

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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THE AUDITOR-GENERAL

ON

**NANYUKI WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**





OFFICE OF THE AUDITOR GENERAL
UPPER EASTERN REGIONAL OFFICE - ISIOLO

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NANYUKI WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2022

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

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Table of contents

I.	KEY ENTITY INFORMATION.....	iv
II.	THE BOARD OF DIRECTORS.....	vii
III.	MANAGEMENT TEAM.....	ix
IV.	CHAIRMAN’S STATEMENT.....	x
V.	REPORT OF THE MANAGING DIRECTOR.....	xi
VI.	STATEMENT OF PERFORMANCE AGAINST PREDETERMIND OBJECTIVES FOR THE YR 2021/22.....	xiii
VII.	CORPORATE GOVERNANCE STATEMENT.....	xvi
VIII.	MANAGEMENT DISCUSSION AND ANALYSIS.....	xx
IX.	ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	xxiii
X.	REPORT OF THE DIRECTOR’S.....	xxv
XI.	STATEMENT OF DIRECTORS RESPONSIBILITY.....	xxvi
XII.	REPORT OF THE INDIPENDENT AUDITORS ON THE NANYUKI WATER & SANITATION COMPANY LIMITED.....	xxvii
XIII.	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30, JUNE 2022	1
XIV.	STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022.....	3
XV.	STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022.....	5
XVI.	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022.....	6
XVII.	STATEMENT OF COMPARISSON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022.....	7
XVIII.	NOTES TO THE FINANACIAL STATEMENTS.....	7 (a)-60
	APPENDICES.....	61-69
	APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR’S RECOMMENDATIONS.....	61-66
	APPENDIX II: PROJECTS IMPLEMENTED BY ENTITY.....	67
	APPENDIX III: INTER-ENTITY TRANSFERS	68
	APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	69

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

I. Key entity information

Background information

The enactment of the Water Act 2002 led to the creation of Water Services Regulatory Authority (WASREB), Water Service boards and Water Service Providers to spearhead the water sector reform programme. NAWASCO is a Water Service Provider, a company limited by shares and incorporated under the Companies Act of Kenya cap 486 and operates under supervision of County Government of Laikipia under water act 2016 where water provision became a devolved function. NAWASCO has been mandated by County Government of Laikipia through a Service Provision Agreement (SPA) to carry out water and sewerage services in Nanyuki town and its environs. The company takes charge of public resources in order to provide quality, affordable, reliable, sustainable and portable water and sanitation in the target community. NAWASCO is wholly owned by Laikipia County Government.

Principal activity

The mandate of NAWASCO is to ensure efficient and sustainable provision of quality and affordable water and sanitation services in Nanyuki and its environs.

Main business activity

The company's main business activity is captured in its strategic objectives which are:

1. Increase access to clean and safe drinking water and sanitation services,
2. Grow financial and commercial position and viability,
3. Provide timely, quality and reliable services,
4. Strengthen organizational structures and operational processes,
5. Strengthen people and communication systems.

Directors

The members of the Board of Directors who served during the year are shown on page VI-VII

1.	Yusuf Mohamed	Chairman	Appointed on 19 th Feb 2014
2.	CS. Mike Kingori	Company Secretary	Appointed on 27 th Nov 2012
3.	Eng. Kennedy Gitonga	Managing Director	2016
4.	Eng. June Kawira Opot	Member	Appointed on Feb 2021
5.	Peter Nderitu Mwangi	Member	Appointed on 10 th March 2020
6.	CPA Daniel G Wamae	Member	Appointed on 10 th March 2020
7.	Rtd Col Lawrence Ashford Nteere	Member	Appointed on 19 th February
8.	M/s Nancy Njeri Githu	Member	13 th Dec 2016-todate
9.	CPA Esther Murungi Ndegwa	Member	19 th February 2019-20 th February 2022

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Company Secretary

CS Muriithi Kingori
Kingstone Registrars
P.O. Box 1494 –10400 Nanyuki.

Registered office

NAWASCO Building
Nanyuki – Meru Road
P.O.Box 995- 10400

Corporate headquarters

NAWASCO Building
Nanyuki – Meru Road
P.O.Box 995- 10400

Corporate contacts

Telephone : 254 06331351
Email: Nawascom@yahoo.com
Website: www.nawasco.co.ke

Principal Bankers

(a) Kenya Commercial Bank Limited

Nanyuki Branch
P.O. Box 323-10400
Nanyuki

(b) Equity Bank

Nanyuki Branch
P.O. Box 323-10400
Nanyuki

(c) Family Bank

Nanyuki Branch
P.O. Box 323-10400
Nanyuki

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

(d) Sidian Bank

Nanyuki Branch

P.O. Box 323-10400

Nanyuki

Independent Auditors

Auditor General

The office of Auditor General

Anniversary Towers, University way

P. O. Box 30084 – 00100

Nairobi

Principal Lawyer Advisor

Joseph Mwangi



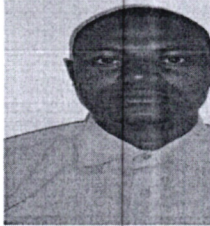
Advocate and Commissioner for oaths

P.O. Box 1244 - 10400





Nanyuki

II. THE BOARD OF DIRECTORS

The Board of Directors who held office during the year were:







NO	NAMES & ADDRESS	Representing	Remarks	D.O. B	Date of appointment	Qualifications	
1.	Yusuf Mohamed P.O Box 995-10400 Nanyuki	County Government	Chairman	20/02/1962	19 th Feb 2014- to-date	O' Level	
2.	Mike Kingori P.O Box 995-10400 Nanyuki	Company Secretary	Company Secretary	1969	27 th Nov 2012	CPS	
3.	Eng. June Kawira Opot P.O. Box 995-10400 Nanyuki	County Government	Member-Chairs technical committee	1985	12 th Feb 2021- 10 th February 2023	BSC. Water Engineering	
4.	Peter Nderitu	Faith based organisations	Member	24/04/1972	10 th March 2020	M.A Sociology B.A Community development DIP Theology DIP Philosophy	
5.	CPA Daniel G Wamae P.O.Box 136-10400 Nanyuki	Youth	Member	09/01/1987	10 th March 2020	MBA B.A Economics & Psychology CPAK HR	

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

6.	Lawrence Ashford Nteere	Residents Organization	Member- Chairs Audit committee	1952	19 th February 2019-20 th February 2022	Degree Civil Engineering	
7.	M/s Nancy Njeri Githu P.O. Box 995- 10400 Nanyuki	PWD's	Member	1969	13 th Dec 2016-todate	A' Level Certificate Secretarial	
8.	CPA Esther Murungi Ndegwa P.O. Box 995- 10400 Nanyuki	Professionals	Member- Chairs Finance & Admin committee	1957	19 th February 2019-20 th February 2022	C.P.A (K)	
9	Kennedy Gitonga P.O Box 995- 10400 Nanyuki	Managing Director	Managing Director	1976		Bsc (Civil Engineering	

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

III. Management team

NO	MANAGEMENT	Designation	Y.O.B	Qualifications	
1.	Kennedy Gitonga P.O Box 995- 10400 Nanyuki	Managing Director	1976	Bsc (Civil Engineering)	
2.	Wachira Gakuru P.O Box 995- 10400 Nanyuki	Commercial Manager	6 th Oct 1963	B.Com (Accounting option)	
3.	Willy Kariuki Kamau P.O Box 995- 10400 Nanyuki	Technical Services Manager	29 th July 1978	Bsc Water & Environmental Engineering	
4.	Caroline Kihonge P.O. Box 995- 10400 Nanyuki	Human Resource & Administration Manager	19 th March 1982	LLB CHRP	
5.	Paul Mwangi P.O. Box 995- 10400 Nanyuki	Finance Manager	8 th January 1971	B.A (Economics), CPA (K) MN.4931	
6	Mike Kingori P.O Box 995- 10400 Nanyuki	Company Secretary	Company Secretary	CPS	

IV. CHAIRMAN'S STATEMENT

It is my pleasure to release our annual report and financial statements for the year ended June 30, 2022. The past year has been full of challenges and it is quite evident that there exists a gap whereby capacity must be built to enable all parties to play their role of NAWASCO, its challenges and how the County Government can intervene.

Early in the period of reforms in the water sector (before year 2002), it was recognized that if water services were to be eventually sustainable so that operation and maintenance expenses could be covered, facilities rehabilitated and so as to eventually cover every homestead, water services revenues were to be safeguarded and ring fenced and were ploughed back exclusively to the water sector to grow it. Please refer to chapter 1 and Chapter 2 of the National Water Services Strategy 2007 -2015. For the last 10 years Water Services Regulatory Board (WASREB) has been nurturing the ring fencing of assets and revenues to ensure that the water companies are able to perform the services optimally.

- The Public view of NAWASCO as a profit-making organization. Procedures of tariff application which are basic and cost recovery need to be clearly explained to them.
- The difference between irrigation and domestic water needs to be explained as the two have been seen as one and the same. There is an upsurge of irrigation water being used for domestic purposes. This is in contravention of the conditions which irrigation water is licensed and the County Government should clarify and enforce adherence to the conditions which irrigation water is licensed.
- There is need to instill the fact that the development of domestic water infrastructure is the mandate of the County Government of Laikipia as the tariff does not provide for heavy development expenditure.

Our vision, mission and core values are very clear, and it is my belief that our presence has already been felt in many households. This has been possible through the continued cooperation with all the stakeholders. NAWASCO's mandate is to ensure that the residents of its area of jurisdiction will have a 24 hours water services every day.

We believe our good relations with our customers; good management principles and policies will always remain the driving force of our company in order to execute our mandate. This will ensure that we make a difference in the livelihoods of our customers, a task I believe we are happy and willing to achieve. Currently we are within the strategic plan covering the period year 2019 to 2023.

Finally, I would wish to extend my sincere gratitude to the NAWASCO Board of Directors, Water Services Regulatory Board, County Government of Laikipia, Ministry of Environment Water and Natural Resources and our customers for their support. I would also thank the management and staff of NAWASCO for their continued hard work over the financial year.

Thank you and God bless you all.



CPA Esther Ndegwa
Vice Chairman, NAWASCO Board of Directors

V. REPORT OF THE MANAGING DIRECTOR

Introduction

Following the enactment of the Water Act of 2002 that envisioned reforms in the water sector, Nanyuki Water and Sanitation Company Ltd, (NAWASCO) was created and registered under the Company's Act (Cap 486) on 6th of April 2006. The Service Provision Agreement (SPA) between County Government of Laikipia and NAWASCO was signed on 6th June 2006. Therefore, this made NAWASCO an agent of County Government of Laikipia.

The New County dispensation

We are now in a period where the new constitution is in effect and the function of water and sanitation services has been transferred to the County Government since the year 2015

Coverage

The Company's area of jurisdiction is 286km² with a population of about 109,000. Our coverage in terms of population is 96% and we call upon the County Government to intervene in this regard by funding our proposals to reach the un-served and underserved communities.

Challenges

Among our challenges is the fact that NAWASCO inherited a dilapidated infrastructure which requires extensive rehabilitation and whose funding requirements are beyond affordability. This has impacted heavily and resulted in a high level of Non Revenue Water (NRW). This is contributed by undetectable underground leaks among other causes.

Performance

This year we achieved gross revenue of KShs.387million (year 2021 408million). This was due to rebate to customers amounting to Kshs 24million within the year as recommended by the regulator in line with charging for water consumed as opposed to a flat rate of 0 to 6 cubic meters.

During the year, assets worth KShs.41million (Year 2021 46million) were procured to increase efficiency and support growth.

The assets included drilling and equipping boreholes, computers, water pipeline and sewer line extensions, water meters, motor vehicles and motor cycles.

The value of non-current assets increased by Kshs 3million or 1% while that of currents assets decreased by Kshs 15 million or 68%. This was largely due to decrease in bank balances. On the other hand, current liabilities decreased by 49million or 28% due to settlement of other payables.

The management intends to focus on NRW management to enable increase of billed volumes and revenue and staff training and performance appraisal to enable the company embrace best practices for improved efficiency in water and sewerage extensions to unserved areas.

Gratitude

Finally, I take this opportunity to thank NAWASCO stakeholders who through the Board of Directors have offered valuable oversight. I also thank Shareholders and the County Government of Laikipia for their support during the year, all our customers and suppliers who were all instrumental to our success this year. I am also grateful to our staff for their commitment in the running of the company. God bless you all.



ENG. KENNEDY GITONGA
MANAGING DIRECTOR

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

NAWASCO's core-mandate is derived from section 78 (1) of the Water Act 2016 which stipulates:

- a) Provision of water services within the area specified in the license; and
- b) Development of county assets for water services provision.

The water coverage increased from **94%** to **96%** while Sewerage coverage increased from **31% to 40%**. The Company's revenue for the year amounted to Ksh **326million** against projected budget of Ksh **336million**. The company received grant income amounting to Kshs 59million against a target of Kshs 105million

The Company accomplished various activities/ projects guided by the Strategic Plan, Business Plan Tariff and other key County water initiatives including:-

- i. Increased 1,146 no new water connections and 1,668 no new sewer connections.
- ii. Minor extensions of 1,873.34m for water installed at Kilimo, Stadium AP line and baraka areas and 1,661m for sewer, mainly at Livian. This facilitates new water and sewer connections for improved coverage
- iii. Reduction of Non-Revenue Water (NRW) from 40% in June 2021 to 32%.
- iv. Compliance with WASREB regulations through acquiring WASREB license for the period 1st September 2021- 31st August 2026.
- v. Acquisition of drinking water quality laboratory equipment's and renovation of waste water laboratory towards ISO 17025:2015 Accreditation.
- vi. Completed construction of 2No. Elevated steel tanks of 108m³ each at Baraka and Njoguini borehole serving approximately 2,500 people.
- vii. Improved water distribution through installation of 6no. Smart level Tank sensors.
- viii. Completed Solar installation for 2no.boreholes namely Njogu-ini and Inooro
- ix. Completed Ngei Water project funded through WSTF-CLSG Programme. 10.6km pipeline was replaced and 1,600 accounts relocated.

The project was funded by WSTF under CLSG programme. The key components of the project involved replacement of 10.6km pipeline and relocation of 1,600 accounts in Ngei, Kimathi, Mt. view, Thingithu Phase 2 & 3 and part of Asian Quarters. The project is complete and has improved meter reading at 100% and subsequently improved billing on actual consumption.

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

- x. Purchase of 2,075 meters for replacement of old and under registering meters being part of 4,175 meters from WASHFIN.
- xi. Completion of Makurian -Osirua project.

The project is located in Laikipia North and was implemented by NAWASCO as an agent of Laikipia County to Develop county assets related to provision of water services in the underserved areas. NAWASCO's financial contribution was **Ksh.40 million** to the project. The project is substantially complete with the following outputs: -

- a) Rehabilitation of intake completed
- b) 5 No. masonry tanks completed. (1 no. 225m³ tank, 2 no. 135m³ tanks, 2 no. 75m³ tanks)
- c) Installation of 3no.air valves and 3no.washouts along the gravity main
- d) 27.9km transmission pipelines from the head tanks to distribution tanks
- e) 37km distribution pipelines from the storage tanks to common water points

During the FY 2021/2022 NAWASCO received funding of Ksh.**35Million** (previous year 53million) from WSTF Conditional Liquidity programme to caution against effects of Covid 19 pandemic (CLSG Programme) out of the approved Kshs **97.2million.** in March 2021.

Key partnerships with donors including WSTF, KMT, KEWASNET, WASHFIN among others have been maintained. NAWASCO also works closely with other government agencies namely NEMA, WRA, Public works, Public Health, Rift Valley Water works and WASREB.

The main challenge during the year was rebating customers Kshs 43million as recommended by the regulator out of which Kshs 24million was rebated and a balance of Kshs 19million carried forward to the subsequent year.

Overall, the company has achieved most of the intended objectives during the year, in line with the Strategic Plan as outlined under section 6 of this report.

NAWASCO develops its annual work plans based on the five strategic objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis.

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

The table below indicates the status of projects undertaken within the year;

Project Name	Target Area	Year	Amount (Kshs.)	Source of funds	Current Status
Ngei Water Project	Ngei, Mt View, Thingithu Phase 2& 3, Asian Quarters	2021-2022	5,476,696	Water Sector Trust Fund (WSTF)	Complete & Operational
Efficiency Improvement Project	Nanyuki CBD and its environs	2021-2022	9,708,480	WASHFIN	Complete & Operational
Elevated Steel Tanks (2No)	Baraka and Njoguini	2021-2022	8,553,400	NAWASCO	Complete & Operational
Inooro Borehole-Solarization and additional works	Inooro	2020-2022	1,375,076	NAWASCO	Complete & Operational
Njoguini Borehole-Solarization	Njogu-ini	2021-2022	821,395	NAWASCO	Complete & Operational
Livian Sewer Project and 1No pumping Station	Livian/Teacher's Estate	2021-2022	4,183,287	NAWASCO	Complete & Operational

VII. CORPORATE GOVERNANCE STATEMENT

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

NAWASCO is committed to ensuring compliance with the provisions of the water act 2002 among other regulatory and supervisory corporate governance requirements. Essential to the establishment of a good governance framework are formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision-making process, assessment and improvement of compliance.

Board of Directors

The structure of NAWASCO starts with the Board of Directors representing various stakeholders' interests. The Board of Directors exercises leadership, enterprise, integrity and judgment in directing NAWASCO.

The Board of Directors is expected to determine the purpose and values of NAWASCO, determine the strategy to achieve that purpose and implement its values in order to ensure the company sustainability and growth.

The Board of Directors is expected to enhance the corporate governance practices in running of NAWASCO to bring the level of governance in the company in line with international standards. The essence of corporate governance is to protect stakeholder's interests.

Board committees

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

a) Finance and Administration committee

It's the function of the staff and establishment committee to ensure that NAWASO has the right staff at the right place and doing the right thing. More so, the committee will ensure that the staff welfare is taken care of.

The committee also oversees the financial reporting process, internal controls and efficient allocation and utilization of resources. The members of the board who served on this committee during the year under review were:

1. CPA Esther Ndegwa
2. M/S Nancy Githu

b) Technical and Strategic Committee

The committee ensures that there is adequate operations and maintenance, including infrastructure improvement geared towards customer satisfaction. The members of the board who served on this committee during the year under review were:

1. June Kawira Opot
2. Peter Nderitu Mwangi

Limuru Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

c) Audit, risk management and governance committee

The audit risk management and governance committee shall assist the board of directors in the oversight and maintaining the integrity of the financial statements of the company. Enhancing the effectiveness of the internal control over financial reporting. Strengthening the performance of the company's internal audit function and ensuring the company's compliance with legal and regulatory requirements. The members of the board who served on this committee during the year under review were:

1. Rtd Col Lawrence Nteere
2. CPA Daniel Wamae

Board meetings

The following is a list of Board Meetings that were held during the year.

Period	Date	Meeting	Meeting Attendance
1 st Quarter	5 th August 2021	Audit risk & compliance committee	2 Members
	19 th August 2021	Technical committee & Strategic committee	4 Members
	6 th July 2021	Full board	8 Members
2 nd Quarter	5 th October 2021	Finance & Administration Committee	3 Members
	21 st October 2021	Full board	6 Members
	9 th December 2021	Technical committee & Strategic committee	3 Members
	30 th November 2021	Audit risk & compliance committee	2 Members
	21 st December 2021	Finance & Administration Committee	3 Members
	23 rd December 2021	Full board	8 Members
3 rd Quarter	22 nd February 2022	Audit risk & compliance committee	2 Members
	24 th March 2022	Finance & Administration Committee	3 Members
	31 st March 2022	Full board	7 Members
4 th Quarter	11 th April 2022	Full board	8 Members
	31 st May 2022	Audit risk & compliance committee	2 Members
	5 th April 2022	Technical committee & Strategic committee	4 Members
	16 th June 2022	Technical committee & Strategic committee	4 Members

Statement of compliance

The Board of directors confirms that the company has throughout the year FY 2021/2022 complied with all statutory and regulatory requirements and that the company has been managed with the principles of good corporate governance.

Internal control and risk management

Internal Control

The directors are responsible for reviewing the effectiveness of the company's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Standing Instructions

The Company has a Code of Ethics and Service Charter that is applicable to all employees. These are two of a number of Standing Instructions to employees of the company designed to enhance internal control.

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfill their responsibilities, and that the company can meet its future management requirements.

Strategic Plan

The business of the company is determined by the Strategic Plan. The Strategic Plan sets out the objectives of the company, and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. The Board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

The company continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the company, is approved by the Audit Committee.

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Audit Committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during yr 2021/22.

Risk Management

The company has a structure and process to help identify, assess and manage risks. The process was in place for the period up to the time this report was approved. This team reviews all the risks in the Trust Fund and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the Audit Committee to assist the Board in the management of risk.

Management Team

The management team headed by the Chief Executive Officer implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Board's objectives are achieved effectively and efficiently. Such policies developed include the Anti-corruption policy, Disability, Gender and HIV mainstreaming, the ICT policy among others.

Auditor

The company is audited by the Auditor-General.

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

The company developed a strategic plan and business plan for the period 2019-2023 and acquired gazetted tariff to guide the operations and execution of its mandate.

The tariff and the strategic plan have been in implementation for three years.

The operation and financial performance of the company for the last financial year is as analyzed below;

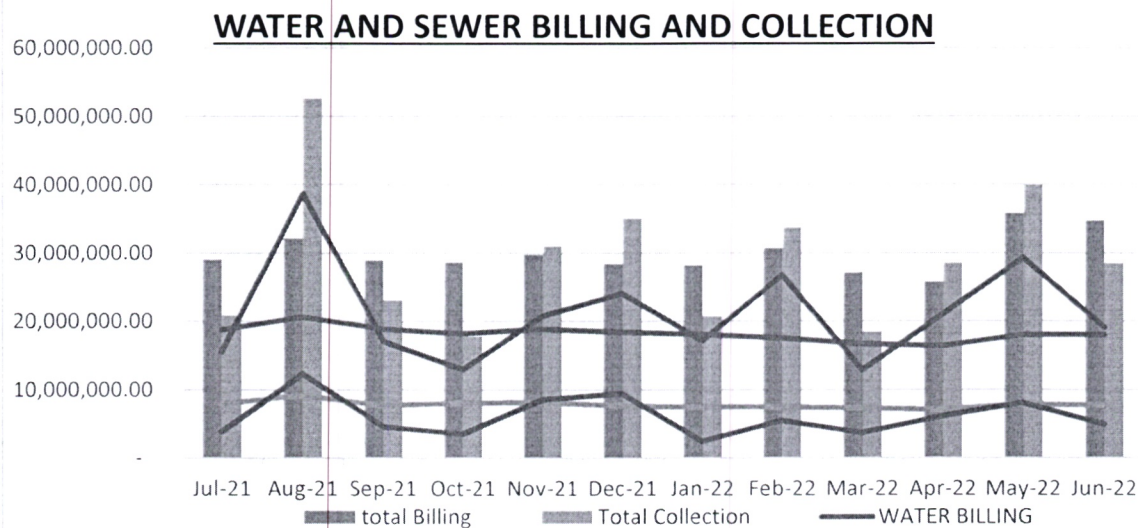
a) Collections During the 2021/2022 FY (Ksh in Million)

NAWASCO total collection for the FY 2021/2022 was **Ksh.334,212,076** as outlined in the table below.

NAWASCO ANNUAL COLLECTION- FY 2021/2022

	Water	Sewer	Standing Charges	Total
Jul-21	15,609,721	3,888,370	505,379	20,003,471
Aug-21	38,715,495	12,343,670	489,641	51,548,806
Sep-21	17,062,887	4,633,532	458,101	22,154,520
Oct-21	13,005,817	3,564,331	450,486	17,020,636
Nov-21	20,753,641	8,568,061	564,374	29,886,077
Dec-21	24,083,197	9,460,882	501,507	34,045,588
Jan-22	17,180,640	2,453,664	387,944	20,022,249
Feb-22	26,790,818	5,538,096	484,696	32,813,610
Mar-22	12,925,092	3,700,717	417,554	17,043,364
Apr-22	21,037,094	6,122,332	308,875	27,468,302
May-22	29,316,157	8,079,429	323,714	37,719,301
Jun-22	19,140,608	4,981,756	363,781	24,486,145
TOTAL	255,621,171	73,334,846	5,256,057	334,212,076

Graphical representation of the monthly Water and Sewer: Billing and collection



- a) The month of August 2021 had an above normal water consumption / billing and collection due to consumption and collection from DoD.
- b) The months of October, March and April generally had lower billing due to water shortages
- c) During the month of April, NAWASCO undertook several billing analysis tasks including adding accounts in sewerred areas, previously not billed as sewerred, and improvements on actual billing vis a vis billing on average. This subsequently improved Water and Sewer billing in the month of May 2022.
- d) The month of January 2022 dropped billed amounts due to the effect of billing on actuals as per WASREB directive

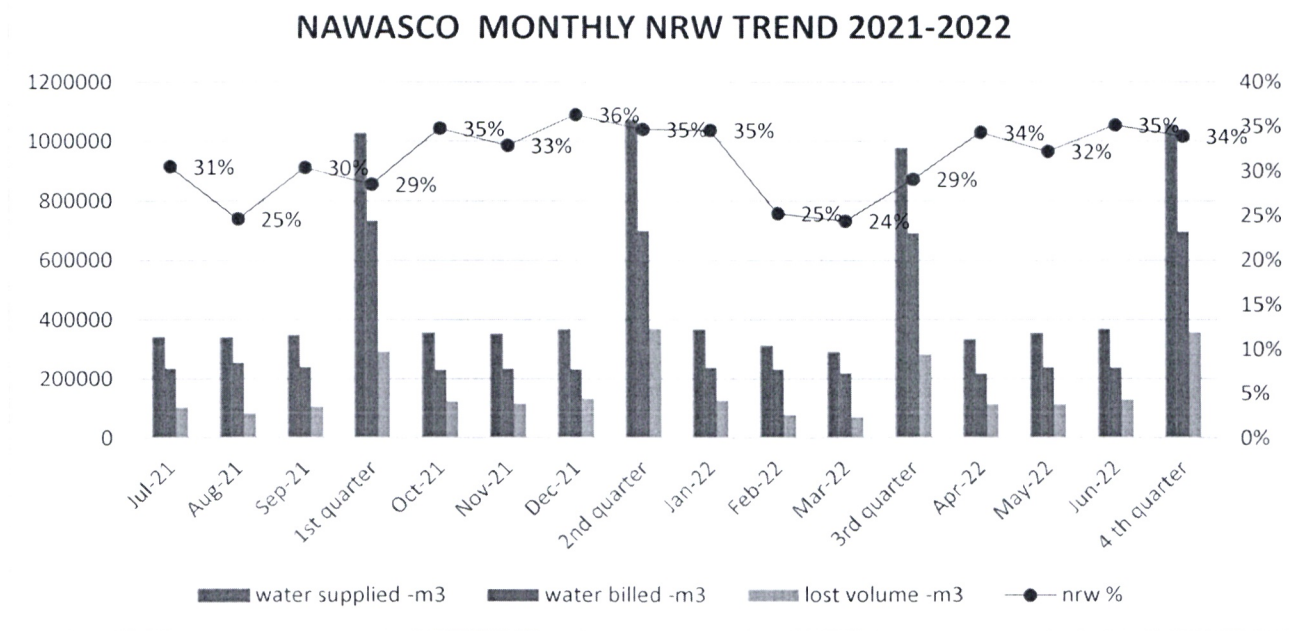
Non-Revenue Water

The total water produced during the year was **4,120,025m³** while Volume billed was **2,821,512 m³** translating to annual Non-Revenue Water of **31.5%**. This has been a remarkable improvement from last year's **40%** average.

The key interventions employed in this period include: - recalibration and replacement of major customer meters, continuous monitoring of major customer meters, continuous analysis of billing data and images, replacement of faulty meters, disconnections of illegal connections among others.

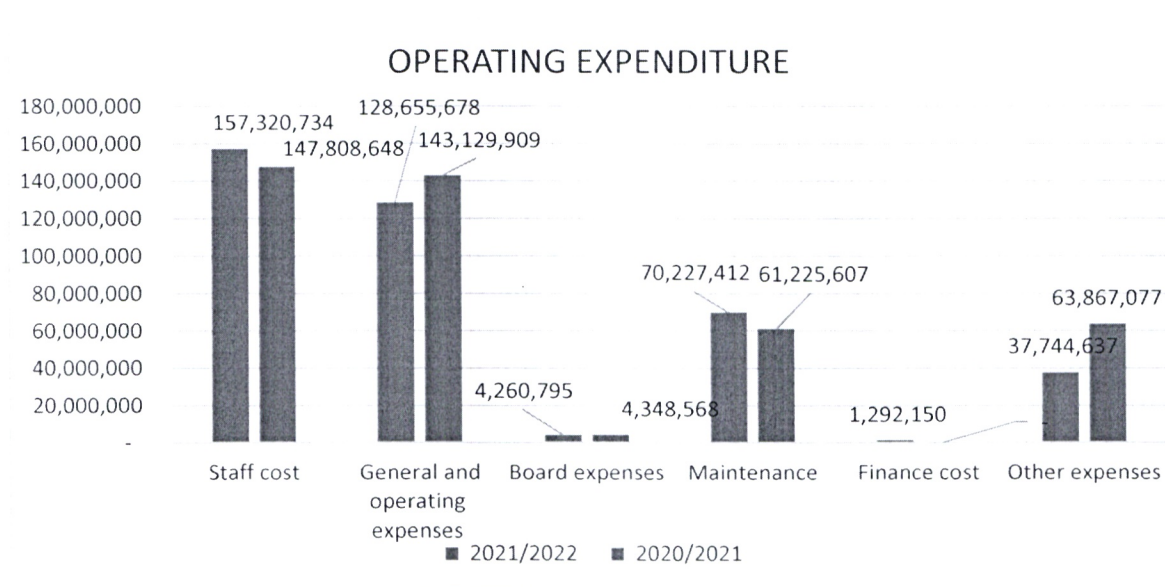
Table 2: Non-Revenue Water Analysis -per Quarter

Graphical representation of the monthly NRW Trend



Cost Summary for the FY 2021/2022

Chart presentation of expenditure for the 2021/2022 FY.



IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Nawasco exists to transform lives by sustainably providing excellent water and sanitation services through professional and competitive practices to the satisfaction of the stakeholders. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) **Sustainability strategy and profile -**

The Company mainstreams sustainability issues for all new projects to ensure project is self-sustaining through visibility studies, commercial viability and project ownership.

The company ensures good governance and political goodwill and buy in.

The company has put in place structures for tracking impact during and after project implementation.

ii) **Environmental performance**

The Company has effluent discharge control plan which guides how waste is discharged back to water bodies. Nawasco is currently developing environmental policy.

Testing is done internally at waste water lab and externally at KEBS , SGS, Government central laboratory and certificates are issued.

The results from the analysis have been within the required standards attributable to the efficiency of sewer treatment plant

During the rainy season, surface run off water at times find its way to the waste water treatment plant causing system overload therefore incomplete treatment.

Silt deposition causes blockage resulting in law sewer spillage in the estates.

Such challenges are attended to promptly by the maintenance team to reduce environmental impact

iii) **Employee welfare**

The company has an approved Human resources manual that guides hiring process taking into account gender and ethnicity balance and is reviewed annually.

Within the HRM there is a performance management system that takes into account training needs, appraisal and performance reward.

The company has OSHA which complies with Occupational Safety and Health Act of 2007, (OSHA).

iv) **Market place practices-**

Nawasco ensures the following are adhered to;

a) Responsible competition practice.

The company strictly follows Public procurement and disposal act and code of ethics.

b) Responsible Supply chain and supplier relations

The company strictly follows Public procurement and disposal act and procurement policy and plan.

c) Responsible marketing and advertisement

The company involves itself in fair marketing and advertisement as outlined in PPDA through accredited media house and systems.

d) Product stewardship

The company has customer contracts with obligation of both parties and customer charter outlining clear service levels. All this is geared towards safeguarding consumer rights and interests.

b) Corporate Social Responsibility / Community Engagements

The company undertakes various CSR activities and stakeholders' engagements through issue of tree seedlings towards environmental conservation and communal water points in high risk areas e.g during Covid 19 pandemic.

X. REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the company's affairs

i) Principal Activities

The principal activities of the company are the provision of water and sanitation services

ii) Results

The results of the company for the year ended June 30, 2022 are set out on pages 1-77

iii) Dividends

The Board of Directors do not propose any dividends for the year.

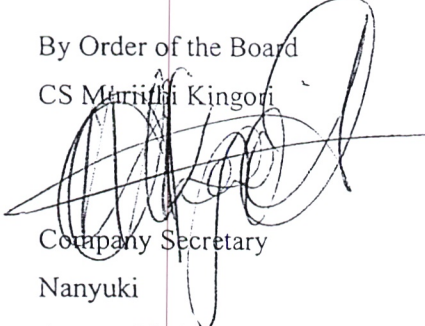
iv) Directors

The members of the Board of Directors who served during the year are shown on page VI and vii.

v) Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with the Public Finance Management Act no, 18 of 2012.

By Order of the Board
CS Mtriiifi Kingori


Company Secretary
Nanyuki
August 30, 2022

Michael M. Kingori
Certified Public Secretary (K)
Reg. 1948
P. O. Box 1494-10400, NANYUKI.
TEL: 0712-397212

Date: 30/08/2022



XI. STATEMENT OF DIRECTORS' RESPONSILITIES

The Public Finance Management Act, and the Companies Act, requires the Directors to prepare financial statements in respect of the company which give a true and fair view of the state of affairs of the Company at the end of the financial year period and the operating results of the company for that year / period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company. The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended June 30, 2022. This responsibility includes:

- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- b) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company;
- c) 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;
- d) Safeguarding the assets of the company;
- e) Selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the Companies Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2022, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

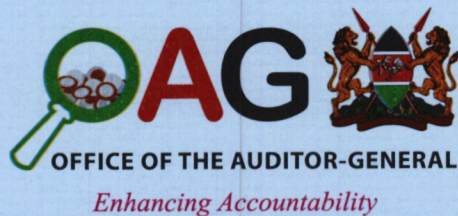
The company's financial statements were approved by the Board on 30/06/2022 and signed on its behalf by:

Director

Director

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 NANYUKI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

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 the 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 Nanyuki Water and Sanitation Company Limited set out on pages 1 to 69, which comprise the statement of financial position as at 30 June, 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the

provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nanyuki Water and Sanitation Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Unsupported Trade and Other Receivables

The statement of financial performance and as disclosed in Note 29 to the financial statements reflect Kshs.165,703,023 in respect to trade and other receivables. Included in the receivables is a balance of Kshs.137,155,819 in respect to receivables that have been outstanding for more than 120 days. Further, receivables amounting to Kshs.13,804,488 were classified as dormant customers. However, no documentary evidence was provided for audit review to confirm whether management followed up and acted on the outstanding debt, including acting against the defaulters to recover the debts owed to the company. In addition, even though Note 29 to the financial statements reflects a reduction in Value added Tax (VAT) recoverable of Kshs.9,767,116 as at 30 June, 2022, there was no evidence adduced to support that reduction in VAT recoverable.

In the circumstance, the accuracy and recoverability of the Kshs.165,703,023 in respect to trade and other receivables could not be ascertained.

2.0 Lack of Ownership Documents- Property Plant and Equipment

As previously reported, property plant and equipment's and as disclosed in Note 20 to the financial statements includes Kshs.30,000,000 in respect to acquisition of land. However, ownership documents including the title deeds were not provided for audit verification. Further, logbooks for four (4) motor vehicles and one (1) motorcycle all valued at Kshs.4,165,708 were not provided for audit review.

In the circumstances, ownership of the land and motor vehicles of Kshs.34,165,708 included in property plant and equipment could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nanyuki 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.

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2022 reflects final receipts budget and actual on a comparable basis of Kshs.450,545,284 and Kshs.385,419,270, respectively, resulting in a shortfall of Kshs.65,126,014 or 14% of the budget. Similarly, the Company expended Kshs.441,047,590 against an approved budget of Kshs.509,524,826 resulting to an under-expenditure of Kshs.68,477,236 or 13% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2.0. Prior Year Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular.

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

1.0 Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

During the year under review, the Company had a total expenditure budget on wage bill of Kshs.158,921,810 against operating revenue budget of Kshs.344,795,284. However, the company's actual expenditure on wage bill was Kshs.157,320,734 or (45.6%) of the operating revenue. This is contrary to Section 25(b) of Public Finance Management (County Governments) regulations, 2015 that set limit not exceeding thirty five percent of total revenue.

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

2.0 Excess Non-Revenue Water

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects Kshs.326,063,629 in respect to operating revenue which included Kshs.212,766,633 revenue from the sale of water. Records provided for audit review indicated that the Company produced a total of 4,120,025 cubic meters (M³) of water out of which only 2,821,512 (M³) cubic meters were billed to the customers. The balance of 1,298,513 cubic meters (approximately 32 %) of the total volume of water produced with a sale price of Kshs.97,920,865 (at Kshs.75.41 per cubic meter which is the average sale price for the year under review) represents the non-revenue water (NRW). This is over and above the allowable loss of 25% as provided by schedule E of Water Service Regulatory Board (WASREB) guidelines.

In the circumstances, the Company significantly exceeded the allowable NRW loss of 25% by 7% or approximately Kshs.21,420,189 worth of water which if not addressed will negatively impact the Company's profitability and its long-term sustainability.

3.0 Staff Ethnicity Diversity

As previously reported, a review of human resource records revealed that during the year under review, the Company had a total of one hundred and seventy-three (173) employees out of which one hundred and twenty-one (121) or seventy percent (70%) were from the dominant ethnic community, with only about thirty percent (30%) being from the other non-dominant communities.

This is contrary to Section 7(2) of the National Cohesion and Integrity Act, 2008 which provide, "No public establishment shall have more than one third of its staff from the same ethnic community."

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

4.0 Unbalanced Budget

The statement of comparison of budget and actual amounts reflects Kshs.450,545,284 in respect to the final budgeted revenue against an expenditure budget of Kshs.509,524,826 resulting in a budget deficit of Kshs.58,979,542. No documentary evidence was provided for audit review on how the Company intended to bridge the budget gap of Kshs.58,979,542. Further, it was not clear why an unbalanced budget was approved by the Board and the County Government without a clear plan on how to bridge or finance the budget deficit, contrary to Section 31(c) of the Public Finance Management (County Governments) regulations, 2015 which provides that budgeted revenue and expenditure appropriations shall be balanced.

In the circumstances, the Company 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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 processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit.
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books.
- (iii) The Company's financial statements agree with books of account.

Responsibilities of Management and the Board of Directors

Management and the Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015 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 assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of 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 controls that are identified during the audit.

I also provide the 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

14 April, 2023

XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

	Notes	2021-2022	2020-2021
Revenue		Kshs	Kshs
Operating Revenue	6	326,063,629	345,355,156
Grants Income	7	59,355,641	62,721,211
Other Income	8	2,393,344	
Finance Income	9		
Other gains / (losses)	10		
Total revenues		<u>387,812,613</u>	<u>408,076,368</u>
Expenses			
Staff cost	11	157,320,734	147,808,648
General and operating expenses	12	135,874,075	143,129,909
Board expenses	13	4,260,795	4,348,568
Maintenance	14	70,227,412	61,225,607
Finance cost	16	1,292,150	-
Depreciation and Amortization	15	<u>38,115,281</u>	<u>63,867,077</u>
Total Expenses		<u>407,090,447</u>	<u>420,379,809</u>
Profit /(Loss) Before taxation		(19,277,834)	(12,303,442)
Net profit (Loss) from Enterprise	16 (a)	<u>1,305,168</u>	<u>2,739,320</u>
Income tax Expense / (Credit)			
Profit /(Loss) After taxation		<u>(17,972,666)</u>	<u>(9,564,121)</u>
Earnings per share -basic and diluted		-	=
Dividend per share		-	=
Other Comprehensive income			

anyuki Water & Sanitation Company Limited
 Annual Reports and Financial Statements
 For the year ended 30, June 2022

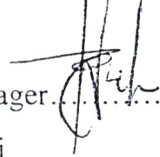
Profit /(Loss) After taxation			
Surplus or Deficit on Revaluation of PPE			
Remeasurement of net defined benefit liability			
Fair value gain / (loss) on investments in Equity instruments designated as at FVTOCI			
Total Comprehensive Income For The Year		(17,972,666)	<u>(9,564,121)</u>

The financial statements were authorized for issues by the board on2022 and were Signed on its behalf by;

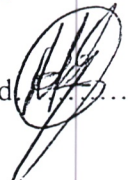
Managing Director.....
 Eng. Kennedy Gitonga



Finance Manager.....
 Paul Mwangi
 MN 4931



Vice Chairman of the board.....
 CPA Esther Ndegwa



STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			
Non current assets			
Property, plant and equipment	20	256,236,918	251,431,043
Intangible Assets Software -(IMIS)	21	3,491,224	5,236,840
Investment property	22	-	-
Right-of-use assets	23	-	-
Biological Assets	24	-	-
Fixed interest investments	25	-	-
Quoted investments	26	-	-
Unquoted investments	27	-	-
Total non current assets		<u>259,728,142</u>	<u>256,667,884</u>
Current Assets			
Inventories	28	15,357,274	8,641,638
Trade and receivable	29	165,703,023	153,505,025
Tax recoverable	30	-	-
Short- term deposit	31	-	-
Bank and Cash balances	32	<u>7,088,240</u>	<u>22,003,525</u>
Total Current assets		<u>188,148,537</u>	<u>184,150,187</u>
Total Assets		<u>447,876,679</u>	<u>440,818,071</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary Share Capital	33	100,000	100,000
Revaluation reserves	34		

anyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Fair value adjustment reserve	35		
Capital reserves	34	157,938,935	157,938,935
Retained earnings	36	58,691,330	(12,004,248)
Grant	36(a)	-	4,183,940
Grants	36(b)	<u>96,061,339</u>	<u>105,600,447</u>
Capital and Reserves		<u>312,791,604</u>	<u>255,819,074</u>
Non current Liabilities			
Deferred tax liability	37	-	-
Borrowings	38	6,327,482	
Lease liability	39	-	-
Provisions	40	5,963,893	5,963,893
Retirement Benefits	41	-	-
Total Non current Liabilities		<u>12,291,375</u>	<u>5,963,893</u>
Current Liabilities			
Borrowings	38	2,221,351	-
Lease liability	39	-	-
Provisions	40	3,339,661	-
Retirement benefit obligations	41	-	-
Trade and other payables	42	89,278,887	144,096,497
Customer deposits	43	27,953,801	34,938,607
Deferred income	44	-	-
Dividends payable	45	-	-
Taxation		-	-
Total Current Liabilities		<u>122,793,700</u>	<u>179,035,104</u>
Total equity and liabilities		<u>447,876,679</u>	<u>440,818,071</u>

The financial statements were authorized for issues by the board on2022 and were Signed on its behalf by;
 Managing Director..... Finance Manager..... Vice Chairman of the board.....
 Eng. Kennedy Gitonga Paul Mwangi ICPAK NIN4931 CPA Esther Ndegwa

XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2022

	Ordinary Share Capital Kshs	WSTF Kshs	Capital Reserves Kshs	WSTF Grant Solio Kshs	Revenue reserves Kshs	Total Kshs
Year ended June 30, 2021						
As at 1 st July 2020	100,000	106,984,446	157,938,935	4,183,940	(2,440,127)	266,767,194
Grant -Bungoma primary		(1,383,999)				(1,383,999)
Net surplus (deficit) for the yr					(9,564,121)	(9,564,121)
At 30 June 2021	100,000	105,600,447	157,938,935	4,183,940	(12,004,248)	255,819,074

	Share Capital Kshs	WSTF Kshs	Capital Reserves Kshs	WSTF Grant Solio Kshs	Revenue reserves Kshs	Total Kshs
Year ended June 30, 2022						
As at 1 st July 2021	100,000	105,600,447	157,938,935	4,183,940	(12,004,247)	255,819,074
Prior year adjustments					88,668,243	88,668,243
Reallocation		4,183,940		(4,183,940)		-
Grant income amortization		(13,723,048)				(13,723,048)
Net profit (deficit) for the yr					(17,972,666)	(17,972,666)
At 30 June 2022	100,000	96,061,339	157,938,935	-	58,691,330	312,791,603

Yuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED JUNE 30, 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
CASHFLOWS FROM OPERATING ACTIVITIES			
CASH GENERATED FROM /USED IN OPERATIONS			
Profit (loss) for the year		(17,972,666)	(9,564,121)
Adjustments for;			
Prior year adjustments		88,668,243	
Depreciation		36,369,665	25,516,097
Amortization		1,745,616	1,745,616
Operating profit (loss) before working capital changes		108,810,858	17,697,592
Changes in working capital items			
(Increase) /decrease in inventories		(6,715,636)	(1,652,881)
(increase) / decrease in trade and other receivables		13,987,428	33,676,301
(decrease) / increase in trade & other payables		(54,817,610)	9,152,479
Cash generated from / (used in) operating activities		61,265,040	58,873,491
Interest paid			
Taxation paid			
Net cash used in operating activities		61,265,040	58,873,491
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(41,175,540)	(46,753,538)
Net cash outflows from investing activities		(41,175,540)	(46,753,538)
Net cash outflows from investing activities			
CASHFLOWS FROM FINANCING ACTIVITIES			
Grant		(13,723,048)	(3,824,517)
Loan		8,548,832	-
CASHFLOWS FROM FINANCING ACTIVITIES		(5,174,216)	(3,824,517)
Net increase / (decrease) in cash and cash equivalents		(14,915,284)	8,295,436
Opening cash and cash equivalents		22,003,524	13,708,088
Closing cash and cash equivalents		7,088,240	22,003,524

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE
PERIOD ENDED 30 JUNE 2022**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference Over / (Under)	% of utilisation
	2021-2022	2021-2022	2021-2022	2021-2022		
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Operating revenue	320,611,440		320,611,440	294,978,038	(25,633,402)	(8%)
Non operating revenue	14,183,844	10,000,000	24,183,844	31,054,278	6,870,434	28 %
Finance income				31,313	31,313	
Other gains						
Total	334,,795,284	10,000,000	344,795,284	326,063,629	(18,731,655)	5%
Grants	105,750,000		105,750,000	59,355,641	(46,394,359)	(44%)
Total Revenue	440,545,283	10,000,000	450,545,284	385,819,270	(65,126,014)	14%
Expenses						
Staff cost	158,921,810		158,921,810	157,320,734	1,601,076	1%
General and operating expenses	112,419,682	10,000,000	122,419,682	128,655,678	(6,235,996)	(5%)
Board expenses	6,261,949	(2,000,000)	4,261,949	4,260,795	1,154	0%
Maintenance	46,916,944	30,000,000	76,916,944	70,227,412	6,689,532	9%
Finance cost	1,100,956	200,000	1,300,956	1,292,150	8,806	1%
Depreciation and amortization	30,506,376	7,000,000	37,506,376	38,115,281	(608,905)	(2%)
Total recurrent expenditure	356,127,717	45,200,000	401,327,717	399,872,050	1,455,667	0%
Capital expenditure	108,197,109		108,197,109	41,175,540	67,021,569	62%
Total expenditure	464,324,826	45,200,000	509,524,826	441,047,590	67,021,569	13%

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Nanyuki Water & Sanitation Company Limited was established by and derives its authority and accountability from water Act 2002 now repealed by Water act 2016. The Company is wholly owned by the County Government of Laikipia and domiciled in Kenya. The Company's principal activity is distribution of water and provision of sanitation services to the residence of Nanyuki town and its environs.

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 judgment in the process of applying the Company's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company and all values are rounded to the nearest thousand (Kshs'000).

The financial statements have been prepared in accordance with the companies act, the PFM 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 2022.*

Title	Description	Effective Date
IAS 39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Title	Description	Effective Date
	categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

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. Or the following has been assessed to be significant for the company and has been addressed as follows....

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 16 — Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Title	Description	Effective Date
	revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 41 — Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 1 — First-time Adoption of International Financial Reporting Standards	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the

Title	Description	Effective Date
		updated Conceptual Framework) at the same time or earlier.
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021/2022

4. Summary of Significant Accounting policies

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

a) Revenue recognition

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

- i. **Revenue from the sale of goods and services** is recognized in the year in which the *company* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii. **Grants from National Government** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii. **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv. **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established
- v. **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements
- vi. **Other income** is recognized as it accrues.

b) In Kind contribution

In-kind contributions are donations that are made to the *entity* 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 *entity* 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 and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized 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:

Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%
Tractors & trailers	25%
Equipments, safe & cabinet	12.5%
Water systems	12.5%
Building	12.5%
Software	20%

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be 5 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development staff costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives which are estimated to be 5 years on a straight line basis.

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

e) Intangible Asset

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are 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) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

h) Risk of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

j) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) 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.

n) Taxation

i. Current income tax

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

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

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.

o) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

p) 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.

q) 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 imp rests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2014. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. 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 15% of basic and house allowance per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

w) Budget information

The original budget for FY 2021-2022 was approved by the Board on June 30, 2022. 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 entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of an increase Kshs 67million on expenditure and reduction of Kshs 21million on Revenue on the 2020-2021 budget following the board's approval.

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

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

a) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the

arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

b) Comparative figures

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

c) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

- ❖ The condition of the asset based on the assessment of experts employed by the Entity
- ❖ The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- ❖ The nature of the processes in which the asset is deployed
- ❖ Availability of funding to replace the assets

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

c) Provisions

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

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 provisions;

- Provision for bad debts -provided as stipulated by the regulator at 16.5% of the debts outstanding at the end of the year
- Provisions of obsolete stocks – based on identified obsolete stock
- Provision for gratuity- provided based percentage as per employee contract
- Provision for tax -based on the prevailing corporation rate currently at 30%

6. Operating Revenue

	2021/2022	2020/2021
	Kshs	Kshs
Water sales	218,428,178	225,076,275
Sewerage services	90,693,273	95,529,016
Meter rent	10,174,850	9,939,770
Adjustments	(24,318,264)	-
Billing for other services	31,085,591	14,810,095
Total	326,063,629	345,355,156

7. Grants income

	2021/2022	2020/2021
	Kshs	Kshs
Recurrent / operational grants from other agencies	45,632,593	62,721,211
Capital grants amortized	13,723,048	-
Total	59,355,641	62,721,211

Wajukwu Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

8. Other income

Description	2021/2022	2020/2021
	Kshs	Kshs
Miscellaneous income	2,393,344	-
Total	2,393,344	-

9. Finance Income

	2021/2022	2020/2021
	Kshs	Kshs
Interest income from treasury bonds	-	-
Total	-	-

10. Other gains and losses

	2021/2022	2020/2021
	Kshs	Kshs
Foreign exchange gains / (losses)	-	-
Loss /gain on disposal on sale of investments	-	-
Gain on sale of fixed assets	-	-
Fair value gain/ loss on biological Assets	-	-
Fair value gain or losses on revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Unrealized foreign exchange gains / (losses)	-	-
Total	-	-

11. Staff Costs

	2021/2022	2020/2021

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

	Kshs	Kshs
Gross salary and allowances	128,072,697	120,882,392
Casual workers' wages	4,057,478	2,704,050
Employer's contributions to social security schemes	448,600	441,000
Employer's contributions to pension schemes	12,680,881	12,066,831
Provision for leave pay	6,514,899	6,869,183
Gratuity provisions	5,546,179	4,845,192
Total	157,320,734	147,808,648
The average number of employees during the year	135	162

12. General and operational expenses

Description	2021/2022	2020/2021
	Kshs	Kshs
Administrative cost		
End of year party	1,470,000	1,309,072
Performance token	529,000	707,000
Additional tax assessment	-	21,611,374
AGM	1,008,780	-
Ground maintenance	2,422,372	2,379,210
Staff medical insurance	6,825,900	5,948,081
Advertisements	246,664	245,000
Travelling & subsistence	10,146,721	7,605,122
Telephone & postage	850,866	999,665
Newspapers & periodicals	234,600	421,770
Office expenses	345,781	306,897
Staff training	5,887,691	10,157,577
Corporate social responsibility	379,908	1,209,860
Staff welfare	8,123,665	8,059,862
Subscription	398,000	284,470
Games & sports	2,484,814	31,000
Legal fees	25,000	70,550

yuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Audit fees	538,240	538,240
Security	5,413,937	5,568,059
Stakeholders participation	1,964,970	1,051,154
Internet	4,201,840	3,765,939
General insurance	1,305,447	1,150,428
Bank charges	499,460	515,610
Printing & stationery	2,832,263	3,056,808
Uniforms	2,040,486	341,050
Provision for bad & doubtful debts	7,218,397	32,689,333
Cleaning materials	3,688,257	3,485,161
Total	71,083,060	113,508,292
Operations		
Licenses & permits	2,450	10,010
Likii -WRUA	302,600	53,000
WRA abstraction fees	1,514,041	1,271,476
Chemicals	7,408,706	7,360,861
Water Analysis	583,950	697,947
WASREB fees	3,294,132	3,095,522
Meter testing & calibration	112,500	-
Solio project	1,966,700	8,710,731
Project admin cost- Makurian	40,362,262	554,579
Electricity	6,518,865	5,547,492
Consultancy	1,966,369	2,320,000
LIA	758,439	-
Total	64,791,015	29,621,617
Grand total	135,874,075	143,129,909

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

13. Board expenses

Description	2021/2022	2020/2021
	Kshs	Kshs
Committee allowances	1,164,304	1,339,166
Full board allowances	1,362,884	1,123,638
Board expenses	1,733,607	1,885,764
Total	4,260,795	4,348,568

14. Maintenance

Description	2021/2022	2020/2021
	Kshs	Kshs
General maintenance		
Tools & equipment	90,487	325,865
Electrical repairs	2,459,460	2,457,715
NRW	3,076,629	2,555,353
Repair & maintenance of boreholes	1,684,276	1,675,437
Fencing & access road maintenance	6,765,462	4,390,813
Building maintenance	3,761,570	2,781,431
Water network repairs	21,469,910	17,444,534
Sewer network maintenance	8,767,193	6,824,213
Disludging	1,819,248	2,153,329
Disilting	369,730	522,565
Manhole maintenance	5,460,295	5,168,634
System maintenance	738,717	1,540,300
Computer accessories	1,093,200	766,770
Sub total	57,556,175	48,606,959

nyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Motor vehicle running expenses		
Fuel & oils	8,872,451	6,649,358
M/V repairs	2,007,492	3,898,969
Tyres & tubes	325,130	300,500
Generator repairs & oils	36,200	276,298
Exhauster maintenance	451,229	161,583
Motor bikes repair	978,735	1,331,940
Sub total	12,671,237	12,618,649
Grand total	70,227,412	61,225,607

15. Depreciation and Amortization expenses

Description	2021/2022	2020/2021
	Kshs	Kshs
Property, plant and equipment	36,369,665	25,516,097
Amortization	1,745,616	1,745,616
Bad debts written off	-	36,605,364
Total	38,115,281	63,867,077

16 Finance costs

Description	2021/2022	2020/2021
	Kshs	Kshs
Interest expense on loans	1,292,150	-
Total	1,292,150	-

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

16 (a) Enterprise performance (Equator Glacier)

	2021/2022	2020/2021
Description	Kshs	Kshs
Revenues	18,358,658	20,396,810
Total expenses	17,053,490	17,657,489
Net profit for the year	1,305,168	2,739,321

17 Income tax expense / (Credit)

a) Current taxation

	2021/2022	2020/2021
Description	Kshs	Kshs
Current taxation based on the adjusted profit for the at 30%	-	-
Current tax : prior year under/ (over) provision	-	-
Prior year under-provision for deferred tax	-	-
Total	-	-

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

	2021/2022	2020/2021
Description	Kshs	Kshs
Profit before taxation	-	-
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation / amortization	-	-
Deferred tax prior year over-provision	-	-
Total	-	-

18 Earning per share

The earnings per share is calculated by dividing the profit after tax of Kshs (10,754,269) (2020-2021) (Kshs (9,564,121)) by the average number of ordinary shares in issue during the year of 100,000 (2019-2020: 100,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date

19 Dividend per share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2022, a final dividend in respect of the year ended June 30, 2022 of Kshs. 0 (2020: Kshs. 0) for every ordinary share of par value of Kshs.10 is to be proposed. An interim dividend of Kshs. 0 (2020: Kshs. 0) for every ordinary share of par value of Kshs.10 was declared and paid during the year. This will bring the total dividend for the year to Kshs.0 (2020: Kshs.0).

20 Property, Plant and Equipment

2021/2022	Motor Vehicles	Tractors & trailers	Motor cycle	Furniture & fittings	Equipment's, safe & cabinets	Buildings	Borehole/Tanks Solar	NRW Equipment's	Filter media
COST OR VALUATION									
At July 1, 2021	12,655,259	2,570,000	3,631,032	3,507,751	3,705,670	11,487,501	29,749,290	966,000	1,160,890
Additions	11,719,500	-	125,000	143,700	-	1,624,079	9,075,704	120,176	1,147,759
At June 30, 2022	24,374,758	2,570,000	3,756,032	3,651,451	3,705,670	13,111,580	38,824,994	1,086,176	2,308,649
DEPRECIATION									
At July 1, 2021	12,655,259	1,570,004	3,343,801	2,464,208	3,194,850	6,906,259	3,718,656	120,756	145,116
Charge for the year	2,929,872	500,004	141,360	305,460	253,164	1,638,877	4,853,124	120,684	270,437
As At 30th June 2022	15,585,131	2,070,008	3,485,161	2,769,668	3,448,014	8,545,137	8,571,780	241,440	272,088
Net Book value as at June 30, 2022	8,789,628	499,992	270,872	881,783	257,657	4,566,443	30,253,214	844,736	844,736
Net Book value as at June 30, 2021	-	999,996	287,232	1,043,543	510,821	4,581,241	26,030,634	845,244	1,015,774

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Property, plant and Equipment (continued)

2021/2022	Land	Water systems WSTF	Water systems	Computer equipments	Water systems Likii sewerage	Water system sewerlinne ext	Water systems Nturukuma, Nkando Katheri	Water systems S/water, Ichuga, Njoguini	Water systems Meters & Water extension	
COST OR VALUATION										
At July 1, 2021	-	49,684,106	7,930,229	11,407,621	8,963,517	30,564,045	4,270,248	7,790,957	27,851,775	
Additions	-	-	-	147,000	-	4,183,287	263,260	263,441	5,661,147	
Adjustments	-	(49,684,106)	(7,930,227)							
At June 30, 2022	-	-	-	11,554,621	8,963,517	34,747,332	4,533,508	8,054,398	33,512,921	
DEPRECIATION										
At July 1, 2021	-	-	-	10,694,891	3,218,553	6,619,577	1,881,776	2,580,095	7,051,351	
Charge for the year	-	-	-	471,696	541,057	3,098,376	330,983	684,299	3,307,701	
As At 30th June 2022	-	-	-	11,166,587	3,759,610	9,717,953	2,212,759	3,264,394	10,359,052	
Net Book value as at June 30, 2022	-	-	-	388,034	5,203,907	25,029,379	2,320,749	4,790,004	23,153,869	
Net Book value as at June 30, 2021	30,000,000	49,684,106	7,930,229	712,730	5,744,964	23,944,468	2,388,472	5,210,862	20,800,424	

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Property, plant and Equipment (continued)

2021/2022	Bottling	Old Water system	Lab equipments	Water system Ruai Town	Water system Ngei/Thingithu/Mt view				Total
COST OR VALUATION									
At July 1, 2021	2,298,515	313,248,197			-				533,442,602
Additions	-		1,130,420	94,371	5,476,696				41,175,540
Adjustments		57,614,335							-
At June 30, 2022	2,298,515	370,862,532	1,130,420	94,371	5,476,696				574,618,142
DEPRECIATION									
At July 1, 2021	1,364,424	214,481,984			-				282,011,559
Charge for the year	287,316	15,797,572	141,300	11,796	684,587				36,369,665
As At 30th June 2021	1,651,740	230,279,556	141,300	11,796	684,587				318,381,224
NET BOOK VALUE As at June 30, 2022	646,775	140,582,976	989,120	82,575	4,792,109				256,236,918
NET BOOK VALUE As at June 30, 2021	934,091	68,766,213	-	-	-				251,431,043

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Property, plant and equipment include the following items that are fully depreciated:

20. (b) Property, Plant and Equipment

	Cost or valuation	Accumulated depreciation
Motor vehicle	12,655,259	12,655,259
Tractor	570,000	570,000
Motor cycle	3,095,538	3,095,538
Computers	10,130,451	10,130,451

21 Intangible Assets

	2021/2021	2020/2021
	Kshs	Kshs
COST		
At July 1 2021	8,728,070	
Additions		8,728,070
Disposals	-	
At June 30 2022	8,728,070	8,728,070
AMORTISATION		
At July 1 2021	3,491,230	-
Charge for the year	1,745,616	1,745,614
Disposals	-	
Impairment loss	-	
At June 30 2022	5,236,646	3,491,230
NET BOOK VALUE		
At June 30 2022	3,491,224	5,236,840

22 Investment Property

	2020/2021	2019/2020
	Kshs	Kshs
Opening valuation	-	-
Movements during the year		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
Closing valuation	-	-
DEPRECIATION (IF AT COST)		
At July 2021	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30 2022	-	-
NET BOOK VALUE		
At June 30 2022	-	-

23 Right-of-use assets

	Buildings	Plant	Equipment	Total
	Kshs	Kshs	Kshs	Kshs
Cost				
As at 1 July 2021	-	-	-	-
Additions	-	-	-	-
As at 30 June 2022	-	-	-	-
Accumulated Depreciation				

Nanyuki Water & Sanitation Company Limited
 Annual Reports and Financial Statements
 For the year ended 30, June 2022

As at 1 July 2021	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2022	-	-	-	-
Carrying Amount				
As at 30 June 2021	=	=	=	=
As at 30 June 2022	=	=	=	=

24 Biological assets

	Buildings	Plant	Equipment	Total
	Kshs	Kshs	Kshs	Kshs
Cattle				
Trees	-	-	-	-
Others	-	-	-	-

25 Fixed Interest Investments (Bonds)

	2021/2022	2020/2021
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Infrastructure Bond	-	-
AB Corporate Bond (give details)	-	-
CD Corporate Bond (give details)	-	-
Total	-	-

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Details	2021/2022	2020/2021
	Kshs	Kshs
Balance at 1 July	-	-
Additions during the year	-	-
Interest accrued during the year	-	-
Investment maturities during the year	-	-
Balance at 30 June	-	-

26 Quoted Investments

	2021/2022	2020/2021
	Kshs	Kshs
Opening valuation	-	-
Movements during the year		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
Closing valuation	-	-

Name of entity where investment is held	No of shares			Nominal value of shares/purchase price	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No	Shs	Shs	Shs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

27 Unquoted Investments

	2021/2022	2020/2021
	Kshs	Kshs
COST		
At July 1	-	-
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	-	-
At June 30	-	-
IMPAIRMENT		
At July 1	-	-
Disposals	-	-
Impairment loss in the year	-	-
At June 30	-	-
NET BOOK VALUE	-	-

Name of entity where investment is held	No of shares			Nominal value of shares/ purchase price	Value of shares less impairment	Value of shares less impairment
	Direct shareholding	Indirect shareholding	Effective shareholding			
	Current year	Prior year				
	No	No	No	Shs	Shs	Shs
Entity A	-	-	-	-	-	-

28 Inventories

	2021/2022	2020/2021
	Kshs	Kshs
Miscellaneous	624,673	929,962
Chemicals	719,925	997,788
Stationery	737,665	2,080,813
Pipes & fittings	3,478,333	3,169,372
Meters	9,156,150	650,503
Bottling	640,528	813,201
Water	-	-
Less: Impairment of stocks	-	-
Total	15,357,274	8,641,638

28 (a) Reconciliation of Impairment Allowance for Inventories

Description	2021/2022	2020/2021
	KShs	KShs
At the beginning of the year	8,641,638	6,988,757
Additional provisions during the year	6,715,636	1,652,881
At the end of the year	15,357,274	8,641,638

29 Trade and Other Receivables

	2021/2022	2020/2021
	Kshs	Kshs
Trade receivables (note (29a))	179,030,339	156,059,733
Deposits and prepayments	6,929,964	717,059
VAT recoverable	12,486,431	22,253,547
Gross trade and other receivables	198,446,734	179,030,339
Provision for bad and doubtful receivable	(32,743,711)	(25,525,314)
Net trade and other receivables	165,703,023	153,505,025

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

29 (a) Trade Receivables

	2021/2022	2020/2021
	Kshs	Kshs
Gross trade receivables	198,446,734	179,030,339
Provision for doubtful receivables	(32,743,711)	(25,525,025)
Net trade receivables	165,703,023	153,505,025
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	16,953,420	16,750,135
Between 30 and 60 days	20,542,327	17,698,840
Between 61 and 90 days	12,536,291	15,510,645
Between 91 and 120 days	11,258,877	13,330,320
Over 120 days	137,155,819	115,740,400
Total	198,446,734	179,030,339

29 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2021/2022	2020/2021
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

29 (c) Staff Receivables

	2021/2022	2020/2021
	Kshs	Kshs
Gross staff loans and advances	-	-
Provision for impairment loss	-	-
Net staff loans	-	-
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

29 (d) Reconciliation of Impairment Allowance for Staff Receivables

Description	2021/2022	2020/2021
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

30 Tax Recoverable

	2021/2022	2020/2021
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year (note 16)	-	-
Under/(over) provision in prior year/s (note 16)	-	-
Income tax paid during the year	-	-
At end of the year	-	-

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

31 Short Term Deposits

	2021/2022	2020/2021
	Kshs	Kshs
Other commercial banks		
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-

32 Bank and Cash Balances

	2020/2021	2019/2020
	Kshs	Kshs
Cash at bank	7,073,200	21,988,185
Cash in hand	15,040	15,340
	7,088,240	22,003,525

The bulk of the cash at bank was held at Kenya Commercial Bank (1.9m), Safaricom mpesa working account, a collection account (2.1m) and Safaricom mpesa utility account, a collection account (1.1m).

Detailed analysis of the cash and cash equivalents

		2021/2022	2020/2021
Financial institution	Account number	KShs	KShs
a) Current account			
Sidian Bank	0101900000667	236,134	584,897
KCB	1103189492	1,927,424	525,385
Equity	0270262386906	294,359	275,236
Equity	0270295023483	280,818	12,030,682

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

		2021/2022	2020/2021
Financial institution	Account number	KShs	KShs
Family bank	064000074156	486	4,857,114
Family bank	064000072475	55,154	373,117
KCB	1231036583	0	51,278
National bank	01071237876300	707,043	-
KCB	1234142643	(817)	3,723
Family bank	064000073526	167	167
KCB Public sanitation	064000076049	1,560	-
Sub- total		3,502,329	18,701,599
b) On - call deposits			
Other Commercial banks		-	-
Sub- total		-	-
c) Fixed deposits account			
Other Commercial banks		-	-
Sub- total		-	-
d) Staff car loan/ mortgage			
Other Commercial banks		-	-
Sub- total		-	-
e) Others(specify)		-	-
Post bank	0744130012585	152,603	2,348,144
Mpesa Utility	540300	1,147,885	886,146

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

		2021/2022	2020/2021
Financial institution	Account number	KShs	KShs
Kopokopo	869751	80,717	27,638
Mpesa Working account	540300	2,180,312	24,658
Huduma		9,355	-
Bottling cash sales		15,040	15,340
Sub- total		3,585,912	3,301,926
Grand total		7,088,240	22,003,525

33 Ordinary Share Capital

	2021/2022	2020/2021
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of KShs 20par value each	100,000	100,000
Issued and fully paid:		
5,000 ordinary shares of KShs 20 par value each	100,000	100,000

34 Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

35 Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognized in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

36 Retained Earnings

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

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

	Kshs	Kshs
Retained earnings	58,691,330	(12,004,248)

36b WSTF GRANTS

	Kshs	Kshs
WSTF Grant	105,600,447	105,600,447
WSTF Solio	4,183,940	4,183,940
Total Grant b/f	109,784,387	0
Amortization 12.5%	13,723,048	0
Balance c/d	96,061,339	109,784,387

37 Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2021-2022	2020-2021
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	(-)	(-)
Provisions for liabilities and charges	(-)	(-)
Net deferred tax liability	-	-

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

The movement on the deferred tax account is as follows:

	2021-2022	2020-2021
	Kshs	Kshs
Balance at beginning of the year	-	-
Credit to revaluation reserve	(-)	(-)
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-

38 Borrowings

Description	2021/2022	2020/2021
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-
b) Domestic Borrowings		
Balance at beginning of the year	-	-
Domestic borrowings during the year	10,000,000	-
Repayments during the year	1,451,168	-
Balance at end of the year	8,548,932	-
Balance at end of the period- Domestic and External borrowings c = a+b	8,548,932	-

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

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

	2021/2022	2020/2021
	KShs	KShs
External Borrowings		
Dollar denominated loan	-	-
Sterling Pound denominated loan	-	-
Euro denominated loan	-	-
Domestic Borrowings		
Kenya Shilling loan from Family Bank	10,000,000	-
Total balance at end of the year	8,548,932	-

Description	2021/2022	2020/2021
	KShs	KShs
Short term borrowings (current portion)	2,221,351	-
Long term borrowings	6,327,482	-
Total	8,548,932	-

39 Lease Liability

Description	2021/2022	2020/2021
	KShs	KShs
At the start of the year	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
At end of the year	-	-

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

	2021/2022	2020/2021
Maturity analysis	Kshs	Kshs
Year 1	-	-
Year 2	-	-
Less: unearned interest	-	-
Analysed as:		
Non-Current	-	-
Current	-	-

40 Provisions

Description	Leave Provision	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	-	-	5,963,893	-	5,963,893
Additional Provisions	-	-	5,632,069	-	5,632,069
Provision utilized	-	-	(2,292,408)	-	(2,292,408)
Change due to discount and time value for money	-	-	-	-	-
Balance at the end of the year	-	-	9,300,554	-	9,300,829

Provisions details

Description	2021-2022	2020-2019
	Kshs	Kshs
Current Portion of Provisions	-	-
Long-term portion of Provisions	-	-
Total	-	-

41 Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2021/2022	2020/2021
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total employee benefits obligation	-	-	-	-	-

Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all permanent employees from July 1, 2020. The scheme is administered by Laptrust and Superannuation fund while CPF are the custodians of the scheme. The scheme is based on 12 percentage of salary of an employee at the time of retirement and 15 percentage of employee salary contributed by employer .

Recognition of Retirement Benefit Asset/ Liability

a) Amounts recognised under other gains/ Losses in the statement of Comprehensive Income

Description	2021/2022	2020/2021
	Kshs	Kshs
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from 0020 changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (Specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Remeasurement of the net defined benefit liability (asset)	-	-
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b) Amounts recognised in the Statement of Financial Position

	2021/2022	2020/2021
Description	Kshs	Kshs
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded Status(=a-b)	-	-
Restrictions on asset recognized	-	-
Others	-	-
Net Asset or liability arising from defined benefit obligation	-	-

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 200 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by Laptrust and provident Pension Fund. Employees contribute 12% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

42 Trade and Other Payables

	2021/2022	2020/2021
	Kshs	Kshs
Trade payables	33,616,946	34,118,325
Accrued expenses	568,456	802,906
Other payables	35,094,426	76,144,143
Employee payables	19,999,059	33,031,123
Total	89,278,887	144,096,497

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

43 Customer deposits

	2021-2022	2020-2021
	<i>Kshs</i>	<i>Kshs</i>
Opening Balance	34,938,607	30,662,707
Add: deposits received during the year	8,382,200	8,710,300
Less: Refunded deposits during the year	(4,065,300)	(4,434,400)
Prior year adjustments	(11,301,706)	
Closing balance	27,953,801	34,938,607
Total	27,953,801	34,938,607

44 Deferred income

45 Description	2021-2022	2020-2021
	KShs	KShs
National/County government	-	-
International funders	-	-
Public contributions and donations	-	-
Total deferred income	-	-

The deferred income movement is as follows:

	County government	International funders	Public contributions and donations	Total
Balance brought forward	-	-	-	-
Additions	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to income statement	-	-	-	-
Other transfers	-	-	-	-
Balance carried forward	-	-	-	-

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

46 Dividends Payable

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The balances are analysed in annual amount below.

	2021/2022	2020/2021
	Kshs	Kshs
At the beginning of the year	-	-
Additional declared during the year	-	-
Paid during the year	-	-
Balance at end of the year	-	-

Dividends payable to ordinary shareholders amounts to Ksh.0, while dividends payable to preference shareholders amounts to Ksh 0.

47 Taxation

	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	-	-
At end of the year	-	-

48 Notes to The Statement of Cash Flows

	2021/2022	2020/2021
	Kshs	Kshs
(e) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	(17,972,666)	(9,564,121)
Prior year adjustments	88,668,243	
Depreciation	36,369,665	25,516,097

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

	2021/2022	2020/2021
	Kshs	Kshs
Amortisation	1,745,616	1,745,616
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	108,810,858	17,697,592
(Increase)/decrease in inventories	(6,715,636)	(1,652,881)
(Increase)/decrease in trade and other receivables	13,987,428	33,676,301
Increase/(decrease) in trade and other payables	(54,817,610)	9,152,479
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/(used in) operations	61,265,040	58,873,491
3. Analysis of changes in loans		
Balance at beginning of the year	-	-
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	-	-
4. Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	7,073,200	21,988,184
Cash in hand	15,040	15,340
Balance at end of the year	7,088,240	22,003,524

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

	2021/2022	2020/2021
	Kshs	Kshs
5. Analysis of interest paid		
Interest on loans	1,292,150	-
Balance at end of the year (note 35(b))	1,292,150	-
	_____	_____
Interest paid	1,292,150	-
	=====	=====
6. Analysis of dividend paid		
Balance at beginning of the year	-	-
2020 dividends paid	-	-
2021 interim dividends paid	-	-
Balance at end of the year	-	-
	_____	_____
Dividend paid	-	-
	=====	=====

49 Related Party Disclosures

Government of Kenya

The County Government of Laikipia is the principal shareholder of the NAWASCO, holding 100% of the Company's equity interest. The County Government of Laikipia has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

- i) Ministry of water and irrigation
- ii) County Government of Laikipia
- iii) Water Services Regulatory Board (WASREB)
- iv) Water Regulatory Authority (WRA)
- v) Key management
- vi) Board of directors

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Transactions with related parties

	2021/2022	2020/2021
	Kshs	Kshs
b) Sales to related parties		
Sales of electricity to Govt agencies	-	-
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from Tbills and Bonds	-	-
Others (Specify)	-	-
Total	-	-
b) Purchases from related parties		
Purchases of electricity from KPLC	-	-
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
Total	-	-
c) Grants from the Government		
Grants from National Govt	-	-
Grants from County Government	-	-
Donations in kind	-	-
Total	-	-
d) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services for	-	-
Total	-	-

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

	2021/2022	2020/2021
	Kshs	Kshs
e) Key management compensation		
Directors' emoluments	2,527,188	2,462,804
Compensation to key management	-	-
Total	2,527,188	2,462,804

50 Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	2021/2022	2020/2021
	Kshs	Kshs
Amounts authorised and contracted for	-	-
Amounts authorizes but not contracted for	-	-
Less: Amounts included in Work in progress	-	-
	-	-

51 Contingent Assets and Liabilities

Contingent Assets

	2021/2022	2020/2021
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Others (Specify)	-	-
Total	-	-

Contingent Liabilities

	2021/2022	2020/2021
	Kshs	Kshs
Contingent liabilities	-	-
Court case against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
Others (Specify)	-	-
Total	-	-

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

52 Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to 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.

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

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

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2022				
Receivables from exchange transactions	-	-	-	-

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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 entity has no significant concentration of credit risk

The board of directors sets the company’s credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2022				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

f) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

(iii) Market risk (Continued)

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022			
Financial assets			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
Financial Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

At 30 June 2022			
Financial assets			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
Financial Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

g) Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on Equity
	Kshs	Kshs	Kshs
2022			
Euro	10%	-	-
USD	10%	-	-
2021			
Euro	10%	-	-
USD	10%	-	-

h) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

i) Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

ii) Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

iii) Fair value of financial assets and liabilities

XIX. Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- vii. Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- viii. Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- ix. Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

At 30 June 2022	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-
At 30 June 2021				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-

There were no transfers between levels 1, 2 and 3 during the year.

Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

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

	2021/2022	2020/2021
	Kshs	Kshs
Capital reserve	157,938,935	157,938,935
Retained earnings	58,691,330	(12,004,248)
Ordinary share Capital reserve	100,000	100,000
Grants	-	4,183,940
Grants	96,061,339	105,600,447
Total funds	312,791,604	255,819,074
Total borrowings	-	-
Less: cash and bank balances	7,088,240	22,003,525
Net debt/(excess cash and cash equivalents)	305,703,364	233,815,549
Gearing	-	-

53 Incorporation

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

54 Events After The Reporting Period

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

55 Currency

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

APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. Unsupported Trade and Other Receivables	<p>As disclosed in Note 27 to the financial statements, the statement of financial position reflects trade receivables balance of Kshs.153,505,025 as at 30 June, 2021. However, audit review indicated the following anomalies;</p> <p>i. Value Added Tax (VAT) refundable of Kshs.22,253,547 was not supported with correspondences from the Kenya Revenue Authority.</p>	<p>i. VAT refundable</p> <p>On 23rd October 2017, we forwarded refund claim to KRA Public Sector Division vide letter reference NAWASCO/1/2/VOL.3/20 (copy attached (ref 4.2)) amounting to Kshs 14,023,848 which has accumulated by a further Kshs 6,688,056.49 as per the attached e-return</p>	Resolved	30 th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	ii. The Company's Board approved the write off of the special bad debts of Kshs.36,605,364. However, the write off was not approved by the County Executive Committee Member for Finance. This is contrary to Section 150(2) of the Public Finance Management Act, 2012 which requires an Accounting Officer for a county government entity to obtain approval of the County Executive Committee Member for Finance to write off a loss.	acknowledgment receipt (copies attached (ref4.2) ii. Bad debts written off The bad debts written mostly related to public primary schools' debts, it was realized that they have an allocation from the ministry of education which is way below the amount consumed. In essence, this implies that they are unable to pay what they consume above their allocation. Therefore, it was found prudent to write off the current debt and install prepaid meters so that they only pay what they consume.		
2.0 Lack of Ownership Documents	The statement of financial position reflects a balance of Kshs.251,431,043 under	Find attached asset register from Deed of surrender from Northen Water board which transferred / surrendered assets to the	Resolved	30 th June 2022

Nanyuki Water & Sanitation Company Limited
 Annual Reports and Financial Statements
 For the year ended 30, June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>Property, Plant and Equipment which, as disclosed in Note 19 to the financial statements, includes an amount of Kshs.30,000,000 in respect of land acquired from Nanyuki High School. However, the title deed was not provided for audit verification. Further, logbooks for four (4) motor vehicles and one (1) motor cycle all valued at Kshs.4,165,708 were not provided for audit review.</p> <p>In the circumstances, the ownership and accuracy of the property plant and equipment balance of Kshs.251,431,043 as at 30 June, 2021 could not be confirmed.</p>	<p>company which included the above motor vehicles (Ref 4.9) and log book for the motor cycle (Ref 4.1)</p> <p>Further, find attached correspondences from Nanyuki High relating to ceding of land in lieu of outstanding debts of Kshs 30million</p>		
3.0 Non-Compliance with	Review of human resource records revealed that during	Majority of our staff were drawn from the defunct Municipal Council of Nanyuki	Resolved	30 th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
the National Cohesion and Integrity Act, 2008	<p>the year under review, the Company had a total of sixty-one (61) employees on permanent and pensionable terms out of which forty-nine (49) or eighty (80%) were from the dominant community. This is contrary to Section 7(2) of the National Cohesion and Integrity Act, 2008 which provide “No public establishment shall have more than one third of its staff from the same ethnic community.”</p> <p>In the circumstances, Management discriminate other communities in employment and was in breach of the law.</p>	<p>since inception of Nanyuki Water in 2005 and way before Section 7 of National Cohesion and Integration Act came into place. As such 80 % were on permanent and pensionable terms drawn from the same ethnic group.</p> <p>The company has embraced ethnic diversity as enshrined in its core value of diversity. Every opportunity that arises is advertised in the media and people from all walks of life are encouraged to apply both ethnically and geographically. The ethnic imbalance is expected to change as most of the permanent staff retire and ethnic diversity is embraced.</p>		
1. Non-Revenue Water	Review of documents provided for audit revealed that the Company produced 4,665,582 cubic meter (m3)	The company has set up an NRW section with an allocated budget of Kshs 2,100,000 recurrent and Kshs 12million Capital	In progress	30 th June 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>of water during the year out of which 2,789,080 cubic meters (m³) was billed to consumers. The balance of 1,876,502 m³ or approximately 40% of the total volume produced valued at of Kshs 12,688,260 represents Non-Revenue Water (NRW) which is over and above the allowable loss of 25% provided by the Water Services Regulatory Board (WASREB) guidelines.</p> <p>The significant level of Non-Revenue Water is an indication of inefficiency and ineffectiveness in the use of public water resources, which negatively impact on the Company's profitability and its ability to continue as going concern.</p>	<p>mostly for acquisition of NRW equipment. Among the activities set out to reduce the NRW are as follows;</p> <ul style="list-style-type: none"> a. Master meter accuracy test / calibration b. Faulty master meter replacement c. Mass customer meter servicing d. Faulty customer meter replacement e. Physical losses monitoring (rapid response to leaks and bursts) f. Active NRW task force g. Budget allocation to the tune of Kshs 12million current and Kshs 2 million recurrent in the year 2021/2022 h. Large customer monitoring i. Billing data cleanup j. Illegal water use detection and disconnection. 		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
		<p>k. Customer meter relocation to HDPE network</p> <p>l. Pipeline renewal . (ngei, Asian quarters, thingithu).</p> <p>Find attached report from Nyeri water for meter calibration and our internal report which indicates some meters were under registering and by up to 10% and requires replacement.</p> <p>After the above measures were undertaken, immediate results were noted as evidenced by the graph below which indicates a significant drop from 40% to 25% in some months in the following year 2021/2022.</p>		

Accounting Officer

Name Eng Kennedy Gitonga

Nanyuki Water and Sanitation Company Limited

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended 30, June 2022

Signature



Date.....

30/8

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of				
FY 2020/21				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
d.	Donor Receipts	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	-	

The above amounts have been communicated to and reconciled with the parent Ministry.

Finance Manager

Nanyuki Water and Sanitation Company

Sign

Managing Director

Nanyuki Water and Sanitation Company

Sign

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Planning and Devolution	-	Recurrent	-	-	-	-	-	-	
Ministry of Planning and Devolution	-	Development	-	-	-	-	-	-	
USAID	-	Donor Fund	-	-	-	-	-	-	
Ministry of Planning and Devolution	-	Direct Payment	-	-	-	-	-	-	
			-	-	-	-	-	-	
Total			-	-	-	-	-	-	