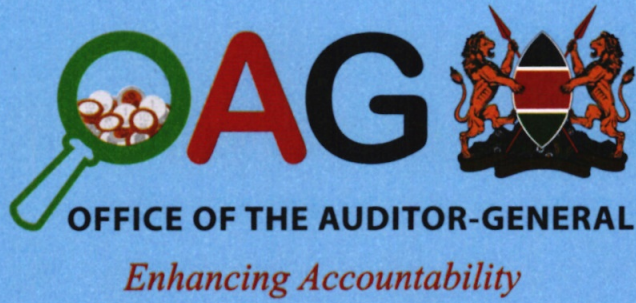
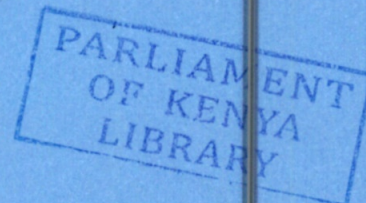


REPUBLIC OF KENYA



REPORT

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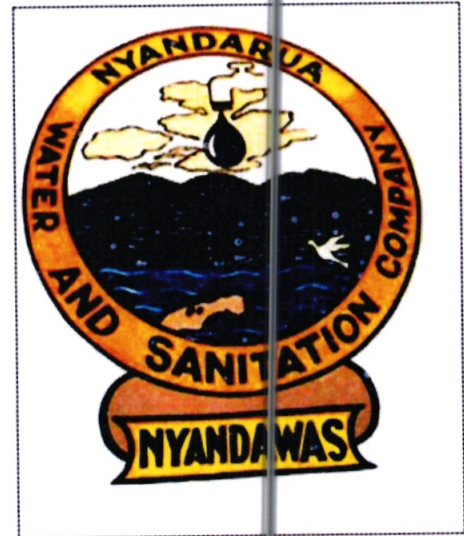
THE AUDITOR-GENERAL

ON

**NYANDARUA WATER AND SANITATION
COMPANY LIMITED**

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

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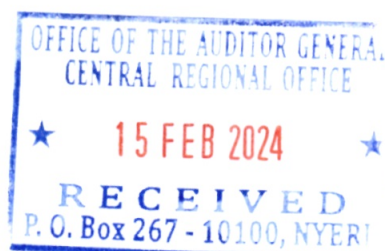
NYANDARUA WATER AND SANITATION COMPANY LIMITED

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)



Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Table Of Contents	Page
1. Acronyms and Glossary of Terms.....	ii
2. Key Entity Information	iii
3. The Board of Directors.....	vi
4. Key Management Team	vii
5. Chairman's Statement	viii
6. Report Of the Managing Director	ix
7. Statement Of Performance Against Predetermined Objectives for FY 2022/2023	x
8. Corporate Governance Statement.....	xii
9. Management Discussion and Analysis.....	xiii
Management Discussion and Analysis continued.....	xiv
10. Environmental And Sustainability Reporting	xv
11. Report of the Directors	xvi
12. Statement Of Directors' Responsibilities.....	xvii
13. Report Of the Independent Auditors for the financial statements of <i>Nyandarua Water Company Ltd.</i>	xix
14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023.	1
15. Statement Of Financial Position As at 30 June 2023	2
16. Statement Of Changes in Equity for the Year Ended 30 June 2023	3
17. Statement Of Cash Flows for The Year Ended 30 June 2023.....	4
18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023	5
19. Notes to the Financial Statements	6
20. Appendices	47

Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

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>

Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

2. Key Entity Information

Background information

The Nyandarua Water and Sanitation Company was established under the water Act 2016 of Parliament. At County level, the Company is represented by the County Executive Member responsible for water and sanitation and county executive member of finance 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.

Principal Activities

The principal activity of the Company is to provide water and sanitation to residents of Nyandarua County.

COMMITMENT

The company is committed to provision of efficient, affordable and sustainable water supply and sanitation services to the community within our area of jurisdiction with integrity, accountability and professionalism as authorized by the county government of Nyandarua.

OUR MANDATE

Nyandarua Water and Sanitation Company is responsible for the provision efficient and economical water services within the County of Nyandarua as authorized by the Water Services Provision Agreement by Water Services Regulatory Board.

VISION

To be the leading Water Services Provider in providing quality Water and Sanitation Services.

MISSION

To provide efficient, adequate, sustainable and affordable water supply and sanitation services to all through continuous improvement and expansion.

CORE VALUES

Nyandarua Water and Sanitation Company upholds the following values which shall inform all its strategies, programmes and activities: -

- Integrity and good corporate governance
- Customer satisfaction
- Excellence in performance and service delivery
- Team work
- Equity

Directors

During the year there were no board of the directors.

Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Company Secretary

The company doesn't have company secretary.

Registered Office

Nyandarua water and sanitation limited,
Nyandarua county Building,
Sharpe road,
P.O Box 164-20300,
Nyahururu.

Corporate Headquarters

P.O. Box 164-20300,
Nyandarua County Building,
Sharpe Road,
Nyahururu KENYA.

Corporate Contacts

Telephone: 254 704221336.
E-mail: nyandawas@gmail.com

Corporate Bankers

1. Kenya Commercial Bank,
Nyahururu Branch,
P.O. Box 64,
Nyahururu.
2. Equity Bank Ltd,
Nyahururu Branch,
P.O Box 1048-20300,
Nyahururu

Independent Auditor

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

Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Principal Legal Advisers

The Attorney General
State Law Office, Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya




Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

3. The Board of Directors

There were no board of directors during the financial year, however they were appointed in the current financial year.

Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

4. Key Management Team

Ref	Management	Details
1.	 Mary Kamau	Diploma in Water Technology. DATE Of Birth 5 th September 1966. Senior Superintendent Water Engineering. Work experience: 32 years
2.	 Peter Ndegwa	Diploma in water Technology and Higher National Diploma in Water Engineering. Born 20 th July 1965. Snr. Superintendent Water Engineering Work experience: 22 years
3.	 Joel Gichuki	CPA (K). Date of birth.23 ^h Jan 1986. Work experience: 9 years
<p><i>Note: The company do not have a company secretary Company Secretary.</i></p>		

**Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023**

5. Chairman's Statement

Nyandarua Water and Sewerage Company Limited continued to register remarkable progress in its pursuit to serve the people in its area of mandate.

In the year under review, the company did not have a board of directors but a significant progress was realised in the reduction of non-revenue water and increased network coverage.

The total turnover increased from Kshs.43,900,475 to Kshs. 48,122,825 annually. Production increased from 765,880 meter cubed to 887,615 meter cubed annually.

Having been elected as board chair, I have realised the major challenges of the company were: insufficient funds due to unsustainable water tariff, dilapidated infrastructure resulting to high non-revenue water and inadequate water supply to meet the current demand. To address the challenges, the Company will continue working closely with development partners to realize its objectives.

During the financial year, I thank the unrelenting support received from the County Government of Nyandarua, management and entire staff of Nyandarua water fraternity.

I appreciate and look forward to continued teamwork.

May our almighty God bless Nyandarua county and Nyandarua water.

Thank you.

Signature.....

Date 9th Feb 2024

Dennis Kabaiku

Chairman

**Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023**

6. Report of the Managing Director

It is with pleasure that I take this opportunity to present to you the Nyandarua Water and Sanitation Company's Annual Performance report for the year ended 30th June 2023. The performance has been quite reasonable, despite many challenges. We have forged ahead with our mission to provide Water and Sanitation Services to our customers in the most cost-effective way guided by our slogan "Quality Water for All"

FINANCIAL REVIEW

The company's turnover increased to Kshs. 48,122,825 from Kshs.43,900,475 during the year under review. This represents a growth of 8.8%

We attribute this to improved efficiency in service delivery as well as commitment of staff to duty, increase of service area and upgrading of pipes from unplasticized polyvinyl chloride (Upvc) to High Density-Polyethylene pipes (HDPE)

During the same period, we posted a Net Deficit of Kshs. (189,719) compared to the previous year's Surplus of Kshs. 3,386,956.

The total operating expenses decreased from Kshs. 79,348,586 to Kshs. 57,716,260 due to Various factors which contributed to this. They include: few transactions due to operation grant which was donated previous year and water shortage.

COMPANY'S FUTURE OUTLOOK

We are stepping into the future with a lot of optimism. With renewed vigour and confidence, we look ahead to an even more successful future for we have moved from a small to a medium water service provider.

We also intend to increase area of coverage, replace defective meters, dilapidated infrastructure, Consumer, zonal and master meters.

CONCLUSION

I must state that we could not achieve all our goals due to revenue challenges and lack of the board of the directors. Despite this I wish to convey my sincere thanks and appreciation to the members of staff for the dedication and commitment to duty. The County Government of Nyandarua guidance and directions has seen us through various challenges and brought us this far.

I wish to thank our esteemed customers and stakeholders, for their unwavering support and trust throughout the year, county government for their enormous contribution to the improvement of this company.

We are facing the future with confidence. We shall strive to continue working as a team. With our unity of purpose, we are well prepared to steer the company to even greater heights.

Thank you.

Signature.....

Mary Kamau

9th Feb 2024

Managing Director

Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

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

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Nyandarua water and Sanitation Company has 2 strategic pillars/ themes/issues and objectives within the current Plan for the FY 2022- FY 2023. These strategic pillars/ themes/ issues are as follows:

Pillar 1: Capital expenditure

Pillar 2: Operation expenditure

The company develops its annual work plans based on the above pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. Though the company did not have board of directors the company achieved its performance targets set for the FY 2022/2023 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Capital expenditure				
	To increase water connection with 1000 connections.	Number of connections. Increase in revenue	Customer Sensitization, registration and installation of new connections.	Increased 500 customers and increased revenue from 43.9M to 48.1M
	Upgrading of pipelines by 10 Kilometres.	No of kilometres of pipeline. Number of customers. Increased revenue	Trenching, backfilling and Pipe laying.	Reduces rationing of water from 6hrs to 8hrs Increased number of customers,

Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

			Connecting new consumers	revenue earned and collected.
	Reduction of non-revenue water from 46% to 44%	Increased water for sale. Increased revenue. Reduced water shortage complains.	Installation and replacement of faulty water meters. Efficiency in meter reading and burst repair.	Increased revenue. Customer satisfaction
Pillar2: Operation expenditure				
	Maintenance of Assets	Non-revenue water reductions. Improved service delivery. Reduced cost of operation and maintenances	Repair and servicing of pumping units, meters, pipelines, motorbikes, intakes and storage tanks	<ul style="list-style-type: none"> • Reduced cost of production • Increased billing • Improved water quality
	Software Maintenance	Customer satisfaction and time saving.	Billing	<ul style="list-style-type: none"> • Effective billing • Streamlined payment channel

Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

8. Corporate Governance Statement

The Principles of Corporate Governance are incorporated in the Water Sector to ensure that the Sector operates in a smooth and Co-ordinated manner. Water forms the backbone of any economy and therefore the county puts a lot of emphasis on any activity that promotes smooth running of the sector. The needs to have the Corporate Governance Principles in place are as follows: -

- i) Ensure the profitability and efficiency of Water services delivery
- ii) Create ethical business enterprises and their capacity to create wealth and employment
- iii) Improve relationships between the different players in the water sector so as to be able to deliver quality affordable water in a sustainable manner
- iv) Improve the relationship between such water enterprises and their various stakeholders comprising shareholders, managers, employees, customers, suppliers etc.

ROLE AND RESPONSIBILITIES

1. External Auditors the Committee shall:

- (i) Recommend external auditors for appointment by the Board including their compensation for all services; such external auditors shall report directly to the Committee and be independent of the Corporation.

Remuneration

The Directors do not draw a salary but they are paid sitting allowances during Board or Committee meetings.

Evaluation of Performance

There are methods set out in the Corporate Governance Guidelines by WASREB on how to carry out self-evaluation annually.

The Directors also sign a Code of Ethics that further enhance their evaluation.

Signature.....

9th Feb 2024

Mary Kamau

Managing Director.

Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

9. Management Discussion and Analysis

Nyandarua Water and Sanitation is a Limited Company domiciled in Kenya and a registered office is in Nyahururu town. The company is limited by guarantee.

Nyandarua water and sanitation is wholly owned by the County Government of Nyandarua.

We have organized our operation into teams that focus on specific area of specialization to enable us give quality service to our clients.

This financial statement is prepared in accordance with international financial standard under historical cost convention on the accrual basis except for certain financial instrument which are measured at fair values.

Opportunity and strength

Opportunities

- Upgrading and rehabilitating of the dilapidated infrastructure.
- Higher budgetary allocation for expansion.
- Construction of water treatment to meet demand.
- Construction of sewerage treatment plant to meet demand.
- Procurement of a water bowser and an exhauster.
- Construction of a water bottling plant.
- Protection of the water sources.
- Green energy to reduce production cost.
- Construction of water storage tanks to meet demand.
- Unexploited water sources.
- Improving water quality through ground cover.
- Legalization of illegal connections.

Strengths:

- The company has diversified schemes as follows; Gatimu, Kibathi, LeshauKaragoini, Ol/Kangui, Kasuku, Kirima and Gwa Kiongo.
- Our core strength is dedicated workforce.
- Risk Concern
- Supportive county government
- Solarized schemes(Warukira borehole in Shamata and Gatimu scheme)
- Operational billing system.
- Young innovative workforce.
- Supportive development partners.
- Bulky water for resale.
- Community water projects.
- Supportive customers.
- Offices are housed in county government buildings.
- Unpolluted water sources.
- Gravitational water project.
-

**Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023**

Management Discussion and Analysis continued

Nyandarua water and sanitation company risk management consist of:

- Identifying risk
- Assessment of risk
- Mitigation of risk
- Prioritization of risk
- Monitoring of risk

In general, the risk includes:

- Credit risk
- Technical risk

Financial conditions

Sources of revenue

We derive our revenue from water sale, labour for new customer, reconnections, meter rent and penalties. We also received in kind grants from national and county governments and water sector trust fund (CLSG).

Expenditure

As per the approved budget the company incurred cost on direct cost, administrative, operating personnel and finance cost to facilitate smooth running of the business.

Losses/surplus

Since inception, the company has been operating at a loss. However, this financial year, the company is on an upward trend, and has made a surplus.

Although, not all the challenges have been addressed, among them include;

- Dilapidated infrastructure leading to high non-revenue water or no water at all.
- High cost of electricity for pumping.
- Bulk buying of water from Nyahururu water and Sanitation Company.
- High maintenance cost for water pumps.
- Former Rift valley water services board fee.
- Auditors' fees.

For an upward trend the company has written:

- Several proposals to development partners for assistance to upgrade the infrastructure.
- Several proposals for solar powers and gravitational water supply projects.
- Several proposals for more water projects to increase the amount of water to our systems.

Trade receivable/payable

The total trade receivable amounted to Ksh 31.0M and total payable is Ksh 27.4M
These receivables are unsecured and part of it relate to receivable which inherited from the LeshauKaragoini and Kibathi water projects and government institutions.

Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

10. Environmental and Sustainability Reporting

Nyandarua water exists to transform lives. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, putting our clients first in-service delivery, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

Nyandarua water and Sanitation Company has established policies which guide staff in attaining company objectives. The company has put in place drafts of the following policies; debt policy, human resource policy, non-revenue policy, arrears collection policy, which help in improving financial status.

ii) Environmental performance

Nyandarua water and Sanitation Company works on maintaining and protecting our water sources.

iii) Employee welfare

The management in conjunction with the staff has established a welfare group run by staff.

Market place practices-

The organization should outline its efforts to:

a) Responsible competition practice.

We involve all the major stakeholders.

b) Responsible Supply chain and supplier relations

The company has policy on suppliers' payment.

c) Product stewardship

The company carries out consumer satisfactory survey every year.

i) Corporate Social Responsibility / Community Engagements

The company has purchased a water tank for Nyandarua Prison and support of bringing down fire at Aberdare National park at a cost of kshs.156,000.

Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

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.

Principal activities

The principal activities of the entity continue to be Provision of water that is;

- portable
- adequate
- easy to reach
- affordable

Results

The results of the entity for the year ended June 30, 2023 are set out on page 1-50.

Directors

There were no board of directors during the financial year, however they were appointed in the current financial year.

Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with the Public Audit Act 2015 or Certified Public Accountants nominated by the Auditor General to carry out the audit of the entity for the year/period ended June 30, 2023 on his behalf.

By Order of the Board

Signature.......... 9th Feb 2024
Mary Kamau
Managing Director

Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

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 judgements 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)

**Nyandarua Water Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023**

Statement Of Directors' Responsibilities (Continued)

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.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern

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 9th Feb 2024 and signed on its behalf by:



.....
Name Dennis Kabaiku
Chairperson of the Board



.....
Name Mary Kamau
Managing Director

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NYANDARUA 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 Nyandarua Water and Sanitation Company Limited set out on pages 1 to 50, which comprise of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive

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

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

In my opinion, except for the 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 the Nyandarua 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 and comply with the Companies Act, 2015, the Water Act, 2016, and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0. Property, Plant and Equipment

1.1. Unsupported and Undisclosed Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.11,382,057 as disclosed in Note 14 to the financial statements. As previously reported, this balance includes land and water tanks with net book values of Kshs.1,000,000 and Kshs.3,284,125 respectively inherited from the Rift Valley Water Works Development Agency. However, the handover and takeover reports were not provided for audit review. Further, the ownership documents for eleven (11) parcels of land at Olkangui, Gatimu, Kibathi and Shamata for water treatment plants, pump station and water tanks were not provided for audit review. In addition, the value of these properties was not included in the property, plant and equipment balance reported in the financial statements.

1.2. Non-Disclosure of Fully Depreciated Assets that are Still in Use

The statement of financial position reflects property, plant and equipment balance of Kshs.11,382,057 as disclosed in Note 14 to the financial statements. However, the balance excludes fully depreciated assets of Kshs.1,845,606 in use that have not been disposed or revalued. This is contrary to the provisions of Paragraph 82 of International Public Sector Accounting Standards (IPSAS) 17 which provides that the carrying amount of an item of property, plant and equipment shall be derecognized on disposal; or when no future economic benefits or service potential is expected from its use or disposal.

In the circumstances, the validity, accuracy and completeness of the property, plant and equipment balance of Kshs.11,382,057 as at 30 June, 2023 could not be confirmed.

2.0. Long Outstanding Trade and Other Payables

The statement of financial position reflects Kshs.27,478,778 in respect of trade and other payables as disclosed in Note 24 to the financial statements which includes Kshs.16,855,115 in respect of payables which have been outstanding for more than one year. Among these creditors is a major creditor, Rift Valley Water Services Board with a

balance of Kshs.10,955,848 representing 40% of total payables which has been outstanding for over five (5) years. However, the Company Management has no evidence to show how they are planning to settle the account to avoid disputes, penalties and interest.

In the circumstances, the ability of the Company to settle the debt is doubtful and hence the validity, accuracy and completeness of the trade and other payables amount of Kshs.16,855,115 as at 30 June, 2023 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the 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 has not resolved most of the issues and has not provided reasons for the delay in resolving the prior year audit issues.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives for financial year 2022/2023, Report of the Directors, Corporate Governance Statement, Environmental and Sustainability Reporting, Management Discussion and Analysis and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

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

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

and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to⁴ cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Excessive Non-Revenue Water

During the year under review, the Company produced 887,615 cubic meters (M³) of water, out of which only 477,219 M³ was billed to customers. The balance of 410,396 M³ represents Non-Revenue Water (NRW) which is approximately forty-six percent (46%) of the total production and is twenty-one (21%) above the sector recommended limit of twenty-five percent (25%) according to the Water Services Regulatory Board (WASREB) guidelines.

The Non-Revenue Water (NRW) may have negatively impacted on the Company's profitability and its ability to continue as a going concern.

2.0 Non-Compliance with the Law on Staff Ethnic Composition

Review of personnel records revealed that as at 30 June, 2023 the Company had fifty-eight (58) staff members out of which fifty-five (55) or 95% of the total number of staff were members of one dominant ethnic community. This is contrary to Section 65(1)(e) of the County Governments Act, 2012 which require that in selecting candidates for appointment, the County Public Service Board shall consider the need 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 overall governance were not effective.

Basis for Conclusion

Information, Communication and Technology (ICT) Environment

As previously reported, review of the Company's ICT environment revealed that there were no approved ICT policies in place during the year under review, which includes Data Security Policy, and Disaster Recovery Plans. Further, the Company's ICT structure was not provided for audit review. In addition, the Company did not have an Information Technology (IT) Steering Committee for ensuring effective ICT controls and strategies.

In the circumstances, the security and reliability of the Company's data including its management information system 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 effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue to 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 cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of


effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 March, 2024

Nyandarua Water and Sanitation 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.


	Notes	2022-2023	2021-2022
		Kshs	Kshs
Revenues			
Operating revenue	6	48,122,825	43,900,475
grant income	7	6,454,084	37,089,147
Other Income	8	2,949,632	1,745,920
Total Revenues		57,526,541	82,735,542
Operating Costs			
Staff cost	9	18,754,428	15,406,425
General and operation	10	30,559,451	28,963,667
Maintenance	11	1,316,574	180,000
Depreciation	12	2,408,327	2,524,594
In kind contribution	13	4,677,480	32,273,899
Total operating expenses		57,716,260	79,348,585
Net profit/ loss		(189,719)	3,386,955

Nyandarua Water and Sanitation Company Ltd.
Annual Report and Financial Statements
For the year ended June 30, 2023

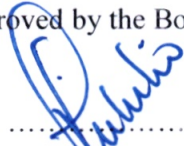
15. Statement Of Financial Position As at 30 June 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
ASSETS			
Non -current Assets			
Property, plant and equipment	14	11,382,057	10,435,320
Total Non-current assets		11,382,057	10,435,320
Current Assets			
Inventories	15	294,530	1,555,897
Trade and other receivables	16	31,047,743	27,818,305
Cash and bank balance	17	881,392	348,631
Total current assets		32,223,665	29,722,833
Total Assets		43,605,721	40,158,153
Capital and Reserves			
Capital Reserve	19	5,304,334	5,304,334
Retained earnings	20	(1,817,028)	(1,627,308)
Inherited capital gain	21	5,000,000	5,000,000
WSTF grant	22	3,553,214	5,329,821
Total Capital and Reserves		12,040,520	14,006,847
Current Liabilities			
Trade and other payables	24	27,478,778	22,281,331
Refundable Deposits and Prepayments	25	4,086,423	3,869,975
Total current liabilities		31,565,201	26,151,306
TOTAL EQUITY AND LIABILITIES		43,605,721	40,158,153

The financial statements were approved by the Board on *9th Feb 2024* and signed on its behalf by:


.....

Name: *Mary Kamau*
Managing Director


.....

Name: *Fredrick Irungu*

Head of Finance

ICPAK M/No: *9102*


.....

Name *Dennis Kabuku*

Chairman of the Board

Nyandarua Water and Sanitation 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

	Capital Reserve	Retained Earnings	Inherited capital	WSIF Grant	Totals
At July 1, 2021	5,304,334	(5,014,265)	5,000,000	7,106,425	12,396,494
Profit and Loss for the year		3,386,956		(1,776,604)	2,223,539
At June 30, 2022	5,304,334	(1,627,309)	5,000,000	5,329,821	14,620,033
At July 1, 2022	5,304,334	(1,627,309)	5,000,000	5,329,821	14,006,846
Profit and Loss for the year		(189,719)		(1,776,607)	(1,966,326)
At June 30, 2023	5,304,334	(1,817,028)	5,000,000	3,553,214	12,040,520

Nyandarua Water and Sanitation 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 Revenue	6	48,122,825	43,900,475
Grants from county and national government	7	6,454,084	37,089,147
Other Income	8	2,949,632	1,745,920
Customer Deposits	25	207,700	1,126,000
Total Receipts		57,734,241	83,861,542
Payments			
Staff Costs	9	18,754,428	15,333,225
General And Operation Expenses	10	30,559,451	28,963,667
Maintenance	11	1,316,574	180,000
In kind contribution	13	4,677,480	32,273,899
Refund Of Customer Deposits	25	66,000	93,000
Total Payments		55,373,933	76,843,791
Cashflow before working capital changes		2,360,308	7,017,751
Increase/(Decrease)in inventories	15	1,261,367	(995,777)
Increase/(decrease) trade and other payable	24	5,197,447	(4,295,860)
Customers Prepayment	25	74,748	0
Increase/decrease In trade and other receivables	16	(3,229,438)	721,804
Net Cash From/(Used In) Operating Activities	28	5,664,432	2,447,918
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	14	(3,355,064)	(719,360)
Net Cash From/(Used In) Investing Activities		(3,355,064)	(719,360)
Cash Flows from Financing Activities			
Differed income	26	(1,776,607)	(1,776,607)
Net Cash From/(Used In) Financing Activities		(1,776,607)	(1,776,607)
Increase/(Decrease) In Cash And Cash Equivalentents		532,761	(8,062)
Cash And Cash Equivalentents At Beginning Of Year	17	348,631	356,691
Cash And Cash Equivalentents At End Of The Year	17	881,392	348,631

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

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 utilisation
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Percentage
Operating Revenue	51,900,000	0	51,900,000	48,122,825	(3,777,175)	(7.28)
Other income	4,660,000	0	4,660,000	2,949,632	(1,710,368)	(36.70)
Seconded staff grant	6,454,084	0	6,454,084	6,454,084	-	-
In kind contribution			-		-	
Total income	63,014,084	-	63,014,084	57,526,541	(5,487,543)	(44)
Expenses						
staff cost	18,800,000	0	18,800,000	18,754,428	(45,572)	(0)
Board expenses	-	0	-	0	-	
General and operation	31,295,000	0	31,295,000	30,559,451	(735,549)	(2)
Maintenances	1,500,000	0	1,500,000	1,316,574	(183,426)	(12)
Depreciation		0	-	2,408,327	2,408,327	
In kind grants	4,677,480		4,677,480	4,677,480	-	-
Total expenditure	56,272,480	-	56,272,480	57,716,260	1,443,780	3
Surplus for the period	6,741,604	0	6,741,604	(189,719)	(6,931,323)	
Capital expenditure	3,700,000	0	3,700,000	3,355,064	(344,936)	(9)

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

19. Notes to the Financial Statements

1. General Information

Nyandarua water and sanitation Company Ltd is established by and derives its authority and accountability from Water Act 2016. The Company is wholly owned by the Nyandarua County Government and is domiciled in Kenya. The Company's principal activity is Water provision 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 16*.

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 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Notes to the financial statements (continued)

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)	<p>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.</p> <p><i>The Company does not issue insurance contracts. / The company is an insurance company. The adoption of IFRS 17 has had the following effects:</i></p> <p>Xxx Xxx <i>(Amend as appropriate)</i></p>	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	<p>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.</p> <p><i>(entity to state the effect of amendments on their financial statements for the year ended.)</i></p>	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)	<p>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.</p> <p><i>(Entity to state whether this has brought about changes to the accounting policies disclosed)</i></p>	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	<p>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</p>	The amendments are effective for annual periods beginning on or after January 1, 2023.

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Title	Description	Effective Date
arising from a Single Transaction (issued in May 2021)	transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Notes to the Financial Statements (Continued)

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 1 st 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 1 st 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 1 st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer 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 amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

iii. Early adoption of standards

Nyandarua water did not early – adopt any new or amended standards in year under review.

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Notes to the financial statements (continued)

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.
- 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.

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Notes to the financial statements (continued)

Summary of Accounting Policies

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.

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Notes to the financial statements (continued)

Summary of Accounting Policies

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:

Item	Years	Rates
Freehold Land	Nil	0%
Buildings, civil works and water tanks	40	2.5%
Infrastructure and reticulation networks	8	12.5%
Plant and machinery(water pumps)	8	12.5%
Motor vehicles, including motorcycles	4	25 %
Computers and related equipment	3.3	30%
Office equipment, furniture and fittings	8	12.5%
Solar panels	10	10%
Meters	8	12.5

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.

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Notes to the financial statements (continued)

Summary of Accounting Policies

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 amount, an impairment loss is recognized and the asset is written down to its estimated recoverable amount.

**Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023**

Notes to the financial statements (continued)

Summary of Accounting Policies

g) 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.

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Notes to the financial statements (continued)

Summary of Accounting Policies

h) 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.

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

**Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023**

Notes to the financial statements (continued)

Summary of Accounting Policies

j) 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.

k) 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.

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Notes to the financial statements (continued)

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.

1) 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.

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Notes to the financial statements (continued)

Summary of Accounting Policies

m) 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.

n) 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 on 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.

o) 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.

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Notes to the financial statements (continued)

Summary of Accounting Policies

p) Retirement benefit obligations

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month.

q) 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.

r) 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.

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Notes to the financial statements (continued)

Summary of Accounting Policies

s) Budget information

The original budget for FY 2022-2023 was not approved by the Board of Directors because there were no board of directors. 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. 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.

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Notes to the financial statements (continued)

Summary of Accounting Policies

t) 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.

u) Comparative figures

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

v) 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.

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Notes to the financial statements (continued)

Summary of Accounting Policies

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 in Note 16.

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.

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Notes to the financial statements (continues)

6. Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Water sales	48,122,825	43,900,475
Total	48,122,825	43,900,475

This relates to water billed to our consumers.

7. Grants Income

	2022-2023	2021-2022
	Kshs	Kshs
Operational grants from Water fund	0	3,038,644
In kind grants from National irrigation	0	11,279,500
Differed income	1,776,604	1,776,604
In kind Donations from County Governments	0	16,316,919
In kind grant salaries	4,677,480	4,677,480
Total	6,454,084	37,089,147

(Note: For capital/development grants the amount recognized in the statement of comprehensive income should be the depreciation/amortisation equivalents for assets that have been acquired using such capital/development grant as per IAS 20).

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	2022-2023
County Government of Nyandarua	4,677,480	0	0	4,677,480	4,677,480
Total	4,677,480	0	0	4,677,480	4,677,480

**Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023**

Notes to the financial statements (continued)

8. Other Income

	2022-2023	2021-2022
	Kshs	Kshs
Reconnection	1,099,860	635,390
Labour for new connections	638,100	563,000
misc	109,832	23,330
Meter rent	752,900	354,200
Penalties	320,940	170,000
Water bowser	28,000	0
Total	2,949,632	1,745,920

[Other revenue relates to revenue received from late payment penalties, installation of new customers labours, meter rent, illegal connections and statement printing charges]

9. Staff cost

Description	2022-2023	2021-2022
	Kshs	Kshs
Gross Salary and Allowances	12,865,550	9,882,380
Casual workers' Wages	3,751,504	3,222,577
Seconded staff top up	1,290,000	1,362,500
Employer's contributions to social security schemes	675,224	553,768
Staff bonus		312,000
Staff welfare/ relocation	162,800	73,200
NITA	9,350	0
Total	18,754,428	15,406,425
The average number of employees during the year	63	58

[The comparative figure has changed due to reclassification. As per the previous certificate the total staff cost was kshs. 15,333,225 and have changed to Kshs. 15,404,425. The variance of Kshs. 73,200 is staff welfare/ relocation which was previously reported under general and operations]

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

10. General and Operations Expenses

	2022-2023	2021-2022
	Kshs	Kshs
abstraction fees	1,427,792	503,187
Wasreb levies (4%)	1,924,913	1,755,940
Waspa	130,000	35,000
Waspa benchmark	55,000	
Chemicals costs	509,240	1,595,377
Water bill	7,965,429	6,716,520
Supply for production	3,019,753	4,286,642
audit fees provision	255,200	255,200
Bulky sms	490,000	185,000
Office water & lighting	55,206	163,644
Licenses, Permits	98,039	325,800
Travel and sub	930,640	1,490,625
electricity for pumping	9,341,939	8429123
Office expenses	153,008	108,939
Printing, stationery, computers & accessories and publicity	105,782	221,285
Seminars and Training	453,650	234,300
Telephone and postage/ internet	218,214	204,579
Rentol kil	21,765	21,765
CSR	156,000	140,000
Bank charges	79,615	41,354
Insurance	0	38,500
Public participation	924,300	-
Rent and rates	16,100	33,450
motorbikes repair	118,950	180,600
Water quality test	99,000	112,000
Petty cash	791,126	394,900
Fuel	891,712	644,170
Water bowser	28,000	-
Uniform and soap	160,570	238,470
Provision Bad debt	87,390	459,997
Motor vehicle repair/ logbook	51,120	147,300
Total Administrative Expenses	30,559,453	28,963,667

[The comparative figure has changed due to reclassification. As per the previous certificate the total general and operation expenses was kshs. 28,882,326 and have changed to Kshs. 28,963,667 to a variance of Kshs. 81,341. this is due

Nyandarua Water and Sanitation Company Ltd
Annual Report and Financial Statements
For the year ended June 30, 2023

Notes to the financial statements (continued)

to staff welfare/relocation classification which is now part of staff cost, Finance cost also increased the General and operation. Also, Senate recommended 2018/2019 errors to be amended. Basis number 3 **in accuracy in reported figures** (component administration cost relating to abstraction which was over stated by Kshs 53,725 and 2019/2020 basis number 7 **administration cost** relating also to Abstraction fees of Kshs. 166,912 which was under stated.

11. Maintenance Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Trenching	474,800	0
Software main/ server/tariff simulation	279,900	180,000
Intakes patrol	143,700	0
Pump repair and servicing	418,174	0
Total Maintenance Expenses	1,316,574	180,000

12. Depreciation, Amortization and Provision Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Property, plant, and equipment	2,408,327	2,524,594
Total Depreciation and Amortization	2,408,327	2,524,594

(As previously reported depreciation for comparative was Kshs.2,042,594 which have changed to Kshs.2,524,594. This is due to the in accuracy of reported figure in 2018/2019 for operation costs which was Kshs 500,000 for the reticulation network. The remaining Kshs.400,000 was for fully depreciated asset so not expensed).

13. In kind contribution

Description	2022-2023	2021-2022
	KShs	KShs
In kind contribution (Seconded staff salaries)	4,677,480	4,677,480
In kind contribution (Projects)	0	27,596,419
Total in kind contribution	4,677,480	32,273,899

**Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30, 2023**

Notes to the financial statements (continued)

14. (a) Property, Plant and Equipment

	LAND	RETICULATION NETWORK	WATER TANK	COMPUTERS AND RELATED EQUIPMENT	OFFICE FURNITURES AND FITTINGS	SOLAR	METERS	WATER PUM	MOTOR BIKES	TOTALS
COST	ksh	ksh	ksh	ksh	ksh	ksh	ksh	ksh	ksh	ksh
At June 30, 2022	1,000,000	14,712,393	4,000,000	469,040	306,266			346,820	1,120,000	21,954,519
Additions										
At July 1, 2022	1,000,000	14,712,393	4,000,000	469,040	306,266			346,820	1,120,000	21,954,519
Cost 1 July 2022										
Additions		122,400				45,800	2,496,200	690,664		3,355,064
Inherited assets										
Cost as at 30 June 2023	1,000,000	14,834,793	4,000,000	469,040	306,266	45,800	2,496,200	1,037,484	1,120,000	25,309,583
DEPRECIATION										
At July 1, 2022	-	8,945,477	615,875	467,565	263,430	-	-	106,853	1,120,000	11,519,199
Charge for the year	-	1,854,349	100,000	1,475	6,213	4,580	312,025	129,686	-	2,408,327
Accumulated depreciation as at 30 June 2023	-	10,799,826	715,875	469,040	269,643	4,580	312,025	236,538	1,120,000	13,927,526
NET BOOK VALUE										
At June 30, 2023	1,000,000	4,034,967	3,284,125	0	36,624	41,220	2,184,175	800,946	-	11,382,057
At June 30, 2022	1,000,000	5,766,916	3,384,125	1,475	42,836	-	-	239,968	-	10,435,320

(The comparative figure has changed by Kshs 500,000 due to 2018/2019 inaccurate depreciation charge)

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

14. (b) Property, Plant and Equipment

	LAND	RETICULATION NETWORK	WATER TANK	Computers & related equipment	Office equipment, furniture & fittings	Water Pump	MOTOR BIKES	Total
COST	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At June 30, 2021	1,000,000	14,212,853	4,000,000	469,040	306,266	127,000	1,120,000	21,235,159
Cost At July 1, 2021	1,000,000	14,212,853	4,000,000	469,040	306,266	127,000	1,120,000	21,235,159
								-
Additions		499,540				219,820		719,360
Cost as at 30 June 2022	1,000,000	14,712,393	4,000,000	469,040	306,266	346,820	1,120,000	21,954,519
DEPRECIATION								
At July 1, 2021	-	7,106,428	15,875	431,585	257,217	63,500	1,120,000	8,994,605
Charge for the year		1,839,049	100,000	35,980	6,213	43,353	-	2,024,594
Under stated depreciation			500,000					500,000
Accumulated depreciation as at 30 June 2022	-	8,945,477	615,875	467,565	263,430	106,853	1,120,000	11,519,199
Net book value At June 30, 2022	1,000,000	5,766,916	3,384,125	1475	42,836	239,967	-	10,435,320
Net book value At June 30, 2021	1,000,000	7,106,425	3,984,125	37,455	49,049	63,500	-	12,240,554

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30, 2023

Notes to the financial statements (continued)

Valuation

Land and buildings were not valued due to financial constraint.

14 (c) 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	Accumulate d Depreciatio n	NBV
	Kshs	Kshs	Kshs
Land	1,000,000	0	1,000,000
Water tank	4,000,000	215,875	3,284,125
Reticulation network	14,834,793	10,799,826	4,034,967
Motor vehicles, including motorcycles	1,120,000	1,120,000	0
Solar panel	45,800	4,580	41,220
Water Pump	1,037,484	236,538	800,946
Water meters	2,496,200	312,025	2,184,175
Computers and related equipment	469,040	469,040	0
Office equipment, furniture, and fittings	306,266	269,643	36,624
	25,309,583	13,427,527	11,382,057

Software and Property plant and Equipment which have been fully depreciated are listed below:

	Cost or valuation	Normal annual depreciation charge
Motor vehicles, including motorcycles	1,120,000	1,120,000
Computers and related equipment	349,107	349,107
Office equipment, furniture and fittings	256,566	256,566
Software	3,100,000	3,100,000
Total	4,725,673	4,725,673

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

Notes to the financial statements (continued)

15. Inventories

	2022-2023	20	1-2022
	Kshs		Kshs
Chemicals	198,530		1,459,897
Water	96,000		96,000
Total	294,530		1,555,897

[Stock was valued at the lower of cost, market value and net realizable value]

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

16. Trade and Other Receivables

	2022-2023	2021-2022
	KShs	KShs
Trade receivables (note (16a))	30,881,616	27,649,175
Deposits and prepayments	57,500	57,500
Performance guarantee	801,935	624,500
Staff receivables (note 16 (b))	7,140	100,188
KPLC Deposit	226,000	226,000
Gross trade and other receivables	31,974,191	28,657,363
Provision for bad and doubtful receivable	(926,448)	(839,058)
Net trade and other receivables	31,047,743	27,818,305

16. (a) Trade Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross trade receivables	30,881,616	27,649,175
Provision for doubtful receivables	(926,448)	(839,058)
Net trade receivables	29,955,168	26,810,117

*(The previous certificate 2020/2021 reported trade and other receivable of Kshs.28,043,705 which differ with 2022/2023 comparative due to amending the 2018/2019 issues raised **number 3 Inaccuracy in reported figures** Component on customer deposit collected which had a variance of Kshs.225.400. Also, provision for bad debt have been made at the rate of 3% which was approved by the previous board of directors.*

16. (b) Staff Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross staff loans and advances	539,562	539,562
Provision for impairment loss		
Net staff loans	539,562	539,562
Less: Amounts paid	(532,422)	(439,374)
Amounts due	7,140	100,188

**Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023**

Notes to the financial statements (continued)

17. Bank and Cash Balances

	2022-2023	2021-2022
	Kshs	Kshs
Cash at bank	826,232	280,470
Cash at hand	0	20,000
Mobile money account	55,160	48,161
	881,392	348,631

[As previously reported comparative figure have been as per 2021\2022 certificate.]

Detailed analysis of the cash and cash equivalents

		2022-2023	2021-2022
Financial institution	Account number	KShs	KShs
a) KCB (Revenue account)	1102124575	12,856	76,155
KCB(Expenditure account)	1102121584	15,719	1,606
Equity(Deposits account)	0160295227762	797,657	202,303
Mpesa paybill	935129	55,160	48,161
Cash		0	20,000
Victas sacco		0	406
Totals		881,392	348,631

[Detailed comparative analysis have been reconciled and amended as per the previous certificate.]

18. Ordinary Share Capital

The company is limited by guarantee with no share capital. The management is in the process of aligning the memorandum and articles of association to align with the Water Act 2016.

19. Capital reserve

	2022-2023	2021-2022
	Kshs	Kshs
Capital reserve	5,304,334	5,304,334
	5,304,334	5,304,334

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

Notes to the financial statements (continued)

20. Retained Earnings

	2022-2023	2021-2022
	Kshs	Kshs
Opening Retained earning	(1,627,308)	(5,014,265)
Profit or loss for the year	(189,719)	3,386,956
Opening Retained earning	(1,817,028)	(1,627,308)

21. Inherited capital gain

	2022-2023	2021-2022
	Kshs	Kshs
Inherited capital gain	5,000,000	5,000,000
	5,000,000	5,000,000

22. WSTF grant

	2022-2023	2021-2022
	Kshs	Kshs
Inherited capital gain	5,329,821	5,329,821
Deffered income	(1,776,604)	0
	3,553,214	5,329,821

23. Retirement Benefit Obligations

Nyandarua water and sanitation contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

24. Trade and Other Payables

	2022-2023	2021-2022
	Kshs	Kshs
Water resource management authority	1,433,070	186,037
Rift valley water service board	10,955,848	10,955,848
Water service provider association	480,000	350,000
Water service regulatory body	3,561,467	3,702,467
Nyahuwasco	1,475,774	1,709,056
Smart people Africa	25,000	35,000
Payroll deductions	1,594,439	-
Kenya power and lighting company	873,610	635,308
Afri bright	690,665	-
Unik royal	1,149,475	-
Nurture hardware	120,000	-
Hekima hardware	141,000	140,000
Lake olborosat resort	301,000	-
Kel chemicals	270,800	470,815
KRA provision	1,500,000	1,500,000
Gatero stationery	20,980	-
External auditors	2,852,000	2,596,800
Bejo engineering	14,000	-
Posta	9,450	-
Muthumbi garage	10,200	-
TOTAL	27,478,778	22,281,331

[the comparative figure has changed from Kshs.22,168,144 to Kshs.22,281,331 a variance of Kshs. 113,187. The variance is under stated water resources management of Kshs 166,912 and over stated water resources management of Kshs. 53,725.]

Aging Analysis for Trade and other Payables

	2022-2023	% of the total	2021-2022	% of the total
Under one year	10,623,663	38%	5,212,356	38%
1-2 years	3,557,667	13%	1,774,627	8%
2-3 years	255,200	1%	2,232,300	10%
Over 3 years	13,042,248	48%	13,062,048	59%
Total	27,478,778		22,281,331	

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

25. Refundable Deposits and Prepayments

	2022-2023	2021-2022
	<i>Kshs</i>	<i>Kshs</i>
Opening Balance	3,869,975	3,062,375
Collected within the year	207,700	1,126,000
Refund within the year	(66,000)	(93,000)
over stated deposit adjusted in 2018/2019		(225,400)
Prepayment from customers	74,748	
Closing Balance	4,086,423	3,869,975

Aging Analysis for Refundable Deposits and Prepayments

	2022-2023		% of the total	2021-2022	% of the total
Under one year	1,207,700		23%	1,126,000	27%
1-2 years	1,126,000		22%	266,925	7%
2-3 years	266,925		5%	99,050	2%
Over 3 years	1,485,798		50%	2,378,000	64%
Total	4,086,423			3,869,975	

[The difference in comparative figures is as a result of over stated customer deposit in the year 2018/2019.]

26. Deferred Income

Description	2022-2023	2021-2022
	KShs	KShs
National/deferred income (water fund)	1,776,607	1,776,607
Total deferred income	1,776,607	1,776,607

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

Notes to the financial statements (continued)

27. Taxation

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

[The company did not make profit during the year]

28. Notes to The Statement of Cash Flows

Operating profit/(loss)	(189,719)	4,000,143
Depreciation	2,408,327	2,024,594
Amortisation	-	-
(Gain)/loss on disposal of property, plant and equipment		-
Operating profit/(loss) before working capital changes	2,218,608	6,024,737
Increase in prepayments		-
(Increase)/decrease in inventories	1,261,367	(995,777)
(Increase)/decrease in trade and other receivables	(3,229,438)	283,430
Other receivable	-	438,374
Increase/(decrease) in trade and other payables	5,197,447	(4,295,860)
Increase/(decrease) in customer deposit	216,448	1,033,000
Cash generated from/(used in) operations	5,664,432	2,487,904

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

Notes to the financial statements (continued)

Other Disclosures

29. Related Party Disclosures

County Government of Nyandarua

The County Government of Nyandarua is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Nyandarua 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
- County Government of Nyandarua
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

Transactions with related parties

	2022-2023	2021-2022
	Kshs	Kshs
a) Grants from the Government		
Water sector trust fund	0	3,038,644
County government of nyandarua		15,315,046
National irrigation authority	0	12,896,000
Total	0	31,249,690
b) Expenses incurred on behalf of related party		
Payments of salaries and wages for five (5) seconded staff	4,677,480	4,677,480
Payments for goods and services for repair and maintenance.	0	28,211,046
Total	4,677,480	32,888,526
c) Key management compensation		

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

	2022-2023	2021-2022
	Kshs	Kshs
Compensation to key management	1,362,500	1,362,500
Total	1,362,500	1,362,500

30. Contingent Assets and Liabilities

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

31. 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

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:

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2023				
Trade Receivables	29,955,168			
Other Receivables	1,092,575			
Investments	0			
Bank balances	881,392			
Total	31,929,135			
At 30 June 2022				
Receivables	26,810,117			
Other Receivables	1,009,188			
Bank balances	348,631			
Total	28,167,936			

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due from Kshs. 31,047,743

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 2023				
Trade payables	3,741,754	255,200	23,481,824	27,478,778
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	1,776,604	0	0	1,776,604
Employee benefit obligation	0	0	0	0
Total	5,518,358	255,200	13,042,248	29,080,493
At 30 June 2022				
Trade payables	5,099,169	1,774,627	15,407,535	22,281,331
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	1,776,604	0	0	1,776,604
Total	6,875,773	1,774,627	2,232,300	23,944,748

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

(iii) Market risk

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.

Notes to the financial statements (continued)

b) 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.

**Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023**

Notes to the financial statements (continued)

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.

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

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 Current FY	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Non- financial Assets				
Land and buildings	0	0	5,000,000	5,000,000
	0	0	0	0
At 30 June 2022 Previous FY				
Financial Assets				
Non- financial Assets				
Land and buildings	0	0	5,000,000	5,000,000
	0	0	5,000,000	5,000,000

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.

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

Notes to the financial statements (continued)

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
Retained earnings	(2,747,962)	(1,014,022)
Capital reserve	5,304,334	5,304,334
Total funds	2,556,372	4,290,312
Less: cash and bank balances	(881,392)	(348,631)
Gearing		

32. Incorporation

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

33. Events After the Reporting Period

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

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

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)
1.0	In accuracy in the financial statement	Comparative figure variances	Resolved	
2.0	Unsupported balances	Non-current assets and grant which was in kind.	Not resolved Grants(resolved)	2023/2024(assets)
3.0	Unreconciled variance of 26,002	Amended as prior year adjustments	Resolved	
4.0	Inaccuracies in cash and cash equivalent	Unreconciled variance of 404 was bank charges. Amended as prior year adjustments.	Resolved	
5.0	Long outstanding receivables	The management have a draft credit policy to strengthen collection. Also newly constituted water police unit will help the company to increase revenue	Not resolved	Progressively
6.0	Long outstanding creditors	The company is not in a position to pay creditors on		

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

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)
		time due to financial constraint		
	Unresolved prior years	The company have been progressively addressing the issues	Not resolved	Progressively
1.0	Non revenue water	The management have developed non-revenue strategy and appoint non revenue team	Not resolved	Progressively
2.0	Un approved top up allowances paid to seconded staff	The seconded staff is a subsidies by the county government since the company is not in a position to pay staff cost	Not resolved	Progressively
3.0	Lack of human resource policy	We have drafts	Not resolved	2023/2024
4.0	Non filing of annual returns	In the process of filing	Not resolved	2023/2024
5.0	Unsupported share capital	The company is limited by guarantee with no share capital	Not resolved	2023/2024
6.0	Un appoved budget	Advertisement of the board of directors have been finalised	Not resolved	2023/2024
7.0	Irregular sacco account	The account have been closed	Resolved	
8.0	Flat rate connections	Political goodwill is required	Not resolved	progressively

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

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)
9.0	Lack of updated asset register	The asset register have now been updated	resolved	
10.0	Lack of procurement function	The unit have been established	Resolved	
1.0	Lack of finance and accounting policy manual	Draft policy have been finalised	Not resolved	2023/2024
2.0	Information, communication and technology(ICT) environment	Draft policy have been finalised	Not resolved	2023/2024
3.0	Lack of internal audit function	The county government have seconded internal auditor assisted by Audit clerk	Resolved	
4.0	Non of Establishment of Audit committee	Advertisement of the board of directors have been finalised	Not resolved	2023/2024
5.0	Lack of board of directors	Advertisement of the board of directors have been finalised	Not resolved	2023/2024
6.0	Lack of risk management policy	The Company is in consultation with the risk department in the County Government with a view to access the needed expertise to help in development of a	Not resolved	2023/2024

Nyandarua Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2023

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)
		comprehensive risk management policy.		

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report.

Name: Mary Kamau

Signature 

Managing Director

Date 9th Feb 2024