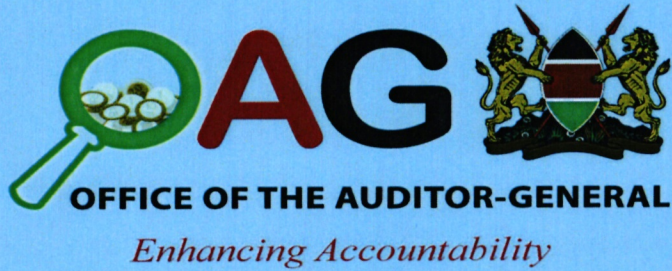


Scanned

REPUBLIC OF KENYA



PAPERS LAID	
DATE	09/11/2022
TABLED BY	SENATE MAJORITY SHIP
COMMITTEE	_____
CLERK AT THE TABLE	Ms. MACHARIA

PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

ON

**NAIVASHA WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2021**



**NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021**



**NAIVASHA WATER AND SANITATION COMPANY LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDING
JUNE 30, 2021**

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

Table of Contents

1. KEY ENTITY INFORMATION.....	iii
2. THE BOARD OF DIRECTORS	vi
3. CORPORATE MANAGEMENT TEAM	viii
4. CHAIRMAN’S STATEMENT	x
5. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xii
6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FINANCIAL YEAR 2020/2021	xv
7. CORPORATE GOVERNANCE STATEMENT	xvii
8. MANAGEMENT DISCUSSION AND ANALYSIS.....	xix
9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	xxiii
10. REPORT OF THE DIRECTORS	xxv
11. STATEMENT OF BOARD OF DIRECTORS’ RESPONSIBILITIES.....	xxvi
12. REPORT OF THE INDEPENDENT AUDITORS ON THE NAIVAWASCO (NAIVASHA WATER AND SANITATION COMPANY LTD).....	xxvii
13. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE, 2021	1
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2021.....	2
15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021..	3
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021.....	4
17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021	5
18. NOTES TO THE FINANCIAL STATEMENTS	7
NOTES TO THE FINANCIAL STATEMENTS (Continued).....	20
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS...27	
APPENDIX II: PROJECTS IMPLEMENTED BY NAIVAWASCO.....	32
GLOSSARY OF TERMS.....	33

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021

1. 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

To realise a reliable sufficient high-quality water and sanitation services accessible within a reasonable distance.

Mission

Continuously provide adequate high quality, affordable, accessible and sustainable water and sanitation services that exceed the needs and expectations of customers using contemporary 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
Mark Kariuki	Member	Appointed on May 2015
Joyce Lairumbe	Member	Appointed on April 2020
Pius Langat	Member	Appointed on July 2019
Jane Muriu	Member	Appointed on February 2021

Key Management

1. Nahashon Wahome	Managing Director
2. Felix Mwarema	Technical Manager
3. Winnie Karanja	Finance and Administration 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

**NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021**

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>Mr Johnson Karanja was born on 18th December 1974 and serves as 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>Joyce Lairumbe was born on 27th November 1977 and sits as the Chair in the 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>CPA Muchinah Gitau was born on 05th October 1979 and 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 was born on 12th August 1964 and 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>



NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021

 <p>5. Pius Langat</p>	<p>He was born on 15th August 1948 and 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. Jane Muriu</p>	<p>She was born on 3rd July 1962 and currently the Ag. Chief Officer Water – Directorate of Water and Sanitation in Nakuru County.</p> <p>She holds an Msc in Irrigation from the University of Florence, Italy and Bsc in Water Engineering from Kenyatta University. She is registered with the Engineers Board of Kenya (EBK) as a Graduate Engineer. She sits in the Technical Committee as a representative of the County Government. She joined the company in Feb 2021.</p>
 <p>7. Mark Kariuki.</p>	<p>He was born on 02nd November 1953 and is a member of the Technical and Audit, Risk and Governance committees and represents Commercial Consumers in the Board. 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 Gikui 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>

	<p>Managing Director</p> <p>He was born on 09th April 1987 the Managing Director since July 2018 having joined the company in November 2014 and serves as the secretary to the board. 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>
---	---

Nahashon Wahome




3. CORPORATE MANAGEMENT TEAM

	<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>Finance and Administration Manager</p> <p>She is the Finance and Administration 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. She is a registered member of Institute of Certified Public Accountants of Kenya (ICPAK)</p>

1. Nahashon Wahome

2. Winnie Karanja

**NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021**

 <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>
 <p>4. Felix Mwarema</p>	<p>Technical Manager</p> <p>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.</p>
 <p>5. CPS Gikuhi Kiana.</p>	<p>Company Secretary</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>

4. CHAIRMAN'S STATEMENT



It is with great pleasure that I present an overview of the Annual report and Financial Statement for the Year ended 30th June 2021. I cannot hesitate to say that I am mindful of the stakeholders who have contributed and enabled the company to provide better water and sanitation services to the residents of Naivasha Sub-County.

First, I want 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. I have to appreciate the County Government for offering direction and good working environment. I still hope that in this dispensation we will continue enjoying a supportive relationship for the interest of the residents of Naivasha.

With blessings of the County Government, the Company has managed to sustain partnership with development organizations including the Kingdom of Netherlands (VEI), Sanivation, Water & Sanitation for the Urban Poor (WSUP), Central Rift Valley Water Works Development Agency (CRVWDA) and Water Sector Trust Fund (WSTF) and Conditional Liquidity support Grant (CLSG). I am aware that there are possibilities of donors partnering with the County Government of Nakuru through the national government, and I would appreciate if the County leadership can re-affirm this. Our Company is much prepared to facilitate the implementation of such on behalf of the County Government of Nakuru. This is mostly on areas of design and construction of major investments like

- A new sewer reticulation for the whole of Naivasha town and a sewer treatment plant;
- Construction of a dam, purification plant and transmission lines to Naivasha town and its environs.

It is worth noting that we have been able to identify the problems related to services delivery and with the necessary resources, we can easily manage to ensure lack of water is a thing of the past. It is for that reason that we are highly inviting the contribution of the County Government of Nakuru towards supporting our infrastructure development plans. As you are aware, the role of the company is to operationalize the assets while the County and the National Government still holds the major role in major expansion of our facilities.

I am also pleased to inform that NAIVAWASCO has grown tremendously over the year, with over 30% growth in connections, 15% growth in revenue and other growth experienced in Wards served, human resources among others. The growth was achieved through various

**NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021**

projects such as Mirera Kiu Water Project, CBD Relocation of Water Lines, Mai Mahiu Water Project, Kabati Karagita Upscaling Project, And Decentralised Treatment Plant. The growth of the Company and completion of the projects was witnessed through increased number of consumer connections, amount of water supplied, number of skilled employees; and above all, the fact that Water Services Regulatory Board (WASREB) has awarded the Company as the top utility in the medium water services providers category for two consecutive years.

The company continues to deliver increased amount of water to the residents whose quality is assured to be high, and more importantly, the Company is still looking forward to reach other new areas within Naivasha Sub-County such as upper Kayole and Kinamba. Our short-term plans are well illustrated in the newly developed 2020-2024 strategic plan. We anticipate serving more customers with sufficient potable water and bringing on board more development partners.

Thank You and God Bless You!

Sign.....

Johnson Karanja

Chairman, Naivasha Water and Sanitation Company Ltd.

5. REPORT OF THE CHIEF EXECUTIVE OFFICER



Naivasha Water and Sanitation Company has once again experienced an incredible growth Revenue in the close Financial Year 2020/2021 despite of the Global pandemic challenge. This is evidenced in the report a realization of Kes 176 Million from Kes 154 Million which is an increment of 14%. This was achieved from implementation of different projects and rehabilitation of lines. This is a result of the continued contribution out of hard work from the employees and the stakeholders to ensure provision of better services to the residents of Naivasha.

Achievements

As a company, we are proud of being a successful, growing water service provider and of the important contributions we make to wider society. At a time of global uncertainty, we believe an important role is to seek solutions and create opportunities. By growing and sustaining a financially strong and responsible water utility over the long-term, guided by a clear purpose, we can make a positive and significant impact not just to our customers, but to the economy and society at large. Despite the Global pandemic challenge, below are some of the achievements the company managed within the year:

- The company acquired and installed a functional Enterprise Resource Planning (ERP) software system which is an integrated system of software applications that allows the company to manage its business processes using a centralized relational database. The system has improved efficiency and productivity in key functional areas like meter reading, billing, reporting and customer relationship management among others.
- Expansion of new areas like MaiMahiu, Kihoto, Mirera and in Kayole (through network intensification).
- Development and formulation of the 2020 – 2024 Strategic Plan that will see the company pursue its overall goal through six strategic goals which include Increased Water and Sanitation Coverage, Improved Customer Satisfaction, Improved Internal Operational Efficiency, Strengthen Pro-Poor Initiatives, Strengthened Financial Sustainability and Effective Corporate Governance.
- Procurement of ten motorcycle to enhance transportation within the company
- Procurement of 10,000 litre cubic exhauster to provide emptying services to the Naivasha residents without sewer system with an aim of improving home environmental sanitation

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021

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.

Strategic Relationships

The Company is currently partnering with various partners in enhancing our service delivery to the residents of Naivasha Sub-County.

The strategic partners and stakeholders that the Company is working with include:

- The County Government of Nakuru – who is the principal shareholder
- Water Services Regulatory Board – this is the Government regulator
- Central Rift Valley Water Works Development Agency – involves in developing major assets
- Water Sector Trust Fund – Funds water and sanitation projects such as UBSUP, and Decentralized Treatment Facility
- Water & Sanitation for the Urban Poor- Funding of the Low-Income areas projects
- Vitens Evides International (VEI)- a Development Partner that have funded various water supply project such as Mirera Kiu & CBD relocation of lines. VEI is a key partner in Water WorX program that commenced in September 2018.
- Sanivation- they are sanitation partners who have been involved in initiating sanitation projects in the Sub-County.

Human Resources

The Company restructured in the year to enhance efficiency in its day-to-day operations The Human Resources within the Company has been growing significantly making the number of employees increase from 86 last year to 112 currently. The Company has been able to recruit and retain some of talented staff through initiating various programs that have allowed the employees to develop professionally through both in house and external trainings and also improve working conditions for the employees.

Financing

The company financed (plans to) its operations and development plans through:

- Internal finances: this is mainly from sales. The collected amount from customers is able to meet operational and maintenance costs, with an O&M recovery of 106%
- Commercial Financing: the company acquired a loan totaling to Kes. 10.8M

- Donor Funding: the company received donor funding from WSTF & VEI to implement various projects over the year.
- Conditional Liquidity Support Grant of Kes 41M
- Government Funding: The CGN has plans to support the Company in funding various projects such as Lakeview Distribution in order to improve its services

Future Plans

The Company has focused on implementation of small projects both in the current SPA and the entire Service Provision Area in order to attain the following short term (2023) objectives:

- Increase quantity of good quality water through increasing the number of boreholes in better water quality yielding aquifers to also roll out defluorination project
- Increase coverage to over 90% through construction of new/replacing distribution lines in existing and new areas (Water and Sewer)
- Reduce production costs by 70% by use of solar and other renewable sources of energy in our production sites
- Construct new reservoirs and increase supply hours to all serviced areas
- Reduce NRW to 22.5%
- Improve collection efficiency to over 95%

In the long run (2030), through the County and National Governments, the company hopes to accomplish the following:

- Construct a dam and reservoir in Nyandarua to provide 40,000m³/day of water by 2030; purification plant and mainlines to Naivasha Sub-County.
- Increase/replace distribution lines in existing and new areas (Water and Sewer) to increase water coverage to 100% by 2030
- Reduce pumping costs through gravity flow
- Increase supply hours to 24hrs/day

Sign.....

Eng. Nahashon Wahome
Managing Director, Naivasha Water and Sanitation Company Ltd.

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021

6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FINANCIAL YEAR 2020/2021

NAIVAWASCO has 3 strategic pillars and objectives within its 5 Years Strategic Plan for 2020-2024. 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. NAIVAWASCO achieved its performance targets set for the Financial Year 2020/2021 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 high lift pump at Karate and serviced boreholes at Karati, DTI and Water Works.
	➤ 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 coverage to 30% and decent onsite	➤ Development of Waste Water Treatment Infrastructure	➤ Development of Waste Water Treatment Infrastructure	➤ Decentralized Sewer Treatment Facility Built

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021

	sanitation for all in the service area			
Pillar 2. Improved Customer Satisfaction	➤ Increase and maintain customer satisfaction level.	➤ Enhancement of customer relations through effective communication	<ul style="list-style-type: none"> ➤ Giving timely information to customers. ➤ Giving prompt and immediate response to customer complaints 	<ul style="list-style-type: none"> ➤ Good customer relations ➤ Satisfied customers ➤ Reduced customer complains ➤ Introduction CRM (Customer Relationship Management) through ERP
Pillar 3. Increase financial sustainability (Increasing Income)	➤ Increase Water sales.	➤ Increase water connections	<ul style="list-style-type: none"> ➤ Increasing customer connections ➤ Increasing water production hours ➤ Reduce Non-Revenue 	<ul style="list-style-type: none"> ➤ Increased water sales from KSHS. 99,920,080 to 113,473,640 ➤ Increasing customer connections from 5,999 to 7,659 ➤ Reduced Non-Revenue Water from 31% to 28%
	➤ Increased Sewer Sales	➤ Increase Sewer Connections	<ul style="list-style-type: none"> ➤ Expanding sewer infrastructure ➤ Increasing customer sewer connections ➤ Procure an Exhauster Vehicle 	<ul style="list-style-type: none"> ➤ Increased sewer Sales from KSHS 48,543,337 to KSHS. 50,993,507.30 ➤ Customer sewer connections moved from 1,543 to 1,706 ➤ Offered exhauster services from Jan 2021

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021

7. CORPORATE GOVERNANCE STATEMENT

A. Board Composition and Appointment

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.

Vacant board positions are advertised and an Adhoc Selection Committee of the Board conducts the shortlisting and interviews of the shortlisted candidates. The report of the Selection Committee is submitted to the office of the Governor of Nakuru County for review and appointment of the candidate proposed by the Selection Committee.

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

B. Full Board Meetings and Board Committee Meetings

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 as illustrated in the below table showing attendance by Directors;

BOARD MEMBERS	FULL BOARD	FINANCE COMMITTEE	TECHNICAL COMMITTEE	AUDIT COMMITTEE
Johnson Karanja	4/4			
Jane Muriu	3/4		3/4	
Pius Langat	3/4		4/4	
Mark Kariuki	4/4		4/4	4/4
Joyce Lairumbe	4/4	4/4		
Muchinah Gitau	3/4	4/4		3/4
Catherine Gachara	4/4	4/4		4/4

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 NAIVAWASCO 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

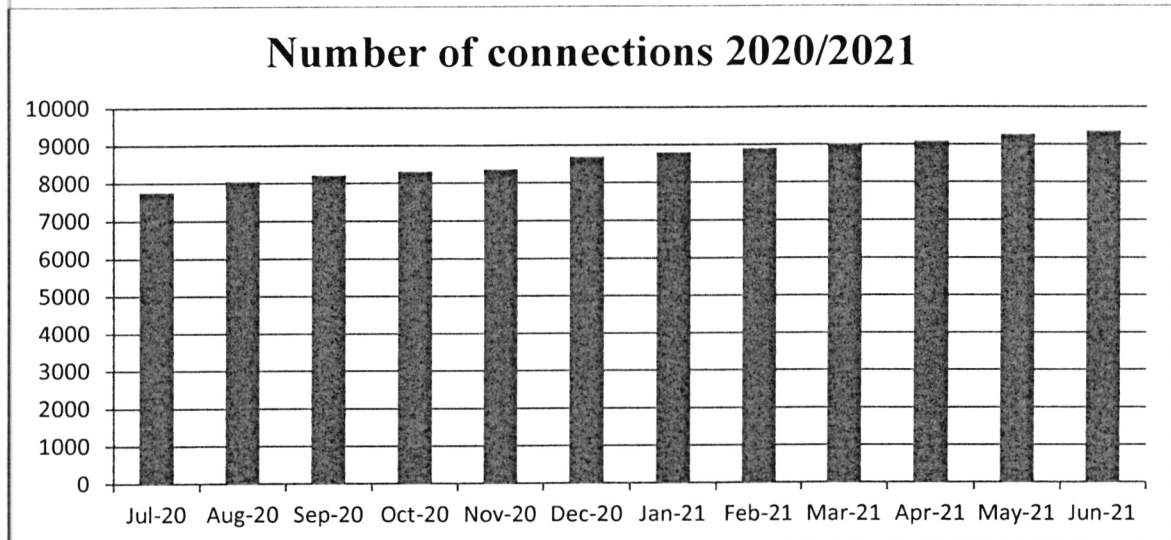
NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021

8. MANAGEMENT DISCUSSION AND ANALYSIS

New Connections

The company experienced a steady growth in the number of connections both in Water and Sewer due to expansion to new areas such as Maimahiu where the company closed the financial year with 148 connections, in Kihoto with 171 connections. Other areas that have had a significant growth in connections are such as Hells gate, Kayole and Lakeview. To enhance more sewer connections, the company did sewer line rehabilitation in Kabati and CCCR which brought in additional new connections of about 170 customers. The company is still working on more projects which will see more increase in connections as well as expand the water and sewer coverage. The graph below shows the growth in the number of connections in the year;

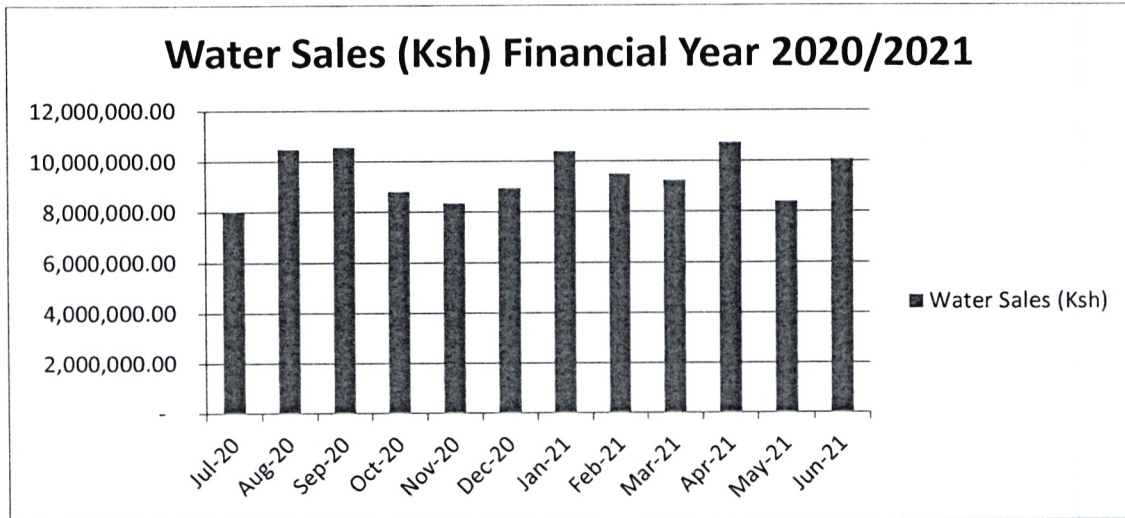
Connection Growth



Water Sales

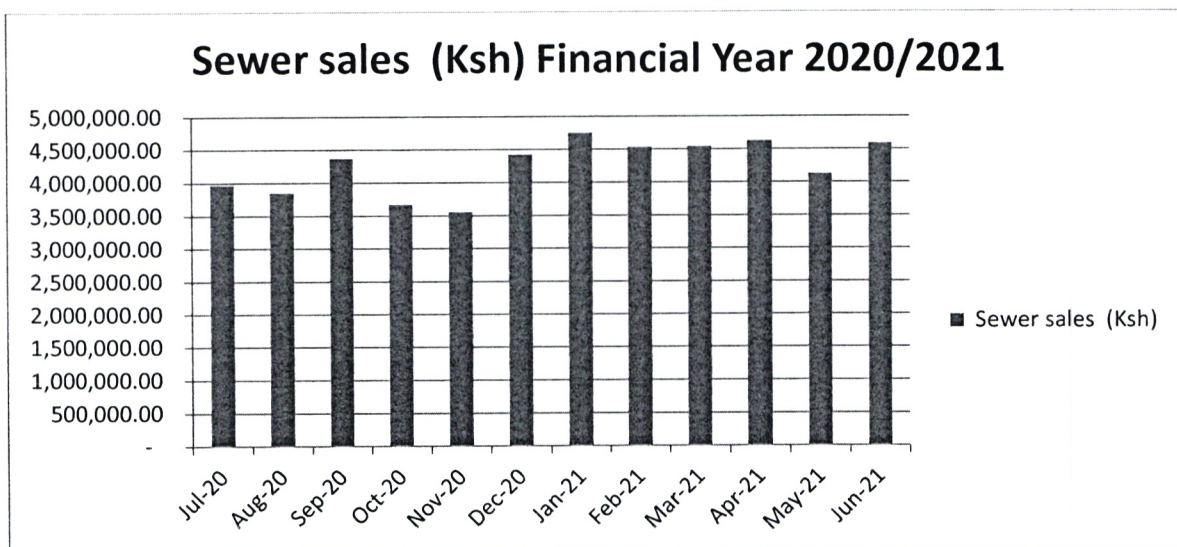
The company water sales have been fluctuating over the financial year with low sales recorded mostly in the months of July, November and May. This is as a result of the global pandemic that led to closure of most businesses and heavy rains experienced during the year. However, in the months of August, September, January and June there was an improvement in water demand and the company attained an average of more than Ksh 11,000,000 in water sales.

Below is a graph showing the company performance on water sales;



Sewer Sales

The company sewer sales are seen to improve as per the graph below compared to water sales during the financial year, with the lowest sales been recorded in November Ksh 3,558,059 and the highest sales in January Ksh 4,751,064.50

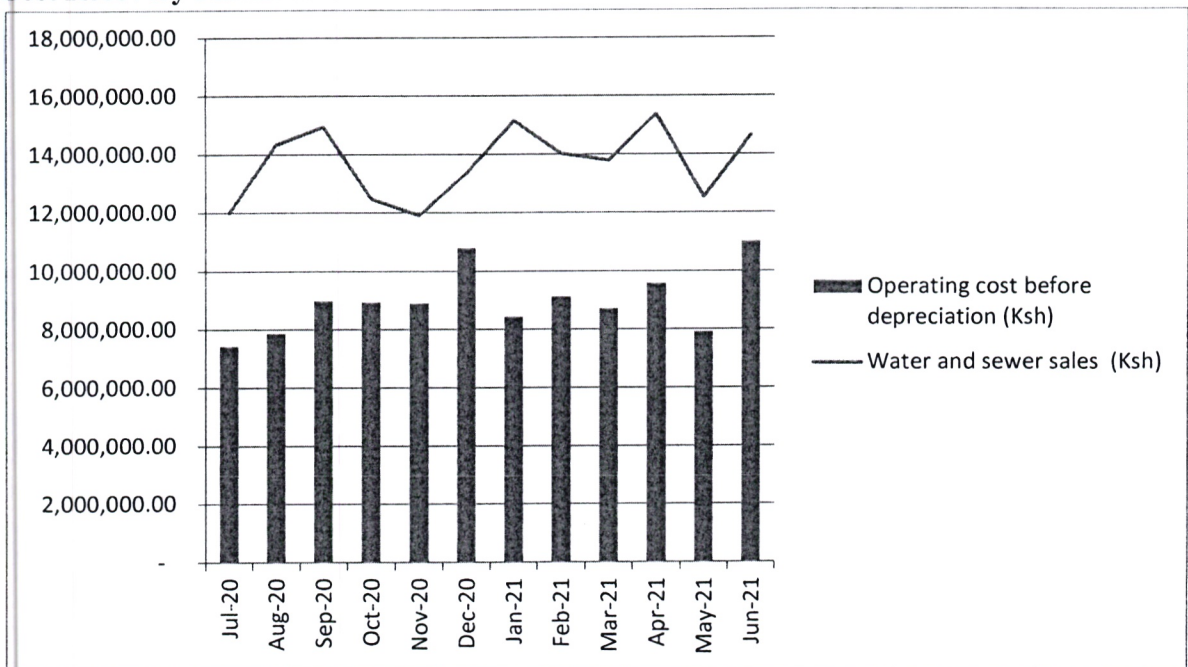


**NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021**

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.

Cost Recovery Financial Year 2020/2021



NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1.	Upscaling Basic Sanitation in Kihoto (Phase III)	18.1 M	16,807,993.00	100%	18,143,016.40	18,143,016.40	Water Sector Trust Fund (WSTF)
2.	Upscaling Basic Sanitation in Kabati - Karagita (Phase IV)	5.3 M	3,924,755.00	74%	5,306,963.00	5,306,963.00	Water Sector Trust Fund (WSTF)
3.	Naivasha CBD NRW Reduction Project	5.7 M	5,773,424.80	100%	5,773,424.80	5,773,424.80	VEI-Netherland
4.	Mirera - Kiu Water Supply Project	26.3 M	21,542,688.00	90%	23,936,320.00	23,936,320.00	VEI-Netherland
5.	Upgrading of Naivasha Municipal Estate (CCCR) Sewer line	9.99 M	9,991,541	100%	9,991,541	9,991,541	County Government of Nakuru

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

During the financial year, the company had minimal customer engagement due to the global pandemic (Covid- 19). However, NAIVAWASCO in conjunction with WASUP facilitated provision of various hand washing points across Naivasha town (in areas such as, at different water kiosks, the Nairobi stage and the market place just to mention but a few). The company has also been providing free water services to the people around the Naivasha market place as well as the Nairobi stage in the fight against Covid-19.

**NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021**

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June 2021 which show the state of the NAIWASCO' 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 NAIWASCO for the year ended June 30, 2021 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 NAIWASCO's Articles of Association Mark Kariuki retired and was re-appointed.

Auditors

The auditor is responsible for the statutory audit of NAIWASCO in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.



By Order of the Board Chairperson

11. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

Section 164 (1) of the Public Finance Management Act, 2012 and Companies Act, 2015, require the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of NAIVAWASCO at the end of the /period and the operating results of NAIVAWASCO for that year/period. The Directors are also required to ensure that NAIVAWASCO keeps proper accounting records which disclose with reasonable accuracy the financial position of NAIVAWASCO. The Directors are also responsible for safeguarding the assets of NAIVAWASCO

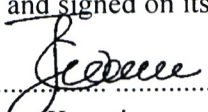
The Board of Directors are responsible for the preparation and presentation of the NAIVAWASCO' financial statements, which give a true and fair view of the state of affairs of NAIVAWASCO for and as at the end of the (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate 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 NAIVAWASCO; (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 NAIVAWASCO; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

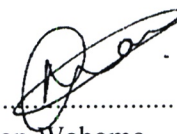
The Board of Directors accept responsibility for NAIVAWASCO' financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by Companies Act, 2015. The Board of Directors are of the opinion that NAIVAWASCO' financial statements give a true and fair view of the state of its transactions during the ended June 30 2021, and of its financial position as at that date. The Board of Directors further confirm the completeness of the accounting records maintained for NAIVAWASCO which have been relied upon in the preparation of NAIVAWASCO financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

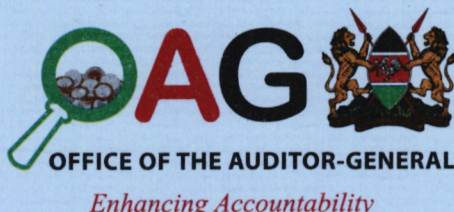
NAIVAWASCO's financial statements were approved by the Board on 3rd Sept
2021 and signed on its behalf by:

Sign.....
Johnson Karanja
Chairman of the Board.

Sign.....
Nahashon Wahome
Accounting Officer.

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NAIVASHA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in use of public resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Naivasha Water and Sanitation Company Limited set out on pages 1 to 31 which comprise of the statement of financial position as at 30 June, 2021, statement of profit and loss and other comprehensive

Report of the Auditor-General on Naivasha Water and Sanitation Company Limited for the year ended 30 June, 2021

income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Naivasha Water and Sanitation Company Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Additions to Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.208,018,106. Included in the balance is cost of additions to assets during the year amounting to Kshs.3,634,523. The additions related to works at a Water Service Trust Fund (WSTF) plant which was not supported by invoices, purchase orders, delivery notes, inspection and acceptance reports and evaluation reports.

In the circumstances, the accuracy and completion of the property, plant and equipment balance of Kshs.208,018,106 as at 30 June, 2021 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water

During the year under review, Company produced 1,899,235 cubic meters (M³) of water, out of which only 1,358,647 M³ were billed to customers leaving the balance of 540,588 M³ unbilled, representing 28% of the production. The Non-Revenue Water (NRW) of 540,588 M³ exceeded the set threshold of 25% as approved by the Water Services Regulatory Board (WASREB) guidelines. The NRW of 540,588 M³ resulted to a loss of revenue totalling to Kshs.75,682,320 out which Kshs.9,209,095 is not allowable.

The significant level of non-revenue water is an indication of inefficiency of the Company's water distribution system which may impact negatively on the financial performance and capacity to sustain its services.

2. Non-Compliance with the One-Third of Basis Salary Rule

During the year under review, at least thirty-two (32) employees earned a net salary which was less than one third (1/3) of their basic salary. This is contrary to Section 19(3) of the Employment Act, 2007 which states that the total amount of all deductions made by an employer from the employees' wages at any one time shall not exceed two-thirds of such wages. No explanation was provided for making deductions on the employees' wages in excess of the employees' wages of the wages.

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

3. Unsupported Borrowings

Review of documents relating to commercial loans provided for audit revealed that the borrowings were in respect of two project financing agreements with a limit of Kshs.89,288,815 and Kshs.15,000,000 signed on 30 November, 2017 and 30 September, 2020 respectively. As at 30 June, 2021, Kshs.28,452 661 had been disbursed. However, the process and criteria used to on acquire the loans were not provided for audit. It was therefore not possible to confirm how the lender was identified.

In addition, all assets of the Company valued at Kshs.89,500,000 were charged to the loan in form of a debenture and title documents for the assets surrendered to the Bank in contravention to Section 196(4) of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Long Outstanding Receivables

The statement of financial position reflects trade and receivables balance of Kshs.122,639,579. Included in this balance is a gross amount of Kshs.131,558,602 due from customers which has been outstanding for more than three (3) months. Although a general provision of Kshs.22,791,652 was made in respect of bad and doubtful debts against trade receivables, Management did not indicate efforts that were being made to recover long outstanding balances from customers.

The recoverability of the long outstanding debts remains doubtful and therefore, are at risk of loss.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 September, 2022

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021

13. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE, 2021

NAIVASHA WATER & SANITATION COMPANY LTD			
REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021			
Statement of Profit & Loss and other Comprehensive Income for the Year Ended 30 June 2021			
		FY2020/2021	FY2019/2020
		Shs	Shs
Income	6	176,332,398	154,806,436
Cost of Sales			
Electricity	7	46,270,744	42,970,653
Operations & Maintenance	8	13,623,969	10,112,255
Total Cost of Sales		59,894,713	53,082,908
Gross Profit		116,437,685	101,723,528
Grants	9	34,995,428	4,412,444
Total incomes		151,433,113	106,135,971
Expenditure:			
Administration Costs	10	124,112,990	104,243,884
Selling and distribution cost	11	24,250	-
Finance Cost	12	3,200,677	8,912,964
Total Expenditure		127,337,916	113,156,848
Net profit/loss before tax		24,095,197	(7,020,877)

Notes Pages 15 to 23

Managing Director
 Name: Nahashon Wahome

Sign.....
 Date.....21/06/2022

Head of Finance
 Name: Winnie Karanja
 ICPAK M/NO: 20778

Sign.....
 Date.....21/06/2022

Chairman of the Board
 Name: Johnson Karanja

Sign.....
 Date.....21/06/2022

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2021

Statement of Financial Position as at 30 June 2021			
		FY2020/2021	FY2019/2020
		Shs	Shs
Assets			
Non-Current Assets			
Property, Plant & Equipment	16	208,018,106	194,393,344
Intangible Assets	17	10,865,867	514,116
Total Non-Current Assets		218,883,973	194,907,459
Current Assets			
Trade Receivables	18	122,639,579	115,371,647
Cash & Bank	19&20	24,214,103	17,070,784
Total Current Assets		146,853,682	132,442,431
TOTAL ASSETS		365,737,655	327,349,890
EQUITY AND LIABILITIES			
Capital and Reserves			
Authorized Capital	21	100,000	100,000
Capital grants	22	225,231,778	211,850,723
Capital Reserves	23	56,581,095	56,581,095
Revenue Reserves	24	(2,826,888)	(26,922,085)
		279,085,985	241,609,733
Non-Current Liabilities			
Borrowings	25	23,893,179	19,927,707
		302,979,163	261,537,440
Current Liabilities			
Trade Payables	26	58,199,009	63,921,742
Short term borrowings	25	4,559,483	1,890,707
TOTAL EQUITY AND LIABILITIES		365,737,655	327,349,890

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

Managing Director

Head of Finance

Chairman of the Board

Name: Nahashon Wahome

Name: Winnie Karanja
ICPAK M/NO: 20778

Name: Johnson Karanja

Sign.....
Date.. 21/06/2022

Sign.....
Date.. 21/06/2022

Sign.....
Date.. 21/06/2022

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE PERIOD ENDED 30 JUNE, 2021

15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Revenue	Share	Capital	Capital	Total
	Reserves	Capital	Reserves	Grants	
	Shs	Shs	Shs	Shs	Shs
As at 1 July 2019	-19,901,207	100,000	56,581,095	145,799,013	182,578,901
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	241,609,734
					0
As at 1 July 2020	-26,922,085	100,000	56,581,095	211,850,723	241,609,733
Additions during the year	24,095,197	-	-	13,381,055	37,476,251
As at 30 June 2021	-2,826,888	100,000	56,581,095	225,231,778	279,085,985

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	FY2020/2021	FY2019/2020
	Shs	Shs
A. Operating Activities		
Surplus for the year	24,095,197	(7,020,877)
Adjustment for:		
Depreciation	12,127,341	9,851,838
Amortization	1,763,126	220,335
Changes in working capital:		
Increase in Receivables	(7,267,932)	(22,425,611)
Decrease in Payables	(5,722,733)	33,619,352
Net Cash from operating Activities	24,994,999	14,245,037
B Investing Activities		
Increase in assets	(25,752,103)	(11,351,402)
Increase in intangible assets	(12,114,878)	-
C Financing Activities		
Net cash from Financing Activities	17,346,526	3,560,950
D Movement in Cash & Cash Equivalent		
Cash and Cash equivalent for the year	4,474,545	6,454,584
Cash and Cash Equivalent B/Fwd. Actual Balance	17,070,783	10,616,200
Actual Balance	21,545,328	17,070,784

**NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021**

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED
30 JUNE 2021**

NAIVASHA WATER AND SANITATION COMPANY LTD

FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021

	FY2020/2021		FY2020/2021	FY2020/2021	PERFORMAN CE	EXPLANATIONS ON THE DIFFERENCE	Percentage diff.
INCOME	ORIGINAL BUDGET	ADJUSTMENT	BUDGET	ACTUAL	DIFFERENCE		
Water and Sewer charge	173,222,945		173,222,945	164,467,147	(8,755,798)	Reduced on consumption due to covid.	-5%
New Connection	4,168,554		4,168,554	2,231,500	(1,937,054)	Unrealized Projects like Mirera-kiu	-46%
Exhauster Fees	9,180,000		9,180,000	2,717,500	(6,462,500)	Challenges of market penetration	-70%
Miscellaneous Incomes	7,585,333		7,585,333	6,676,251	(909,082)	Reduced Customers penalties & illegals	-12%
Rent Income	198,000		198,000	240,000	42,000	more staff occupied the company houses	21%
Total Income before Grant	194,354,832		194,354,832	176,332,398	(18,022,434)		-9%
Revenue Grant	0	41,451,692	41,451,692	34,995,428	(6,456,264)	Kes 6,56,264 capitalized in assets	
Total Income	194,354,832	41,451,692	235,806,524	211,327,826	(24,478,698)		-10%
Cost of Sales							
Electricity	46,250,922		46,250,922	46,270,744	(19,822)		0%
Operations & Maintenance	17,852,980		17,852,980	13,623,969	4,229,011	Cost Reduction in O&M activities	24%
	64,103,902		64,103,902	59,894,713	4,209,189		
Expenditure							
Audit Fees	350,000		350,000	300,000	50,000	Provision made for the year	14%
Board Expenses+AGM	3,600,000		3,600,000	2,670,164	929,836	Reduced Board Activities due to Covid	26%
Depreciation & Amortization	12,600,000		12,600,000	13,890,467	(1,290,467)	Increase in assets	-10%
Salaries & Wages	70,697,146		70,697,146	72,732,953	(2,035,807)	Within Budget	-3%
Staff Welfare	2,157,856		2,157,856	2,206,276	(48,420)	Within the budget	-2%
Electricity Office	240,000		240,000	0	240,000	Office meter seperation did not take place	100%
Other Expenses	0		0	131,440	(131,440)	Historical KRA and NSSF penalty	
Stationary and Printing	600,000		600,000	520,980	79,020	Reduced purchase of stationary & printing items	13%
Repair and Maintenance Office	528,000		528,000	522,012	5,988		1%
Conference and Meetings	1,320,000		1,320,000	951,190	368,810	Minimal meetings due to covid restriction	28%
Motor vehicle & Exhauster	5,933,414		5,933,414	1,173,780	4,759,635	Exhauster budget was not achieved as expected	80%
Computer Expenses	180,000		180,000	232,859	(52,859)	Under budgeting of computer expenses	-29%
Insurance	450,800		450,800	800,086	(349,286)	payment of WIBA for staff	-77%
Telephone & Postage	1,015,625		1,015,625	1,079,696	(64,071)	Engagement of a new ERP system	-6%
Regulatory Levy	6,923,254		6,923,254	6,669,939	253,315	Within Budget	4%
Subscription	130,000		130,000	282,850	(152,850)		-118%
Members Subscription	150,000		150,000	31,700	118,300		79%
Training & Entertainment ,custo	1,597,073		1,597,073	1,083,994	513,079	Minimal training during the year due to covid	32%
Travel & Accommodation	2,280,000		2,280,000	1,632,308	647,692	Reduced travel activities during the year due to covid	28%
Marketing	360,000		360,000	24,250	335,750		93%
CSR Activities	140,000		140,000	140,000	0	No customers engagement due to covid	100%
Advertisement	300,000		300,000	979,476	(679,476)	Relocation tender advert that will be reimbursed from the contractor	-226%
Bank Charges	240,000		240,000	216,693	23,307	bank charges for the year	10%
Legal/Consultancy/Professiona	2,500,000		2,500,000	1,551,906	948,094	Minimal Legal issues within the year	38%
Security	3,990,000		3,990,000	3,961,336	28,664	within the budget	1%
WSTF Activities	3,778,286		3,778,286	3,778,286	0		0%
Provision for unrecoverable V	4,500,000		4,500,000	4,500,000	0		0%
Provision for Bad Debts	2,657,011		2,657,011	2,212,599	444,412	Decrease in provision for bad debts	17%
Finance Cost	4,512,000		4,512,000	3,200,677	1,311,323	Reduction of project loan	29%
	129,952,179	0	129,952,179	123,559,630	6,392,549		
TOTAL EXPENDITURE	194,056,081	0	194,056,081	183,454,344	10,601,737		5%

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021
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)

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

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

NAIVAWASCO did not early – adopt any new or amended standards in year 2020/2021

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 NAIVAWASCO 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 NAIVAWASCO's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the NAIVAWASCO's activities as described below:

Revenue from the sale of goods and services is recognised in the year in which the NAIVAWASCO 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 NAIVAWASCO 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 NAIVAWASCO 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 NAIVAWASCO 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

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

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 NAIVAWASCO 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 NAIVAWASCO 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.

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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 financial year.

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

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

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 NAIVAWASCO or not, less any payments made to the suppliers.

m) Retirement benefit obligations

The NAIVAWASCO 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. At provision is made for the estimated liability for annual leave at the reporting date.

o) Budget information

The original budget for Financial Year 2020-21 was approved by the Board of Directors on June 2021. 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 NAIVAWASCO upon receiving the respective approvals in order to conclude the final budget.

The NAIVAWASCO'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 understatement 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, 2021.

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 Kshs 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

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

- a) The nature of the processes in which the asset is deployed
- b) Availability of funding to replace the assets
- c) 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. 2,212,598.57

<u>Aging accounts receivable</u>	Provision for bad debts.		
	Shs		Shs
0-1 year	14,087,806.97	0%	0
2-3 years	9,792,941.91	0%	0
Over 3 years	107,672,852.85	20%	21,534,570.57
	131,553,601.73		19,321,972
Increase in provision from previous year			2,212,598.57

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

			FY2020/2021	FY2019/2020
6	Income		Shs	Shs
	Water and Sewer charges		164,467,147	148,463,417
	New Connection		2,231,500	1,189,600
	Exhauster Fees		2,717,500	2,115,000
	Miscellaneous Incomes		6,676,251	2,801,419
	Rent Income		240,000	237,000
			176,332,398	154,806,436
7	Electricity		46,270,744	42,970,653
8	Operations & Maintenance		13,623,969	10,112,255
9	Revenue Grants			
	WSTF CLSG GRANT		33,479,153	
	WSTF		1,516,275	3,537,975
	VITENS			150,000
	SNV			487,200
	WSUP			237,269
			34,995,428	4,412,444
10(a)	Administrative Cost			
	Salaries & Wages(10b)		72,732,953	64,665,730
	Electricity Office		-	188,107
	Stationery and Printing		520,980	544,820
	Repair and Maintenances Office		522,012	60,085
	Conference and Meetings		951,190	1,009,359
	Motor vehicle		1,123,680	790,686
	Motor cycle		50,100	53,862
	Computer Expenses		232,859	315,070
	Staff Welfare		2,206,276	1,429,416
	Customer Hospitality		-	64,800
	Office Expenses			271,147
	Other Expenses		131,440	635,820
	Enforcement Fees		129,800	55,100
	Performance Reward		-	63,000
	Insurance		800,086	15,108
	Telephone & Postage		1,079,696	807,311
	Subscription		282,850	110,000
	Members Subscription		31,700	-

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

	Regulatory Levy		6,669,939	4,999,110
	Training & Entertainment		954,194	673,155
	Travel & Accommodation		1,632,308	1,856,820
	Rent		-	1,352,860
	Advertisement		979,476	113,390
	Bank Charges		216,693	379,307
	Legal/Consultancy/Professional Fees		1,551,906	1,685,797
	Security		3,961,336	3,972,801
	Provision for Unrecoverable VAT		4,500,000	
			101,261,474	86,112,662
b	EXPENSES BY VEI/WSUP/RVWSB			
	CSR Activities		-	150,000
	Total expenses(VEI)		-	150,000
	Change in Provision for Doubtful Debts		2,212,599	4,035,354
	Expenses By WSTF			
	WSTF CSR Activities -Kabati		-	232,875
	WSTF Activities-DTF		3,778,286	140,000
	WSTF Activities-By Naivawass		-	114,724
			3,778,286	487,599
c	Audit Fees			
	Annual Provision for Audit Fees		300,000	300,000
d	Board expenses			
	Board Chairman Honoraria		326,281	325,710
	Board -Corporate & Stakeholders		58,186	10,000
	Board Committee Meetings		540,828	659,998
	Board Full Board Meeting		516,623	832,239
	AGM & EGM		600,000	-
	Board expenses - Other		628,246	1,258,149
	Total Board expenses		2,670,164	3,086,096
e	Depreciation		12,127,341	9,851,838
f	Amortisation		1,763,126	220,335
	Total Expenses		124,112,990	104,243,884

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

10(a)				
	Salaries & Allowances of Permanent Employees		57,452,833	56,378,439
	Wages of Temporary Employees		7,267,856	1,017,820
	Compulsory NSSF		267,600	205,000
	Other Pension Contributions		4,082,613	3,514,234
	Leave pay & Gratuity		3,662,051	3,550,236
			72,732,953	64,665,730
	The average number of employees at the end of the year was:			
	Permanent employees – Management		7	6
	Permanent employees – Unionisable		70	70
	Temporary and contracted employees		12	12
11	Marketing			
	Marketing cost		24,250	-
			24,250	-
12	Finance Cost			
	Interest on Loan		3,200,677	8,912,964
18	Trade and other Receivables		Shs	Shs
	Trade receivables (note 18(a))		131,553,602	116,864,186
	Deposits and prepayments		730,169	730,169
	VAT recoverable		12,893,022	18,009,890
	Staff receivables		191,220	269,934
	Other receivables		63,218	76,522
	Gross trade and other receivables		145,431,231	135,950,701
	Provision for bad and doubtful receivable		(22,791,652)	(20,579,054)
	Net trade and other receivables		122,639,579	115,371,647
18(a)	Gross trade and other receivables		131,553,602	116,864,186
	Provision for doubtful receivables		(22,791,652)	(20,579,054)
	Net trade and other receivables		108,761,950	96,285,132

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

19	Cash and Bank			
	Cash at Bank		24,119,604	16,997,396
	Cash in Hand		94,499	73,388
			24,214,103	17,070,784
	Detailed analysis of the cash and cash equivalents			
	Banks			
	Name of the Bank	Bank Account Number	FY2020/2021	FY2019/2020
	a) Cash in Bank		Shs	Shs
	KCB	1104269716	-	-
	KCB	1113964162	437,861	5,930
	Sidian	01022020003663	639,198	691,775
	CO-OPERATIVE REVENUE A/C	01141626743800	436,071	45,334
	CO-OPERATIVE EXPENDITURE A/C	01141626743801	7,379,981	5,739,647
	CO-OPERATIVE BUSINESS	01136626743800	2,760,451	1,438,004
	CO-OPERATIVE SOCIAL POLICY	01136626743801	12,768	14,328
	Post Bank	0744130012413	815,788	15,443
	Family Bank	001886615	1,577,485	45,705
	Mpesa	335450	595,087	
	KARAGITA KABATI UBSUP PROJECT	01141626743802	1,544,495	3,304,800
	GRANT ACCOUNT	01141626743803	11,180	-
	Total		16,210,366	11,300,967
	(b) Cash on hand			
	Form of cash holding			
	Liquid cash(petty cash)		94,499	73,388
	Total		94,499	73,388
	c)Short term deposits			
	KCB	1116375060	7,909,238	5,696,429
	Total		24,214,103	17,070,784
21	Share Capital			
	Authorised			
	5000 Ordinary Shares(Kshs 20 each)		100,000	100,000
22	Capital Fund			
	Funding from Ministry of Water & Irrigation		12,283,073	12,283,073

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

	Funding from GTZ		5,878,877	5,878,877
	Funding from WSUP		1,746,681	1,746,681
	Funding from WSTF		91,565,036	79,885,006
	Funding from VITENS EVIDES		108,400,782	106,699,757
	Funding from World Bank		5,357,329	5,357,329
			225,231,778	211,850,723
23	Capital Reserves			
	Balance B/Fwd		56,581,095	56,581,095
	Additions during the Year		-	-
			56,581,095	56,581,095
24	Revenue Reserves			
	(Deficit) B/Fwd.		(26,922,085)	(19,901,207)
	Surplus for the year		24,095,197	(7,020,877)
			(2,826,888)	(26,922,085)
25	Non-Current Liabilities			
	Long term Borrowings		23,893,179	19,927,707
	Short term borrowing		4,559,483	1,890,707
26	Trade and Other Payables			
	Trade payables		34,018,062	39,452,564
	Accrued expenses		0	0
	Retention/ contract monies		1,009,819	930,119
	Deposits		13,992,062	11,360,559
	Employee payables		5,071,145	11,344,132
	Other payables		2,525,134	834,368
	Provision for trade and other payables		1,582,788	0
	Total		58,199,009	63,921,742

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Property, Plant and Equipment

PROPERTY, PLANT AND EQUIPMENT												
REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021												
	Buildings, Water & Sewer Works	WSTF DTF PLANT	Water Meters	Computers	Furniture & Fittings	Tools & Equipments	Work in Progress	Exhauster	Motor cycle	Generat or	Water Pump	Total
	Shs		Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 01/07/2019	183,088,080		16,476,782	3,686,031	2,968,816	19,776,527						225,996,236
Cost of Work in progress completed	-		-	-	-	-						-
Additions during the year	3,907,343.37		501,120	20,000	37,485	116,724	6,768,730.00					11,351,402
Total Cost	186,995,424		16,977,902	3,706,031	3,006,301	19,893,251	6,768,730					237,347,638
Charge for the year	(4,674,885.59)		(2,122,238)	(192,271)	(375,788)	(2,486,656)						(9,851,838)
Accumulated Depreciation Work in Progress	-		-	-	-	-	-					-
Accumulated Depreciation	(12,449,891.00)		(7,616,386)	(3,065,130)	(1,784,827)	(8,186,223)						(33,102,457)
Total Depreciation	(17,124,776.59)		(9,738,624)	(3,257,400)	(2,160,614)	(10,672,880)	-					(42,954,295)
Net Book value as at 31/06/2020	169,870,647.17		7,239,278	448,631	845,687	9,220,371	6,768,730					194,393,343
												-
Cost												-
As at 01/07/2020	186,995,424	6,768,730	16,977,902	3,706,031	3,006,301	19,893,251		-				237,347,638
Additions During the year	4,210,463	3,634,524	6,045,836	343,300	72,007	146,690		9,790,938	1,419,070	72,675	16,600	25,752,103
Total Cost	191,205,887	10,403,254	23,023,738	4,049,331	3,078,308	20,039,941		9,790,938	1,419,070	72,675	16,600	263,099,742
												-
Charge for the year	(4,694,718.66)	(195,333.41)	(2,380,628.19)	(516,916.00)	(378,739.35)	(2,500,547.14)		(1,265,058)	(184,499)	(10,901)	-	(12,127,341)
Accumulated Depreciation	(17,124,777)	-	(9,738,624)	(3,257,400)	(2,160,615)	(10,672,879)		-	-	-	-	(42,954,295)
Total Depreciation	(21,819,495)	(195,333)	(12,119,252)	(3,774,316)	(2,539,354)	(13,173,426)	-	(1,265,058)	(184,499)	(10,901)	-	(55,081,636)
Net Book Value	169,386,392	10,207,920	10,904,486	275,015	538,954	6,866,514	-	8,525,880	1,234,571	61,774	16,600	208,018,106

17. Intangible Assets

INTANGIBLE ASSETS AS AT 30 TH JUNE 2021	
	Computer Software's
	Shs
Cost	
As at 01/07/2019	3,275,527
Additions during the year	-
Total Cost	3,275,527
Charge for the year	(220,335.27)
Accumulated Depreciation	(2,541,076)
Total Depreciation	(2,761,411)
Net Book value as at 31/06/2020	514,116
Cost	
As at 01/07/2020	3,275,526.77
Additions during the year	12,114,877.60
Total Cost	15,390,404.37
Charge for the year	(1,763,126.12)
Accumulated Depreciation	(2,761,411.27)
Total Depreciation	(4,524,537.39)
Net Book Value	10,865,867

**NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. ORDINARY SHARE CAPITAL

Financial Year	2020/2021	2019/2020
	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	2020/2021	2019/2020
	SHS	SHS
Domestic Borrowings		
Kenya Shilling loan from Co-operative Bank	28,452,661	21,818,414
Total balance at end of year	28,452,661	21,818,414

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.

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

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

Contingent Assets

	2020-2021	2019-2020
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	0	0
Assets arising from determination of court cases	0	0
Reimbursable indemnities and guarantees	0	0
Receivables from other government entities	0	0
Others (Specify)	0	0
Total	0	0

There were no contingent assets in the FY2020/2021

Contingent Liabilities

	2020-2021	2019-2020
	Kshs	Kshs
Contingent liabilities	0	0
Court case against the entity	0	0
Bank guarantees in favour of subsidiary	0	0
Contingent liabilities arising from contracts including PPPs	0	0
Others (Specify)	0	0
Total	0	0

There were no contingent liabilities in the FY2020/2021

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

33. FINANCIAL RISK MANAGEMENT

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

	Total amount	Fully performing	Past due	Impaired
As at 30 June 2021	Shs	Shs	Shs	Shs
Receivables from exchange transactions	131,553,602	107,672,852.85	21,668,150.31	2,212,598.57
Bank Balances	24,214,103	24,214,103		
	155,767,705	131,886,955.85	21,668,150.31	2,212,598.57
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

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Shs	Shs	Shs	Shs
As at 30 June 2021				
Trade Payables	3,764,364.84	5,730,731.17	24,285,297.40	33,780,393.41
Retention Money			1,009,819	1,009,819
Provisions			24,374,440	24,374,440
Employee Benefit Obligation			5,071,144.73	5,071,144.73
Total	3,764,364.84	5,730,731.17	54,740,701.13	64,235,797.14
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

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

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

35) Capital Risk Management

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

	2020-2021	2019-2020
	Shs	Shs
Capital Funding	225,231,778	211,850,723
Retained earnings	(2,826,888)	(26,922,084)
Capital reserve	56,581,095	56,581,095
Total funds	278,985,985	241,509,734
Total borrowings	28,452,661	21,818,414
Less: cash and Bank Balances	(24,214,103)	(17,070,784)
Net debt/(excess cash and cash equivalents)	4,238,558	4,747,630
Gearing	1.33%	2%
Payable after one year but not later than 5 years	28,452,661	21,818,414

36. INCORPORATION

The NAIVAWASCO 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 (Shs).

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

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 and 2019/2020. 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	Status:	Timeframe:
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.</p> <p>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 were 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	Done

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

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.</p> <p>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>Done</p>
-----	--	---	---	-----------------	-------------

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

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 KSH 2,202,383.00 from KSH 94,007,338.00 as at 30th June 2018 to KSH 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	Done
-----	---	--	-------------------------------------	----------	------

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

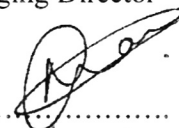
6.0	<p>Failure to File Annual Returns The Company's annual returns for the years 2006, 2009, 2010, 2011, 2012, 2013, 2014, 2017, and 2018 had not been filed with the Registrar of Companies as at 30 June 2019 contrary to Companies Act, 2015 section 705 (1) which states that every company shall submit 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. 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	Done
7.0	<p>Audit Fees 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> <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	Done

NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021

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. 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(Distribution and Sales Manager)	Resolved	Done
-----	--	---	---	----------	------

Eng. Nahashon Wahome

Managing Director

Sign.....


Date..21/06/2022

**NAIVASHA WATER AND SANITATION COMPANY LTD
FINANCIAL STATEMENTS AND REPORTS FOR THE YEAR ENDED 30 JUNE, 2021**

APPENDIX II: PROJECTS IMPLEMENTED BY NAIVAWASCO

SN	Project title	Donor	Period/ duration	Donor commit ment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.	Upscaling Basic Sanitation in Kihoto (Phase III)	Water Sector Trust Fund (WSTF)	April 2018 – June 2021	18.1 M	Yes	Yes
2.	Upscaling Basic Sanitation in Kabati - Karagita (Phase IV)	Water Sector Trust Fund (WSTF)	January 2020 – August 2021	5.3 M	Yes	Yes
3.	Naivasha CBD NRW Reduction Project	VEI-Netherland	September 2020 – December 2021	5.7 M	No	Yes
4.	Mirera - Kiu Water Supply Project	VEI-Netherland	September 2020 – December 2021	26.3 M	Yes	Yes
5.	Upgrading of Naivasha Municipal Estate (CCCR) Sewer line	County Government of Nakuru	June - August 2020	9.99 M	No	Yes

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