

TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020



TETU ABERDARE WATER & SANITATION COMPANY  
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TEAWASCO

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**DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE, 2020**



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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

The Company was incorporated under the Companies Act (Cap.486) on 13<sup>th</sup> April 2006 and that the Company is limited by Guarantee (Certificate of Incorporation for the Company No.C.124262). The Company's mandate is to provide Water and Sanitation Services in Tetu and parts of Nyeri Central sub-counties in Nyeri County in accordance with section 113 of the Water Act 2002 by Tana Water Services Board. The water act has been reviewed and water act 2016 is currently in force to accommodate the 2010 constitution.

## PRINCIPAL ACTIVITY

The principal activity of the Company is to provide water and sanitation services to residents of Tetu and parts of Nyeri Central sub-counties in Nyeri County

## BOARD OF DIRECTORS

<u>NAME</u>		<u>STATUS</u>		<u>DATE OF APPOINTMENT</u>
1. Joel Kariuki	-	Chairman	-	21 <sup>st</sup> June 2018
2. David Kingori Njogu	-	Director	-	16 <sup>th</sup> January 2015
3. Pastor Peter Ndiritu	-	Director	-	21 <sup>st</sup> June 2018
4. Ruth Mwangi	-	Director	-	17 <sup>th</sup> July 2018
5. Pauline Ndegwa	-	Director	-	1 <sup>st</sup> October 2019
6. Nancy W.Ngogoyo	-	Director	-	24 <sup>th</sup> July 2019
7. Lucy W. Ndungu	-	Director	-	24 <sup>th</sup> July 2019
8. Symon W Wanjau	-	General Manager		

**CORPORATE SECRETARY**

FCS Richard K. Gikuhi,  
P.O. Box 1271-10100,  
Nyeri-Kenya

**REGISTERED OFFICE**

Kamakwa Nyeri Central Sub-County Water Office  
P.O. Box1089- 10100  
Nyeri.

**CORPORATE CONTACTS**

Telephone :( 254-0612034164)  
E-mail: teawasco@gmail.com  
          : info@teawasco.co.ke  
Website: teawasco.co.ke

**CORPORATE BANKERS**

Kenya Commercial Bank Limited Nyeri Branch  
P. O. BOX 215 -10100 Nyeri.

**INDEPENDENT AUDITORS**

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

**PRINCIPAL LEGAL ADVISERS**

Lucy Mwai & Company Advocate  
P.O Box 12233-10109  
0725363178  
E-mail:lucymwai2012@gmail.com

**THE BOARD OF DIRECTORS**

	<p><b>Mr. Joel Wang'ombe Kariuki - Board Chairman</b></p> <p>Diploma in Special Education, Certificate in Primary Education, Certificate in ICT Entrepreneurship and Computer packages. Involved in Community work, one of committee members involved in establishing Gakere Boys High School (Kigogo-ini) in Tetu Constituency. O level Education.</p>
	<p><b>Mr. David King'ori Njogu</b></p> <p>A-Level, Bachelor of Science Degree in Wildlife Management He represents Commercial Consumers in TEAWASCO Board. He was the Head of Science Department in Nyeri Baptist High School, Civic Education Facilitator Tetu, Assistant Manager Tetu Constituency Office, Founder Member of Chania River Resources Users Association, Director Tetu Aberdare Water &amp; Sanitation Company in 2006 to 2011 and Secretary-New United Tetu Dairy Group. He has attended Seminars &amp; Workshops in Management Skills and Development, Performance approval and Development Leadership Motivation &amp; Communication Seminar &amp; Corporate Governance Training in Embu.</p>
	<p><b>Mrs Ruth Mwangi</b></p> <p>Master in Project Management and BSC in General Agriculture Chief Officer Agriculture Nyeri County Government, pursuing PhD.</p>
	<p><b>Pastor Peter Ndiritu Macharia</b></p> <p>Diploma in Theology (Kenya Baptist Theology College), KATC/CPA 1, O level Education. Have attended several leadership and management seminars. Ordained ministers serving with Baptist churches. Currently Pastor in charge of Kiandu Baptist church and Gacatha Baptist church. Founder and manager of Kiandu Baptist Academy and also Instructor Kieni West Baptist Bible School-Bellevue. Director representing religious organization</p>

	<p><b>Pauline W. Ndegwa</b> K.C.S.E, Bachelor of Arts (Cultural Studies) Chief Officer-Water and Irrigation, Chief Officer- Governor’s Office, Chief Officer- Public Service Management, Sub County Administrator, Ward Administrator, Project Director-Compassion International Kenya, Social Worker- Compassion International Kenya, BOM teacher Bingwa Secondary School and also BOM teacher Witima Secondary School Othaya.</p>
	<p><b>Nancy W. Ngogoyo</b> O Level, Accountancy, Corporate Management, Small Enterprise Development, worked as a supervisor at W.E.D an NGO and working in Community Development.</p>
	<p><b>Mrs. Lucy W. Ndung’u</b> Trained Kenya Enrolled Community Nurse, Maternal and child Health Planning, Micro Credit Management, Business Development&amp; Marketing, HIV/AIDs Awareness &amp; Control, BOG member of Mathakwa-ini and Ithethe Secondary Schools, Chairperson of Tetu Sub-County Poverty Eradication Committee, she was member of CACC for two terms and currently the Vice Secretary Maendeleo ya Wanawake Nyeri County. She Represents Women’s Organization.</p>
	<p><b>Symon W. Wanjau- General Manager</b> K.C.S.E, Master of Business Administration, Bachelor’s degree in Business Administration Finance/Accounting, CPA (K), CPS Finalist, CIFA Finalist, Registered with ICPAK,</p>



**MANAGEMENT TEAM**

**QUALIFICATIONS AND MAIN AREA OF RESPONSIBILITY**



**1.Symon W. Wanjau- General Manager**  
 K.C.S.E, Master of Business Administration, Bachelor’s degree in Business Administration Finance/Accounting, CPA (K), CPS Finalist, CIFA Finalist, Registered with ICPAK,  
 He is responsible for Planning Directing Coordinating and Controlling the Operation of the Company.  
 Effective management of the company so as to ensure achievement of its set goals and objectives



**2. Grace N. Gathigia- Commercial Manager**  
 K.C.S.E, Master of Business Administration, Bachelor’s degree in Business Administration Finance/Accounting, CPA (K),  
 Registered with ICPAK. More than 15 years Working Experience  
 She Ensures that all the financial resources of the company are well managed, prudently invested, fully accounted for and reported efficiently. Continuous improvement of Administration and Accounting systems in the company.



**3.Joshua N Mumo-Technical Manager**  
 K.C.S.E, Diploma in water Engineering from Kenya Water Institute (KEWI) Over three years in water services provision sector. Responsible for production of quality water to customers, operate and maintain existing water infrastructure, ensure efficient and effective provision of water and sanitation services to meet consumer needs.



**4. Alice Nyaguthii Ngorongo-Human Resource & Administration Officer**  
 K.C.S.E, Degree in Human Resource Management, pursuing an MBA in Human Capital Development and awaiting completion of certified Human Resource Professional (CHRP). Also trained and registered as an assessor and verifier by TVET/CDACC.



**5. Anthony Ndegwa Githae- Internal Auditor**  
 K.C.S.E, Bachelor’s degree in commerce finance option, CPA(K) and Registered with ICPAK.  
 He ensures the Company assets are safeguarded and resources efficiently utilized. He also liases with the External Auditors to facilitate the process of easy flow of successful Audit.

## **CHAIRMAN'S STATEMENT**

The year 2019/2020 was a year with a difference, a year in which we were confronted by many challenges, but emerged more resilient and successful.

The macroeconomic landscape in the year was challenging characterized by depressed economies, disposable incomes in the whole world continued to decline resulting to reduced consumers spending. This greatly constrained our volumes and hindered growth in turnover during the year under review. However, despite the very difficult economic conditions, we are proud of the results we achieved. The Company water billing Decreased from ksh 62,010,225 to Kshs 58,491,846 for the financial year 2018/2019 and 2019/2020 respectively.

The company too undertook sponsorship of public health projects with Nyeri Hospice. This is targeted to terminally ill Cancer Patients and focuses on quality of life thereby turning the end of life into an important time of living.

Our effort to grow and improve as a company would not have been possible without the leadership of our talented Board of Directors, our employees, our customers, Constituency Development Fund (NG-CDF) Tetu, Tana Water Works Development Agency, Tetu Sub-County Water Office, Nyeri County Government and other potential development partners also deserve commendation for their hard work and loyalty.

The results presented today would not have been achieved without the support of the Directors and for this I wish to thank my colleagues in the Board.

On behalf of the Board, I wish to record our gratitude to our consumers for their continued loyalty and support and to all our employees in the company for their dedication and exemplary service without which the results would not have been achieved.



**JOEL W. KARIUKI**  
**CHAIRMAN –TEAWASCO.**



## **GENERAL MANAGER'S REPORT**

### **WATER SECTOR REFORMS**

One of the main principles of the Water Act 2002 was that water services were to be managed at the lowest level possible. In line with this principle the Ministry of Water and Irrigation transferred the provision of water services to Water Services Board with effect from July 2005. The Water Act 2002 stipulates that the Service Boards shall contract agents, known as water service providers, for provision of water services. Now under the Water Act 2016 the water service providers are wholly owned by the County Government.

### **HISTORY AND LEGAL ESTABLISHMENT**

TEAWASCO as a Company has been given the responsibility to take charge of the Management of all the assets that were previously under the Management of both Ministry of Water and Irrigation as Tetu Thegenge and Titie Water Schemes and National Water Conservation and Pipeline Corporation as Aguthi Water Scheme. Over the years all the existing water systems handed over to the Company have passed their ultimate design period, and in the process, they have been dilapidated and outlived their economic life. Hence, they need to be rehabilitated and augmented.

However, in order to be able to achieve sustainability there is need to develop and implement the infrastructure involving various components. However, these undertakings require huge amount of money which is beyond the capability of the Company to generate internally, therefore demanding external funding.

In addition, it is important to note that according to the new dispensation the water and sanitation services are devolved functions under the County Government, and this being the case the Water Act 2016 was enacted in order to accommodate these constitutional changes among other regulations awaiting enactment by Parliament.

In view of the above, the company is working closely with Tana Water Works Development Agency, National Government Constituencies Development Fund (NG-CDF) Tetu – Committee, Sub County Water Office and Nyeri County Government in fulfilling our core mandate.

### **INFRASTRUCTURE DEVELOPMENT**

For the purpose of improving our service delivery especially for Titie Water Scheme, the company is working closely with Nyeri County Government in soliciting for funds for construction of Titie Treatment Works of which the process is underway after construction augmentation of the raw water main under WSTF funding. Meanwhile, the company has acquired two acres of land within the Aberdare forest reserve for the construction purpose and the Treatment Works is on-going. However, the treatment facility will ensure provision of quality water that meets water quality sector standard.

### **FUTURE DEVELOPMENT PLANS**

The Company has earmarked to undertake the following activities in our future development programmes.

- √ Development of Bulk Water Supply by constructing reservoirs on Gura, Chania and Kagumo rivers including rehabilitation and augmentation of existing water systems.
- √ Improvement and development of sanitation services in our rural households and market centres.
- √ Water Catchment conservation and protection programmes.

**PROJECT PROPOSAL**

For the purpose of improving service delivery and at the same time, achieve sustainability there is an urgent need to augment the existing systems through development of the infrastructure by implementing the activities outlined in the company's project proposal documents.

**STAFF**

The company has 80 employees. The company aims to develop policies to enable it recruit its own staff guided by the company's human resource management policy. The ultimate goal is to make the company an enterprising Tetu Aberdare Water and Sanitation Co Limited. In this regard the company has in place human resource policy that includes health and safety, work injury benefits HIV/Aids awareness to enable staff deliver services.

**CONCLUSION**

With the implementation of Vision 2030 strategy and The Constitution of Kenya 2010, there is great demand for clean, safe and adequate water supply in all sectors contributing to economic development. This is a great opportunity for the company to exploit enabling it achieve its objectives and the ever-growing water service demand.

**GRATITUDE**

I would like to take this opportunity to thank Tana Water Works Development Agency, County Government of Nyeri, Water Office Tetu Sub-County, National Government Constituencies Development Fund (NG-CDF) Tetu, WSTF and TEAWASCO Board of Directors for their support during the year, also our esteemed customers and our suppliers who were all instrumental to our success this year. I am also grateful to our staff for their commitment and effort in striving to ensure the company meets its noble objectives and also in fulfilling our core mandate.



**S. W. WANJAU**

**GENERAL MANAGER**

## **REVIEW OF TEAWASCO'S PERFORMANCE FOR FY 2019/2020**

The Company had a good performance even though part of the year was difficult due to emergence of COVID 19 Pandemic from the month of March 2020.

<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance Indicator</b>	<b>Activities</b>	<b>Achievements</b>
Metering	100% metering	Increase Revenue	Metering programme	100%
Revenue Collection	95% and Above	Financial Sustainability	Disconnecting overdue Accounts	88%
Billing	100%	Increase Revenue	Purchase of smart phones for meter reading	93.7%

## **CORPORATE GOVERNANCE STATEMENT**

TEAWASCO is committed to operating under a clear governance framework and strongly adheres to sound management and control practices.

TEAWASCO is committed to ensuring compliance with the provisions of Water Act 2016 and Service provision agreement granted by Tana Waterworks Development Agency, Operating Licence from WASREB among other regulatory and supervisory corporate governance requirements.

In ensuring that corporate governance is enhanced and that the power of TEAWASCO is exercised in the stewardship of the company total portfolio of assets and resources with the objective of maintaining stakeholder's value, the Board of Directors have constituted the following committees:

### **1. FINANCE, ADMINISTRATION AND TECHNICAL COMMITTEE**

The Finance, Administration and Technical Committee are the overseer of the financial reporting process and sourcing of funds for Company's capital works.

TEAWASCO makes cognizance of the fact that human resources are one single asset in achieving the goals of the Company. It's the duty of the Finance, Administration and Technical Committee to ensure that TEAWASCO has the right staff, at the right place and doing the right thing. More so, the Committee will ensure that staff welfare is guaranteed.

The Committee is the overseer of the technical reporting process.

It shall ensure that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water infrastructures.

## 2. AUDIT COMMITTEE

In order to promote good corporate governance, TEAWASCO has constituted an Audit Committee with the following functions;

- Safeguarding of the assets.
- Scope and effectiveness of the internal controls.
- Audit of the annual financial statements.
- Compliance with all applicable regulatory requirements and accounting standards.

By order of the Board

For and on its behalf

 .....

**General Manager**

Date 29/9/2020

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Management's Discussion and Analysis of Financial condition and result of operating provides information that management believes is relevant to an assessment and understanding of the financial condition and results of operations of Tetu Aberdare Water and Sanitation Company Limited. This MD & A should be read in conjunction with the Company's Financial Statements and related notes for the year ended 30<sup>th</sup> June 2020 which are prepared in accordance with International Financial Reporting Standards (IFRS), Policies and best practices.

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

The company has joined hands with other stakeholders concerned in planting indigenous trees in the Aberdare forest water catchment area bearing in mind that the sustainability of our water sources wholly depends on Aberdare water tower which we desperately need to protect and preserve.

The company too undertook sponsorship of public health projects with Nyeri Hospice. This is targeted to terminally ill Cancer Patients and focuses on quality of life thereby turning the end of life into an important time of living.

The Company also purchased items to fight the COVID 19 pandemic for the residents of Tetu Sub-County which include washing soap and jericans which were put in urban areas for hand washing to fight the pandemic.

### **1.Sustainability Strategy and Profile**

The Company main goal is to be self-sustaining, this can only be achieved through collection of revenue at optimal level to cater for operations and maintenance, personnel costs and any other incidental costs that may occur during day to day running of the Company. Strategies must be put in place for a Company to continue being a going concern. The Company equally has to consider cost benefit analysis while coming up with methods of collecting revenue and cost of supplying water services to the customers.

The Company introduced cashless mode of Revenue Collection which is effective and reliable. Provision of water is through gravity which is very economical since no power is required, equally water is abstracted from Aberdare forest where pollution is minimal.

### **2.Environmental Performance**

Environmental Performance indicators condense data into relevant information that allows monitoring, target setting, tracing performance improvements, benchmarking and reporting. Environmental Performance indicators supply the operational level as well as top management with the information required for decision making. The Company has been conserving the environment through planting trees to protect water catchment areas and also preventing soil erosion. The Company has also constructed gabions along the pipeline in areas prone to landslides and erosion.

### **3.Employee welfare**

The Company operates three defined retirement benefits schemes for its employees; - ICEA Lion, Standard Chartered Bank 1987 and CPF pension schemes, the Company also contributes towards NSSF for its staff. There is also a medical cover in place for employees and a component of WIBA in

the General Insurance. In the Annual Budget the Company also sets aside money to cater for bereaved employees.

#### **4. Market Place Practices**

The Company's major objective is to gain return on its investments and therefore benefit financially by achieving the maximum value while leaving the customers with the feeling that they are definitely receiving their money's worth in service and quality. To do this the Company offers service at a price consistent with the customers' perception of the value received which is friendly.

In the industry the Company is also involved with other providers in provision of quality services. Water supplied is of high quality having undergone through full treatment to the required standards in the Sector.

#### **5. Community Engagements**

Engagements is not generally driven by a model so much as by a framework of guiding principles, strategies and approaches. This involves principles that respect the right of all community members to be informed, consulted, consulted, involved and empowered. Community engagement employs a range of tools and strategies to ensure success. It also places a premium on fostering and enhancing trust as a critical element in long-term, sustainable engagement and effective governance which will be beneficial to both the Company and the community.

Community is a broad term used to define groups of people whether they are stakeholders, interest groups or citizen groups. A community may be a geographic location (community of place), a community of similar interest (community of practice), or a community of affiliation or identity such as an industry.

The Company has been engaging the community through various forums which include public barazas, holding clinic days and open days for customers and the engaging the community through CSR.



## **REPORT OF THE DIRECTORS**

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

### **Principal activity**

To provide water and sanitation services to residents of Tetu and parts of Nyeri Central sub-counties in Nyeri County.

### **Results**

The results of the Tetu Aberdare Water and Sanitation Co Limited for the year ended June 30, 2020 are set out on pages 18-21

### **Dividends**

The company is limited by guarantee and does not pay dividends. Any surplus realised is ploughed back to finance capital expenditure.

### **Directors**

The members of the Board of Directors who served during the year are shown on page four. In accordance with Regulation of the company's Articles of Association, XXX and XXX retire by rotation and being eligible offer themselves for re-election.

### **Auditors**

The Auditor General is responsible for the statutory audit of the company's in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board

Company Secretary

Nyeri

Date:.....

## STATEMENT OF DIRECTORS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, require the Directors to prepare financial statements of Tetu Aberdare Water and Sanitation Co Limited which give a true and fair view of the state of affairs of Tetu Aberdare Water and Sanitation Co Limited at the end of the financial year 2019/2020 and the operating results of the Tetu Aberdare Water and Sanitation Co Limited for year 2019/2020. The Directors are also required to ensure that Tetu Aberdare Water and Sanitation Co Limited keeps proper accounting records which disclose with reasonable accuracy the financial position of Tetu Aberdare Water and Sanitation Co Limited. The Directors are also responsible for safeguarding the assets of Tetu Aberdare Water and Sanitation Co Limited.

The Directors are responsible for the preparation and presentation of Tetu Aberdare Water and Sanitation Co Limited financial statements, which give a true and fair view of the state of affairs of Tetu Aberdare Water and Sanitation Co Limited for and as at the end of the financial year ended on June 30, 2020. This responsibility includes:

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

The Directors accept responsibility for Tetu Aberdare Water and Sanitation Co Limited financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), in the manner required by the PFM Act and Public Sector Accounting Standards Board. The Directors are of the opinion that Tetu Aberdare Water and Sanitation Co Limited financial statements give a true and fair view of the state of Tetu Aberdare Water and Sanitation Co Limited transactions during the financial year ended June 30, 2020, and of Tetu Aberdare Water and Sanitation Co Limited financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Tetu Aberdare Water and Sanitation Co Limited, which have been relied upon in the preparation of Tetu Aberdare Water and Sanitation Co Limited financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

Tetu Aberdare Water and Sanitation Co Limited financial statements were approved by the Board on 29/9/11 2020 and signed on its behalf by:



**REPORT OF THE INDEPENDENT AUDITORS ON TETU ABERDARE WATER & SANITATION COMPANY**

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

	NOTES	2019/2020 Ksh	2018/2019 Ksh
<b>SALES</b>	1	<b>58,491,846</b>	<b>62,010,225</b>
Cost of sales	2	-12,173,574	-13,564,974
Gross profit		<b>46,318,272</b>	<b>48,445,251</b>
Other Income	3	1,963,599	9,756,103
<b>TOTAL REVENUES</b>		<b>48,281,871</b>	<b>58,201,354</b>
<b>OPERATING EXPENSES</b>			
Personnel	4	30,079,578	31,948,013
Administration Costs	5	10,533,344	10,368,260
Selling and Distribution Costs	6	7,500,064	13,685,206
Finance Charges	7	91,905	41,145
<b>Total Operating Expenses</b>		<b>48,204,891</b>	<b>56,042,624</b>
<b>PROFIT BEFORE TAX</b>		<b>76,980</b>	<b>2,158,730</b>
INCOME TAX EXPENSE	16	33,635	53,113
<b>PROFIT AFTER TAXATION</b>		<b>43,345</b>	<b>2,105,617</b>

**STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020**

	NOTES	2019/2020	2018/2019
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property, Plant & Equipment	14a	31,059,552	33,221,278
Intangible Asset	14c	43,254	54,067
Deferred Tax		48,050	0
		<b>31,150,855</b>	<b>33,275,345</b>
<b>CURRENT ASSETS</b>			
Trade Receivables	8	21,099,246	17,243,011
Cash & Bank Balances	9	20,637,146	22,909,018
Inventories	12	3,450,132	4,383,367
<b>TOTAL CURRENT ASSETS</b>		<b>45,186,524</b>	<b>44,535,396</b>
<b>TOTAL ASSETS</b>		<b>76,337,379</b>	<b>77,810,741</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Earnings	10	30,181,090	29,183,897
<b>NON-CURRENT LIABILITIES</b>			
Deferred Income	13a	21,812,681	22,766,529
<b>EQUITY AND LIABILITIES</b>		<b>51,993,771</b>	<b>51,950,426</b>
<b>CURRENT LIABILITIES</b>			
Consumer Deposits	11b	13,615,277	12,918,777
Trade Payable	11a	10,646,646	12,888,425
Tax Payable		81,685	53,113
		<b>24,343,608</b>	<b>25,860,315</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>76,337,379</b>	<b>77,810,741</b>

The financial statements were approved by the Board on... 29/9/2020  
and signed on its behalf by:

General Manager  Commercial Manager  Chairman 

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

	<b>2019/2020</b>	<b>2018/2019</b>
<b>DETAILS</b>	<b>RETAINED EARNINGS</b>	<b>RETAINED EARNINGS</b>
At the start of the year	29,183,897	26,039,167
Surplus for the year	43,345	2,105,617
Amortization	953,848	1,039,113
<b>At the end of the year</b>	<b>30,181,090</b>	<b>29,183,897</b>



**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

**CASH FLOW FROM OPERATING ACTIVITIES**

	NOTES	2019/2020	2018/2019
Net Profit for the year		43,345	2,105,617
Adjustment for depreciation	14a	2,421,566	2,795,933
Provision for AGM, Audit fee & Tax		-	1,750,000
KRA Refund	3	-	(299,020)
Increase in provision for tax		20,283	114,536
Decrease in Provision for AGM		(100,066)	-
Disposal of Telephone		18,560	
Tax Expense		33,635	53,113
Investment Interest Earned	3	(272,283)	(429,959)
Operating surplus before		<b>2,165,040</b>	<b>6,090,220</b>
working capital adjustments			
Decrease in Inventory	11,12b	970,719	1,494,428
Increase in Receivables	8	(3,856,235)	(2,553,379)
Decrease in Payables	11a	(2,241,779)	(501,203)
Deposits	11b	696,500	851,300
Grant (Stock consumables)		0	(418,852)
		<b>(4,430,795)</b>	<b>(1,127,706)</b>
Net cash generated from operating activities		<b>(2,265,755)</b>	<b>4,962,514</b>

**CASH FLOW FROM INVESTING ACTIVITIES**

Interest earned		272,283	429,959
Purchase of assets	14a	(278,400)	(520,840)
		<b>(2,271,872)</b>	<b>4,871,633</b>

**CASH FLOW FROM FINANCING ACTIVITIES**

Net increase in cash and cash equivalents		<b>(2,271,872)</b>	<b>4,871,633</b>
Cash and cash equivalents at the beginning of the year		22,909,018	18,037,385
Cash and cash equivalents at the end of the year	9	<b>20,637,146</b>	<b>22,909,018</b>

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019-2020	2019-2020	2019-2020	2019-2020	2020
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Sale of services	65,698,000	0	0	58,491,846	(7,206,154)
Transfers from the County Government	0	0	0	0	0
Donations in kind	2,000,000		0	776,450	(1,223,550)
Finance Income	600,000	0	0	272,283	(327,717)
Other income	1,125,600	0	0	914,866	(210,734)
Total income	69,423,600	0	0	60,455,445	(8,968,155)
Expenses					
Compensation of employees	31,622,394	0	0	30,079,578	1,542,816
Use of goods and services	29,920,000	0	0	28,010,249	1,909,751
Finance cost	60,000	0	0	91,905	(31,905)
Rent paid	0	0	0	0	0
Taxation paid	300,000	0	0	120,283	179,717
Other payments	1,300,000	0	0	1,300,000	0
Grants and subsidies paid	2,000,000	0	0	776,450	1,223,550
Total expenditure	65,202,394	0	0	60,378,465	4,823,929
Surplus for the period	4,221,206	0	0	76,980	(13,792,084)

PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

Budget notes: Provide explanation of differences between actual and budgeted amounts (10% over/under) Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide reconciliation.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Tetu Aberdare water & sanitation company Limited is established by and derives its authority and accountability from Water Act 2016. Tetu Aberdare water & sanitation company Limited is wholly owned by the County Government of Nyeri and is domiciled in Kenya. The Company's principal activity is to provide water and sanitation services to residence of Tetu and parts of Nyeri Central Sub counties in Nyeri County.

### 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, impaired assets at their estimated recoverable amounts and 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 Tetu Aberdare Water & Sanitation Company Limited accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Tetu Aberdare Water and Sanitation Company Limited.

The financial statements have been prepared in accordance with the PFM Act, Company's 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)

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

##### *IFRS 16: Leases*

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The Standard does not affect the Company Currently.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

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

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. The Standard does not affect the Company Currently.

***IFRIC 23: Uncertainty Over income tax treatments***

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

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

The Company has adopted the Standard in the Financial Statements for the year ended 30<sup>th</sup> June 2020.

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

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination. The Standard does not affect the Company Currently.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

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

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

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked. The Standard is not affecting the Company Currently.

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

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

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

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard. The Standard does not affect the Company Currently.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

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

*IFRS 17 Insurance Contracts (Issued 18 May 2017)*

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

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

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



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2018.

**iii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Revenue recognition**

Revenue is recognized when earned to Tetu Aberdare Water and Sanitation Co Limited and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of Tetu Aberdare Water and Sanitation Co Limited’s activities, net of value-added tax (VAT), where applicable and when specific criteria have been met for each of the Tetu Aberdare Water and Sanitation Co Limited activities as described below.

- i) **Revenue from the provision of Water** is recognized in the year in which Tetu Aberdare Water and Sanitation Co Limited Provides water and the customer has accepted the commodity and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government and County Government** are recognized in the year in which Tetu Aberdare Water and Sanitation Co Limited actually receives such grants.
- iii) **Finance income** comprises interest receivable from bank deposit invested and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Rental income** is recognized in the income statement as it accrues using the effective rental agreements.
- v) **Other income** is recognized as it accrues.

**2. In-kind contributions**

In-kind contributions are donations that are made to Tetu Aberdare Water and Sanitation Company Limited 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, they includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment

Property plant and equipment are stated at cost less the accumulated depreciation charged. 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 as profit or loss in the income statement.

#### Depreciation and impairment of property, plant and equipment

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

Depreciation is charged on reducing balance method using the following rates

Pipes	2.5%
Telephone & computers	30%
Office furniture & equipment	12.5%
Plant and equipment	12.5%
Motor bikes and vehicles	25%

A full year's depreciation charge is recognised in the year of asset purchase.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### i) INVENTORIES

Inventories are valued at the lower of cost and net realizable value. The cost of inventories comprises purchase price, transportation and handling charges, and determined on the weighted average price method

#### ii) SURPLUS

The company is limited by guarantee and surplus is ploughed back to finance company capital works

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **i) 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.

#### **ii) Amortization and impairment of intangible assets**

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

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

#### **iii) Investment property**

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

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

#### **iv) Finance and operating leases**

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Inventories**

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

**ii) Trade and other receivables**

They are recognized and carried at the realizable value less the provision for risk allowance, at currently 10%. 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.

**iii) Taxation**

***Current income tax***

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**iv) Taxation (Continued)**

*Current income tax (Continued)*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### v) Taxation (Continued)

##### *Deferred tax (Continued)*

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### vi) Cash and cash equivalents

Cash and cash equivalents comprise cash in 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 Kenya Commercial Bank at the end of the financial year.

#### vii) 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.

#### viii) 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 Tetu Aberdare Water & Sanitation Company or not, less any payments made to the suppliers.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 1. Retirement benefit obligations

The company operates a defined contribution retirement benefits scheme for its employees (Standard Chartered Bank 1987), ICEA Lion and CPF Pension Scheme.

The company also contributes to National Social Security Fund (NSSF) which is a defined contribution scheme. Contributors are determined by local statute as legislated. The company's contributions to the defined contribution schemes are charged to the income and expenditure account in the year to which they relate.

#### 2. Provision for staff leave pay

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

#### 3. Budget information

The original budget for FY 2019-2020 was approved by the Board of Directors on 18<sup>th</sup> June 2019. No Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. No additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, Tetu Aberdare Water & Sanitation Company Limited did not record additional appropriations.

Tetu Aberdare Water & Sanitation Company Limited 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ix) Budget information (Continued)**

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 5 of these financial statements.

**x) Service concession arrangements**

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

**xi) Comparative figures**

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

**xii) Subsequent events**

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

**xiii) SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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



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

### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity 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 Tetu Aberdare Water & Sanitation Company Limited. 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 Tetu Aberdare Water & Sanitation Company Limited
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 27.

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. They are recognized and carried at the realizable value less the provision for risk allowance, at currently 10%. 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.

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2019/2020</b>	<b>2018/2019</b>
<b>1 SALES (BILLING OR TURNOVER)</b>		
Billing for the year	58,491,846	62,010,225
	<b>58,491,846</b>	<b>62,010,225</b>
<b>2 COST OF SALES</b>		
GIS Mapping	66,200	57,900
WASREB	2,538,764	2,073,111
WRA	452,660	452,654
Filter Media	518,404	3,932,400
Land Rent & Rates	281,000	291,000
Motor Bike Repair	626,022	403,256
Pipes & Fittings	1,888,428	3,301,021
Repair of Gura river crossing	876,960	0
Cold Water Meters	2,406,985	1,232,000
General Maintenance	333,412	355,680
Chemicals	1,926,180	812,200
Production milk	114,645	117,945
Uniforms & Occupation Safety Health	0	440,303
Crop compensation	0	5,250
Laundry & Sanitation	143,914	86,569
Cleaning Materials	0	3,685
<b>Sub Total</b>	<b>12,173,574</b>	<b>13,564,974</b>
<b>3 OTHER INCOME</b>		
Grants	776,450	8,008,824
Interest income	272,283	429,959
Others	914,866	1,317,320
<b>TOTAL</b>	<b>1,963,599</b>	<b>9,756,103</b>
<b>OPERATING EXPENSES</b>		
<b>4 PERSONNEL</b>		
Salaries	18,359,741	20,238,978
Wages	10,273,503	9,250,452
Grants	0	1,286,640
Training	521,600	890,700
Staff Welfare	234,074	50,000
Leave pay	690,660	231,243
<b>TOTAL</b>	<b>30,079,578</b>	<b>31,948,013</b>

**ADMINISTRATION COST**

5

Printing & Stationery	159,515	278,787
Office Expenses	312,176	349,571
Telephone	1,424,556	1,397,731
Travelling & Subsistence	462,050	932,300
Postage	43,262	56,236
Electricity	174,111	333,401
Advertisement	275,889	782,991
Newspaper	26,700	45,120
Computer & Copier Expenses	165,310	161,950
Celebrations	82,600	104,860
Transport (public)	76,420	106,780
Copier & Computer Maintenance	102,100	158,900
Security	772,000	738,000
Directors Allowances	1,815,607	1,803,300
Board Seminars (Corporate Governance)	1,264,755	340,620
Consultation & Professional fee	809,000	231,267
Provision for AGM	1,300,000	1,300,000
Membership Subscription	236,450	262,450
Rent Tax expense	10,560	10,560
Increase in provision for AGM	0	0
Increase in provision for Tax	20,283	114,536
Provision For Audit Fee	700,000	350,000
Provision For Tax	300,000	100,000
Blue Economy	0	408,900
<b>TOTAL</b>	<b>10,533,344</b>	<b>10,368,260</b>

**6 SELLING & DISTRIBUTION COSTS**

Motor Vehicle Repair	992,658	290,139
Tana WWDA meters	776,450	2,210,084
Building Materials	0	102,125
Depreciation	2,421,566	2,795,933
Amortization (Upgrading quick water)	10,813	13,517
Fuel & Oil	1,842,370	2,394,676
Catchment, Conservation & Social Responsibility	10,800	228,060
County Government Pipes	0	4,512,100
Insurance	1,010,616	856,361
Provision for doubtful & bad debts	434,791	282,211
<b>TOTAL</b>	<b>7,500,064</b>	<b>13,685,206</b>

<b>7 Financial Charges</b>	91,905	41,145
	<b>91,905</b>	<b>41,145</b>
<b>8 TRADE RECEIVABLES</b>	<b>2019/2020</b>	<b>2018/2019</b>
Disputed receivables	0	19,853,586
Salary Advance	1,365	197,197
Prepayment (Insurance)	408,875	286,828
Prepayment (Training)	15,000	24,000
Prepayment (Postage)	7,088	7,088
Deposits (Electricity)	25,500	25,500
Customer Unpaid Bills	22,906,131	<b>18,558,220</b>
	<b>23,389,859</b>	<b>38,952,419</b>
Less provision	2,290,613	1,855,822
Provision disputed receivables	0	19,853,586
<b>Sub Totals</b>	<b>21,099,246</b>	<b>17,243,011</b>
<b>9 CASH EQUIVALENT</b>		
Current Account	3,087,446	5,676,736
Savings Account	1,286,283	12,051,338
M-pesa MMF account	0	400
M-pesa Account	11,838	25,415
Gratuity A/C	11,000,000	0
Fund A/C	539,687	539,687
Development account (TWSB)	837,843	843,228
Development account (Salary)	3,874,049	3,772,214
	<b>20,637,146</b>	<b>22,909,018</b>
<b>10 RETAINED EARNINGS</b>		
Reserves	29,183,897	26,039,167
Surplus for the Period	43,345	2,105,617
Amortization	953,848	1,039,113
<b>Total</b>	<b>30,181,090</b>	<b>29,183,897</b>
<b>11a TRADE PAYABLES</b>		
BOARD OF DIRECTORS	63,950	68,150
PIPES & FITTINGS	1,511,906	751,142
MOTOR VEHICLE REPAIR	437,040	263,903
PRINTING & STATIONERY	114,210	0
COMPUTER		
MAINTAINANCE	0	42,500

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CROP COMPENSATION	111,455	0
UNIFORMS	0	263,903
MOTOR BIKE REPAIR	124,186	0
FUEL & OIL	0	291,114
4% WASREB	777,576	190,232
9% TWSB	2,704,433	3,919,433
WASPA	85,000	85,000
WARMA	113,165	113,165
TELEPHONE	0	74,586
PAYE	118,593	254,100
LEAVE PAY	39,000	0
INSURANCE	63,866	0
LAUNDRY	64,700	0
PROVISION FOR A.G.M	1,300,000	1,300,000
PROVISION FOR TAX	300,000	100,000
PROVISION FOR AUDIT FEE	700,000	350,000
COLD WATER METERS	1,758,364	616,000
FILTER MEDIA	259,202	3,932,400
BLUE ECONOMY	0	408,900
CORPORATE SOCIAL RESPONSIBILITY	0	127,800
	<b>10,646,646</b>	<b>12,888,425</b>
<b>11 b Consumer deposits</b>		
Bal B/F	12,918,777	10,867,477
Additions	714,500	875,000
Refund	-18,000	-23,700
Performance Guarantee	0	1,200,000
Bal B/D	<b>13,615,277</b>	<b>12,918,777</b>
<b>12 INVENTORY</b>		
Pipes & water fittings	3,065,582	3,623,367
Detergent	0	14,000
Water chemicals	384,550	746,000
<b>Total</b>	<b>3,450,132</b>	<b>4,383,367</b>
<b>13a) DEFFERED INCOME</b>		
Bal B /f	22,766,529	23,805,641
Amortizations	-953,848	-1,039,113
Bal C/d	<b>21,812,681</b>	<b>22,766,528</b>

**13b) GRANTS (METERS)**

40MM 38NO @ 12,400	0	0
20MM 2 NO @ 3,619	0	209,902
25MM 21 NO @ 9,950	0	208,950
15MM 22 NO @ 1704	37,484	0
<b>TOTAL</b>	<b>37,484</b>	<b>418,852</b>

**14a) PROPERTY, PLANT & EQUIPMENT SCHEDULE AS AT 30TH JUNE 2020**

<b>DETAILS</b>	<b>PIPES</b>	<b>TELEPHONE &amp; COMPUTERS</b>	<b>OFFICE FURNITURE &amp; EQUIPMENTS</b>	<b>METERS</b>	<b>MOTOR VEHICLES &amp; CYCLES</b>	<b>TOTAL</b>
Depreciation Rate	2.5%	30.0%	12.5%	12.5%	25.0%	
<b>Opening Bal At Cost 1/7/2019</b>	26,517,407.00	3,218,155.00	539,372.00	19,904,162.00	10,576,419.00	<b>60,755,515.00</b>
Additions		278,400.00				<b>278,400.00</b>
Disposal		-18,560.00				<b>-18,560.00</b>
<b>Closing Bal As At 30/6/2020</b>	<b>26,517,407.00</b>	<b>3,477,995.00</b>	<b>539,372.00</b>	<b>19,904,162.00</b>	<b>10,576,419.00</b>	<b>61,015,355.00</b>
DEPRECIATION						
<b>Opening Bal As 1/7/2019</b>	3,917,946.02	2,589,712.37	386,004.23	12,791,541.23	7,849,032.83	<b>27,534,236.68</b>
Period Charge	586,910.52	266,484.79	19,170.97	889,077.60	681,846.54	2,443,490.42
<b>Total Depreciation</b>	<b>4,482,932.54</b>	<b>2,856,197.16</b>	<b>405,175.20</b>	<b>13,680,618.83</b>	<b>8,530,879.37</b>	<b>29,955,803.10</b>
N B V As At 30/6/2020	<b>22,034,474.46</b>	<b>621,797.84</b>	<b>134,196.80</b>	<b>6,223,543.17</b>	<b>2,045,539.63</b>	<b>31,059,551.90</b>
N B V As At 30/6/2019	<b>22,599,460.98</b>	<b>628,442.63</b>	<b>153,367.77</b>	<b>7,112,620.77</b>	<b>2,727,386.18</b>	<b>33,221,278.33</b>

**14b) PROPERTY, PLANT & EQUIPMENT SCHEDULE AS AT 30TH JUNE 2019**

<b>DETAILS</b>	<b>PIPES</b>	<b>TELEPHONE &amp; COMPUTERS</b>	<b>OFFICE FURNITURE &amp; EQUIPMENTS</b>	<b>METERS</b>	<b>MOTOR VEHICLES &amp; CYCLES</b>	<b>TOTAL</b>
Depreciation Rate	2.5%	30.0%	12.5%	12.5%	25.0%	
<b>Opening Bal At Cost 1/7/2018</b>	26,517,407.00	2,697,315.00	539,372.00	19,904,162.00	10,576,419.00	<b>60,234,675.00</b>
Additions		520,840.00				<b>520,840.00</b>
<b>Closing Bal As At 30/6/2019</b>	<b>26,517,407.00</b>	<b>3,218,155.00</b>	<b>539,372.00</b>	<b>19,904,162.00</b>	<b>10,576,419.00</b>	<b>60,755,515.00</b>
DEPRECIATION						
<b>Opening Bal As 1/7/2018</b>	3,338,472.66	2,320,379.81	364,094.55	11,775,452.55	6,939,904.10	<b>24,738,303.67</b>
Period Charge	579,473.36	269,332.56	21,909.68	1,016,088.68	909,128.73	2,795,933.00
<b>Total Depreciation</b>	<b>3,917,946.02</b>	<b>2,589,712.37</b>	<b>386,004.23</b>	<b>12,791,541.23</b>	<b>7,849,032.83</b>	<b>27,534,236.67</b>
N B V As At 30/6/2019	<b>22,599,460.98</b>	<b>628,442.63</b>	<b>153,367.77</b>	<b>7,112,620.77</b>	<b>2,727,386.18</b>	<b>33,221,278.33</b>
N B V As At 30/6/2018	<b>23,178,934.34</b>	<b>376,935.19</b>	<b>175,277.45</b>	<b>8,128,709.45</b>	<b>3,636,514.91</b>	<b>35,496,371.34</b>

<b>14c) INTANGIBLE ASSET</b>		
<b>DEPRECIATION RATE</b>	<b>DEPRECIATION</b>	<b>BALANCE</b>
<b>2018/2019</b>		
20%	13,517	<b>54,067</b>
<b>2019/2020</b>		
20%	10,813	<b>43,254</b>

**15a.TANA WATER WORKS DEVELOPMENT AGENCY  
PROPERTY , PLANT & EQUIPMENT AS AT 30TH JUNE 2020**

DETAILS	BUILDINGS	COMPUTER & ACCESSORIES	FURNITURES & FITTINGS	MOTOR VEHICLES & CYCLES	TOTAL
Depreciation Rate	2.5%	30.0%	12.5%	25.0%	
<b>Opening Bal At Cost 1/7/2019</b>	144,512,641	2,449	35,842	42,130	<b>144,593,062</b>
Additions	0	0	0	0	<b>0</b>
<b>Closing Bal As At 30/6/2020</b>	<b>144,512,641</b>	<b>2,449</b>	<b>35,842</b>	<b>42,130</b>	<b>144,593,062</b>
<b>Opening Bal As 1/7/2019</b>	4,211,025	6,245	9,983	59,178	<b>4,286,431</b>
Period Charge	3,612,816	735	4,480	10,533	3,628,563
<b>Total Depreciation</b>	<b>7,823,841</b>	<b>6,980</b>	<b>14,463</b>	<b>69,711</b>	<b>7,914,994</b>
<b>N B V As At 30/6/2020</b>	<b>140,899,825</b>	<b>1,714</b>	<b>31,362</b>	<b>31,598</b>	<b>140,964,499</b>

**15b.TANA WATER WORKS DEVELOPMENT AGENCY  
PROPERTY , PLANT & EQUIPMENT AS AT 30TH JUNE 2019**

DETAILS	BUILDINGS	COMPUTER & ACCESSORIES	FURNITURES & FITTINGS	MOTOR VEHICLES & CYCLES	TOTAL
Depreciation Rate	2.5%	30.0%	12.5%	25.0%	
<b>Opening Bal At Cost 1/7/2018</b>	148,218,093	3,499	40,962	56,173	<b>148,513,275</b>
Additions	0	0	0	0	<b>0</b>
<b>Closing Bal As At 30/6/2019</b>	<b>148,218,093</b>	<b>3,499</b>	<b>40,962</b>	<b>56,173</b>	<b>148,513,275</b>
<b>Opening Bal As 1/7/2018</b>	4,211,025	6,245	9,983	59,178	<b>4,286,431</b>
Period Charge	3,705,452	1,050	5,120	14,043	3,725,665
<b>Total Depreciation</b>	<b>7,916,477</b>	<b>7,295</b>	<b>15,103</b>	<b>73,221</b>	<b>8,012,096</b>
<b>N B V As At 30/6/2019</b>	<b>144,512,641</b>	<b>2,449</b>	<b>35,842</b>	<b>42,130</b>	<b>144,787,610</b>



**16. TETUABERDARE WATER & SANITATION COMPANY LIMITED  
TAX COMPUTATION FOR THE PERIOD ENDED 30TH JUNE 2020**

	<b>2020</b>
	<b>Kshs</b>
Profit before tax	76,980
<b>Add</b>	
Depreciation	2,421,566
Disposal of telephone	18,560
Provision for doubtful & bad debts	484,151
Provision for AGM	1,300,000
Provision Tax	300,000
Provision Audit fees	700,000
	<b>5,224,277</b>
<b>Less</b>	
Wear and tear allowance	3,169,897
Interest income	272,283
Rent Income	105,600
Gain on disposal	-
	<b>3,547,780</b>
Taxable income / (Losses)	<b>1,753,472</b>
Accumulated tax loss b/fwd.	0
Adjusted taxable income/(losses)	<b>1,753,477</b>
Rental Income	105,600
Tax paid (house rent)	-10,560
Income	<b>95,040</b>
Interest Income	272,283
Tax thereon @ 30%	81,685
Less	
Withholding tax deducted at source	48,050
Advance tax	0
Installment Taxes	0
Tax payable/(Refundable)	33,635

## **17. RELATED PARTY DISCLOSURES**

### **a) County Government of Nyeri**

The County Government of Nyeri is the principal shareholder of Tetu Aberdare Water and Sanitation Company Limited Holding 100% of its interest.

Other related parties include:

- i) Parent ministry
- ii) WASREB
- iii) WRA
- iv) Tana Water Works Development Agency
- v) Key Management
- vi) Board of Directors

### **b) Financial Risk Management Objectives**

The company's overall risk management programme focuses on unpredictable changes in the operating environment and seeks to minimize the potential adverse effect of such risks on its performance.

Major types of financial risk that may face the company include:

#### **i) Currency Risk**

The company is currently not exposed to currency risk because it does not trade with foreign countries.

#### **ii) Interest Rate Risk**

The company has not borrowed money and thus not affected by interest rate risk.

#### **iii) Price Risk**

The company does not hold investments that would be subject to price risk hence no exposure to price risk.

#### **iv) Credit Risk**

This is the risk that one party will default on his/her contractual obligation resulting in financial loss to the company.

The company measures, monitors and manages credit risk for each receivable.

This risk is primarily attributable to bank balances, trade and other receivables.

The amounts presented in the statement of financial position are net of 10% risk allowance estimated by the management based on prior experience and assessment of the current economic environment.

The company developed a debt management policy in order to reduce the customer unpaid bills.

#### **v) Liquidity Risk**

The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows. The management has also put in place framework for the management of the company's' short, medium- and long-term funding and liquidity management requirements.

**18. The Company has re- classified several items which have been explained below and highlighted in the notes using an Asterisk.**

1. Sales/turnover previously was revenue.

2. Cost of sales comprises of WASREB, WRA, filter media, land, rent & Rates, Motor bike repair, Pipes & fittings, cold water meters, General repair maintenance, Chemicals, Production cost, uniforms & OSH, Crop compensation, Laundry & sanitation, Cleaning materials.

3. Other income itemised as Grants, Interest and income others.

4. Personnel comprises of Salaries, Wages, Grants, Training, Staff welfare Leave pay previously classified as Personnel and Administration cost.

5. Administration cost comprise of printing & stationery, Office expense, Telephone Postage,

Travelling & Subsistence, Electricity, Advertisement, Newspaper, Computer & Copier maintenance, Celebration, Transport, Copier & computer Maintenance, Security, Directors allowance, Board seminars Consultation & Professional fee, Provision for AGM, Membership subscription, Tax expenses, increase in provision for AGM, Increase in provision for tax, Provision for Audit fee, Provision for Tax, Blue economy previously classified as Office administration cost & Professional charges.

6. Selling & Distribution comprises of Motor vehicle repair, Tana WWDA meters, Meters, Building materials, Depreciation, Amortization, Fuel & Oil, Catchment conservation & social responsibility, County government pipes, Insurance provision for doubtful debts. Previously classified as Distribution Operation & Maintenances costs.

**I. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
1.1 (Other Matter)	Trade Receivables				
	Disputed receivables balance of Kshs. 19,853,586 has remained outstanding for a long period of time but the company has provided 100% provision for bad debts for these receivables. The auditor had observed that no efforts seem to be made by the company to recover the long outstanding disputed debts.	<p>The Company concurs with your observation that the disputed receivables have remained outstanding for a long period of time. However, it is not possible to recover these debts due to the following reasons.</p> <p>a. Most of these debts were outstanding even before the Company was formed and therefore were inherited from the Ministry of water and no handing over was carried out. The Company therefore, relied on ledgers that were available by then.</p> <p>b. It is hard to trace these connections on the ground because there are scant details about them. Moreover, the holders of these connections have either died or have sub- divided their lands.</p> <p>c. Some of these areas of service operation never used to get water services yet the customers had</p>	Grace Gathigia Commercial Manager	Resolved.	


TETU ABERDARE WATER & SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>accumulated water bills.</p> <p>d. Most of these debts belong to customers who were connected to Nyeri Water and Sewerage Company from year 2015 to date. They are currently being served by <b>NYEWASCO</b>. Such areas include Gatitu, Riamukurwe, Chorongi, Kigwandi, Ithenguri, Giakanja, Gitero, Githathi-ini, Kamuyu, Kihatha, Misha, Marua, Thunguma, Muruguru and Muthua-ini. All these customers from these areas were connected by <b>NYEWASCO</b> without clearance from the Company.</p>			
2	NRW (Non-Revenue Water) /Unaccounted for Water (UFW)	<p>a. Reasons for increase in volume of UFW (i.e.) 774,208 cubic meters approximately 40% of total volume which is 15% over and above the allowable loss of 25% as per Water Service Regulatory Board guideline.</p> <p>i. The three water supplies namely, Aguthi, Tetu Thegenge, and Titie were constructed in 1980, 1974 and 1987 respectively. This indicate that all the three water supplies are beyond their operation period.</p> <p>ii. Low or non-funding by the Government to rehabilitate the</p>	Joshua N. Mumo – TECHNICAL MANAGER	Not Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>dilapidated infrastructure.</p> <p>b. Installation of Ball Measures to curb the increase in volume of UFW.</p> <p>i. Installation of customer meters with an objective of achieving 100% metering level.</p> <p>ii. Have constituted an independent NRW unit within the Technical department in charge of NRW.</p> <p>iii. Valves in our tanks.</p> <p>iv. Liaison with customers in reporting leaks and bursts.</p> <p>v. Water loss due to road construction and upgrading led to disruption of service provision.</p>			

General Manager



Date....

29/9/2020

Chairman of the Board



Date...

29/9/2020