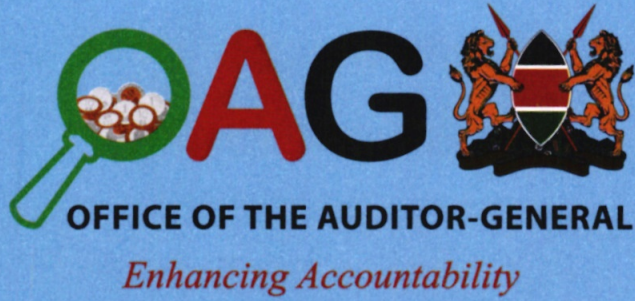
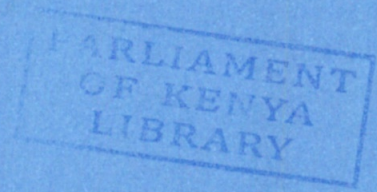


REPUBLIC OF KENYA



REPORT

OF



THE AUDITOR-GENERAL

ON

**NYAHURURU WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2023**

PAPERS LAID	
DATE	21/3/2024
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Safe, Accessible & Affordable water & Sanitation Services

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**NYAHURURU WATER AND SANITATION COMPANY
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

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

Nyahururu Water Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms and Glossary of Terms

Provide Acronyms and glossary of terms that appear in this annual report and financial statements.

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>SPA</i>	<i>Service Provision Agreement</i>
<i>ICS</i>	<i>Institute of certified secretaries</i>
<i>KNUT</i>	<i>Kenya National Union of Teachers</i>
<i>EBK</i>	<i>Engineers Board of Kenya</i>
<i>CHRP</i>	<i>Certified Human Resource Professional</i>
<i>IHRM</i>	<i>Institute of Human Resource Management</i>
<i>WASCO</i>	<i>Water Companies Sports Organization</i>
<i>CSA</i>	<i>Catholic Social Apostolate</i>
<i>CBA</i>	<i>Collective Bargaining Agreement</i>

2. Key Entity Information

Background information

The Nyahururu Water and Sanitation Company Ltd was established by the water Act of Parliament on 2002. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and has branches/regions in Nyahururu, Igwamiti, Marmanet and Rumuruti.

Principal Activities

The principal activity of the Company is to provide clean and healthy drinking water and sanitation services reliably to residents of Nyahururu (Town and Environs), Igwamiti, Marmanet, Rumuruti, Salama and Kinamba in compliance with the Service Provision Agreement (SPA).

In pursuit of its principal activities, the company is well guided by the following tenets:

Vision

To be the leading water and sanitation services provider

Mission

To offer high quality services in the most efficient and cost-effective manner.

Core Objective

To provide access to safe clean water and reliable sanitation services for all within the company's area of jurisdiction.

Directors

The Directors who served the entity during the year/period were as follows:

1. Wilfred K. Daniel	-Chairperson	- Left in October 2022
2. Dorcas Chelangat Korir	-V/ Chairperson	- Left in October 2022
3. Peter Kariithi Mwangi	-Managing Director	- Left in January 2023
4. Irene Njeri Wamithi Director	-Director	- Left in October 2022
5. Rev. Elijah Ngugi Kirika	-Director	- Left in October 2022
6. Eunice Wanjiku Kamau	-Director	- Left in October 2022
7. James Ndirangu Kungu	-Director	- Left in October 2022
8. Margaret Njeri Kanja	-Director	- Left in October 2022
9. Benard Mwaura Mbuthia	- Managing Director	-Appointed in April 2023
10. Rev. Fr. David Munyeki	- Chairman	- Appointed in January 2023
11. Damaris Wanjiku Waiharo	- V/Chairperson	- Appointed in January 2023

12. George Waweru Gichingiri	- Director	-Appointed in January 2023
13. Kipkoech Birgen	- Director	- Appointed in January 2023
14. Maureen Muriithi	- Director	-Appointed in January 2023
15. Caesar Mwangi	- Director	- Appointed in January 2023
16. Leah Njeri	- Director	- Appointed in January 2023
17. Richard Gikuhi Kiana	-Company Secretary	-Appointed on 4 th June 2021

Company Secretary

Mr. Richard Gikuhi Kiana (**Member ICS**)
P.O. Box 1271-10100;
Nyeri.

Registered Office

Nyahururu Office (Main); Hekima Building- Kenyatta Avenue
Marmanet Office (Subsidiary); Ol-jabet Chief's Camp Compound
Rumuruti Office (Subsidiary); Behind County Headquarters Building.
Igwamiti Office (Subsidiary); Karuga Trading Centre.

Corporate Headquarters

P.O. Box 952-20300
Hekima Building
Kenyatta Avenue
Nyahururu, KENYA

Corporate Contacts

Telephone: (254) 065-2032774
E-mail: info@nyahuwasco.co.ke
Website: www.nyahuwasco.co.ke









BANKERS





Family Bank of Kenya
Nyahururu
P.O. Box 74145- 00200, Nairobi

The Post Bank
Nyahururu
P.O. Box 30311- 00100, Nairobi

3. The Board of Directors

Directors	Details
 <p>Wilfred. K Daniel (62 years)</p>	<p>Wilfred K. Daniel holds a Bachelor of Science degree in Business administration. He was a non-executive director representing business organizations and served as the board chairman. He retired in Oct 2022.</p>
 <p>Dorcas Korir (32 years)</p>	<p>Dorcas holds a Master’s degree in Engineering (Civil & Environment). She represented the County Government of Laikipia and served as the Vice Chairperson to the board. She retired in Oct 2022.</p>
 <p>Irene Wamithi (55 Years)</p>	<p>Irene holds a bachelor of Science degree in law and is a practicing advocate. She was a non-executive director representing the County Government of Laikipia and retired in Oct 2022</p>
 <p>Rev. Elijah Kirika (55 Years)</p>	<p>Reverend Elijah holds a Bachelor of Science degree in Theology. He was a non-executive director representing religious organizations and retired in Oct 2022</p>
 <p>Eunice Nganga (57 years)</p>	<p>Eunice holds a Bachelor of Science degree in finance. She was a non-executive director representing resident organizations and retired in Oct 2022</p>
 <p>Margaret Njeri (31 Years)</p>	<p>Margaret holds a diploma in Community Development. She was a non-executive director representing women organizations. She retired on Oct 2022.</p>

Nyahururu Water Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

 <p>Dr. James Kungu (49 Years)</p>	<p>Dr. James Kungu holds a PHD in Business Administration. He was a non-executive director representing professional organizations and served as the chair of the audit committee</p>
 <p>Eng. Peter Mwangi (56 Years)</p>	<p>Eng. Peter Mwangi holds a Master of Arts (<i>Project Planning and Management</i>) and a Bachelor of Science (<i>Water Engineering</i>). He served as Managing Director from 8th Oct 2020 to 31st January 2023 and left the company to pursue other interests.</p>
 <p>Rev. Fr. David Munyeki (49 years)</p>	<p>Fr. David kamiru Munyeki is a non-executive director representing resident organizations. He is the chairperson of board of directors.</p> <p>Fr. Munyeki holds a Bachelor's degree in Canon Law from University of Pontificia Pius X Venice, Bachelor's degree in Sacred Theology and a Bachelors of Arts in Philosophy from Urbaniana University</p> <p>He has previously served as a Board Member at County Assembly Services Board in Nyandarua County and Chaired various board committees. He also served in various Parishes, Saccos and The Nyahururu Sports club.</p>
 <p>Mrs. Damaris Waiharo (42 years)</p>	<p>Ms. Damaris is a non-executive director representing Women and Youth Organizations.</p> <p>She holds a Bachelor of Commerce (Finance) Degree from Egerton University and a Master of Business Administration Degree (Finance) from Laikipia University. Currently she is undertaking a Phd in Finance at Laikipia University.</p> <p>She is a Certified Public Accountant (CPA, K) and a Member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p>

	<p>She has wide experience in auditing, financial management and corporate governance.</p>
 <p>George Gichingiri (45 years)</p>	<p>George Mugweru is a non-executive director representing the County Government of Laikipia. He is a Senior Advisor to His Excellency the Governor of Laikipia, Hon Joshua Irungu E.G.H. In his role, he advises the Governor on matters trade, financial markets, economic planning, and development. As a Financial Inclusion Expert, he has previously worked as an advisor on housing finance at HOPE International, Housing finance systems manager at Habitat for Humanity and Microfinance Lead at Habitat for the “Building Assets, Unlocking Access” project, in Kenya and Uganda funded by the Mastercard Foundation. George has also conducted numerous consulting assignments and technical assistance projects at MicroSave as Senior Analyst. He has over 15 years’ experience in financial inclusion and has working experience in Ethiopia, Kenya, Nigeria, South Sudan, Tanzania, Republic of Congo, Rwanda, and Uganda.</p> <p>George love serving people. He serves at Parkland Baptist Church, an urban church in Nairobi as an Elder. He is also a Rotarian.</p>



Ms. Maureen Muriithi (32 years)

Maureen is a non-executive director representing manufacturing and business community.

Maureen is An Advocate of the High Court of Kenya, Commissioner of Oaths with over five years' experience in the legal field. She is a partner in a firm based in Nyahururu town and an active member of the Law Society of Kenya Nyahururu Chapter. She previously worked as a Manager in a successful business company based in Nyahururu town and continues to be an active member of the Nyahururu business community.

She holds a Post Graduate Diploma from the Kenya School of Law, and a Bachelor's degree in Law (LLB) from Moi University.

She also serves as a member of the Board in Igwamiti Secondary School within Laikipia County.



Kipkoech Birgen (44 years)

Kipkoech J Birgen is a non-executive director representing professional organizations. He is a Trained educator with a certificate in primary teacher education, diploma in early childhood development education and a bachelor degree in education primary option.




Birgen is also a trade unionist representing teachers in Kenya National Teachers Union (KNUT) Laikipia branch.



Ceasar Wanjau (48 years)




Dinmrector Ceasar is a non-executive director representing rural schemes. He holds a Bachelor's degree in Education (BED) from the University of Nairobi. He is currently undertaking a Masters in Marketing at the Dedan Kimathi University of Technology.

Ceasar has over 20 years in the education sector. He is the head teacher of Murichu Primary School.

	<p>He is also a member of other Boards. He serves as the vice chair of Unison Sacco and a member of KTDA board.</p>
 <p>Hon. Leah Njeri (55 years)</p>	<p>Madam Leah Njeri is the County Executive Committee Member for Water, Environment and Natural Resources.</p> <p>She represents the department of Water, Environment and Natural Resources, County Government of Laikipia.</p>
 <p>Bernard Mwaura (56 years)</p>	<p>Mr. Bernard Mwaura Mbutia is the Managing director. He holds a masters in International studies and a Bachelor of science in Information Science.</p> <p>He is an astute Managing Director experienced in driving the attainment of corporate objectives through leadership in strategy formulation and ensuring efficient, cost-effective and sustainable delivery of water and Sanitation services to the public.</p> <p>He has served as the Managing Director of Multi-focus Ltd, Managing Director of Nyahururu Water and Sanitation Company Ltd. and as General Manager of Ngummo (K) Ltd, among other roles.</p>
 <p>Fcs Richard Gikuhi</p>	<p>FCS Richard Gikuhi holds an MBA in Strategic Management, is a member of ICS with over thirty years of professional experience</p>

4.Key Management Team

Managers	Details
 <p>Peter Mwangi</p>	<p>Managing Director – Left on January 2023</p> <p>Holds a Master of Arts (Project Planning and Management) and a Bachelor of Science (Water Engineering).</p>
 <p>Bernard Mwaura</p>	<p>Managing Director</p> <p>Holds a Master’s degree in Intentional studies and a Bachelor’s of science degree in in Information Science with over 20 years’ experience in corporate leadership as Managing Director.</p>
 <p>Esther Muthoni</p>	<p>Finance Manager</p> <p>Holds a Bachelor’s degree in Commerce (<i>Finance Option</i>) CPA K and CISA with over 12 years in public sector accounting and Internal Audit.</p> <p>Member of ICPAK and ISACA</p>
 <p>Joseph Gitau</p>	<p>Technical Services Manager.</p> <p>Holds a Master’s degree in Engineering (<i>Civil and Environment</i>) and a Bachelor’s degree in Agricultural Engineering. Has over 10 years’ experience in water service provision in public sector.</p> <p>Member of E.B.K.</p>

	<p>Commercial Manager.</p> <p>Holds a Bachelor's Degree in Education Arts (Mathematics and Economics) and Certified Public Accountant of Kenya with 15 years' experience in Public Sector Accounting and Commercial services management</p> <p>CPAK</p> <p>Member of ICPAK</p>
	<p>Human Resource and Administration Manager.</p> <p>Holds a Bachelor's degree in Management and Leadership (<i>HRM Option</i>) and a Diploma Human Resource Management. Has over 15 years' experience as Human Resource Manager both in private and public sectors.</p> <p>CHRP-K, Member of IHRM</p>
	<p>Company Secretary</p> <p>MBA Strategic Management</p> <p>FCPSK</p>

5.Chairman's Statement

On behalf of NYAHUWASCO Board of Directors, it is with great honor that I present to you an overview of the annual report and financial statements of the Company for the year ended 30 June 2023. This report provides a comprehensive overview of our company's financial performance and highlights the key factors that influenced our results during this period.

Operating Environment:

During the period under review, the Kenyan economy grew by 4.8% down from 6.1% growth recorded in the year 2022. On the other hand, inflation reduced from 7.91 % in June 2022 to 7.88% in June 2023 according to the twelve months average inflation analysis by the Central Bank of Kenya. This has seen prices of Electricity, Chemicals and other operating costs increase. In addition, the water use charges paid to Water Resources Authority were increased from ksh 0.5 per cubic meter to ksh 5 per cubic meter.

Business Development:

The Company revenue from internal sources dropped by 6.7 million due to loss of a number of customers who got alternative sources. The company through its development partners; Water Sector Trust fund (WSTF) and the County Government of Laikipia implemented water and sanitation projects aimed at increasing coverage and promotion of hygiene. These projects are Kinamba Water project, extension lines at Karuga and upgrade of Site phase 11 and Oljabet town. The Kinamba project has been completed and is awaiting launching. These projects are expected to increase the company's revenue.

Corporate Social Responsibility:

The Company at corporate level ensured that all its activities were carried out ethically, sustainably and for public benefit. The company, through its CSR policy participated in various initiatives aimed at giving back to the local community.

Customer Focus:

NYAHUWASCO recognizes that our customers form the key pillar of the Company's existence. Customer satisfaction surveys are conducted periodically to ascertain whether programs and activities meet customer needs and issues raised are addressed promptly. The company ensures quality standards are maintained through regular quality tests while also outsourcing services from ISO certified Laboratories.

Future Outlook:

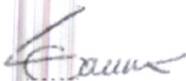
The Company continues to implement its business and strategic plans whose objective is to ensure that the company provides high quality services. It continues to enjoy confidence with its development partners, customers and the County Government due to its good corporate image. Therefore, NYAHUWASCO's immediate and long-term future looks bright.

Appreciation:

I most sincerely wish to appreciate all our stakeholders; the County Government of Laikipia (CGL) and other development partners for your solid commitment and support during the year, our esteemed customers, for your loyalty and support and finally to the Board of Directors, Management for hard work and dedicated effort to make 2022/2023 financial year a success.

We look forward to continued cooperation from all the stakeholders in the coming years.

May God Bless you all



Rev. Fr. David Munyeki,
Chairman, Board of Directors.

6. Report of the Managing Director

1. Water Production

The company has a treatment capacity of 16,600 cubic meters per day against a demand of 13,500 cubic meters. Water production averaged 9000 cubic meters daily. This is due to limitation in raw water abstraction capacity which if enhanced will meet current water demand and cater for the future growth in our service area.

2. Financial Results for the year 2022-2023

The following is the summary of the key highlights of the financial statements;

a) Turnover

The company's operating revenue during the year was Ksh 236,129,312 against Ksh 241,941,360 achieved in the year 2021-2022. This is about 2.7% drop. The reduction in turnover was due to a loss of St. Benedict hospital and Storks & Props hostels among others after they got alternative water source. The reduction was also caused by removal of automatic late payment penalty.

The company received grants of Ksh 12,797,961.30 from Water Sector Trust Fund and ksh 12,000,000 from the County Government of Liakipia. The company, through its development partners; Water Sector Trust fund (WSTF) and the County Government of Laikipia implemented Kinamba water projects aimed at increasing coverage and last mile connectivity. The project, is now complete and is awaiting launching. When fully operationalized, the project is expected to increase the company's revenue base.

b) Expenses

The operating expenses during the year under review were Ksh 268,365,958 from Ksh 259,360,405 in the year 2021-2022. This is a 3 % increase. The increase was due to inflation that averaged 7.88% during the year under review.

c) Profit/Loss for the year

The company incurred a loss of ksh 7,438,685. This is a reduction from Ksh 11,838,183 profit made in the year 2021-2022. This was due to increase in operational costs due to rise in inflation.

d) Capital Investment

The company managed to invest Ksh 40,239,912 in capital works against Ksh 18,837,200 in the year 2021-2022. In the period under review, grant income reduced from Ksh 28,257,228 in 2021-2022 to Ksh 24,797,961.

3. The Challenges in the operational environment

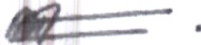
During the year under review, the company was faced by high cost of water production occasioned by increased electricity costs, Inflation, high abstraction levies and a tariff that is not cost recovery among others.

4. Human Resource Development

During the year under review, we carried various trainings to equip staff with knowledge and skills on changing regulations and technology. In partnership with the water Service Providers Association, the company sent two employees for one-year training on drinking Water treatment and waste water treatment.

The company also sent employees for bench marking with other water companies (Nakuru, Nyeri and Thika) so as to improve on processes and procedures. The board and senior management staff were trained on corporate governance.

Further the management engaged with staff through regular meetings and communication regarding the company activities and performance. During the period the company organized for free medical check-up in collaboration with the medical insurance provider. The company endeavors to improve staff morale, participation and benchmark with the sector hence sent a team of 41 players, and management for sports by WASCO which took place in Kisumu City.



Benard Mwaura Mbuthia,
Managing Director.

7. Statement of Performance Against Predetermined Objectives for FY 2022/2023

In conformity with Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 the following is the statement of the Company's performance against the predetermined objectives.

Nyahururu Water and Sanitation Company Limited has 5 strategic pillars and objectives within its Strategic Plan for the period 2019-2024. These Strategic Pillars are as follows:

Pillar I: Access to Clean/Safe Portable Water

Pillar II: Sanitation

Pillar III: Institution Capacity

Pillar IV: Financial Sustainability

Pillar V: Corporate Governance

Nyahururu water and sanitation company develops its annual work plans based on the above 5 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2022/2023 period for its 5 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objectives	Key Performance Indicators	Activities	Achievements
Access to clean/safe portable water	<ul style="list-style-type: none"> • Increase access to safe water. • Rehabilitate the distribution Network. • Safeguard quality of raw water. 	<ul style="list-style-type: none"> ▪ Increase in no. of customers. ▪ Reduction in physical losses. ▪ Reduction in chemical costs. 	<ul style="list-style-type: none"> ❖ Line extensions to unserved areas. ❖ Plant trees & fence abstraction points 	<ul style="list-style-type: none"> ✓ 7.14km HDPE pipeline in site phase 2 ✓ 10 km HDPE pipeline at Oljabet ✓ 29.64km UPVC pipeline at kinamba.
Sanitation	Increase sewer coverage by 2% and onsite sanitation coverage by 4%	<ul style="list-style-type: none"> ▪ Increase in no of sewer connections. ▪ Increase in no of toilet blocks 	<ul style="list-style-type: none"> ❖ Sewer line extension. ❖ Maintenance of sewer system 	<ul style="list-style-type: none"> ✓ 22 synthetic manhole covers fitted on main sewer trunk. ✓ Sewer unblocking rods replaced
Institution capacity	Strengthen institutional capacity.	<ul style="list-style-type: none"> ▪ Job placement criteria ▪ Digitized HR ▪ Compliance with OSHA regulations. 	<ul style="list-style-type: none"> ❖ Staff training & refresher courses ❖ Digital performance monitoring 	<ul style="list-style-type: none"> ✓ In-house training done ✓ OSHA compliance training conducted. ✓ Safety and Health Committee operationalized.
Financial sustainability	Strengthen Financial capability of the company.	<ul style="list-style-type: none"> ▪ Increase in revenue. ▪ Improve on credit worthiness. 	<ul style="list-style-type: none"> ❖ Improve billing & collection efficiency 	<ul style="list-style-type: none"> ✓ Smart (phone) meter reading enhanced.
Corporate Governance	Improve corporate governance.	<ul style="list-style-type: none"> • Board charter 	<ul style="list-style-type: none"> ❖ Develop a charter. ❖ 	<ul style="list-style-type: none"> ✓ Charter developed ✓

	<ul style="list-style-type: none"> • Bod evaluation framework. • Board training 	<ul style="list-style-type: none"> ❖ Develop evaluation criteria & template. ❖ Conduct training on governance. 	<ul style="list-style-type: none"> ✓ Board Evaluation conducted ✓ Board training conducted.
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8. Corporate Governance Statement

The Company is fully owned by the County Government of Laikipia and is registered with 5,000 shares of Kshs 20 each. According to the Company Memorandum and Articles of Association the shares are held in trust and they are as follows:

Shareholding

Number of Shares held:

• The County Government of Laikipia (CGL)	4,996
• His Excellency the Governor, CGL	1
• The CEC, Finance and Economic Planning, CGL	1
• The CEC, Environment, Water and Natural Resources, CGL	1
• The County Secretary, CGL	1
TOTAL	5,000

NYAHUWASCO is governed by a Board of Directors that oversees the overall management of the Company. It is tasked with ensuring that company business and operations are conducted with integrity, professionalism, and in compliance with the law, internationally accepted principles and best practices in corporate governance.

These include compliance with Corporate Governance Guidelines issued by WASREB as well as Mwongozo Guidelines.

The Board of Directors are responsible for the following:

- Making policies and approving strategies and development plans;
- Implementation of Memorandum and Articles of Association
- Approval of business plans, budgets and tariff adjustment.
- Approval of major projects and ensuring prudent investment of funds
- Appointment of CMT and provision of management guidelines
- Fiduciary duty of monitoring and overseeing the activities of management.

Board Composition:

NYAHUWASCO Board of Directors is composed of 7 Non-Executive Directors and one (1) Executive director (Managing Director). The Directors represent various stake holders and have varying skills and experiences.

On appointment, each Director is provided with a comprehensive and tailored induction process detailing their legal and regulatory obligations.

Appointment of Directors:

Once a vacancy in any stakeholder group is identified, an advert is done in at least one daily newspaper. The stakeholders are also invited to select a committee to shortlist the applicants. The committee should include three members from the stakeholder group, the managing director and a nominee of the county government of Laikipia. The committee shortlists the applicants and a list of the shortlisted applicants is submitted to the shareholder for appointment of the director(s) in the respective stakeholder groups.

Board recruitment was done during the year under review. The selection committee was selected by the stakeholders meeting dated 23rd November 2022.

Nyahururu Water Company Ltd**Annual Report and Financial Statements for the year ended June 30, 2023**

The following is a tabular schedule of the meetings held by the selection and the attendance details during the year under review:

Category of meeting	No. of members	Date Held	Members attendance
Selection committee	9	29/11/2022	9
Selection committee	9	05/12/2022	9
Selection committee	9	9/12/2022	9
Selection committee	9	15/12/2022	9
Selection committee	9	16/12/2022	9
Selection committee	9	19/12/2022	9
Selection committee	9	22/12/2022	6

Board Charter:

The Board charter is in place.

Board Meetings: The Board has a regulated formal schedule of meetings to conduct its business. The Board meets 4 times in one financial year except for instances where there are special board meetings. The following is a tabular schedule of the meetings held and the attendance details during the year under review:

Adhoc Recruitment Committee

Category of meeting	No. of members	Date Held	Members attendance
Recruitment Committee Meeting-Recruitment of CM	4	24/08/2022	4
Recruitment Committee Meeting-Recruitment of MD	4	27/3/2023	4
Shortlisting of Applications for MD	3	31/3/2023	3
Shortlisting of Applications for MD	3	1/04/2023	3

Special Full Board Meetings

Category of meeting	No. of members	Date Held	Members attendance
Special board meeting	7	06/09/2022	7
Special board meeting	7	08/09/2022	7
Extra Ordinary General meeting	7	21/10/2022	7
Board Induction Training	7	30/01/2023	6
Board Induction Training	7	31/01/2023	6
Board Induction Training	7	01/02/2023	6
Special board meeting	7	8/2/2023	7
Board Tour of Company Installations	7	27/2/2023	7
Special board meeting	7	23/3/2023	7
Special board meeting-MD Interviews	7	13/04/2023	7
Special board meeting	7	24/04/2023	7

Nyahururu Water Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Category of meeting	No. of members	Date Held	Members attendance
Full board meeting	7	2/2/2023	6
Full board meeting	7	28/2/2023	7
Full board meeting	7	5/04/2023	7
Full board meeting	7	7/06/2023	7

Board Committees: The Board has constituted 3 sub-committees chaired by one director in each, namely; Finance and Administration, Technical, Audit, Risk and Governance. Each committee meets 4 times in one financial year. The Board may occasionally appoint adhoc committees as and when necessary to undertake special assignments.

Below is a tabular summary of the committee meetings held during the year;

Category of meeting	No. of members	Date Held	Members attendance
Technical committee	4	22/02/2023	4
Technical committee	4	23/05/2023	4

Category of meeting	No. of members	Date Held	Members attendance
Finance and Administration committee	4	15/09/2022	4
Finance and Administration committee	4	21/02/2023	4
Finance and Administration committee	4	15/05/2023	4

Category of meeting	No. of members	Date Held	Members attendance
Audit, Risk and Governance committee	4	20/02/2023	4
Audit, Risk and Governance committee	4	19/5/20223	4

Board succession plan: The county government ensures that tenures of board of directors are staggered with a 1/3 of directors retiring every AGM. The retiring directors are eligible for re-election subject to a maximum of two terms of three years each. The retiring members are determined on the basis of members who have served longest.

Process of removal of directors:

Directors can be removed from office on the following grounds;

- He/She is removed from the office pursuant to Section 185 of the Act, or by special resolution by the company in General Meeting.
- He/She ceases to be a director by virtue of Section 183 and 186 of the Act.
- He/She ceases to be an officer of the County Government.
- He/She becomes bankrupt or makes an arrangement of composition with his creditors.
- He/She becomes prohibited from being a director by reason of any order under section 189 of the Act.
- He/She becomes of unsound mind.
- He/She fails without any reasonable cause and without consent of the board to attend three (3) consecutive meetings of the Board and the Board resolves that, the reason of such failure he shall cease to be a director.
- He/She resigns his office by notice in writing to the company.
- He/She or any persons to who he has personal ties and transacts with the company
- Unsatisfactory performance on performance evaluation
- He/She breaches the Signed Code of Ethics and Conduct
- He/She ceases to be a representative of the stake holder's body entity that has appointed him or her.
- He/She is charged with an offence under the Anti-Corruption and Economic Crimes Act or Water Act 2002.
- He becomes a director in any other water sector institution.

Board induction and training:

The board induction and training are done once every year.

Board Evaluation:

Board evaluation is carried out every year

Conflict of Interest:

Directors sign a conflict of interest register in every meeting.

Code of Conduct:

All directors have signed the code of conduct and ethics

9. Management Discussion and Analysis

The following is a management discussion and analysis of the company's overall performance. This analysis is based on a critical evaluation of the achievement of the following indicators:

a) Operational Performance:

During the period under review, the company managed to provide water and sanitation services equitably in all its areas of jurisdiction as provided for in the service provision license by WASREB. The Company ensured that the treated water supplied to the consumers and the sewer effluent discharged into the environment met all the necessary quality characteristics as guided by WASREB, NEMA and KEBS guidelines.

b) Financial Performance:

NYAHUWASCO performed better during the period under review compared to the previous period in most of the key financial performance indicators. The following is a tabular presentation of the highlights:

Performance Indicator	2022-2023	2021-2022	2020-2021	2019-2020	Benchmark
New Water Connections	830	2,510	2,746	1,596	
New Sewer Connections	40	19	19	20	
Metering Ratio	100%	100%	99%	98%	100%
Billing (Kshs)	236,129,312	242,941,360	251,037,172	235,640,251	
Revenue Collection	227,241,414	238,490,409	254,046,623	229,039,422	
R. Collection Efficiency	96%	98%	101%	97%	100%
Production(M ³)	3,241,297	3,310,236	3,184,387	3,206,262	
Billing (M ³)	2,007,969	1,981,260	1,931,100	1,976,276	
NRW (M ³)	1,233,328	1,328,976	1,253,287	1,229,986	
Non-Revenue Water (%)	38%	40%	39%	38%	≤ 25%
Annual Income (Turnover)	260,927,273	271,198,588	297,254,623	235,640,251	
O&M Costs	268,365,958	259,360,405	255,719,420	241,319,320	
Depreciation & Provision for Doubtful Debts	7,898,671	7,598,085	6,922,570	17,195,357	
Net O & M costs	260,467,287	251,762,320	248,796,850	224,123,963	
O+M Cost Coverage	90%	92%	101%	105%	≥ 150
Personnel Expenditure	144,228,248	136,367,137	124,783,740	119,232,657	
Personnel Expenditure as a % of O+M Cost.	54%	53%	48%	49.4%	≤ 35%
Accrued Statutory Obligations	19,228,755	18,018,228	19,745,690	21,808,352	

Explanatory Notes:

- i) Billing in ksh reduced by ksh 6.8M due to loss of St. Benedict Hospital, Stock and Props Hostels among others who dug boreholes and shallow wells. We also lost Countryside dairies after they went under receivership.
- ii) Revenue collection reduced from Ksh 238 million to ksh 227 million due to a reduction in billing.
- iii) Annual income (turn over) reduced by 10 million due to a reduction in billing and grant income which was ksh 24,797, 961 as compared to ksh 28,257,228 in the year 2021-2022
- iv) O& M costs increased from ksh 251M to ksh 268M due to inflation that contributed to rise in item costs for factors of production such water and sewer treatment chemicals, fuel and electricity.
- v) Personnel expenditure increased from ksh 136 million to ksh 144 million due to annual increment and compliance with NSSF act.
- vi) Accrued statutory obligations attributed to payroll liabilities that have accrued since the year 2007.

c) Disclosure of material uncertainty in relation to going concern and steps being taken to address it.

The company incurred an operating loss of ksh 7,438,685 during the year under review. In addition, the company's current liabilities balance totaling to ksh 124,707,652 exceeded the current asset balance totaling to ksh 75,030,502 by ksh 49,677,150 as at 30th June 2023.

The company is taking the following measures to improve its performance;

- Implementing cost reduction strategies such as encouraging emails for internal communication as opposed to printed to reduce printing costs, sending customer bills via SMS
- Reduce high power costs by solarizing the production plant
- Minor investments aimed at extending services to unserved areas to increase revenue. Such investments include 25km pipeline extensions in rural schemes and 5km pipeline extensions in Nyahururu
- Approaching development partners including WSTF, County Government of Laikipia and Central Rift Water Works Agency for funding for extension of services
- Applying for a cost recovery tariff

d) Key Projects/ Investment Decisions:

Despite the uncertainty in the economy, the Company in conjunction with other development partners managed to achieve the following during the year:

- ❖ Renewed 7.14 km of water pipelines in Nyahururu site phase 2 and 10km in Oljabet town
- ❖ Installed 29.64 km of pipelines in Kinamba town in partnership with the County government of Laikipia
- ❖ Drilled one borehole at kinamba
- ❖ Upgraded and equipped GG borehole at Kinamba
- ❖ Installed 22 No. synthetic manhole covers in the sewer network valued at Kshs 324,000 during the year.

The Company was however not able to achieve some of its targeted projects due to the revenue strain occasioned by inflation and high cost of operation.

The ear marked projects that have been carried forward to the next financial year include the following:

- Procure an additional water pump for the intake
- Procure additional motorbikes for the schemes
- Construction of 2nd water intake
- Carry out customer identification survey
- Fence off the Rumuruti water treatment plant compound.
- Explore alternative power sources such as solar energy to complement electric and diesel power at the intakes, treatment units and pump houses. The company implemented solarization in Nyahururu treatment and is in the process of solarizing the intake plant.

e) Compliance with Statutory/Other Financial Obligations:

The Company is cognizant of its statutory and other financial obligations. This is well reflected in the annual company budgets and other finance planning tools such as the cash flow projections. The Company commits to ensure that there is total compliance with these obligations as and when they fall due.

During the period under review, the Company was able to meet **99%** of its statutory and financial obligations. Settlement plans have been put in place to clear the pending obligations.

f) Major Risks facing the Company:

The Company faces a number of risks arising from: Its operations, the general economy, global factors among other contributors. Some of the critical risks facing the Company include:

- ⊗ Deteriorating raw water quality at the source causing high usage of water treatment chemicals and thereby overstretching the Company's budget;
- ⊗ Inadequate water sources;
- ⊗ Vandalism of sewerage infrastructure causing open deep sewerage manholes and providing avenue for entry of foreign materials that clog the sewer network.
- ⊗ Damage of pipelines by road, electricity and fibre optic contractors causing massive water and business losses to the Company.
- ⊗ Some major raw water pipelines passing through areas prone to landslides
- ⊗ Irregular revenue patterns due to low spending power of customers caused by macro-economic factors such as inflation

- ✱ Uncertainties caused by global external factors such as economic recessions.

10. Environmental and Sustainability Reporting

Nyahururu Water and Sanitation Company Ltd exists to impact livelihoods. 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 organization's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

The company has designed its sustainability strategy based on four pillars;

- a) Human sustainability; the company aims to maintain and improve its human capital. The company procures, on an annual basis a medical insurance for all employees as well as Work Injury Benefits insurance cover. All Employees are also encouraged to improve their education. The company also offers in house and external short duration trainings to employees.
- b) Social sustainability; the company aims to preserve social capital by maintaining good relations with the surrounding communities. This is achieved through public participation forums, motivational visits to schools, offering students educational tours around company production and distribution systems as well as offering student attachment opportunities. The company also gives financial assistance to deserving causes such as persons living with disabilities.
- c) Economic sustainability; the company aims to consistently use its assets efficiently so as to maintain economic growth and sustain its services to its customers. The company achieves this through a cost recovery tariff and prudent use of resources. Also, the company has consistently partnered with development partners such as the Water Sector Trust Fund and County Government to extend services to uncovered areas as well as improve services to already covered areas.
- d) Environmental Sustainability; the company aims to achieve environmental sustainability by ensuring that environmental conservation efforts bear fruits. This is achieved through catchment conservation through growing of trees and prevention of pollution to the rivers.

ii) Environmental performance

While the company does not have an elaborate environmental policy, it strives to ensure that its water is fit for human consumption and that sewerage is effectively treated. This is achieved through quality monitoring of both drinking water and waste water.

iii) Employee welfare

The company has a recruitment policy embedded in its human resource manual. The policy indicates that corporate management team positions shall be advertised in at least one national daily newspaper while other positions may be advertised through local community channels, partner organizations or if the board of directors deemed it fit, may be advertised in a national daily newspaper.

The company is committed to gender parity and has the corporate management team being composed of 40% female and 60 % male. Overall, the company has 34% of its workforce being female and 66% being male.

The company has a performance management system which involves setting of annual targets for all employees and performance appraisal. The human resource manual is subject to review on need basis. The Occupational Health and Safety committee is in place while the Occupational Health and Safety Policy is awaiting board of director's approval.

iv) Market place practices-

a) Responsible competition practice.

Nyahuwasco works under a regulated environment where its service area and tariff are regulated by the Water Services Regulatory Board. The company has consistently adhered to the regulations set. In addition, all Nyahuwasco employees are required to be politically neutral.

b) Responsible Supply chain and supplier relations

The procurement of goods and services is done through open tender and request for quotations to the registered suppliers in strict adherence to the Public Procurement and Asset disposal Act 2015 as well as Public Procurement and Asset disposal regulations 2020 so as to ensure value for money and fairness. Payment to suppliers are made on a first come first paid basis and within the agreed credit periods.

c) Responsible marketing and advertisement

Nyahuwasco markets its products through public barazas, social media and through local radio stations.

d) Product stewardship

Nyahuwasco maintains a robust customer relations system. It has a customer care desk in every of its four branches

v) Corporate Social Responsibility / Community Engagements

During the year ended 30 June 2023, the Company spent a sum of **Kshs 118,000** on corporate social responsibility activities.

The company organized and funded the following activities;

- Donation of **Kshs 50,000** to St Martin CSA (home for the destitute) during their mental health awareness campaigns.
- Donation of **Kshs 20,000** to two families during fundraising for medical treatment expenses.
- Donation of **Kshs 20,000** to for World water day
- Donation of **ksh 28,000** to two families for funeral expenses

❖ Community Support Programs:

Corporate Social Investments:

The company made the following corporate social investments during the year ended 30th June 2023.

- Donation of water to Maro-Inya Special school.
- Donation of water to Kwa Wanjiku Special school.
- Donation of water to Ngarenaro Special school.
- Donation of water to Talitha Kum Special school.

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the company's affairs.

i) Principal activities

The principal activities of the Company continue to be provision of clean water and sanitation services reliably to its clients.

ii) Results

The results of the company for the year ended June 30, 2023 are set out on page 1. Below is summary of the profit or loss made during the year.

iii) Dividends

The company has not declared dividends for the year ended 30th June 2023.

iv) Directors

The members of the Board of Directors who served during the year are shown on page ix In accordance with Regulation of the company's Articles of Association.

Nyahururu Water Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

v) Auditors

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

By Order of the Board



.....
Name BERNARD MWAURA
Company Secretary/Secretary to the Board
Date:

12. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of that 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. 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 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 on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015.

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, 2023, 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 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.

Approval of the financial statements

The company financial statements were approved by the Board on **22/09/ 2023** and signed on its behalf by:



.....

Name DAVID MUNYEKI

Chairperson of the Board



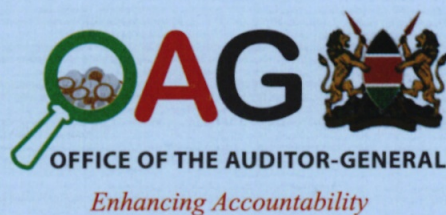
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Name BERNARD MWAURA

Managing Director

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NYAHURURU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

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 Nyahururu Water and Sanitation Company Limited set out on pages 1 to 77, which comprise of the statement of financial

Report of the Auditor-General on Nyahururu Water and Sanitation Company Limited for the year ended 30 June, 2023

position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution 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 Nyahururu Water and Sanitation Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Material Uncertainty Related to Going Concern

As previously reported, the statement of financial position reflects current assets and liabilities of Kshs.75,030,502 and Kshs.133,304,348 respectively, resulting in negative working capital of Kshs.58,273,846. Further, the Company's statement of Profit or Loss and other comprehensive income for the year ended 30 June, 2023 reflects Kshs.260,927,273 in respect to total revenue and Kshs.268,365,958 in respect to total expenditure resulting in an operating loss of Kshs.7,438,685. The deficit has reduced the retained earnings from Kshs.427,126 on 30 June, 2022 to a negative of Kshs.7,011,559 as of 30 June, 2023 as reflected in the statement of financial position. Therefore, the Company may be unable to meet its financial obligations as and when they fall due and may, therefore, be technically insolvent on the basis of the negative working capital position.

In the circumstances, the sustainability of services delivery and the going concern as a water company was in doubt.

2.0 Inaccuracy of Customer Deposits Account

The statement of financial position and Note 28 to the financial statement reflects Kshs.34,894,945 in respect to customer deposits, which includes Kshs.5,660,547 in respect to customer deposits received during in the year under review. However, the customer deposit account reflects a balance of Kshs.2,026,840 in respect to additional deposit during the year resulting to unexplained variance of Kshs.3,633,707.

Further, records provided for audit review show that the board decided to build up the customer deposit account by authorizing a standing order of Kshs.2,000,000 to be deposited into this account every financial year until the balance in the account is equal to the corresponding balance reported in the financial statements. However, there was

no evidence to show that Kshs.2,000,000 was banked into the customer deposits account in the year under review.

In the circumstances, the accuracy of the customer deposits of Kshs.34,894,945 could not be confirmed.

3.0 Unrecognized Property, Plant and Equipment

As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.207,875,589. However, the ownership documents for four (4) motor vehicles of unknown value granted by the Northern Water Services Board and the County Government of Laikipia had not been transferred and registered in the name of the water company.

In the circumstances, the accuracy and completeness of the property, plant, and equipment balance of Kshs.207,875,589 could not be confirmed.

4.0 Un-utilized and Idle Digital Water Meters

The statement of financial position and Note 19 to the financial statements reflects Kshs.10,276,239 in respect to inventories, which excludes unvalued 1,000 digital water meters of 3/4 inches donated to the company in the year 2019 by a Non-Governmental organization. However, records pertaining to the donation of the digital meters together with their value was not provided for audit review.

Available information and a physical count of the digital meters revealed that 400 meters were in the store while 600 digital meters had been modified and issued out and installed to customers premises.

In addition, the Company procured three quarter ($\frac{3}{4}$) inches meters during the year under review when indeed there were useable/convertible $\frac{3}{4}$ inches meters lying idle in the stores. The value of the inventories has therefore been understated by omitting the value of the 1,000 $\frac{3}{4}$ inches digital water meters.

In the circumstances, the accuracy of the inventories reported in the financial statements could not be ascertained.

5.0 Trade and Other Receivables

Note 20 (a) to the financial statement reflects Kshs.63,520,822 in respect to total trade receivables, which includes Kshs.33,104,743 (or 52%) in respect to customers debts which have remained uncollected for a period of over 120 days. Management did not provide evidence on follow up on the outstanding debtors, casting doubt on the ability of the company to recover all the outstanding debts. The recoverability of the long outstanding debts is therefore doubtful.

In the circumstances, the recoverability of the Kshs.33,104,743 reported as debts could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2023 reflects final receipts budget and actual on a comparable basis of Kshs.349,388,235 and Kshs.267,547,596, respectively resulting to revenue under realization Kshs.81,840,639 or 23% of the budget. Similarly, the Company expended Kshs.310,778,788 against an approved expenditure budget of Kshs.349,301,907, resulting to an under-expenditure of Kshs.38,523,119 or 11% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

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

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, management had not resolved all the issues raised in the previous year's audit report. There was no evidence showing that the issues were discussed and resolved by the relevant oversight bodies.

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 Excess Non-Revenue Water

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects Kshs.221,965,326 in respect to operating revenue which includes Kshs.160,913,245 in respect to revenue from the sale of water. Information available revealed that the Company produced 3,241,297 cubic meters (M³) of water out of which only 2,007,969 cubic meters ((M³) were billed to the customers. The balance of 1,233.328 cubic meters or approximately 38% of the total volume of water produced, therefore, represents non-Revenue water (NRW) which was 13% over and above the allowable loss of 25% in accordance with schedule E of Water Service Regulatory Board (WASREB) guidelines. The significant level of Non-Revenue Water could be an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services.

In the circumstances, Management was in breach of the WASREB guidelines.

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

As previously reported, the statement of profit or loss and other comprehensive income and Note 9 to the financial statements reflects Kshs.144,228,248 in respect to expenditure on staff costs which was equivalent to 65% of the total operating revenue of Kshs.221,965,326. The acceptable benchmark for a large entity according to the WASREB guidelines table 3.2 is less than 30%. Nyahururu Water and Sanitation Company Ltd was 35% over and above the industrial benchmark. The excess staff costs may negatively impact on the Company's profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable level.

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

3.0 Non-remittance of Revenue Collected

The statement of comparison of budget and actual amounts for the period ended 30 June, 2023 reflect Kshs.8,200,000 and Kshs.6,620,323 in respect to budgeted revenue from Conservancy and actual receipt respectively. This represented revenue collected by the water company for garbage collection on behalf of the County Government. The water company was supposed to retain 2% of the revenue collected and remit the balance to the County Government of Laikipia. However, the Company remitted only Kshs.2,172,918 of out of the Kshs.6,620,323 conservancy revenue collected in the year under review, resulting to unremitted conservancy revenue collection of Kshs.4,447,405. The water company spent the conservancy revenue without the authority from the County Government. Further, as reflected in Note 27 to the financial statement, the water company reported unremitted conservancy revenue of Kshs.10,383,096 payable to the County Government of Laikipia (Conservancy).

In addition, the agreement for conservancy revenue collection was entered between the water company and the defunct Municipal Council of Nyahururu which was dated 19 September, 2003 on garbage collection for a conservancy fee. However, this agreement has not been renewed to reflect the reality on the ground and to incorporate the policies of County Government of Laikipia. The continued collection of conservancy revenue by the water company based on 'obsolete' agreement conflicts with the mandate of Laikipia county revenue board which is mandated by law to collect and account for all revenues for the county government of Laikipia.

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

4.0 Audit Fee Arrears

Note 27 to the financial statement reflects Kshs.98,409,403 in respect to trade and other payables which includes Kshs.43,233,597 charged under fees and levies. Included in the balance is an amount of Kshs.2,380,000 in respect to audit fees payable to the Office of the Auditor General. The fees arrears relate to audit fees for the previous years. Therefore, Management of the Company did not comply with Section 41(1) of the Public Audit Act, 2015 which empowers the Auditor General to charge audit fees at the rates prescribed and the same paid by the audited entities.

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

5.0 Payables Not Taken as the First Charge

As previously reported, Note 27 to the financial statements reflects Kshs.89,812,707 in respect to trade and other payables which includes Kshs.26,709,033 in respect to trade and other payables which has been outstanding for more than three year contrary to the Treasury circular No.7/2021 paragraph 22 which requires accounting officers to ensure that all payments emanating from the previous periods are treated as the first charge against the current financial year budgetary allocation before entering into new commitments.

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

6.0 Unbalanced Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2023 reflects Kshs.349,388,235 in respect to the final revenue budget against final expenditure budget of Kshs.349,301,907 resulting in a budget surplus of Kshs.86,328. contrary to Section 31(c) of the Public Finance Management (County Government) regulations, 2015 which provides that budgeted revenue and expenditure appropriations shall be balanced.

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

7.0 Lack of Diversity in Staff Ethnicity

As reported in the previous year, review of human resource records revealed that during the year under review, the Company had a total of one hundred and fifty-six (156)

employees out of which one hundred and forty-two (142) or ninety one percent (91%) were from the dominant ethnic community, with only about nine percent (9%) being from non-dominant ethnic community. This was contrary to Section 65(e) of the County Governments Act, 2012 which requires the County Governments to ensure that at least thirty percent (30%) of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Unauthorized Spending of Customer Deposits

As previously reported, Note 28(b) to the financial statements reflects Kshs.34,894,945 in respect to customer deposits. However, the customers deposit bank account reflects a balance of Kshs.6,789,743 resulting to a variance of Kshs.28,105,202. The variance constituted funds spent by Management without authority from the Company's Board of Directors and which had not been refunded to the customer deposits account as of 30 June, 2023.

In the circumstances, the ability of the Company to refund the water deposits to the consumers as and when demanded could not be ascertained.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

Because of its inherent limitations, internal 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 Management.

- Conclude on the appropriateness of 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 Company's 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 February, 2024

Nyahururu Water Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023.

	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue			
Operating Revenue	6	221,965,326	220,626,984
Grants Income	7	24,797,961	28,257,228
Other Income	8	14,163,986	22,314,376
Finance income		0	0
Other gains/(losses)		0	0
Total Revenue		260,927,273	271,198,588
Expenses			
Staff Costs	9	144,228,248	136,367,139
General and Operations expenses	10	96,335,566	94,574,883
Board Expenses	11	5,510,039	6,042,259
Maintenance Expenses	12	14,393,434	14,880,221
Depreciation and Amortization expenses	13	7,898,671	7,446,495
Finance Costs	14	0	49,408
Total Expenses		268,365,958	259,360,405
Profit/(Loss) Before Taxation		(7,438,685)	11,838,183.00
Income Tax Expense/(Credit)	15	0	0
Profit/(Loss) After Taxation		(7,438,685)	11,838,183.00
Earnings Per Share – Basic and Diluted	16	0	0
Dividend per share	17	0	0
Other Comprehensive Income			
Profit/ (Loss) After Taxation		(7,438,685)	11,838,183.00
Surplus Or Deficit on Revaluation Of PPE		0	0
Remeasurement Of Net Defined Benefit Liability		0	0
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		0	0
Total Comprehensive Income for The Year		(7,438,685)	11,838,183.00

Explanatory Notes

- a) Total revenue reduced by ksh 10 million from ksh 271 million recorded in year ended 2021 due to a reduction in grants received and also a reduction in other incomes due to decrease in exhaust services as a result of stiff competition from private exhausters.
- b) Personnel costs increased by Ksh 7.8 M due to implementation of the CBA that resulted in increase in basic pay, leave allowance, Pension and Gratuity.
- c) General and operating expenses increased by ksh 9 million due to increase in prices as a result of inflation and increase of tariff by Kenya Power Company limited in March 2023 thereby increasing electricity costs.
- d) Board Expenses reduced due to vacancies in the board from October 2022 to January 2023.

15. Statement of Financial Position As at 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	18	207,875,589	175,534,348
Intangible assets		0	0
Investment property		0	0
Right- of -use assets		0	0
Biological assets		0	0
Fixed interest investments		0	0
Quoted investments		0	0
Unquoted investments		0	0
Total non-current assets		207,875,589	175,534,348
Current assets			
Inventories	19	10,276,239	9,944,667
Trade and Other receivables	20	55,720,662	51,069,006
Staff Receivables		30,740	0
Tax recoverable		0	0
Short-term deposits		0	0
Bank and cash balances	21	9,002,861	24,875,858
Total current assets		75,030,502	85,889,531
		282,906,091	261,423,879
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	22	100,000	100,000
Revaluation reserve	23	0	0
Capital Reserve	24	165, 109,998	165,109,998
Retained earnings	25	-7,011,559	427,126
Capital and Reserves		158,198,439	165,637,124
Non-current liabilities			
Deferred tax liability		0	0
Borrowings		0	0
Lease liability		0	0

Nyahururu Water Company Ltd.


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	Note	2022-2023	2021-2022
		Kshs	Kshs
Provisions		0	0
Retirement benefits	26	0	0
Total non-current liabilities		0	0
Current liabilities			
Borrowings		0	0
Lease liability		0	0
Provisions		0	0
Retirement benefit obligations		0	0
Trade and other payables	27	89,812,707	63,967,076
Refundable deposits and Prepayments	28	34,894,945	31,819,679
Deferred income		0	0
Dividends payable		0	0
Taxation	29	0	0
Total current liabilities		124,707,652	95,786,755
Total equity and liabilities		282,906,091	261,423,879.00

Explanatory Notes

- Property, plant and equipment increased as a result of capital works done within the year
- Trade and other receivables increased due to a reduction in collection efficiency that saw the trade receivables increase
- Cash and cash equivalents reduced due to utilization of the Conditional Liquidity Support Grant funds for capital works in Kinamba water project
- Trade and other payables increased due to increase in unpaid suppliers and accrued fees and levies as a result of a drop-in revenue.

The financial statements were approved by the Board on __22/09/2023 and signed on its behalf by:


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Name: Bernard Mwaura
Managing Director


.....

Name: Esther Muthoni
Head of Finance
ICPAK M/No:7062


.....

Name: David Munyeki
Chairman of the Board

Nyahururu Water Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

16. Statement of Changes in Equity for the Year Ended 30 June 2023

	Notes	Ordinary share capital	Revalua- tion rese- rve	Fair value adjust- ment reserve	Retained earnings	Proposed dividends	Capital/ Development Fund	Total
As at July 1, 2021 (Previous FY)		100,000	-	-	(11,411,057)	-	165,109,998	153,798,941
New capital issued		-	-	-				-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	11,838,183	-	-	11,838,183
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
As at June 30, 2022 (Previous FY)		100,000	-	-	427,126	-	165,109,998	165,637,124
As at July 1, 2022		100,000	-	-	427,126	-	165,109,998	165,637,124
Issue of new share capital		-	-	-	-	-	-	-

Nyahururu Water Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

	Notes	Ordinary share capital	Revalua tion rese rve	Fair value adjust ment reserve	Retained earnings	Proposed dividends	Capital/ Development Fund	Total
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(7,438,685)	-	-	(7,438,685)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
At June 30, 2023		100,000	-	-	(7,011,559)	-	165, 109,998	158,198,439

Note:

1. *The company has not carried any revaluation of assets.*
2. *The company has not done any fair value adjustment during the period under review*
3. *The company has not declared any dividends during the period under review*

Nyahururu Water Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

17. Statement of Cash Flows for The Year Ended 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		215,443,477	219,738,616
Grants Income		24,797,961	28,257,228
Finance Income		0	0
Other Income		11,797,839	18,745,217
Customer Deposits		5,660,547	5,506,804
Conservancy		6,620,323	6,921,733
Total Receipts		264,320,147	279,169,598
Payments			
Staff Costs		143,017,721	134,639,677
General and Operation Expenses		81,410,142	94,323,547
Board Expenses		5,510,039	6,053,459
Maintenance Expenses		8,570,433	12,550,571
Finance Costs		0	49,408
Refund of Customer Deposits		2,585,281	4,315,883
Remission for Conservancy		2,172,918	1,999,125
Total Payments		243,266,534	253,931,670
Net Cash From/ (Used In) Operating Activities		21,053,613	25,237,928
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(36,926,610)	(13,953,668)
Proceeds From Disposal Of PPE		0	0
Purchase Of Intangible Assets		(0)	(0)

	Note	2022-2023	2021-2022
		Kshs	Kshs
Purchase Of Investment Property		(0)	(0)
Purchase Of Quoted Investments		(0)	(0)
Proceeds From Disposal of Quoted Investments		0	0
Net Cash From/ (Used In) Investing Activities		(15,872,997)	(13,953,668)
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital		0	0
Proceeds From Borrowings		0	0
Repayment Of Borrowings		(0)	(0)
Dividends Paid		(0)	(0)
Net Cash From/(Used In) Financing Activities		0	0
Increase/(Decrease) In Cash and Cash Equivalents		(15,872,997)	11,283,964
Cash And Cash Equivalents At Beginning Of Year		24,875,858	13,591,894
Effects Of Foreign Exchanges Rate Fluctuations		0	0
Cash And Cash Equivalents At End of the Year	30	9,002,861	24,875,858

Nyahururu Water Company Ltd

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18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	D	e= c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Operating Revenue	286,459,889	(49,528,424)	236,931,465	221,965,326	14,966,139	94%
Other Income	31,659,952	-	31,659,952	14,163,986	17,495,966	45%
Grants	34,996,815	(10,000,000)	24,996,815	24,797,961	198,854	99%
Commercial Borrowing	49,950,000	(2,349,997)	47,600,003	0	47,600,003	0%
Conservancy	7,800,004	399,996	8,200,000	6,620,323	1,579,677	81%
Total Revenue	410,866,660	(61,478,425)	349,388,235	267,547,596	81,840,639	77%
Expenses						
Staff Costs	155,929,995	(2,158,381)	153,771,614	144,228,248	9,543,366	94%
Board Expenses	7,234,286	(931,429)	6,302,857	5,510,039	792,818	87%
General and operations Expenses	142,223,421	(24,161,817)	118,061,604	96,335,566	21,726,038	82%
Maintenance	24,525,132	(9,831,359)	14,693,773	14,393,434	300,339	98%
Depreciation and amortization	5,400,000	3,026,843	8,426,843	7,898,671	528,172	94%
Finance costs	5,850,000	(5,850,000)	0	0	0	0%
Remission of Conservancy	0	7,800,004	7,800,004	2,172,918	5,627,086	28%
Total Recurrent Expenditure	341,162,834	(32,106,139)	309,056,695	270,538,876	38,517,819	90%
Capital Expenditure	69,699,815	(29,454,603)	40,245,212	40,239,912	5,300	100%
Total Expenditure	410,862,649	(61,560,742)	349,301,907	310,778,788	38,523,119	89%

Nyahururu Water Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2023

Explanation of Budget Variances

- a) The company did not achieve its operating revenue budget because the projects that had been earmarked to increase new connections did not materialize during the year under review
- b) The company underutilized the board expenses budget due to vacancies in the board from October 2022 to January 2023 when a new board of directors was appointed.
- c) The company underutilized the accrued liabilities budget due to non-achievement of revenue target leaving the company with reduced disposable income

19. Notes to the Financial Statements

1) General Information

Nyahururu and Sanitation Company Ltd is established by and derives its authority and accountability from the Companies Act 2015 and the Water act 2016. The Company is wholly owned by the Laikipia County Government and is domiciled in Kenya. The Company's principal activity is provision of clean water and sanitation services. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2) Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *Note 5*.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act 2015 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 and effective in the year ended 30 June 2023.**

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. <i>The Company does not issue insurance contracts.</i>	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

Notes to the financial statements (continued)

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.

Application of New and Revised International Financial Reporting Standards (IFRS)

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

Title	Description	Effective Date
	settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	

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

Nyahururu water and Sanitation company did not early – adopt any new or amended standards in year under review.

4) Summary of Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** 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.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

- 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 contributions**
- In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment, utilities or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Company 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 but disclosed.
- 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.
- 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 cost 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/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Notes to the Financial Statements (Continued)
Summary of Accounting Policies

Item	Years	Rates
Freehold Land	unlimited	0%
Leasehold Land	NA	0%
Buildings and civil works	10	10%
Infrastructure works	40	2.5%
Plant and machinery	4	25%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3.33	30%
Office equipment, furniture and fittings	8	12.5%
Tools & Equipment	3	33.3%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

e) **Intangible assets**

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) **Amortization and impairment of intangible assets**

Amortization 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

Notes to the Financial Statements (Continued)
Summary of Accounting Policies

amount, an impairment loss is recognized and the asset is written down 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 from de-recognition 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 de-recognized.

h) Right 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 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. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at amortized cost or 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. These are measured at fair value through profit or loss (FVTPL).

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour 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 recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

Summary of Accounting Policies

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 Company 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 profit or loss statement. 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. 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.

Summary of Accounting Policies

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.

Notes to the Financial Statements (Continued)
Summary of Accounting Policies

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 various Commercial Banks at the end of the reporting period.

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 Company does not operate a defined contribution scheme for the full-time employees. The company however 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 between Kshs. And 1,080 per employee per month. The

company also has a pension scheme with Local Authorities Pension Fund (Lapfund) for employees under permanent and pensionable terms and a gratuity scheme with County Pension Fund (CPF) for management staff engaged under fixed term contracts.

u) Provision for staff leave pay

Employees' entitlements to annual leave are recognized as they accrue. 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 recognized in profit or loss.

w) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 30/06/2022. 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 Company recorded additional appropriations of ksh (61,478,424) on the 2022-2023 budget following the governing body's approval. The Company'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 profit or loss, 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 Comprehensive income has been presented under section 18 of these financial statements.

x) Service concession arrangements

The Company 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 Company 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 Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

y) Comparative figures

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

z) 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, 2023.

5) Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Company'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 Company 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 Company. 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 for disposal:

- The condition of the asset based on the assessment of experts employed by the Company.
- 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.

c) Provisions

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

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 applicable provision for the company is the provision for bad debts. Management estimates this provision as the higher of outstanding debts over 3 years or 10% of the gross receivables and the provision is recognized in the statement of financial performance.

Notes to the Financial Statements (Continued)

6) . Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Water sales	160,913,245	158,180,666
Sewerage Services	51,751,906	53,784,018
Meter Charges	9,300,175	8,662,300
Total	221,965,326	220,626,984

Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, water analysis samples etc.

7) . Grants Income

	2022-2023	2021-2022
	Kshs	Kshs
Operational grants from Government entities	12,000,000	0
Recurrent/operational grants from other agencies	12,797,961	28,257,228
Capital grants amortised	0	0
Donations from County Governments	0	0
In Kind contribution/donations from other agencies	0	0
Total	24,797,961	28,257,228

detailed analysis of grants received from the Government in the table below:

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2021-2022 KShs
County Government of Laikipia (Kinamba water project)	12,000,000	0	0	12,000,000	0
Water Sector Trust Fund (Urban Poor Project -8 th Call)	12,797,961	0	0	12,797,961	28,257,228

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Total	24,797,961	0	0	24,797,961	28,257,228
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Notes to the financial statements (continued)

8) . Other Income

	<i>2022-2023</i>	<i>2021-2022</i>
	Kshs	Kshs
Exhauster charges	953,700	952,600
Exhauster license	910,000	385,000
Private exhausters emptying	134,700	395,300
Reconnection fees	3,118,000	10,563,800
Mileage charges	1,456,565	1,465,280
Miscellaneous	594,124	757,167
Penalties (illegal water use)	606,316	899,244
Commission on conservancy	167,196	175,390
Rental income	473,000	606,000
Sewer connection fees	176,949	163,190
Sewer inspection	29,250	29,250
Sewer unblocking	39,000	31,800
Toilet income	513,236	617,410
Water connection fees	2,647,350	2,823,500
Water sale (bowser)	2,344,600	2,307,695
Insurance compensation	0	141,750
Total	14,163,986	22,314,376

9) . Staff Costs

Description	<i>2022-2023</i>	<i>2021-2022</i>
	Kshs	Kshs
Gross Salary and Allowances	115,735,546	116,412,141
Casual workers' Wages	1,110,495	1,360,951
Medical insurance schemes	7,900,009	6,436,869
Employer's contributions to social security schemes	1,020,480	376,000
National water Pension Scheme (Employers)	313,366	397,343
Local Authorities Provident Fund (Employers)	4,396,112	4,391,607
National Industrial Training Institute Levy	91,880	91,560
Provisions for Leave pay	3,060,126	0
County Pension Fund (Gratuity)	8,842,157	5,908,261

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Description	2022-2023	2021-2022
	Kshs	Kshs
Gratuity	838,077	120,407
Fringe Benefit tax	0	0
Staff welfare (Retirees payouts)	300,000	200,000
Other allowances (Christmas Bonus)	620,000	672,000
Total	144,228,248	136,367,139
The average number of employees during the year		
Permanent employees – Management	9	9
Permanent employees – Unionisable	69	72
Corporate Management Team (Contract)	4	4
Temporary and contracted employees	66	71
Total	148	155

10). General and Operations Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Chemicals	21,801,460	13,381,734
Electricity	23,164,030	22,119,378
Fuel, oil, lubricants, and gases	7,713,275	4,376,602
Advertising and Publicity	572,444	498,197
Audit fees	580,000	580,000
Abstraction Fees	3,926,580	3,452,444
Effluent Discharge	86,126	90,195
WASREB Regulatory Levy (4%)	9,551,404	9,711,982
Bank Charges	218,376	263,755
Credit Applied to Customers	0	2,517,920
Cleaning Materials	838,399	1,510,003
Catment conservation	0	25900
Donations/CSR	118,000	92,000
Disconnection Materials	34,525	112,240
Mobile Phone cards	596,760	647,060
Telephone	34,389	28,365
Functions, Workshops & Seminars	679,657	515,877
Internet charges	476,721	476,434
Licenses & permits	876,363	2,541,400

Nyahururu Water Company Ltd

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Membership & Subscriptions	434,300	530,100
Newspapers & Periodicals	94,358	103,247
Office Water & Lighting	1,129,187	870,357
Other Expenses (staff welfare)	56,000	632,913
Postage and Courier	928,095	1,047,600
Printing and Stationery	1,199,835	2,212,369
Consultancy Fees	4,641,826	1,192,577
Legal Fees	472,070	1,265,740
Rent and Rates	2,853,544	2,487,680
Security services	5,189,800	5,729,650
Sports and Recreation	60,000	3,908,886
Staff Tea & Official Catering	2,016,110	2,157,380
Staff training and development	265,600	1,386,550
Transport	471,890	654,820
Uniform and protective clothing	267,250	1,439,962
Lunch Allowance	1,320,670	1,342,550
Night out Allowance	2,701,600	3,556,420
General Insurance	964,922	963,008
Claims and compensation	0	0
Research and Development	0	0
Increase in provision for doubtful debts	0	151,590
Others (Specify)	0	0
Total	96,335,566	94,574,885

11). Board Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Chairman Honoraria	195,160	0
Full board sitting allowances	1,120,980	1,320,000
Committee sitting allowances	500,420	760,000
AGM expenses	260,000	291,000
Induction and Training	710,810	1,187,000
Sports and Recreation	0	622,000
Other functions & workshops	1,534,030	223,642
Tax on allowances	1,188,639	1,638,617
Total Board Expenses	5,510,039	6,052,259

Notes to the financial statements (continued)

12). Maintenance Expenses

	<i>2022-2023</i>	<i>2021-2022</i>
Description	Kshs	Kshs
Equipment repairs	314,379	1,199,229
Buildings	856,371	971,605
Water network	6,767,969	8,794,627
Sewer network	48,460	18,440
Electric repairs	601,002	366,028
Motor vehicles	3,020,228	1,670,441
Software	1,592,500	1,308,000
Computer repairs	124,896	64,700
Pumps and generators	1,067,629	487,151
Total Maintenance Expenses	14,393,434	14,880,221

13). Depreciation and Amortization Expenses

	<i>2022-2023</i>	<i>2021-2022</i>
Description	KShs	KShs
Property, plant, and equipment	7,898,671	7,446,495
Right of Use Assets	0	0
Intangible assets	0	0
Investment property carried at cost	0	0
Total Depreciation and Amortization	7,898,671	7,446,495

14). Finance costs

	<i>2022-2023</i>	<i>2021-2022</i>
Description	Kshs	Kshs
Interest expense on loans	0	0
Interest expense on bank overdrafts	0	0
Interest on lease liabilities	0	0
Interest expense on water bowser loan	0	49,408
Total	0	49,408

Notes to the financial statements (continued)

15). Income Tax Expense/(Credit)

Current taxation

	2022-2023	2021-2022
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	0	0
Current tax: prior year under/(over) provision	0	0
Current year deferred tax charge	0	0
Prior year under-provision for deferred tax	0	0
Total	0	0

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

	2022-2023	2021-2022
	Kshs	Kshs
Profit before taxation	(7,438,685)	11,838,183
Add Back:		
Depreciation	7,898,671	7,446,495
Prior year Adjustment	-	-
Less:		
Capital Allowances (Wear & Tear)	(7,898,671)	(7,446,495)
Disallowable Expenses	-	-
Adjusted Taxable Profit/(Loss)	(7,438,685)	11,838,183
Profit or (Loss) B/F	427,126	(11,411,057)
Profit or (Loss) C/F	(7,011,559)	427,126
Corporation Tax Payable @ 30%	-	-

16). Earnings Per Share

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year under review. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

17). 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). During the year ended 30th June 2022, the shareholders did not propose payment of dividends.

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Notes to the financial statements (continued)

18) Property, Plant and Equipment

2021-2022	Water & Sewer Infrastructure	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Computers & related equipment	Tools & Equipment	Buildings & Civil Works	Plant & Machinery	Freehold Land	Total
Annual Rates	2.5%	25%	12.5%	30%	33.3%	10%	25%	0	
Cost or Valuation									
At July 1, 2021	192,422,072	8,165,720	5,863,678	21,842,475	5,056,776	20,000	2,684,538	0	236,055,259
Additions	14,065,508	314,000	181,960	1,063,290	1,518,222	1,694,220	0	0	18,837,200
Transfers	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At June 30, 2022	206,487,580	8,479,720	6,045,638	22,905,765	6,574,998	1,714,220	2,684,538	0	254,892,459
DEPRECIATION									
At July 1, 2021	36,659,550	7,315,029	3,884,593	17,491,396	4,537,214	0	2,023,834	0	71,911,616
Charge for the Year	4,245,701	291,173	270,131	1,624,310	678,582	171,422	165,176	0	7,446,495
Impairment Loss	0	0	0	0	0	0	0	0	0
Eliminated on Disposal	0	0	0	0	0	0	0	0	0
At June 30, 2022	40,905,251	7,606,202	4,154,724	19,115,706	5,215,796	171,422	2,189,010	0	79,358,111
At July 1, 2021	155,762,522	850,691	1,979,085	4,351,079	519,562	20,000	660,704	0	164,143,643
At June 30, 2022	165,582,329	873,518	1,890,914	3,790,059	1,359,202	1,542,798	495,528	0	175,534,348

Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

2022-2023	Water & Sewer Infrastructure	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Computers & related equipment	Tools & Equipment	Buildings & Civil Works	Plant & Machinery	Freehold Land	Total
Annual Rates	2.5%	25%	12.5%	30%	33.3%	10%	25%	0	
Cost or valuation									
As at 1 July 2022	206,487,580	8,479,720	6,045,638	22,905,765	6,574,998	1,714,220	2,684,538	-	254,892,459
Additions	37,677,086	-	14,000	1,019,990	146,000	1,382,836	-	-	40,239,912
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
As at 30th June 2023	244,164,666	8,479,720	6,059,638	23,925,755	6,720,998	3,097,056	2,684,538	-	295,132,371
Depreciation									
At July 1, 2022	40,905,251	7,606,202	4,154,724	19,115,706	5,215,796	171,422	2,189,010	-	79,358,111
Charge for the year	5,081,485	218,380	238,114	1,443,015	501,232	292,563	123,882	-	7,898,671
Impairment loss	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-
As at 30th June 2023	45,986,736	7,824,582	4,392,838	20,558,721	5,717,028	463,985	2,312,892	-	87,256,782
Net book value									
At July 1, 2022	165,582,329	873,518	1,890,914	3,790,059	1,359,202	1,542,798	495,528	-	175,534,348
At June 30, 2023	198,177,930	655,138	1,666,800	3,367,034	1,003,970	2,633,071	371,646	-	207,875,589

Notes to the financial statements (continued)

Valuation

No valuation for land and buildings was done during the period under review.

18 (a) Asset additions at cost

Assets acquired during the year under review include the following;

- i) Assets purchased through internally generated funds worth **Kshs 5,285,460**
- ii) Water & Sewer systems worth **Kshs 5,215,490** funded through Conditional Liquidity Support Grant, Water & Sewer systems worth **Kshs 12,000,000** funded through the County Government of Laikipia Grant and Water & Sewer systems worth **Kshs 17,738,962** funded through Water Sector Trust Fund Grant.

(b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Water & Sewer Systems	244,164,666	45,986,736	198,450,140
Motor vehicles, including motorcycles	8,479,720	7,824,582	655,138
Office equipment, furniture, and fittings	6,059,638	4,392,838	1,666,800
Computers and related equipment	23,925,755	20,558,721	3,367,034
Tools & Equipment	6,720,998	5,717,028	1,003,970
Buildings	3,097,056	463,985	2,633,071
Plant and machinery	2,684,538	2,312,892	371,646
Land	0	0	0
	295,132,371	87,256,782	207,875,589

Notes to the financial statements (continued)

19). Inventories

	2022-2023	2021-2022
	Kshs	Kshs
Cleaning Materials	108,942	59,456
Chemicals & Laboratory items	2,273,096	763,050
Pipes, fittings and Accessories	4,241,945	5,150,364
Staff Tea Items	2,890	13,405
Stationery	1,148,539	478,419
Water meters	2,500,827	3,479,973
Less: Impairment of stocks	(0)	(0)
Total	10,276,239	9,944,667

Inventory comprises various stock items held for use during normal company operations such as repair/maintenance activities.

19 (a) Reconciliation of Impairment Allowance for Inventories

Description	2022-2023	2021-2022
	KShs	KShs
At the beginning of the year	0	0
Additional provisions during the year	0	0
Recovered during the year	(0)	(0)
Written off during the year	(0)	(0)
At the end of the year	0	0

20. Trade and Other Receivables

	2022-2023	2021-2022
	KShs	KShs
Trade receivables (note (20a))	63,520,822	55,701,111
Deposits and prepayments	0	938,007
VAT recoverable	0	0
Staff receivables (note 20(b))	30,740	0
Other receivables	0	0
Gross trade and other receivables	63,551,562	56,639,118
Provision for bad and doubtful receivable	(7,800,160)	(5,570,111)
Net trade and other receivables	55,751,402	51,069,007

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20.(a) Trade Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross trade receivables	63,520,822	55,701,111
Provision for doubtful receivable b/f	(5,570,111)	(5,418,521)
Provision for Uncollectable Refuse	(2,230,049)	(151,590)
Total provision for doubtful receivable	(7,800,160)	(5,570,111)
Net trade receivables	55,720,662	50,131,000
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	19,762,743	16,113,383
Between 30 and 60 days	5,811,823	4,313,786
Between 61 and 90 days	2,887,053	2,278,026
Between 91 and 120 days	1,954,460	5,161,094
Over 120 days	33,104,743	27,834,822
Total	63,520,822	55,701,111

20.(b) Staff Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross staff loans and advances	30,740	0
Provision for impairment loss	(0)	(0)
Net staff loans	0	0
Less: amounts due within one year	(30,740)	(0)
Amounts due after one year	0	0

20.(c) Reconciliation of Impairment Allowance for Trade Receivables

Description	2022-2023	2021-2022
	KShs	KShs
At the beginning of the year	0	0
Additional provisions during the year	0	0
Recovered during the year	(0)	(0)
Written off during the year	(0)	(0)
At the end of the year	0	0

20.(d) Reconciliation of Impairment Allowance for Staff Receivables

Description	2022-2023	2021-2022
	KShs	KShs
At the beginning of the year	0	0
Additional provisions during the year	0	0
Recovered during the year	(0)	(0)
Written off during the year	(0)	(0)
At the end of the year	0	0
Deposits and Prepayments		
Insurance	0	16,750
Office Rent	0	30,000
Others (Fuel Debit Card)	0	278,982
With holding VAT	0	612,275
Sub Total	0	938,007

21. Bank and Cash Balances

	2022-2023	2021-2021
	Kshs	Kshs
Cash at bank	8,642,866	24,390,905
Cash in hand	84,115	35,820
Mobile money account	275,880	449,133
	9,002,861	24,875,858

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Detailed analysis of the cash and cash equivalents

		2022-2023	2021-2022
Financial institution	Account number	KShs	KShs
a) Current account			
Cooperative bank	01120037721500	961,687	2,296,395
Equity bank,	0160264259445	129,277	339,805
Family bank	023000028400	136,598	284,626
Post bank	0744130014862	607,970	57,094
Sub- total		1,835,532	2,977,920
b) On – call deposits			
Equity bank (Customer Deposits)	0160293799872	6,789,743	4,762,903
Family Bank (Reserve Account)	023000039073	0	0
Family Bank (UPC 8th call project)	023000042457	1546	1,000,000
Sub- total		6,791,289	5,762,903
c) Fixed deposits account			
Cooperative bank	02003772150	0	0
Sub- total		0	0
d) Others(specify)			
CLSG (Equity)	0160280465854	16,045	15,650,082
Cash in hand (Petty cash)		84,115	35,820
M-Pesa account		275,880	449,133
Sub- total		376,040	16,135,035
Grand total		9,002,861	24,875,858

22.Ordinary Share Capital

	2022-2023	2021-2022
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of Kshs 20 par value each	100,000	100,000
Issued and fully paid:		
5,000 ordinary shares of Kshs 20 par value each	100,000	100,000

Notes to the financial statements (continued)

23.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.

24. Capital Reserves

The capital reserve arises on assets donated by other parties to the company.

25. Retained Earnings

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

26. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2022-2023	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	0	0	0	0	0
Non-current benefit obligation	0	0	0	0	0
Total	0	0	0	0	0

Retirement benefit Asset/ Liability

The company does not operate a defined benefit scheme for full-time employees. Employees are however entitled to join a registered retirement benefit scheme of their choice. The company and its

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employees contribute to the Local Authority Provident Fund and National Water Pension Scheme. Employees contribute 7.5% while the employer contributes 12.5% of basic salary for LAP Fund.

Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

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 entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Ksh 1,080 per employee per month.

27. Trade and Other Payables

	2022-2023	2021-2022
	Kshs	Kshs
Trade payables	35,947,051	20,462,395
Sub Total	35,947,051	20,462,395
Fees and Levies		
Office of Auditor General	2,380,000	1,800,000
WASREB	11,232,421	8,111,017
Water Resource Authority (WRA)	2,160,400.34	247,695
County Government of Laikipia (Conservancy)	10,383,096	6,846,758
Northern Water Works Agency (Lease Fees)	8,480,984	8,480,983
Sub Total	34,636,901	25,486,453
Payroll Liabilities		
Local Authorities Provident Fund	12,541,235	13,319,058
Other payroll payables	6,687,520	4,699,170
Sub Total	19,228,755	18,018,228
Total Trade and Other Payables	<u>89,812,707</u>	<u>63,967,076</u>

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Aging Analysis for Trade and other Payables

	2022-2023	% of the total	2021-2022	% of the total
Under one year	58,000,489	65%	37,338,755	58 %
1-2 years	4,523,185	5 %	580,000	1 %
2-3 years	580,000	1 %	580,000	1 %
Over 3 years	26,709,033	30 %	25,468,322	40 %
Total	89,812,707		63,967,077	

28. Refundable Customer Deposits

	2022-2023	2021-2022
	Kshs	Kshs
Opening Balance	31,819,679	30,613,662
Add: deposits received during the year	5,660,547	5,521,900
Less: Refunded deposits during the year	(2,585,281)	(4,315,883)
Closing balance	34,894,945	31,819,679

Customer deposits constitute monies paid by customers to cushion the company against non-payment of outstanding bills. The deposit is refundable upon formal request of termination of services by the customers and upon clearance of any outstanding bills

28.(b) Aging Analysis for Customer Deposits

	2022-2023	% of the total	2021-2022	% of the total
Under one year	3,075,266	9 %	1,206,000	4 %
1-2 years	1,206,017	3 %	3,209,516	10 %
2-3 years	3,209,516	9 %	2,334,163	7 %
Over 3 years	27,404,146	79 %	25,069,983	79 %
Total	34,894,945		31,819,679	

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29. Taxation

	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	0	0
Income tax charge for the year	0	0
Under/(over) provision in prior year/s	0	0
Income tax paid during the year	(0)	(0)
At end of the year	0	0

30. Notes to The Statement of Cash Flows

	2022-2023	2021-202
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(7,438,685)	11,838, 182
Depreciation	7,898,671	7,446,495
Amortization	0	0
(Gain)/loss on disposal of property, plant and equipment	0	0
Operating profit/(loss) before working capital changes	0	0
Net Cash From/(Used In) Operating Activities	459,986	19,284,678
Working capital changes:		
Increase/(decrease) in inventories	(331,572)	637,499
Increase/(decrease) in trade and other receivables	(5,472,986)	(1,877,788)
Increase/(decrease) in Loans & Advances	(30,740)	0
Increase/(decrease) in prepayments	(16,750)	0
Increase/(decrease) in trade payables	16,322,738	8,591,188
Increase/(decrease) in fees and levies	9,150,447	4,007,030
Increase/(decrease) in payroll liabilities	1,210,526	(1,727,460)
Increase/(decrease) in customer deposits	3,075,266	1,206,017
Net Changes in Working Capital	24,366,915	10,836,486
Analysis of cashflows from investing activities		
Purchase of property plant and equipment	(40,239,912)	(18,837,200)
Cash generated from investing activities	(40,239,912)	(18,837,200)
Increase/(Decrease) In Cash and Cash Equivalentents	-15,872,997	11,283,963

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	2022-2023	2021-202
	Kshs	Kshs
Cash and Cash Equivalents at Beginning of Year	24,875,858	13,591, 894
Cash and Cash Equivalents at End of The Year	9,002,861	24,875,858
(b) Analysis of changes in loans		
Balance at beginning of the year	0	0
Receipts during the year	0	0
Repayments during the year	(0)	(0)
Repayments of previous year's accrued interest	(0)	(0)
Foreign exchange (gains)/losses	(0)	(0)
Accrued interest	0	0
Balance at end of the year	0	0
(c) Analysis of cash and cash equivalents		
Short term deposits	0	0
Cash at bank	8,642,866	24,390,905
Cash in hand	84,115	35,820
Mobile Money account	275,880	449,133
Balance at end of the year	9,002,861	24,875,858
(d) Analysis of interest paid		
Interest on loans	0	0
Interest on bank overdraft	0	0
Interest on lease liabilities	0	0
Interest on loans capitalised	0	0
Balance at beginning of the year	0	0
Balance at end of the year	(0)	(0)
Interest paid	0	0
(e) Analysis of dividend paid		
Balance at beginning of the year	0	0
20xx dividends paid	0	0
20xx dividends paid	0	0
20xx interim dividends paid	0	0
Balance at end of the year	(0)	(0)

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	2022-2023	2021-2022
	Kshs	Kshs
Dividend paid	0	0

Notes to the financial statements (continued)

Other Disclosures

31. Related Party Disclosures

County Government of Laikipia

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

Other related parties include:

- The County Department in charge of Water and Environment
- County Government of Laikipia
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

Transactions with related parties

	2022-2023	2021-2022
	Kshs	Kshs
a) Sales to related parties		
Water sales (Bowser) to County Govt. agencies	1,031,900	424,300
Exhauster services to County Govt. agencies	396,950	360,900
Water bills for County Govt. installations	634,157	559,107
Interest income from Govt Commercial Banks	0	0
Interest income from T-bills and Bonds	0	0
Total	2,063,007	1,344,307
b) Purchases from related parties		
Purchase of water from govt service providers	0	0

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	2022-2023	2021-2022
	Kshs	Kshs
Rent expenses paid to govt agencies	0	0
Training and conference fees paid to govt. agencies	0	0
Bank charges paid to Govt Commercial banks	0	0
Interest expense to investments by other govt. entities	0	0
Interest expense to investments by other govt. entities	0	0
Total	0	0
b) Grants from the Government		
Grants from National Govt Agencies	12,797,961	
Grants from County Government	12,000,000	0
Donations in kind	0	0
Total	24,797,961	28,257,228
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	0	0
Payments for goods and services for Laikipia County	0	0
Total	0	0
d) Key management compensation		
Directors' emoluments	5,510,039	5,751,259
Compensation to key management	15,159,709	14,243,766
Total	20,669,748	19,995,025

32. Capital Commitments

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

	2022-2023	2021-2022
	Kshs	Kshs
Amounts authorised and contracted for	0	0
Amounts authorized but not contracted for	0	0
Less: Amounts included in Work in progress	(0)	(0)
	0	0

33. Contingent Assets and Liabilities

Contingent Assets

	2022-2023	2021-2022
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	0	0
Assets arising from determination of court cases	0	0
Reimbursable indemnities and guarantees	0	0
Receivables from other government entities	0	0
Others (Specify)	0	0
Total	0	0

Contingent Liabilities

Contingent liabilities	2022-2023	2021-2022
	Kshs	Kshs
WRA Court suit on new water use charges	8,596,696	0
Performance guarantee (WASREB)	0	1,980,000
WASREB Non-Compliance Penalty	0	1,197,012
Nakuru ELRC Court case no 63 of 2019 against the entity	0	0
Total	8,596,696	3,177,012

The Water regulations 2021 increased water use charges from ksh 0.5 per m3 to ksh 5 per cubic meter. The rates have been contested in court. In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

34. Financial Risk Management

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

(i) Credit risk

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The Company 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 Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2023				
Trade Receivables	63,520,822	25,574,567	31,594,173	6,352,082
Other Receivables	0	0		
Investments	0	0	0	0
Bank balances	9,002,861	9,002,861	0	0
Total	72,523,683	34,577,428	31,594,173	6,352,082
At 30 June 2022 3 (previous Year)				
Receivables	55,701,111	22,296,178	27,834,822	5,570,111
Other Receivables	938,007	938,007	0	0
Investments	0	0	0	0
Bank balances	24,875,858	24,875,858	0	0
Total	81,514,976	48,110,043	27,834,822	5,570,111

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts

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that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company 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 current year				
Trade payables	5,797,551	9,039,660	21,109,840	35,947,051
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Fees and Levies payable	2,348,170	8,344,444	5,080,207	15,772,821
Asset Lease Fee	0	0	8,480,984	8,480,984
Conservancy	676,000	2,028,000	7,679,096	10,383,096
Employee benefit obligation	6,687,520	0	12,541,235	19,228,755
Total	15,509,241	19,412,104	54,891,362	89,812,707
At 30 June previous year				
Trade payables	9,587,947	1,618,564	9,255,884	20,462,395
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Fees and Levies payable	1,199,718	1,362,740	25,514,195	28,076,653
Employee benefit obligation	704,904	0	12,614,155	13,319,059
Total	11,492,569	2,981,304	47,384,234	61,858,107

(iii) Market risk (Tailor as appropriate)

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The board has put in place an internal audit function to assist it in assessing the risk faced by the Company 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 Department in charge of risk management 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 Company's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2023			
Financial assets			
Investments	0	0	0
Cash	9,002,861	0	9,002,861
Debtors	55,751,402	0	55,751,402

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Financial Liabilities			
Trade and other payables	89,812,707	0	89,812,707
Borrowings	0	0	0
Net foreign currency asset/(liability)	(25,058,444)	0	(25,058,444)

The Company 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.

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022			
Financial assets			
Investments	0	0	0
Cash	24,875,858	0	24,875,858
Debtors	50,131,000	0	50,131,000
Financial Liabilities			
Trade and other payables	66,557,275	0	66,557,275
Borrowings	0	0	0
Net foreign currency asset/(liability)	8,449,583	0	8,449,583

b) 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 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
2023			
Euro	10%	0	0
USD	10%	0	0
2022			
Euro	10%	0	0
USD	10%	0	0

c) Interest rate risk

Interest rate risk is the risk that the Company'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 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 Company 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

a) *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 Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- i)** Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii)** 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).
- iii)** 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 Company considers relevant and observable market prices in its valuations where possible.

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Notes to the financial statements (continued)

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 2023	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	0	0	0
Land and buildings	0	0	0	0
	0	0	0	0
At 30 June 2023 Previous FY				
Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	0	0	0
Land and buildings	0	0	0	0
	0	0	0	0

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

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	(7,011,559)	427,538
Capital reserve	165,109,998	165,109,998
Total funds	158,098,439	165,537,536
Trade and other payables	89,812,707	66,557,275

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Water deposits	34,894,945	31,819,679
Less: cash and bank balances	(9,002,861)	(24,875,858)
Net debt/ (excess cash and cash equivalents)	115,704,791	73,501,096
Gearing	73%	44%

35. Incorporation

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

36. Events After the Reporting Period

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

20. 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)
Unbalanced Trial balance	The trial balance as at 30 th June 2019 reflects debit balance of ksh 389,228,652.62 and credit balances of ksh 412,779,455.43 resulting in unexplained balance of ksh 23,550,802.81 between the two sets of accounts.	The company had commissioned a new ERP system with accounting module in July 2018. The opening balances for the year 2018/2019 were recorded and produced a balanced trial balance. However, it was noted after the regulatory audit that some transactions recorded during the year were appearing in duplicates. For instance, customer deposit opening balance of ksh 22,388,122 was duplicated in the ledger. Invoice no 1685 of ksh 1,162,681 in respect to water bowser services to schools on behalf of county government was also duplicated in the ledger	Resolved	Done.

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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)
Unconfirmed Balances	<p>Chemical Costs- The statement of profit or loss and other comprehensive income reflects direct costs of ksh 40,489,894. Included in the balance is ksh 17,972,416 spent on chemicals. However, the respective ledgers indicated the chemical cost of ksh 22, 724,062.</p> <p>Operation & Maintenance- Disclosed under note 15 © to the financial statements is expenditure totalling to ksh</p>	<p>The expenditure for the year ended 30th June 2019 on water purification chemicals were ksh 17,972,416 as presented in financial statements. However, it was noted from the audit that chemical expenditure ledger reflected an expenditure of ksh 22,724,062. Upon further scrutiny, it was noted that the accounting system had duplicated three (3) invoices numbered 126101,132465 and 137256. The duplication resulted in the unexplained difference of ksh 4,751,646.</p> <p>The materials for repair of water pipeline were received and recorded in the store's inventory ledger on 2nd January 2019 and 14th September 2018 respectively. Payment vendors for the two vendors were</p>	Resolved	Done.

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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>12,563,583 spent on purchase of materials for repair of water pipeline. However, audit review of ledgers, cashbooks and other records indicated that payments to the two vendors who supplied pipelines at ksh 998,775 and ksh 993,300 respectively were not captured in the expenditure ledgers in these financial statements.</p> <p>Further examination of records on operations & Maintenance activities indicated that water pipes and</p>	<p>initiated in the ERP system on 4th January 2019 and 18th October 2018 respectively. However, cheque payments to the suppliers that led to subsequent recording of the transactions in the expenditure ledgers and cashbooks were done in the following year ended 30th June 2020.</p>	Resolved.	

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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>repair accessories were bought from two suppliers at a cost of ksh 993,300 and 998,940 respectively or ksh 1,992,240 in total. However, review of procurement records revealed the following unsatisfactory issues;</p> <p>a) The first purchase was supported with a goods received note raised and signed on 14th September 2018. No invoice for the purchase was presented for audit review. In addition, no inspection and acceptance</p>	<p>The LPO no. 00122 initiating the purchase was raised on 7th September 2018. The supplies were received on 14th September 2018 by a committee on inspection and acceptance and a certificate raised. However, the certificate was not presented to the auditor during the audit. The GRN was also generated on the same date. The items were received and recorded on the store's ledger</p>	Resolved	

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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>committee minutes and report that verified the condition of the items supplied.</p> <p>B) Similarly, records for the second purchase that was made in February 2019 revealed that the respective LPO was raised on 28th February 2019 whereas the evaluation of the tender and GRN was signed on 29th March 2019 and 18th March 2019 respectively. Therefore, the records indicated</p>	<p>on 14th September 2018.</p> <p>However, the original GRN was misplaced. In order to prepare the voucher for payment, the GRN was reprinted on 3rd October 2018.</p> <p>In note of the audit recommendation, administrative action was taken by hiring a qualified procurement professional. It is worth noting that the items were received in the stores, issued for normal operations and that no items were lost as evidenced by stores ledgers.</p>	Resolved	

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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>that the goods were irregularly received before evaluation of quotations and LPO was raised. No satisfactory explanation of the anomalies was provided which raised doubt on the occurrence and propriety of expenditures totalling ksh 1,992,240.</p> <p>C) Professional fees-The statement of profit or loss and other comprehensive incomes reflects administrative expenses totalling to ksh 52,451,475 which include professional fees</p>	<p>This was as a result of lack of capacity in documents at the time of the audit. Hever, the capacity issue has been addressed through training of the registry staff. Further, documentary evidence for the professional fees of ksh 1,767,222 including payment vouchers and other support</p>	<p>Resolved</p>	

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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>totalling to ksh 1,7,67,222 as further disclosed in note 15(b) to the financial statements. However, the fees were not supported with documentary evidence including payment vouchers. Consequently, the occurrence, measurement and propriety of the expenditure could not be confirmed.</p> <p>D) Cash and Cash equivalents-The statement of financial position as at 30th June 2019 reflects cash and cash equivalents balances totalling to ksh 6,866,065 as</p>	<p>documents has been adduced as proof of occurrence and propriety of the expenditure</p> <p>The indicated negative balance of ksh 9,960,942 was not an actual bank overdraft that requires approval by the board of directors but rather was an overdrawn cash book balance.</p>	Resolved	

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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>further disclosed in note 6(a) to the financial statements. The balance includes ksh 64,913 held in commercial bank account. However, audit review of the cash book indicated an overdraft of ksh 9,960,942 which was outstanding in respect to the account as at 30th June 2019. The difference amounting to ksh 10,025,405 between the cash balances reflected by the two records were not explained. Further, there was no record to show that the</p>	<p>It was as a result of cheques drawn in favor of suppliers and payroll liabilities that had not been presented to the bank by 30th June 2019.</p>		

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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)
	board of directors had granted management permission to overdraw the accounts.			
Inventories	The statement of financial position reflects inventories totalling to ksh 8,547,899 as at 30 th June 2019. However, stores ledgers and stock taking records were not provided for audit to confirm the existence and valuation of the inventories.	The inventories totalling ksh 8,547,899 as at June 2019 existed as evidenced by the stock valuation report. However, due to an error of omission, the stock taking records are stores ledgers were not presented at the time of the audit	Resolved.	
Customer Deposits	The statement of financial position reflects a water deposit balance of ksh 27,404,146 as	During the handover of assets and liabilities from the defunct Nayhururu Municipal council, liabilities such as the customer deposits were only given in	Not Resolved	5 years and a board review on the amount.

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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>at 30th June 2020. However, the deposit bank account provided for audit reflected a balance of ksh 1,072,320 as at 30th June 2020. The variance of ksh 26,331,826, constitutes money spent by management without authority of the board of directors which had not been refunded to the account. Further, no policy to guide borrowing from customer deposits account. Variance noted between customer deposits book vs bank balances.</p>	<p>form of book baklances totaling to ksh 14,000,000 as recorded on the customers ledger. However, the company did not receive funds equivalent to the recorded liability. The additional ksh 13, 404,146 was customer deposits collected by the company, deposited in company's revenue accounts and utilized in normal company operations. The company has established a distinct bank account meant to ring fence the collections from customer deposits and a Policy developed and approved by the board. Deposits account build- up being done gradually to bridge the difference between the book and bank balances. The company borrowed ksh 4,500,000 and is repaying in instalment of ksh 450,000 every month through a bank standing</p>		

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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)
		order. Further, the company has put in place a bank standing order for ksh 350,000 every month effective 15 th October 2023.		
Property, Plant and Equipment	The statement of financial position reflects a property plant and equipment balance of ksh 113,110,588 as at 30 th June 2020. However, the ownership documents for (4) motor vehicles granted by Northern Water Services Board.	Process of transferring ownership and acquiring ownership records has been initiated.	Not Resolved	1 year
Unauthorized Write off of Debts	The statement of profit or loss and other comprehensive income reflects operational and maintenance cost of	Gatero scheme was handed over to the company in 2008 having been under the management of National Water and Conservation Corporation. During the hand over the company inherited the book	Resolved	

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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>ksh 37,261,970 as disclosed under note 13 which includes bad debts of ksh 5,983,704 written off during the year. The debt related to Gatero water scheme.</p> <p>However, authority from the company's board of directors and the county government of Laikipia to write off the debts was not provided.</p>	<p>balances totalling to ksh 5,983, relating to receivables from customers without any supporting documents. The write off was authorized by the board of directors on 25th October 2019.</p>		
Prior year adjustment	<p>The statement of changes in equity reflects a prior year adjustment of ksh 21,140,070 which as disclosed in note 21 to the financial statements for year 2020, comprise</p>	<p>The prior year adjustment relates to balances and expenditure that had not been recognized in the previous years. Corrective journal entries were raised in the financial statements for the ended 30th June 2020 by debiting the retained earnings and crediting</p>	Resolved	

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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>expenditure related to prior years omitted from the financial statements. However, IAS 8- Accounting policies, changes in accounting estimates and errors provides that an entity must correct all material prior year period errors retrospectively in the first set of financial statements authorized for issue after the discovery by restating the comparative amounts for the prior period presented in which the error occurred</p>	<p>the account payable to rectify the omission.</p>		

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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)
Long Outstanding Payables	Payables of regulatory levy, abstraction fees, Audit fees, County Govt conservancy fees and Northern Water Works lease fees.	The company has negotiated and agreed for settlement agreements with the various agencies in order to clear the outstanding fees and levies. Such institutions are WRA, WASREB and Conservancy	Not Resolved	3 years
Non-Remittance of Statutory and other deductions	As disclosed in note 19 to the financial statements, the trade and other payables as at 30 th June 2020 include ksh 17, 329,977 and ksh 4,478,375 owed to local authorities' provident fund and other payroll deductions which had not been remitted as at 30 th June 2020. Also, as disclosed under note 24, the company incurred	The local authorities provident fund arrears had accumulated during the time water services were being offered by the defunct municipal council of Nyahururu. The company entered into a payment agreement with lapfund on 18/5/2021 and has reduced the debt to ksh 12,341,235. Further, the company pays on time the monthly deductions. The payroll deductions of 4,478,375 were deductions for the month of June 2020 which were paid in July 2020.	Not resolved	3 years

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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>directors' allowances of ksh 3,250,000. However, PAYE tax on the allowances was not deducted and remitted to KRA.</p>	<p>The company is now complying with PAYE tax on directors' allowances.</p>		
<p>Material Uncertainty in relation to going concern</p>	<p>The company reported a loss of ksh 24,098,837 during the year ended 30th June 2019. The loss further depleted the company's revenue reserves. The unsatisfactory financial performance denotes the existence of a material uncertainty which may cast a significant doubt on company's ability</p>	<p>The company is taking the following measures to improve its performance;</p> <ul style="list-style-type: none"> • Implementing cost reduction strategies such as encouraging emails for internal communication as opposed to printed to reduce printing costs, sending customer bills via SMS • Reduce high power costs by solarizing the production plant • Minor investments aimed at extending services to unserved 	<p>Not Resolved</p>	<p>One year</p>

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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)
	to meet its obligations as and when they fall due	<p>areas to increase revenue. Such investments include 25km pipeline extensions in rural schemes and 5km pipeline extensions in Nyahururu</p> <ul style="list-style-type: none"> • Approaching development partners including WSTF, County Government of Laikipia and Central Rift Water Works Agency for funding for extension of services • Applying for a cost recovery tariff 		
Negative Working capital	The statement of financial position reflects current assets of ksh 85,889,531 and total current liabilities of ksh 95,786,755	<p>The company is working on its application for a cost recovery tariff as the current tariff expires in 2024.</p> <p>Further, the company is taking the following measures to improve its performance;</p> <ul style="list-style-type: none"> • Implementing cost reduction strategies such as; 	Not Resolved	1 year

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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)
	resulting in a negative working capital of ksh 9,897,224. This implies that the company is not able to meet its current obligations on and as when they fall due	<p>encouraging use of emails for internal communication as opposed to printed communication so as to reduce printing costs, sending customer bills via short message service (sms)</p> <ul style="list-style-type: none"> ● Reduce high power costs by solarising the production plant. ● Minor investments aimed at extending services to unserved areas to increase revenue. Such investments include 25km pipeline extensions in rural schemes and 5km pipe line extensions in Nyahururu town. 		
Unauthorized Over Expenditure	The company incurred expenditure above the approved budget.	<p>Management commits to;</p> <p>Strictly observe approved budget ceilings at all times.</p> <p>Use supplementary budgets to incorporate unbudgeted for items.</p>	Resolved	
Under funding and under expenditure	The company realized only 63% of its budgeted	The company is undertaking review of the tariff. Additionally, the company is	Not resolved	2 years

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	revenue and spent 67% of its budgeted expenditure. The underfunding and under performance affected planned activities and may have negatively impacted on service delivery	seeking funding for service line pipeline extensions from the County Government of Laikipia and other development partners		
Non- Revenue Water	High (NRW) non-revenue water level of 39.4% exceeding allowable loss of 25%.	<p>To address this, the company has established;</p> <ul style="list-style-type: none"> ● NRW unit and an NRW reduction plan which includes budgets for rehabilitation of pipe networks and replacement of consumer meters. The investments needed as per the NRW reduction plan is ksh 986 million. The company is looking for financial aid to fund the projects. A customer relationship management (CRM) module in the ERP system which helps in reporting and tracking the 	Not Resolved	5 Years

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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>resolution time taken on repair of leaks and bursts.</p> <ul style="list-style-type: none"> ● Whatsapp groups for customers to report any issues such as bursts, ● intensified line patrols to identify leaks on time and equipped line patrollers with motor cycles for mobility within the expansive rural schemes ● Adopted use of leak detectors to identify underground leaks and timely repair of the leaks identified ● Periodic meetings with the community members, opinion leaders and administrators to sensitize them on the need to report cases of vandalism, leaks and burst through the company hotline numbers. <p>Management continues to apply new strategies to curb the losses by adopting new technologies for detecting losses and</p>		

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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)
		improving on commercial efficiency		
Revenue	<p>The statement of profit or loss & other comprehensive incomes reflects a total of ksh 217,434,818. However, the billing/sales revenue includes ksh 11,640,387 being over billing of water and sewerage charges for the period January to June 2020 arising from wrong tariff structure in the billing software. The revenue also included over billing of ksh 8,048,642 for the</p>	<p>The company implemented the tariff in the billing software applying a block billing basis that was applied in the expiring tariff. However, the new tariff had changed the basis of block billing to per unit billing. This resulted in the approved tariff not being captured correctly during the billing system configuration.</p> <p>Further, the company had in error implemented the tariff upon receipt of tariff approval notification letter from WASREB in January 2020. However, the official gazettement of the tariff was done in 10th march 2020</p> <p>It is worth noting that all revenues resulting from wrong tariff structure and earlier implementation of tariff were refunded to the customers in terms of credit to their accounts during the financial year ended 30th June 2021 as indicated on note 13 to the financial</p>	Resolved	

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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)
	period January and February 2020, arising from implementation of new tariffs before the effective date of 10 th March 2020.	statements on operation and maintenance costs.		
Contingent Liabilities	Note 26 to the financial statements reflects contingent liabilities of ksh 15,740,387 which includes credits to customers for a billing overcharge of ksh 11,640,387. It is not clear why the financial statements were not adjusted accordingly as required under IAS 10-Events after the reporting period. In addition, the liability excludes	The wrong tariff structure in the billing software was as a result in change from block billing to per unit billing in approved tariff. This resulted in the approved tariff not being captured correctly during the billing system configuration. The overcharge from January to June 2020 resulting from wrong tariff and implementation of tariff before gazettement in January and February 2020 was refunded to customers during the year ended 30 th June 2021 as indicated on 13 on Operation and maintenance costs item 4 on page 29 by expending ksh 20,535,149 and refunds to customers through credits to their accounts	Resolved	

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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>compromise the provision of bad and doubtful debts of 5,400,527 instead of the gross amounts of debts considered irrecoverable.</p> <p>On page 3 of the annual report under key entity information is the list of names of directors and members of management team who held office during the year under review.</p> <p>However, pertinent details including dates of birth and passport size photographs were not provided</p>	<p>The reporting template had changed requiring details on dates of birth and inclusion of passport size photographs for the directors and members of management. As a result of human error of omission, the details were regrettably not included. The company has complied in subsequent reporting periods</p>	Resolved	

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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>management team who held office during the year under review. However, pertinent details including dates of birth and passport size photographs were not provided</p>	<p>included. The company has complied in subsequent reporting periods</p>		
Non-Diversity in Staff Ethnicity	<p>The company has not achieved the requirement for at least 30% of staff to be from minority communities.</p>	<p>Management continues to progressively work towards ensuring that at least 30% of vacant positions at entry level are filled by candidates from the not-dominant communities.</p>	Not Resolved	5 years
Non-Compliance with Industrial Benchmark on Personnel Costs	<p>The company's 55% ratio of personnel costs to total operating expenses exceeds the 30% sector benchmark</p>	<p>Management intends to progressively reduce this ratio to the recommended level by increasing revenue, use of technology and staff rationalization Currently the ration of personnel costs to Operating expenses is 54%.</p>	Not Resolved	5 years

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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)
Appointment of Board Member (s)	The company had 10 board members contrary to WASREB guidelines that limits the number to 7 members.	The board membership has been aligned to the requirements of the WASREB Guidelines on Corporate Governance	Resolved	
Corporate Governance	The company had reappointed a board member after serving the maximum six years.	The appointment was made by the shareholders and ratified in the AGM. During the year ended 30 th June 2023, the company recruited new directors in strict adherence to corporate governance guidelines and is now compliant.	Resolved	

Name Bernard Mwangi Mwangi

Managing Director

Signature 

Date.....

**Appendix II: Projects Implemented by the Company
Projects**

Projects implemented by the Company 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)
Kinamba distribution Pipeline	Kinamba distribution pipeline instalation	County Government of Laikipia	1 st July 2022 to 30 th June 2023	Yes	No	Yes
Nyahururu Site Phase 2 distribution network upgrade	UPC 8 th Call	Water Sector Trust Fund	1 st September 2022 to 30 th June 2023	Yes	Yes	Yes
Oljabet town distribution network upgrade	UPC 8 th Call	Water Sector Trust Fund	1 st September 2022 to 30 th June 2023	Yes	Yes	Yes

Status of Projects completion

(Summarise the status of project completion at the end of the reporting period, i.e., total costs incurred, stage which the project is etc.)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Kinamba distribution pipeline instalation	60,000,000	12,000,000	80%	60,000,000	12,000,000	County Government of Liakipia

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2	Nyahururu Site Phase 2 and Oljabet town distribution network upgrade	19,044,585	14,796,415	100%	19,044,585	14,796,415	Water Sector Trust Fund
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Appendix III- Inter-Entity Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary entity]
[Insert Address]

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 20xx as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by <i>[Insert name of beneficiary entity]</i> as at 30 th June 20xx							
Reference Number	Date Disbursed	Amounts Disbursed by <i>[SC/SAGA/Fund]</i> (KShs) as at 30 th June 20xx				Amount Received by <i>[beneficiary entity]</i> (KShs) as at 30 th June 20xx (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary entity:

Name Sign Date

Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix V: Reporting Disaster Management Expenditure

Date:						
Entity						
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

(Attach forms from each transferring Government entity.)

Nyahururu Water Company Ltd
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Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor or Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Others - must be specific	Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables			
Ministry/County department of Water	xxx	Recurrent	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Ministry/County Department of water.	xxx	Development	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
USAID	xxx	Donor Fund	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
name of Development partner/County department etc.	xxx	Direct Payment	xxx	xxx	xxx	xxx	xxx	xxx	xxx	
			xxx	xxx	xxx	xxx	xxx	xxx	xxx	
Total			xxx	xxx	xxx	xxx	xxx	xxx	xxx	