,264	1,278,555
	HELB		16,736	25,184
	COSMOPOLITAN SACCO		248,354	252,816
	Welfare		28,595	11,920
	Staff Bank Loan		933,881	735,651
	Workers Union		-	23,000
	Gratuity		647,125	-
			71,375,752	37,690,169
	Retention(Contract money)		930,119	3,155,028
			72,305,871	40,845,197
27	Customer Deposits			
	Water Deposits		7,081,409	5,357,409
	Meter Deposits		4,261,150	4,261,150
	Sewer Deposits		3,500	3,500
	Exhauster Deposits		14,500	14,500
			11,360,559	9,636,559
28	Customer Prepayments			
	Customer Prepayments		834,368	399,689

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. ORDINARY SHARE CAPITAL

Financial Year	2019/2020	2018/2019
	KSHS.	KSHS.
Authorized:		
5,000 ordinary shares of KSHS. 20 par value	100,000	100,000
	100,000	100,000

30. RETAINED EARNINGS

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

31. BORROWINGS

The analyses of both external and domestic borrowings are as follows:

Financial Year	2019/2020	2018/2019
	KSHS	KSHS
Domestic Borrowings		
Kenya Shilling loan from Co-operative Bank	21,818,414	84,309,174
Total balance at end of year	21,818,414	84,309,174

32. RELATED PARTY DISCLOSURES

a) County Government of Nakuru

The County Government of Nakuru is the majority shareholder of the company, holding 99.4% of the company's equity. The Office of the County Secretary holds 0.2% of the shares of the Company, Office of the County Executive, Finance and Economic Planning holds 0.2% of the shares, Office of the County Executive, Water Environment and Natural Resources also holds 0.2% of the shares of the company

b) Board of Directors

The composition of the Board is compliant with good corporate governance practices and WASREB regulations. The role of the Chairman and the Managing Director are segregated.

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The Managing Director is in charge of the day to day running of the business of the company. A non-executive director acts as the Chairman of the Board.

The current Board is composed of seven directors drawn from various stakeholders. The Board is therefore composed of committed individuals with diverse and complementary skills to ensure that there is sufficient wealth of experience at Board level.

c) Key Management Staff.

They comprise of Managing Director, Technical Manager, and Distribution and Sales Manager and Finance Manager. The Managing Director sits in the Board of Directors as the Secretary; Technical Manager in the Technical Committee as the Secretary and Finance Manager in the Finance and Administration Committee as the Secretary

33. FINANCIAL RISK MANAGEMENT

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

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

(a) Credit risk

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

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	Total amount	Fully performing	Past due	Impaired
	KSHS	KSHS	KSHS	KSHS
As at 30 June 2020				
Receivables from exchange transactions	116,864,186	96,609,862	16,218,970	4,035,354
Bank Balances	17,070,784	17,070,784		
	133,934,970	113,680,646	16,218,970	4,035,354
As at 30 June 2019				
Receivables from exchange transactions	91,804,956	76,433,094	12,109,192	3,262,669
Bank Balances	10,616,200	10,616,200		
	102,421,155	87,049,294	12,109,192	3,262,669

(b) Credit risk (Continued)

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

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.

34. Liquidity risk management

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

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

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KSHS	KSHS	KSHS	KSHS
As at 30 June 2020				
Trade Payables	13,947,469	6,413,914	19,091,183	39,452,566
Retention Money			930,119	930,119
Provisions			20,579,054	20,579,054
Employee Benefit Obligation			11,344,132	11,344,132
Total	13,947,469	6,413,914	51,944,488	72,305,871
As at 30 June 2019				
Trade Payables	3,552,451	1,524,386	12,438,469	17,515,306
Retention Money			3,155,028	3,155,028
Provisions			16,243,700	16,243,700
Employee Benefit obligation		3,931,163	0	3,931,163
Total	3,552,451	5,445,026	31,837,197	40,845,197

35) Capital Risk Management

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

	2019-2020	2018-2019
	KSHS	KSHS
Capital Funding	211,850,723	145,799,014
Retained earnings	(26,922,084)	(19,861,852)
Capital reserve	56,581,095	56,581,095
Total funds	241,509,733	182,979,618

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Total borrowings	21,818,414	84,309,174
Less: cash and Bank Balances	(17,070,784)	(10,616,200)
Net debt/(excess cash and cash equivalents)	4,747,630	73,692,974
Gearing	2%	40%
Payable after one year but not later than 5 years	21,818,414	84,309,174

36. INCORPORATION

The NAIWASCO is incorporated in Kenya under the Kenyan Companies Act 2019 and is domiciled in Kenya.

37. EVENTS AFTER THE REPORTING PERIOD

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

38. CURRENCY

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

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.

We have not received the certificate from the auditor that contains the recommendations for the financial year 2018/2019. However, the following is the summary of issues raised by the external auditor for the financial year 2017/2018, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Ti (P. wl ex, iss re:
3.0	<p>Unaccounted for Customer Deposit</p> <p>The statement of financial position reflects customer deposit of Kshs.9,636,559 as at 30 June 2019 and as disclosed under note 23 to the financial statements. However, audit review of the bank account maintained for purposes of holding customer deposits held at Kenya Commercial Bank Limited indicated a balance of Kshs.4,180,248 as at 30 June 2019, resulting to variance of Kshs.5,456,311 which had not been reconciled nor explained. This is an indication that the Company utilized customer deposits amounting to Kshs.5,456,311 on operations. Consequently, the completeness and validity of the customer deposits of Kshs.9,636,559 as at 30 June 2019 could not be confirmed.</p>	<p><i>The circumstances which led the company to withdraw money from the customer deposit account was due to an urgent need to deal with an outstanding payable for Kenya Power which was in the knowledge of the Board.</i></p>	Winnie Karanja(Finance Manager)	Resolved	De

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4.0	<p>Trade and Other Payables</p> <p>The statement of financial position as at 30 June 2019 reflect trade and other payables of Kshs.40,845,197 as detailed in note 22 to the financial statements out of which Kshs.4,467,743 relates to amount owed to Rift Valley Water Works Agency. Although the management has supported all invoices received from the Agency, records maintained by Rift Valley Water Works Agency indicate a debt balance of Kshs.47,316,081 resulting to a variance of Kshs.42,848,338 which has not been explained nor reconciled. Consequently, the accuracy and completeness of the trade payables balance of Kshs.4,467,743 to Rift Valley Water Works Agency as at 30 June 2019 could not be confirmed.</p>	<p><i>Naivasha Water and Sanitation is only aware of Kshs.4,467,743. We do not have any records nor any engagements from Rift Valley Water Works Agency showing that we owe them an amount of Kshs.42,848,338</i></p>	<p>Winnie Karanja(Finance Manager)</p>	<p>Resolved</p>	<p>Dc</p>
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**NAIVASHA WATER AND SANITATION COMPANY LTD
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5.0	<p>Receivables</p> <p>The statement of financial position reflects receivables of Kshs.112,780,921 as at 30 June 2019 and as disclosed in note 19 to the financial statements. Aging analysis revealed that Kshs.76,433,084 (83.2%) remained uncollected for a period of over two years. Though the management indicates the measures had been put in place to collect the debts, the credit control efforts were not effective. This was contrary to Naivasha Water Sewerage and Sanitation Company Financial Manual Section 1.2.2 on revenue management guidelines which states that the Commercial Manager is directly responsible for the collection of all Company revenue. In the circumstance, the accuracy and collectability of the receivables balance of Kshs.112,780,921 as at 30 June 2019 could not be confirmed</p>	<p><i>Some of the receivables balances were inherited from the Municipal county and the customers are not traceable, we have engaged services of an enforcement officer from the company to try and recover and last year alone we were able to recover an amount of Kes 2,202,383.00 from Kes 94,007,338.00 as at 30th June 2018 to Kes 91,804,955 as at 30th June 2019.</i></p> <p><i>The company has a credit control mechanism which is measured in the budget as targets set to reduce arrears every year. The revenue section has targets to reduce receivable balances as well as advice the management on debts that are recoverable from those that are not economically viable to collect giving rise to write offs.</i></p>	Winnie Karanja(Finance Manager)	Resolved	Dc
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6.0	<p>Failure to File Annual Returns</p> <p>The Company's annual returns for the years 2006, 2009, 2010, 2011, 2012, 2013, 2014, 2017, and 2018 had not been filed with the Registrar of Companies as at 30 June 2019 contrary to Companies Act, 2015 section 705 (1) which states that every company shall submit to the Registrar successive annual returns each of which is made up to a date not later than the date that is from time to time the company's return date.</p> <p>In the circumstance, the Company is in breach of the law</p>	<p><i>The company took an initiative to file all the annual returns and is now compliant to filing.</i></p>	Winnie Karanja(Finance Manager)	Resolved	Dc
7.0	<p>Audit Fees</p> <p>The statement of financial position reflects payables of Kshs.40,845,197 as at 30 June 2019 and as disclosed in note 19 to the financial statements. Included is Kshs.1,197,172 in respect of audit fees payable to the Office of the Auditor-General from the year 2016/2017 to 2018/2019. The audit fees are therefore long overdue, contrary to Section 41 of the Public Audit Act, 2015 which requires funds of the Office of the Auditor-General to consist of audit fees charged at rates prescribed by the Auditor-General. No plausible explanation has been provided for the non-payment of the audit fees and for the apparent breach of the Law.</p>	<p><i>We acknowledge the outstanding audit fee of amount Kshs 1,197,172 as at 30th June 2019</i></p> <p><i>The company has purposed to reduce the outstanding audit fees in the current financial year 2019/2020 to ensure this, it included it in the budget for 2019/2020</i></p>	Winnie Karanja(Finance Manager)	Resolved	Dc

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8.0	<p>Unaccounted for Water</p> <p>The statement of comprehensive income for the year ended 30 June 2019 reflects water and sewerage charges of Kshs.124,347,700 as disclosed under note 6 to the financial statements. Records availed for audit revealed that during the year under review, Naivasha Water Sewerage and Sanitation Company Limited produced 1,263,060 cubic meters of water out of which only 860,777 cubic meters or 68.2% were billed to customers at Kshs.124,347,700. The balance of 402,283 cubic meters or approximately 31.8% of the total volume represented Unaccounted for Water (UFW). Given the normal allowable loss of 25% (315,765) of water produced, the UFW of 86,518 cubic meters or 6.8% may have resulted into a loss of water sales estimated at Kshs.7,111,780 based on an estimated distribution rate of Kshs.82.2 per cubic meter.</p> <p>Consequently, the accuracy and completeness of water sales of Kshs.124,347,700 for the year ended 30 June 2019 could not be confirmed.</p>	<p><i>The cause for high NRW was caused by dilapidated network inherited from the municipal council. The county and the national government have the responsibility in inventing in new network. However, the company has been working on reducing NRW through the caretaker approach to ensure that the Company is gradually reducing the losses</i></p>	Harry Njung'e(Dis tribution and Sales Manager)	Resolved	Dc
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Managing Director

Sign 

Date 25/02/2021

Chairman of the Board

Sign 

Date 25/02/2021

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APPENDIX II: PROJECTS IMPLEMENTED BY NAIVAWASCO

	Project Title		Period/ Duration	Donor Comm itment	Separate required agreement (Yes/No)	Donor reporting as per the donor	Consolidated in these financial statement (Yes/No)
1	Decentralized Treatment Facility(DTF)	WSTF	2 YEARS	Yes	NO		Yes

Status of Projects Completion							Sources of Funds
	Project	Total Project Cost(KSHS)	Total expended to date(KSHS)	Completion percentage to date	Budget(KSHS)	Actual(KSHS)	
1	Decentralized Treatment Facility	9,669,614	6,768,730	70%	6,768,730	6,768,730	WSTF

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GLOSSARY OF TERMS

MOW-Ministry of Water

WSUP- Water and Sanitation for Urban Poor

WSTF-Water Services Trust Fund

WASREB- Water Services Regulatory Board

VEI- Vitens Evides International

GIZ- Deutsche Gesellschaft Fur Internationale Zusammenarbeit

SNV- Netherlands Development Organization

EGM- Extra Ordinary General Meeting

AGM- Annual General Meeting

WASPA- Water Services Providers Association

RVWSB-Rift Valley Water Services Board

WARMA-Water Resources Management

NAIVAWASCO-Naivasha Water and Sanitation Company