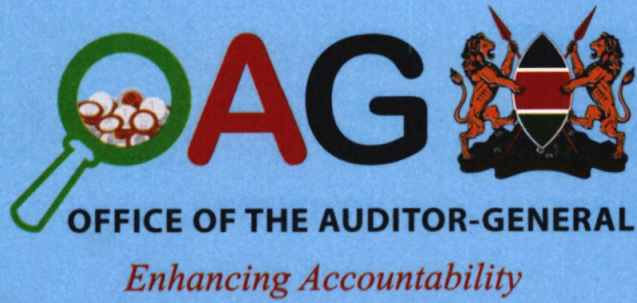
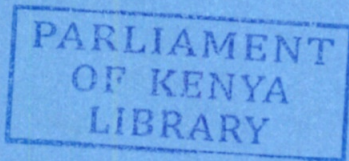


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

**NANYUKI WATER AND SANITATION
COMPANY LIMITED**

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

PAPERS LAID	
DATE	20/3/2024
TABLED BY	Dep. Maj. Wanjau
COMMITTEE	C.P.I.C
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UPPER EASTERN REGIONAL OFFICE - ISIOLO

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NANYUKI WATER AND SANITATION COMPANY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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

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1. Acronyms and Glossary of Terms

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

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>

Nanyuki Water & Sanitation Company Limited
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2. Key Entity Information

Background information

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

Principal activity

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

Main business activity

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

1. Increase and sustain access to potable water and safe sanitation services,
2. Grow commercial and financial viability and sustainability,
3. Improve customer service experience,
4. Strengthen operational processes,
5. Strengthen human capital and promote innovation.

Directors

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

1	Martin Wahome Muchiri	Chairman	Appointed on 11 th January 2023
2	Lawrence Ashford Nteere	Vice chairman	Appointed on 11 th January 2023
3	Stephen Ndungu Munene	Member	Appointed on 11 th January 2023
4	John Emmanuel Wangai	Member	Appointed on 11 th January 2023
5	Mercy Muthoni Ndungu	Member	Appointed on 11 th January 2023
6	Denis Kaniaru Mathenge	Member	Appointed on 11 th January 2023
7	Robert Mworira	Member	Appointed on 11 th January 2023
8	Mike Kingori	Company Secretary	27 th Nov 2012
9	Eng. Kennedy Gitonga	Managing Director	

Nanyuki Water & Sanitation Company Limited
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Company Secretary

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

Registered office

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

Corporate headquarters

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

Corporate contacts

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

Principal Bankers

- (a) Kenya Commercial Bank Limited
Nanyuki Branch
P.O. Box 323-10400
Nanyuki
- (b) Equity Bank
Nanyuki Branch
P.O. Box 323-10400
Nanyuki
- (c) Family Bank
Nanyuki Branch
P.O. Box 323-10400
Nanyuki

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- (d) Sidian Bank
Nanyuki Branch
P.O. Box 323-10400
Nanyuki

Independent Auditors

Auditor General
The office of Auditor General
Anniversary Towers, University way
P. O. Box 30084 – 00100
Nairobi








Principal Lawyer Advisor

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

Nanyuki Water & Sanitation Company Limited
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3. THE BOARD OF DIRECTORS






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

	NAMES & ADDRESS	Representing	Remarks	D.O.B	Date of appointment	Qualifications	
1	Martin Wahome Muchiri P.O Box 995-10400 Nanyuki	Professional Organization	Chairman	1975	11 th January 2023	Degree Building/Civil Engineering	
2	Lawrence Ashford Nteere P.O Box 995-10400 Nanyuki	Residents Organization	Member-Chairs Audit committee	1952	11 th January 2023	Degree Civil Engineering	
3	Stephen Ndungu Munene P.O Box 995-10400 Nanyuki	Business Community	Technical Committee	1961	11 th January 2023	BBM MBA	
4	John Emmanuel Wangai P.O Box 995-10400 Nanyuki	County Government	Finance Committee	1997	11 th January 2023	LLB (Hons)	
5	Mercy Muthoni Ndungu P.O Box 995-10400 Nanyuki	Women Organizations	Finance Committee	1962	11 th January 2023	BED	
6	Denis Kaniaru Mathenge P.O Box 995-10400 Nanyuki	Youth & PWD Organizations	Audit Committee	1990	11 th January 2023	BED	
7	Robert Mworia P.O Box 995-10400 Nanyuki	County Government	Technical Committee	1964	11 th January 2023		


Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements For the year ended 30, June 2023

8	Mike Kingori P.O Box 995-10400 Nanyuki	Company Secretary	Company Secretary	1969	27 th Nov 2012	ICPS (K) MN.1948	
9	Kennedy Gitonga P.O Box 995-10400 Nanyuki	Managing Director	Managing Director	1976		Bsc (Civil Engineering)	

4. Key Management Team

NO	MANAGEMENT	Designation	Y.O.B	Qualifications	
1.	Kennedy Gitonga P.O Box 995-10400 Nanyuki	Managing Director	1976	Bsc (Civil Engineering)	
2.	Wachira Gakuru P.O Box 995-10400 Nanyuki	Commercial Manager	6 th Oct 1963	B.Com (Accounting option)	
4	Joseph Irungu Maina	Technical Services Manager	1 st January 1979	MSc. Sanitation	
4.	Caroline Kihonge P.O. Box 995-10400 Nanyuki	Human Resource & Administration Manager	19 th March 1982	LLB CHRP	
5.	CPA Paul Mwangi P.O. Box 995-10400 Nanyuki	Finance Manager	8 th January 1971	B.A (Economics), CPA (K) MN.4931	

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements For the year ended 30, June 2023

6	CS Mike Kingori P.O Box 995-10400 Nanyuki	Company Secretary	Company Secretary	ICPS (K) MN.1948	
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5. Chairman’s Statement

It is my pleasure to release our annual report and financial statements for the year ended June 30, 2023. The period has had its challenges and it is quite evident that there exists a gap whereby capacity must be built to enable all parties appreciate the role of NAWASCO, its challenges and how the County Government can intervene.

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

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

Our vision, mission and core values are very clear, and it is my belief that our presence has already been felt in many households. This has been possible through the continued

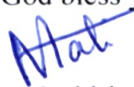
Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements For the year ended 30, June 2023

cooperation with all the stakeholders. NAWASCO will strive to ensure that the residents of its area of jurisdiction will have a 24 hours' water services every day.

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

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

Thank you and God bless you all.



Martin Wahome Muchiri

Chairman, NAWASCO Board of Directors

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements For the year ended 30, June 2023

6. Report of the Managing Director

Introduction

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

The New County dispensation

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

Coverage

The Company's area of jurisdiction is 286km² with a population of about 134,043. Our coverage in terms of population is 96% and we call upon the County Government to intervene in this regard by funding our proposals to reach the un-served and underserved communities.

Challenges

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

Performance

The total revenue for the financial year was Kshs.392,547,398 which include operating revenue of Kshs. 352,950,951, Grants income of 34,885,267 and other income of Kshs. 4,711,180. This compared to the previous year where the total revenue was Kshs. 387,812,613 an increment of Ksh.4,734,785.

The 26million increment in operating revenue is attributed by normal growth of new connection and increased billing efficiency which include meter replacements, meter servicing and reducing meters billed on estimate from 5% to 2%.

The total operating receipts for the year was Kshs. 378,872,547 bringing the collection efficiency to 107% within the year

During the year, assets worth KShs.66.8million (Year 2022 Kshs 41million) were procured to increase efficiency and support growth. In addition to this 25.7million project in progress to be actualized in the financial year 2023/24. The assets included drilling and equipping boreholes, computers, water pipeline and sewer line extensions, water meters and motor cycles.

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements For the year ended 30, June 2023

On the other hand, current liabilities increased by Kshs 24,887,345 or 20% due to increase in trade and other payables.

Way forward

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

Gratitude

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



ENG. KENNEDY GITONGA
MANAGING DIRECTOR

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements For the year ended 30, June 2023

7. Statement of Performance against predetermined objectives of FY 2022/2023

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

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

The water coverage increased from **92%** to **94%** while Sewerage coverage increased from **35%** to **44%**. The Company's revenue for the year amounted to **Kshs. 392million** against projected budget of **Kshs 422million**. The company received grant income amounting to Kshs 21million against a target of Kshs 56million

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

- i. NAWASCO was rated No. 1 out of 33 Large Water Utilities in Kenya as well as the most improved water company of the year under WASREB Impact report 15. The company received 2 Awards for the same. NAWASCO scored 157/200 points, rated No. four (4) out of 88 water companies, nationally.
- ii. Development of new Strategic Plan 2023/2028 and new Business Plan 2023/2025
- iii. Increased 1,156 no new water connections and 400no. new sewer connections. This translates to 6% and 4% growth for water and sewer respectively.
- iv. Minor water extensions and upgrade of 8,289.2m for water installed at Baraka, Taji, Ichuga - lane 3, Roma- Makutano, St Jude and Muthaiga areas and 850m for sewer extensions, mainly at Muthaiga, Livian CBD, Likii A and Taji. This facilitates new water and sewer connections for improved coverage
- v. Construction of 2 No. Elevated steel tanks of 108m³ each at Teachers V and Yard DEB elevated steel tank.
- vi. Equipping and Solar Installation of Yard Borehole supported through GATSBY Africa.
- vii. Meter servicing and replacement whereby 4,457no meters were serviced and 1,877no. meters replaced.
- viii. Construction of 1No Public Sanitation Facility (PSF) at Nanyuki Referral Hospital, Funded through Water Sector Trust Fund (Kshs 6.2million). The project is substantially complete.
- ix. NAWASCO Qualified for Conditional Liquidity Support Grant (CLSG) II by World Bank, through Water Sector Trust Fund of Kshs 34 million- To be implemented in FY 2023/2024.

Nanyuki Water & Sanitation Company Limited
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- x. Renovation of Water Supply offices providing a better working environment for water quality staff.
- xi. Training of all staff at different levels – On job and class training supported through GATSBY Africa.
- xii. Reduction of Non-Revenue Water (NRW) from 32% in June 2022 to 30%.
- xiii. Compliance with WASREB regulations through acquiring WASREB license for the period 1st September 2021- 31st August 2026.

During the FY 2022/2023 NAWASCO received funding of Ksh. **7Million** (previous year 45million) from GATSBY and the approved WSTF Conditional Liquidity programme is expected to be received in the year 2023/2024.

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

The main challenge during the year was rebating customers Kshs 45million as recommended by the regulator out of which Kshs 24million was rebated in the year 2021/2022 and Kshs 21.5million this year 2022/2023.

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

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

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

Key projects implemented under this objective include:

- (i) **Water and Sewer Extensions:** The water and sewer extensions were done through internal funds whereby minor water extensions and upgrade of **8,289.2m** for water installed at Baraka, Taji, Ichuga -lane 3, Roma- Makutano, St Jude and Muthaiga areas and **850m** for sewer extensions, mainly at Muthaiga, Livian CBD, Likii A and Taji.
- (ii) **Construction of 2no Elevated Steel tanks (108m³) at Teachers-V& at Yard Borehole:** The tank at Teachers V is substantially complete which will serve

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements For the year ended 30, June 2023

approximately 1,500 people, which contributes to increasing the service hours for customers in the area. The construction of the Elevated tank at Yard borehole is ongoing at 45% completion stage.

- (iii) **Construction of 1No Public Sanitation Facility (PSF)** at Nanyuki Referral Hospital, funded through Water Sector Trust Fund (Kshs 6.2million) out of which NAWASCO has contributed **Kshs. 796, 237**. The project is substantially complete. The PSF will mainly serve the public attending the mortuary, the businesses around the area including adjacent construction materials site.

8. Corporate Governance Statement

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

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

Board of Directors

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

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

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

Board committees

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

Nanyuki Water & Sanitation Company Limited
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a) Finance and Administration committee

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

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

1. John Emmanuel Wangai
2. M/S Mercy Muthoni Ndungu

b) Technical and Strategic Committee

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

- Stephen Ndungu Munene
- Robert Mworira

c) Audit, risk management and governance committee

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

- Rtd Col Lawrence Ashford Nteere
- Denis Kaniaru Mathenge

The Board is also governed by a Board Charter.

Board meetings

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

Period	Date	Meeting	Meeting Attendance
1 st Quarter	7 th July 2022	Full board	8 Members
	7 th September 2022	Full board	8 Members
	5 th July 2023	Finance & Administration Committee	3 members
2 nd Quarter	28 th October 2022	Extra ordinary General Meeting	11 Members
3 rd Quarter	11 th January 2023	Extra ordinary General Meeting	12 Members

Nanyuki Water & Sanitation Company Limited
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	3 rd February 2023	Full Board	7 Members
	2 nd March 2023	Full Board	10 Members
	14 th March 2023	Audit risk & compliance committee	2 Members
	15 th March 2023	Finance & Administration Committee	3 Members
	16 th March 2023	Technical committee & Strategic committee	2 members
4 th Quarter	6 th April 2023	Full board	8 Members
	31 st May 2023	Audit risk & compliance committee	2 Members
	2 nd June 2023	Full Board	8 Members
	15 th June 2023	Technical committee & Strategic committee	2 Members

Statement of compliance

The Board of Directors confirms that the company has throughout the year FY 2022/2023 complied with all statutory and regulatory requirements and that the company has been managed with the principles of good corporate governance.

Internal control and risk management

Internal Control

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

Standing Instructions

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

Organization Structure

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

Strategic Plan

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

Internal Control Framework

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

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Audit Committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during yr. 2022/23.

Risk Management

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

Management Team

The management team headed by the Chief Executive Officer implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Board's objectives are achieved effectively and efficiently. Such policies

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developed include the Anti-corruption policy, Disability, Gender and HIV mainstreaming, the ICT policy among others.

Auditor

The company is audited by the Auditor-General.

9. Management Discussion and Analysis

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

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

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

a) Collections During the 2022/2023 FY (Kshs in Million)

NAWASCO total collection for Water, sewer and standing charges for the FY 2022/2023 was **Kshs. 342,677,186** as outlined in the table below.

NAWASCO ANNUAL COLLECTION- FY 2022/2023

Month-year	Water	Sewer	Standing-Charges	Grand Total
Jul-22	16,668,179	2,295,646	399,504	19,363,329.00
Aug-22	20,085,631	3,523,323	371,510	23,980,464.00
Sep-22	19,580,049	7,505,514	361,497	27,447,060.00
Oct-22	17,508,749	5,353,822	403,578	23,266,149.00
Nov-22	30,850,258	11,371,368	452,221	42,673,847.00
Dec-22	22,116,631	7,620,371	427,887	30,164,889.00
Jan-23	15,179,671	4,098,851	468,488	19,747,010.00
Feb-23	22,876,102	8,388,051	394,294	31,658,447.00
Mar-23	29,234,322	10,211,171	409,629	39,855,122.00
Apr-23	18,872,524	5,388,486	347,217	24,608,227.00
May-23	23,681,868	8,119,836	423,820	32,225,524.00
Jun-23	21,189,383	6,113,966	383,769	27,687,118.00
Grand Total	257,843,367	79,990,405	4,843,414	342,677,186.00

b) Non-Revenue Water

The total water produced during the year was **4,037,241m³** while Volume billed was **2,818,164m³** translating to annual Non-Revenue Water of **30%**. However, the moving average for the 1st 3 quarters was 29%. The hike in the last quarter in the months of April and June was due to relatively heavier rains leading to high production volume while at the same time had a drop-in demand in some areas leading increased pressures in the system contributing to frequent bursts.

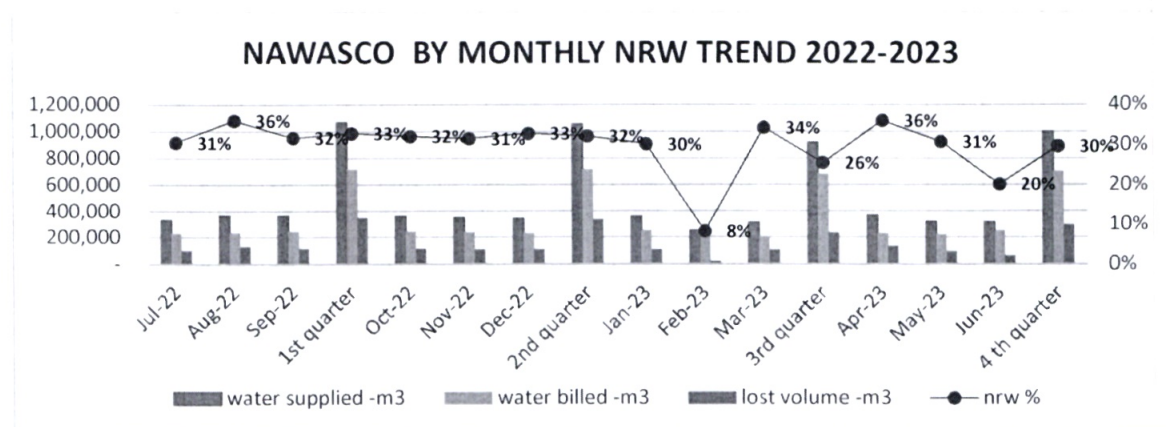
Table 2.2.5 Water production summary by source: FY 2022/ 2023

Water source	M ³	Total
Surface water	3,857,293	96 %
Groundwater	179,948	4 %
Total	4,037,241	100%

Table 2.2.6 Non-Revenue Water Analysis -per Quarter – FY 2022/2023

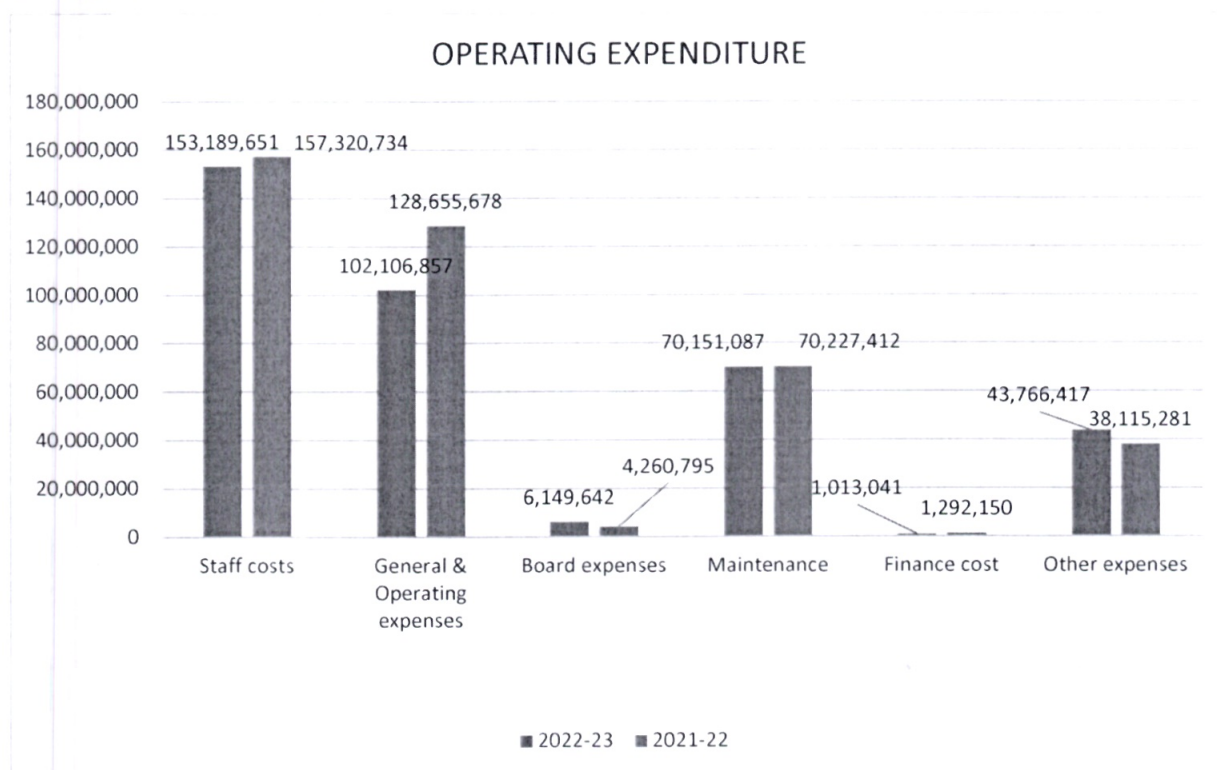
Description	Q1	Q2	Q3	Q4	Total
Water production m ³)	1,065,476	1,054,015	918,239	999,511	4,037,241
Water Billed (m ³)	715,830	715,631	683,470	703,233	2,818,164
Non-Revenue Water (m ³)	349,646	338,384	234,769	296,278	1,219,077
NRW (%)	32.8%	32%	25.6%	29.6%	30%

Graphical representation of the monthly NRW Trend-FY 2022/2023



Cost Summary for the FY 2022/2023

Chart presentation of expenditure for the 2022/2023 FY.



10. Environmental and Sustainability Reporting

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

i) Sustainability strategy and profile -

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

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

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

ii) Environmental performance

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

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements For the year ended 30, June 2023

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

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

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

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

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

iii) Employee welfare

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

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

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

iv) Market place practices-

Nawasco ensures the following are adhered to;

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

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

d) Product stewardship

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

• Corporate Social Responsibility / Community Engagements

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

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

i. Principal activities

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

ii. Results

The results of the company for the year ended June 30, 2023 are set out on pages 1-76. Below is summary of the profit or loss made during the year.

iii. Dividends

The company has not declared dividends for the year ended 2023 as the Company is an agent of the County Government of Laikipia.

iv. Directors

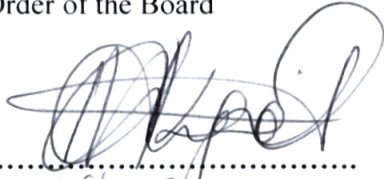
The members of the Board of Directors who served during the year are shown on page vi. In accordance with Regulation 66 of the company's Articles of Association.

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements For the year ended 30, June 2023

- **Auditors**

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

By Order of the Board



.....
Name *C.S. MURUTHI KIWGONDI*

Company Secretary/Secretary to the Board

Date: *22/09/2023*

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 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 Nanyuki Water and Sanitation Company;
- 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) – Company.

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. 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.

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements For the year ended 30, June 2023

Approval of the financial statements

The company financial statements were approved by the Board on 22nd September 2023 and signed on its behalf by:


.....

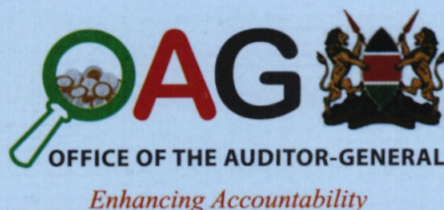
Name Marti Mochi
Chairperson of the Board


.....

Name Kennedy Githiga
Managing Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NANYUKI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE. 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 Nanyuki Water and Sanitation Company Limited set out on pages 1 to 72, which comprise 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 Nanyuki Water and Sanitation Company Limited for the year ended 30 June. 2023

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nanyuki 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 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

Unaccounted Customer Deposits

The statement of financial position and as disclosed in Note 42 to the financial statements reflects Kshs.28,821,483 in respect of customer deposits. However, the bank deposit account reflected a balance of Kshs.317,694, as at 30 June, 2023 resulting to an unexplained and unreconciled variance of Kshs.28,503,789. The difference represents customer deposits expended on other expenses other than refunds of the deposits to customers who had terminated their contracts with the Company. No evidence was adduced for audit review to ascertain that the expenditure of the customer deposit funds was authorized by the Board.

Further, five thousand five hundred and fifty-seven (5,557) customer deposit accounts had nil customer deposit balances. It was not clear how active customer accounts were allowed without customer deposits.

In the circumstances, the accuracy of the customer deposits account amount of Kshs.28,821,483 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2023 reflects final receipts budget and actual on a comparable basis of

Kshs.422,961,230 and Kshs.374,113,170, respectively, resulting in a underperformance of Kshs.48,848,060 or 12% of the budget.

The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Prior Year Unresolved Audit Matters

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

Other Information

The Directors are responsible for the other information. The other information comprises of the chairman's statement, report of managing director, statement of performance against predetermined objectives, corporate governance statement, Management discussion and analysis, environmental and sustainability reporting, the report of directors 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 thereof.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Accrued Statutory Obligations

The statement of financial position and as disclosed in Note 41 to the financial statements reflects Kshs.112,999,984 in respect of trade and other payable which includes Kshs.22,650,903 in respect of outstanding employees' payables which further includes a payroll liability in respect of pensions totalling Kshs.16,936,552, being Kshs.13,209,724 regarding superannuation fund (Lap Trust) and Kshs.3,726,828 in respect of provident fund. However, the amounts were not remitted to the relevant authorities as at 30 June, 2023. Non-remittance of statutory deductions to the relevant authorities attracts penalties as stipulated in the National Social Security Fund Act, 2023 Section 27 (1) which states that, if any contribution for which a contributing employer is required to pay to the Fund is not paid within one month after the end of the month in which the last day of the contribution period falls, a sum equal to five per cent of the amount of that contribution shall be added to the contribution for each month or part of a month that the amount due remains unpaid, and any such additional amount shall be recoverable at the same time and in the same manner as the contribution to which it is added.

The Water Company did not make a provision in the financial statements for penalties and fines arising from non-remittance of statutory deductions.

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

2.0 Excess Non-Revenue Water (NRW)

As previously reported, the statement of profit or loss and other comprehensive income and Note 6 to the financial statements, reflects Kshs.352,950,951 in respect of operating revenue which includes Kshs.257,843,367 revenue from the sale of water. Records available indicated that the Company produced a total of 4,037,241 cubic meters (M³) of water out of which only 2,818,164 (M³) cubic meters were billed to customers. The balance of 1,219,077 cubic meters (approximately 30%) of the total volume of water produced with a sale price of Kshs.106,576,344 (at Kshs.87.41 per cubic meter which is the average sale price for the year under review) represents Non-Revenue Water (NRW). This is over and above the allowable loss of 25% as provided for by schedule E of Water Service Regulatory Board (WASREB) Guidelines.

In the circumstances, the Company exceeded the allowable NRW loss of 25% by 5% or approximately Kshs.17,759,920 worth of water which if not addressed will negatively impact the Company's profitability and its long-term sustainability.

3.0 Appointment of Board of Directors

Note 13 to the financial statement reflects Kshs.6,149,642 in respect to expenses incurred on the Board's operations including full Board allowances and committee allowances for the existing board members who were appointed on 11 January, 2023. However, the individual appointment letters for the Board members indicated that they were appointed for an initial term of five (5) years commencing 11 January, 2023. This is contrary to section 5 annexure I (D), of the Code of Governance for Corporations, 2015, on Board of

Directors' term limits which states that Board members shall hold office for a period not exceeding three (3) years and are eligible for re-appointment for one more term not exceeding three (3) years. A Board member may be appointed for a cumulative term not exceeding six (6) years.

In the circumstances, Management was in breach the law.

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

As previously reported, during the year under review, the Company had a total expenditure on wage bill of Kshs.153,189,651 which is 41% of the total operating expenses of Kshs.376,376,695. However, this is higher than the recommended ratio of 35% prescribed by Section 3.9(10) of the Water Services Regulatory Board (WASREB). Corporate Governance Guidelines, 2018 which states that, when fixing remuneration of the staff the total expenditure for each financial year must not exceed the benchmarks set for the services sector nationally, so that personnel cost as share of operations and maintenance cost shall be contained within the 35%.

In the circumstances, the excess personnel costs may impact negatively on the Company's profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable levels.

5.0 Staff Ethnicity Diversity

As previously reported, a review of human resource records revealed that during the year under review, the Company had a total of one hundred and seventy-three (173) employees out of which one hundred and twenty-one (121) or seventy percent (70%) were from the dominant ethnic community, with only about thirty percent (30%) being from the other non-dominant communities. This is contrary to Section 7(2) of the National Cohesion and Integrity Act, 2008 which provide, "No public establishment shall have more than one third of its staff from the same ethnic community."

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

6.0 Unbalanced Budget

The statement of comparison of budget and actual amounts reflects Kshs.422,961,230 in respect to the final budgeted revenue against an expenditure budget of Kshs.448,128,198 resulting in a budget deficit of Kshs.25,166,968. No documentary evidence was provided for audit review on how the Company intended to bridge the budget gap of Kshs.25,166,968. Further, it was not clear why an unbalanced budget was approved by the Board without a clear plan on how to bridge or finance the budget deficit, contrary to Section 31(c) of the Public Finance Management (County Governments) regulations, 2015 which provides that budgeted revenue and expenditure appropriations shall be balanced.

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

Management and the Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015 and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 February, 2024

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements For the year ended 30, June 2023

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

	Note	2022/2023	2021/2022
		Kshs	Kshs
Revenue			
Operating Revenue	6	352,950,951	326,063,629
Grants Income	7	34,885,267	59,355,641
Other Income	8	4,711,180	2,393,344
Finance income	9	-	-
Other gains/(losses)	10	-	-
Total Revenue		<u>392,547,398</u>	<u>387,812,613</u>
Expenses			
Staff Costs	11	153,189,651	157,320,734
General and Operations expenses	12	102,106,857	135,874,075
Board Expenses	13	6,149,642	4,260,795
Maintenance Expenses	14	70,151,087	70,227,412
Depreciation and Amortization expenses	15	43,766,417	38,115,281
Finance Costs	16	1,013,041	1,292,150
Total Expenses		<u>376,376,695</u>	<u>407,090,447</u>
Profit/(Loss) Before Taxation		16,170,703	(19,277,834)
Net profit from enterprise	16a	1,444,248	<u>1,305,168</u>
Net profit		17,614,951	<u>(17,972,666)</u>
Earnings Per Share – Basic and Diluted	18	-	-
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		-	-

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements For the year ended 30, June 2023

	Note	2022/2023	2021/2022
		Kshs	Kshs
Surplus Or Deficit on Revaluation Of PPE		-	-
Re measurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		-	-
Total Comprehensive Income for The Year		17,614,951	(17,972,666)

Comparative FY refers to the financial year preceding the current financial year.

15. Statement of Financial Position As at 30 June 2023

	Note	2022/2023	2021/2022
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	20	306,727,167	256,236,918
Intangible assets	21	1,745,610	3,491,224
Investment property	22	-	-
Right- of -use assets	23	-	-
Biological assets	24	-	-
Fixed interest investments	25	-	-
Quoted investments	26	-	-
Unquoted investments	27	-	-
Total non-current assets		308,472,777	259,728,142
Current assets			
Inventories	28	10,282,697	15,357,274
Trade and receivable	29	141,861,592	165,703,023
Tax recoverable	30	-	-
Short-term deposits		-	-
Bank and cash balances	31	13,360,982	7,088,240

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements For the year ended 30, June 2023

	Note	2022/2023	2021/2022
		Kshs	Kshs
Total current assets		165,505,271	188,148,537
Total Assets		473,978,048	447,876,679
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	32	100,000	100,000
Capital reserve	34	157,938,935	157,938,935
Grants		82,338,291	96,061,339
Retained earnings	35	76,306,281	58,691,330
Capital and Reserves		316,683,506	312,791,604
Non-current liabilities			
Deferred tax liability	36	-	-
Borrowings	37	4,116,862	6,327,482
Lease liability	38	-	-
Provisions	39	5,506,634	5,963,893
Retirement benefits	40	-	-
Total non-current liabilities		9,623,496	12,291,375
Current liabilities			
Borrowings	37	2,215,985	2,221,351
Lease liability	38	-	-
Provisions	39	3,633,594	3,339,661
Retirement benefit obligations	40	-	-
Trade and other payables	41	112,999,984	89,278,887
Refundable deposits and Prepayments	42	28,821,483	27,953,801
Deferred income	43	-	-
Dividends payable	44	-	-
Taxation	45	-	-

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Appendix VI: Recording of Transfers from Other Government Entities

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

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

Appendix V: Reporting Disaster Management Expenditure

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

Appendix III- Inter-Entity Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary entity]

[Insert Address]

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

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

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

Head of Accountants department of beneficiary entity:

Name Paul Mwangi Sign [Signature] Date _____

Appendix IV: Reporting of Climate Relevant Expenditures

Appendix II: Projects Implemented by the Company

Projects

Projects implemented by the Company Funded by development partners.

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

Status of Projects completion

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

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

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>non-dominant communities.</p> <p>This is contrary to Section 7(2) of the National Cohesion and Integrity Act, 2008 which provide, “No public establishment shall have more than one third of its staff from the same ethnic community.”</p> <p>In the circumstances, the Management is in breach of the law.</p>			

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

Signature

Managing Director

Date.....


Kennedy George
 22/9/2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	its long-term sustainability.			
3.0 Staff Ethnicity Diversity	As previously reported, a review of human resource records revealed that during the year under review, the Company had a total of one hundred and seventy-three (173) employees out of which one hundred and twenty-one (121) or seventy percent (70%) were from the dominant ethnic community, with only about thirty percent (30%) being from the other	<i>Majority of our staff were drawn from the defunct Municipal Council of Nanyuki since inception of Nanyuki Water and Sanitation Company Ltd in 2005 and way before section 7 of National Cohesion and integration act came into place. As such 80% of the staff were on permanent and pensionable terms drawn from the same ethnic group. The Company has embraced ethnic diversity as enshrined in its core value of diversity. Every opportunity that arises is advertised in the local dailies and all Kenyans are encouraged to apply. The ethnic imbalance is expected to change over time.</i>	Not Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>is the average sale price for the year under review) represents the non-revenue water (NRW). This is over and above the allowable loss of 25% as provided by schedule E of water service regulatory board (WASREB) guidelines. In the circumstances, the Company significantly exceeded the allowable NRW loss of 25% by 7% or approximately Kshs. 21,420,189 worth of water which if not addressed will negatively impact the Company's profitability and</p>	<p>14. Innovations – tank level sensors, kobo collect tool formulation. 15. Staff training and capacity building and 16. Establishment of DMAs 17. Connections transfer to hdpe line in Asian quarters, thingithu phase 1 and 2 18. 2075 customer meter replacement 19. Old pipeline replacement and connection transfers in mountain view estate. 20. Water theft monitoring in the entire distribution area. 21. Engagement of donor partners such as JICA, WSTF, GATSBY.</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>operating revenue which included Kshs. 212,766,633 in respect to revenue from the sale of water. Records provided for audit review indicated that the Company produced a total of 4,120,025 cubic meters (M³) of water out of which only 2,821,512 (M³) cubic meters were billed to the customers. The balance of 1,298,513 cubic meters (approximately 32 %) of the total volume of water produced with a sale price of Kshs.97,920,865 (at Kshs.75.41 per cubic meter which</p>	<p>2021. <i>Measures put in place to lower NRW losses to allowable 25% include</i> 1. <i>Establishment of NRW UNIT.</i> 2. <i>Master meter accuracy test/calibration</i> 3. <i>Faulty master meter replacement</i> 4. <i>Mass customer meter servicing</i> 5. <i>Faulty customer meter replacement</i> 6. <i>Physical losses monitoring (rapid response to leaks and bursts)</i> 7. <i>Active NRW task force</i> 8. <i>Budget allocation</i> 9. <i>Large customer monitoring</i> 10. <i>Illegal water use detection and disconnection.</i> 11. <i>Customer meter relocation to HDPE network</i> 12. <i>Pipeline renewal (ngei, Asian quarters, thingithu)</i> 13. <i>Billing data analysis and clean up.</i></p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	the Company expended Kshs.440,676,946 against an approved budget of Kshs.509,524,826 resulting to an under-expenditure of Kshs.68,847,880 or 14% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.			
2.0 Excess Non-Revenue Water	Note 6 to the financial statements reflects Kshs. 326,063,629 in respect to	<i>The NRW for the financial year was 32 %.This was an improvement from the 40 % recorded for the financial year 2020 -</i>	Not Resolved	As at June 2023 NRW 30%

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	included in property plant and equipment could not be confirmed.	<i>Service Provision Agreement and leased to the company by Northern Water Services Board before transfer to Central Rift Water Works Agency.</i>		
1.0 Budgetary Controls and Performance	The statement of comparison of budget and actual amounts for the year ended 30 June 2022 reflects final receipts budget and actual on a comparable basis of Kshs.450,545,284 and Kshs.385,419,270 respectively resulting in a shortfall of Kshs.65,126,014 or 14% of the budget. Similarly,	<i>The Company has noted the recommendation and will endeavor to make a realistic budget in order to realize its strategic objectives. The grants expected will only be included in the budget when there is sufficient evidence that the same will be disbursed.</i>	Not Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Documents - Property Plant and Equipment	<p>plant and equipment's as disclosed in Note 20 includes Kshs.30,000,000 in respect to acquisition of land. However, ownership documents including the title deeds were not provided for audit verification.</p> <p>Further, logbooks for four (4) motor vehicles and one (1) motorcycle all valued at Kshs.4,165,708 were not provided for audit review.</p> <p>In the circumstances, the accuracy and ownership of the land and motor vehicles of Kshs.34,165,708</p>	<p><i>installations that are at Nanyuki High school which include 2No. concrete tanks whose capacity is 1,000m³ litres and a borehole with a yield of 25m³/hour</i></p> <p>➤ <i>The motor vehicles and motor cycles relate to the inherited fleet during the inception of the company and are in the process of being handed over to the company after the deed of surrender is finalized by Central Rift Water Works Agency and County Government of Laikipia.</i></p> <p><i>The vehicles were purchased by the defunct Nanyuki Municipal Council who retained the ownership documents. They were subsequently entered in the</i></p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>from Kshs.22,253,547 as at 1 July 2021 to Kshs.12,486,431 as at 30 June 2022, there was no evidence adduced to support that reduction in VAT recoverable. The Kshs.22,253,547 in respect to VAT recoverable has been outstanding since the year 2012.</p> <p>In the circumstance, the accuracy and recoverability of the Kshs,165,703,023 in respect to trade and other receivables could not be ascertained.</p>	<p><i>what K.R.A ascertained from itax Portal as at 30th June 2022. (Evidence of the same is attached)</i></p>		
2.0 Lack of Ownership	As previously reported, property	➤ <i>The kshs 30,000,000 refers to the</i>	Not Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>management followed up and acted on the outstanding debt, including taking action against the defaulters to recover the debts owed to the company. Further, as reported in the previous years, Value Added Tax (VAT) refundable of Kshs.22,253,547 was not supported with correspondences from the Kenya Revenue Authority. In addition, even though Note 29 to the financial statements shows a reduction in VAT recoverable</p>	<p><i>county government to settle their debt (A sample of such a letter attached)</i></p> <ul style="list-style-type: none"> ➤ <i>Revised debt management policy which is continuously referred to on matters regarding treatment of debts.</i> ➤ <i>Proper aging of debtors has been adopted through ERP system.</i> <p>Reduction of VAT recoverable</p> <p><i>The company has recognized kshs 12,486,431 as VAT recoverable since this is</i></p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0 Unsupport ed Trade and Other Receivables	<p>Note 29 to the financial statements reflect Kshs.165,703,023 in respect to trade and other receivables. Included in the receivables is a balance of Kshs.137,155,819 in respect to receivables that have been outstanding for more than 120 days. Further, receivables amounting to Kshs.13,804,488 was classified as dormant customers. However, no documentary evidence was provided for audit review to confirm whether</p>	<p><i>For effective and efficient debt management, the company has embarked on the following measures;</i></p> <ul style="list-style-type: none"> ➤ <i>Customer engagement whereby they are given an option of payment plan. This is done through phone calls and short messages (A sample of such text message attached)</i> ➤ <i>Prompt disconnection of all accounts that have exceeded deposit.</i> ➤ <i>Provided customers with toll free line no. 0800721101 and USSD no. *483*08# to ease communication.</i> ➤ <i>The company has reached out in writing to institutions and</i> 	Not Resolved	

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- 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.

Notes to the financial statements (continued)

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

At 30 June 2023	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-
At 30 June 2022				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-

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

Financial instruments not measured at fair value

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

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:

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2023 Current FY			
Euro	-	-	-
USD	-	-	-
2022 Previous FY			
Euro	-	-	-
USD	-	-	-

c) Interest rate risk

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

i) Management of interest rate risk

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

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

20. 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:

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)

(iii) Market risk (Continued)

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2023			
Financial assets			
Investments	-	-	-
Cash/Bank	13,360,982	-	13,360,982
Debtors	141,861,592	-	141,861,592
Financial Liabilities			
Trade and other payables	112,999,984	-	112,999,984
Borrowings	6,332,847	-	6,332,847
Net foreign currency asset/(liability)	35,889,743	-	35,889,743

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

Notes to the financial statements (continued)

b) Foreign currency sensitivity analysis

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

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables	-	-	112,999,984	112,999,984
Current portion of borrowings	-	-	2,215,985	2,215,985
Provisions	-	-	9,140,228	9,140,228
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	124,356,197	124,356,197
At 30 June 2022				
Trade payables	-	-	89,278,887	89,278,887
Current portion of borrowings	-	-	2,221,351	2,221,351
Provisions	-	-	9,300,554	9,300,554
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	100,800,792	100,800,792

(iii) Market risk (*Tailor as appropriate*)

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.

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At 30 June 2022				
Receivables	179,030,339	179,030,339	179,030,339	146,286,628
Other Receivables	19,416,395	19,416,395	19,416,395	19,416,395
Investments	-	-	-	-
	198,446,734	198,446,734	198,446,734	165,703,023
Bank balances	7,088,240	7,088,240	7,088,240	7,088,240
Total	205,534,974	205,534,974	205,534,974	172,791,263

(NB: The totals column should tie to the individual elements of credit risk disclosed in the Nanyuki Water and Sanitation Company Limited's statement of financial position)

Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company does not have any significant concentration of credit risk.

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

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the 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.

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In the opinion of the directors, no provision is required in these financial statements since the company do not have any court case.

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:

Notes to the financial statements (continued)

(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:

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2023				
Trade Receivables	153,108,743	153,108,743	153,108,743	125,076,213
Other Receivables	16,785,379	16,785,379	16,785,379	16,785,379
Investments	-	-	-	-
Bank balances	13,360,982	13,360,982	13,360,982	13,360,982
Total	183,255,104	183,255,104	183,255,104	155,222,574

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48. Capital Commitments

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

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

The company did not have any capital commitments

49. Contingent Assets and Liabilities

Contingent Assets

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

Contingent Liabilities

	2022/2023	2021/2022
	Kshs	Kshs
Contingent liabilities	-	-
Court case against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs (Public Private Partnership)	-	-
Others (Specify)	-	-
Total	-	-

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- Key management
- Board of directors
- Others (specify)

Transactions with related parties

	2022/2023	2021/2022
	Kshs	Kshs
a) Sales to related parties		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
Total	-	-
b) Purchases from related parties		
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
Total	-	-
b) Grants from the Government		
Grants from National Govt Agencies	-	-
Grants from County Government	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

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	2022/2023	2021/2022
	Kshs	Kshs
Short term deposits	7,229,639	3,664,287
Cash at bank	19,260	15,040
Cash in hand	6,112,083	3,408,914
Balance at end of the year	13,360,982	7,088,240
	-	-
3. Analysis of interest paid		
Interest on loans	1,013,041	1,292,150
Balance at end of the year (note 35(b))	-	-
Interest paid	1,013,041	1,292,150
4. Analysis of dividend paid		
Balance at beginning of the year	-	-
20.. dividends paid	-	-
20.. dividends paid	-	-
20.. interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

Notes to the financial statements (continued)

Other Disclosures

47. Related Party Disclosures

County Government of Laikipia

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

Other related parties include:

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

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46. Notes to The Statement of Cash Flows

	2022/2023	2021/2022
	Kshs	Kshs
(e) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	17,614,951	(17,972,666)
Prior year adjustments	-	88,668,243
Depreciation	42,020,803	36,369,665
Amortization	1,745,614	1,745,616
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	61,381,368	108,810,858
Working capital changes:		
(Increase)/decrease in inventories	5,074,577	(6,715,363)
(Increase)/decrease in trade and other receivables	23,841,431	13,987,428
Increase/(decrease) in trade and other payables	23,721,097	54,817,610
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/ (used in) operation	114,018,473	61,265,040
1. Analysis of changes in loans		
Balance at beginning of the year	8,548,832	10,000,000
Receipts during the year	-	-
Repayments during the year	(2,215,985)	(1,451,168)
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	6,332,862	8,548,832
2. Analysis of cash and cash equivalents		

44. Dividends Payable

The company does not declare dividends at the end of financial year

	2022/2023	2021/2022
	Kshs	Kshs
At the beginning of the year	-	-
Additional declared during the year	-	-
Paid during the year	-	-
Balance at end of the year	-	-

Dividend Payable analysis

	2022/2023		% of the total	2021/2022	% of the total
Under one year	-		%	-	%
1-2 years	-		%	-	%
2-3 years	-		%	-	%
Over 3 years	-		%	-	%
Total	-			-	

Notes to the financial statements (continued)

45. 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 have any tax liability

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Aging Analysis for Refundable Deposits and Prepayments

	2022/2023		% of the total	2021/2022	% of the total
Under one year	-		%	-	%
1-2 years	-	-	%	-	%
2-3 years	-		%	-	%
Over 3 years	-		%	-	%
Total	28,821,483			27,953,801	

43. Deferred Income

Description	2022/2023	2021/2022
	KShs	KShs
National/County government	-	-
International funders	-	-
Public contributions and donations	-	-
Total deferred income	-	-

The deferred income movement is as follows:

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

41. Trade and Other Payables

	2022/2023	2021/2022
	Kshs	Kshs
Trade payables	31,544,168	33,616,946
Accrued expenses	341,728	568,456
Employee payables	22,650,903	19,999,059
Other payables	58,463,185	35,094,426
Total	112,999,984	89,278,887

Aging Analysis for Trade and other Payables

	2022/2023	% of the total	2021/2022	% of the total
Under one year	94,885,620	84%	70,800,704	79%
1-2 years	5,603,048	5%	4,428,627	5%
2-3 years	538,240	0.5%	1,076,480	1%
Over 3 years	11,973,076	10.5%	12,973,076	15%
Total	112,999,984		89,278,887	

42. Refundable Deposits and Prepayments

42. Customer deposits

	2022/2023	2021/2022
	Kshs	Kshs
Opening Balance	27,953,801	34,938,607
Add: deposits received during the year	6,857,000	8,382,200
Less: Refunded deposits during the year	(5,989,318)	(4,065,300)
Prior year adjustments		(11,301,706)
Closing balance	28,821,483	27,953,801
Total	28,821,483	27,953,801

Recognition of Retirement Benefit Asset/ Liability

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

	2022/2023	2021/2022
Description	Kshs	Kshs
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (Specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Remeasurement of the net defined benefit liability (asset)	-	-

b) Amounts recognised in the Statement of Financial Position

	2022/2023	2021/2022
Description	Kshs	Kshs
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded Status(=a-b)	-	-
Restrictions on asset recognized	-	-
Others	-	-
Net Asset or liability arising from defined benefit obligation	-	-

Notes to the financial statements (continued)

Nanyuki Water and Sanitation Company Limited also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. Nanyuki Water and Sanitation Company Limited's obligation under the scheme is limited to specific contributions legislated from time to time and is currently as per tier 1 of the employee's salary per month. Other than NSSF the Nanyuki Water and Sanitation Company Limited also has a defined contribution scheme operated by Local Authority Pension Fund and Local Authority Pension Trust. Employees contribute 12% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

40. Retirement Benefit Obligations

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

Retirement benefit Asset/ Liability

Nanyuki Water and Sanitation Company Limited operates a defined benefit scheme for all full-time employees from July 1, 2022. The scheme is administered by Local Authority pension Trust and Local Authority Pension Fund who are the custodians of the scheme. The scheme is based on 12% of employee's gross salary (Basic and house allowance) and 15% employer's contribution at the time of retirement.

During the financial year 2022-2023, no actuarial valuation was carried out to fulfil the financial reporting disclosure requirements of IPSAS 39.

Notes to the financial statements (continued)

	2022/2023	2021/2022
	Kshs	Kshs
Discount rates	0%	0%
Future salary increases	0%	0%
Future pension increases	0%	0%
Mortality (Pre- retirement)	0%	0%
Mortality (Post- retirement)	0%	0%
Withdrawals	-	-
Ill health	-	-
Retirement	-	-

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	2022/2023	2021/2022
Maturity analysis	Kshs	Kshs
Year 1	-	-
Year 2	-	-
Year 3	-	-
Year 4	-	-
Year 5	-	-
On wards	-	-
	=	=
Less: unearned interest	-	-
	=	=
Analysed as:		
Non-Current	-	-
Current	-	-

39. Provisions

Description	Leave	Bonus	Gratuity	Other	Total
	Provision	Provision	provisions	Provisions	
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	-	-	9,303,554	-	5,963,893
Additional Provisions	-	-	5,506,634	-	5,632,069
Provision utilized	-	-	(5,669,960)	-	(2,292,408)
Change due to discount and time value for money	-	-	-	-	-
Balance at the end of the year	-	-	9,140,228	-	9,300,554

Notes to the financial statements (continued)

Provisions details

Description	2022/2023	2021/2022
	Kshs	Kshs
Current Portion of Provisions	0	0
Long-term portion of Provisions	0	0
Total	0	0

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Notes to the financial statements (continued)

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

	2022/2023	2021/2022
	KShs	KShs
External Borrowings		
Dollar denominated loan from Organization'	-	-
Sterling Pound denominated loan from organization'	-	-
Euro denominated loan from organization'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Family Bank	8,548,932	10,000,000
Total balance at end of the year	6,332,847	8,548,932

Description	2022/2023	2021/2022
	KShs	KShs
Short term borrowings (current portion)	2,215,985	2,221,351
Long term borrowings	4,116,862	6,327,482
Total	6,332,862	8,548,932

At the beginning of the financial year 2022-2023 the company had a total borrowing of Kshs. 8,548,932. During the year the company paid Ksh.2,215,985 and hence at the end of the financial year the outstanding balance was Ksh.6,332,847 at an interest rate of 13% per annum

38. Lease Liability

Description	2022/2023	2021/2022
	KShs	KShs
At the start of the year	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
At end of the year	-	-

36. Deferred Tax Liability

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

	2022/2023	2021/2022
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability	-	-

The movement on the deferred tax account is as follows:

	2022/2023	2021/2022
	Kshs	Kshs
Balance at beginning of the year	-	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-

37. Borrowings

Description	2022/2023	2021/2022
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-
b) Domestic Borrowings		
Balance at beginning of the year	8,548,932	10,000,000
Domestic borrowings during the year	-	-
Repayments during the year	(2,215,985)	(1,451,168)
Balance at end of the year	6,332,847	8,548,932
C) Total Balance at end of the period c = a+b	6,332,847	8,548,932

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		2022/2023	2021/2022
Financial institution	Account number	KShs	KShs
Huduma		29,000	9,355
Bottling cash sales		19260	15,040
Sub- total		7,245,004	3,570,872
Grand total		13,360,982	7,088,240

32. Ordinary Share Capital

	2022/2023	2021/2022
	Kshs	Kshs
Authorized:		
100 ordinary shares of Kshs.100 par value each	100,000	100,000
Issued and fully paid:		
100 ordinary shares of Kshs.100 par value each	100,000	100,000

Ordinary share capital relates to the number of shares held by the share holders as per memorandum of association which is as follows:

Governor County Government of Laikipia - 97 shares

County Secretary of Laikipia – 1 share

CECM finance and planning – 1 share

CECM Water and Environment – 1 share

33. Revaluation Reserve

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

34. Fair Value Adjustment Reserve

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

35. Retained Earnings

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

30. Tax Recoverable

	<i>Insert</i> <i>FY</i> Kshs	<i>Current</i> <i>Comparative FY</i> Kshs
At beginning of the year	-	-
Income tax charge for the year (note 17)	-	-
Under/(over) provision in prior year/s (note 17)	-	-
Income tax paid during the year	-	-
At end of the year	-	-

No tax recoverable within the financial year 2022/2023

Notes to the financial statements (continued)

31. Cash and Cash equivalent

		2022/2023	2021/2022
Financial institution	Account number	KShs	KShs
a) Current account			
Sidian Bank	0101900000667	326,511	236,134
KCB	1103189492	1,127,575	1,927,424
Equity	0270262386906	337,866	294,359
Equity	0270295023483	317,694	280,818
Family bank	064000074156	486	486
Family bank	064000072475	107,438	55,154
KCB	1231036583	0	0
National bank	01071237876300	3,744,382	707,043
National Bank	01098237876300	2,858	-
KCB	1234142643	2,760	(817)
Family bank	064000073526	167	167
KCB Public sanitation	064000076049	148,240	1,560
Sub- total		6,115,978	3,502,329
b) Others(specify)		-	-
Post bank	0744130012585	1,084,661	152,603
Mpesa Utility	540300	1,597,648	1,147,885
Kopokopo	869751	27,612	80,717
Mpesa Working account	540300	4,486,823	2,180,312

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29. (b)

Reconciliation of Impairment Allowance for Trade Receivables

Description	2022/2023	2021/2022
	KShs	KShs
At the beginning of the year	179,030,339	179,030,339
Additional during the year(billings)	381,577,042	350,381,892
Recovered during the year(Receipts)	(378,872,547)	(339,390,944)
Written off during the year(Rebates/adjustments)	(28,626,091)	(24,318,264)
At the end of the year	153,108,743	165,703,023

29. (c) Staff Receivables

	2022/2023	2021/2022
	Kshs	Kshs
Gross staff loans and advances	-	-
Provision for impairment loss	-	-
Net staff loans	-	-
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

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

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

28. a) Reconciliation of Impairment Allowance for Inventories

Description	2022/2023	2021/2022
	KShs	KShs
At the beginning of the year	15,357,274	8,641,638
Additional provisions during the year	(5,074,577)	6,715,636
At the end of the year	10,282,697	15,357,274

29. Trade and Other Receivables

	2022/2023	2021/2022
	KShs	KShs
Trade receivables (note (29a))	153,108,743	179,030,339
Deposits and prepayments	4,099,500	6,929,964
VAT (Value Added Tax) recoverable	12,685,879	12,486,431
Staff receivables (note 29 (c))	-	-
Other receivables	-	-
Gross trade and other receivables	169,894,122	198,446,734
Provision for bad and doubtful receivable(16.5%)	(28,032,530)	(32,743,711)
Net trade and other receivables	141,861,592	165,703,023

29. (a) Trade Receivables

	2022/2023	2021/2022
	Kshs	Kshs
Gross trade receivables	153,108,743	179,030,339
Deposits and prepayments	4,099,500	6,929,964
VAT (Value Added Tax) recoverable	12,685,879	12,486,431
	169,894,122	198,446,734
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	18,952,950	16,953,420
Between 30 and 60 days	13,438,176	20,542,327
Between 61 and 90 days	11,320,276	12,536,291
Between 91 and 120 days	8,710,124	11,258,877
Over 120 days	100,687,217	137,155,819
Total	153,108,743	198,446,734

Notes to the financial statements (continued)

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

28. Inventories

	2022/2023	2021/2022
	Kshs	Kshs
Miscellaneous	2,010,467	624,673
Chemicals	803,358	719,925
Stationery	743,194	737,665
Pipes & fittings	5,989,584	3,478,333
Meters	736,094	9,156,150
Bottling	385,402	640,528
Water	-	-
Less: Impairment of stocks	-	-
Total	10,282,697	15,357,274

The company applies weighted average cost method to establish the value of stock held at the end of the financial period.

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Notes to the financial statements (continued)

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

27. Unquoted Investments

	2022/2023	2021/2022
	Kshs	Kshs
Cost		
At July 1	-	-
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	-	-
At June 30	-	-
Impairment		
At July 1	-	-
Disposals	-	-
Impairment loss in the year	-	-
At June 30	-	-
Net book value	-	-

No dividend was received since the company does not have any investments in a listed company

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Notes to the financial statements (continued)

25. Fixed Interest Investments (Bonds)

	2022/2023	2021/2022
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Bond	-	-
AB Corporate Bond (give details)	-	-
CD Corporate Bond (give details)	-	-
Total	-	-

There is no movement of investment during the financial year 2022/2023

Details	2022/2023	2021/2022
	Kshs	Kshs
Balance at 1 July	-	-
Additions during the year	-	-
Interest accrued during the year	-	-
Investment maturities during the year	-	-
Fair value gain/(loss) – if measured at FVOCI/FVTPL	-	-
Balance at 30 June	-	-

The company had not acquired Fixed Interest Investments or Bonds by 30th June 2023.

26. Quoted Investments

	2022/2023	2021/2022
	Kshs	Kshs
Opening valuation	-	-
Movements during the year		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
Closing valuation	-	-

No dividend was received since the company does not have any investments in a listed company

23. Right-of-use assets

	<i>Buildings</i>	<i>Plant</i>	<i>Equipment</i>	<i>Total</i>
	Kshs	Kshs	Kshs	Kshs
Cost				
As at 1 July 20xx	-	-	-	-
Additions	-	-	-	-
As at 30 June 20xx	-	-	-	-
Additions	-	-	-	-
As at 30 June 20xx	=	=	=	=
Accumulated Depreciation				
As at 1 July 20xx	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 20xx	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 20xx	=	=	=	=
Carrying Amount				
As at 30 June 20xx	=	=	=	=
As at 30 June 20xx	=	=	=	=

24. Biological Assets

	2022/2023	2021/2022
	Kshs	Kshs
Cattle	-	-
Trees	-	-
Others (Specify)	-	-
Total	-	-

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Charge for the year	1,745,614	1,745,616
Disposals	-	
Impairment loss	-	
At June 30 2023	6,982,460	5,236,646
NET BOOK VALUE		
At June 30 2023	1,745,610	3,491,224

The intangible asset refers to Enterprise Resource Programme that the company procured in the year 2020. The company has progressively amortized it at a rate of 20% per year.

22. Investment Property

	2022/2023	2021/2022
	Kshs	Kshs
Opening valuation	-	-
Movements during the year		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
Closing valuation	-	-
Depreciation (if at cost)		
At July 1 20xx	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30 20xx	-	-
Net book value		
At June 30 20xx	-	-

The company had not undertaken revaluation exercise since it's the mandate of the county Government of Laikipia to do so.

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20 (b) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Buildings	15,987,671	10,543,526	5,444,145
Water systems	569,630,247	306,082,859	263,547,388
Water systems W.I.P	25,721,870	0	25,721,870
Motor vehicles, including motorcycles	28,130,790	22,180,385	5,950,405
Computers and related equipment	12,646,121	11,531,231	1,114,890
Office equipment, furniture, and fittings	12,713,980	8,124,972	4,589,008
Bottling	2,298,515	1,939,054	359,461
	667,129,194	360,402,027	306,727,167

Property plant and Equipment includes the following assets that are fully depreciated:

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

Notes to the financial statements (continued)

21. Intangible Assets

	2022/2023	2021/2022
	Kshs	Kshs
COST		
At July 1 2022	8,728,070	8,728,070
Additions		-
Disposals	=	=
At June 30 2023	8,728,070	8,728,070
AMORTISATION		
At July 1 2023	5,236,846	3,491,230

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Charge for the year	-	6,307,246	105,594	236,637	364,644	692,047	3,184,836	309,401	646,511	4,501,350
As At 30 th June 2023	0	14,879,026	347,034	652,190	11,531,231	4,451,657	12,902,789	2,522,160	3,910,904	14,860,402
Net Book value as at June 30, 2023	25,721,870	35,578,944	739,142	1,656,459	514,890	4,844,330	22,423,664	2,165,805	4,525,576	31,509,441
Net Book value as at June 30, 2022	0	30,253,214	844,736	1,893,096	388,034	5,293,907	25,029,379	2,320,749	4,790,004	23,153,869

Property, Plant and Equipment (Continued)

2022/2023	Bottling	Old Water system	Lab equipments	Water systems	Water system Ruai Town	Water system Ngei/Thingit hu/ Mt view	Public Sanitation block (PSF)	Total
COST OR VALUATION								
At July 1, 2022	2,298,515	370,862,532	1,130,420	0	94,371	5,476,696	-	574,618,142
Additions	-		-	29,431,812	2,290,180	17,634	4,882,323	92,511,052
At June 30, 2023	2,298,515	370,862,532	1,130,420	29,431,812	2,384,551	5,494,330	4,882,323	667,129,194
DEPRECIATION								
At July 1, 2022	1,651,740	230,279,556	141,300	0	11,796	684,587	-	318,381,224
Charge for the year	287,314	13,822,872	123,640	3,678,977	296,594	601,218	610,290	42,020,803
As At 30th June 2021	1,939,054	244,102,428	264,940	3,678,977	308,390	1,285,805	610,290	360,402,027
NET BOOK VALUE As at June 30, 2023	359,461	126,760,104	865,480	25,752,836	2,076,161	4,208,525	4,272,033	306,727,167
NET BOOK VALUE As at June 30, 2022	646,775	110,582,976	989,120	0	82,575	4,792,109	-	256,236,918

Notes to the financial statements (continued)

Valuation

No valuation of Land and buildings or any of the company's assets during the financial year since the company is an agent of County Government of Laikipia (Principal). It's the responsibility of the principal to undertake the exercise.

20. Property, Plant and Equipment

2022/2023	Motor Vehicles	Tractors & trailers	Motor cycle	Smart phones		Furniture & fittings	Equipment's, safe cabinets &	Buildings
COST OR VALUATION								
At July 1, 2022	24,374,758	2,570,000	3,756,032	0		3,651,451	3,705,670	13,111,580
Additions	-	-	-	30,000		831,614	-	2,876,091
At June 30, 2022	24,374,758	2,570,000	3,756,032	30,000		4,483,065	3,705,670	15,987,671
DEPRECIATION								
At July 1, 2022	15,585,131	2,070,008	3,485,161	0		2,769,668	3,448,014	8,545,137
Charge for the year	2,929,875	500,004	180,218	0		406,915	236,232	1,998,389
As At 30th June 2023	18,515,006	2,570,012	3,665,379	0		3,176,562	3,684,246	10,543,526
Net Book value as at June 30, 2023	5,859,753	-12	90,653	30,000		1,306,482	21,425	5,444,145
Net Book value as at June 30, 2022	8,789,628	499,992	270,872	0	0	881,783	257,657	4,566,443

Capital work in progress refers to Nuru/Faji water infrastructure that had not been completed by 30th June 2023.

Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

2021/2022	Water systems W.I.P Taji/Nuru	Borehole, tanks & Solar	NRW Equipments	Filter media	Computer	Water systems Likii sewerage	Water system sewerline ext	Water systems Nturukuma, Nkando Katheri	Water systems S/water, Ichuga, Njogui ni	Water systems Meters & Water extension
COST OR VALUATION										
At July 1, 2022		38,824,994	1,086,176	2,308,649	11,554,621	8,963,517	34,747,332	4,533,508	8,054,398	33,512,921
Additions	25,721,870	11,632,977	-		491,500	332,470	579,120	154,457	382,082	12,856,922
At June 30, 2023	25,721,870	50,457,971	1,086,176	2,308,649	12,646,121	9,295,987	35,326,452	4,687,965	8,436,480	46,369,843
DEPRECIATION										
At July 1, 2022	-	8,571,780	241,440	415,553	11,166,587	3,759,610	9,717,953	2,212,759	3,264,394	10,359,052

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

	<i>2022/2023</i>	<i>2021/2022</i>
	Kshs	Kshs
Profit before taxation	-	-
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
Total	-	-

Notes to the financial statements (continued)

18. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax. The company does not distribute any dividends hence earning per share is not applicable.

19. Dividend Per Share

According to regulation 96 of Articles of Association, no dividend is paid to the shareholders but instead, all profits are ploughed back to the company in accordance with the Service Provision Agreement for the advancement of the company's objectives.

Notes to the financial statements (continued)

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15. Depreciation and Amortization Expenses

Description	2022/2023	2021/2022
	KShs	KShs
Property, plant, and equipment	42,020,803	36,369,665
Right of Use Assets	-	-
Intangible assets	1,745,614	1,745,616
Investment property carried at cost	-	-
Total Depreciation and Amortization	43,766,417	38,115,281

16. Finance costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Interest expense on loans	1,013,041	1,292,150
Total	1,013,041	1,292,150

[This refers to total interest paid during the financial year 2022/2023]

16 (a) Enterprise performance (Equator Glacier)

Description	2022/2023	2021/2022
	Kshs	Kshs
Revenues	7,731,395	9,768,018
Total expenses	<u>6,287,147</u>	<u>8,462,850</u>
Net profit for the year	1,444,248	1,305,168

17. Income Tax Expense/(Credit)

Current taxation

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

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14. Maintenance Expenses

	2022/2023	2021/2022
Description	Kshs	Kshs
General Maintenance		
Tools and Equipment	357,987	90,487
Electrical Repairs	2,559,576	2,459,460
NRW	7,638,636	3,076,629
Repair and maintenance of boreholes	2,201,745	1,684,276
Fencing and Access road maintenance	6,800,630	6,765,462
Building Maintenance	448,620	3,761,570
Water network repairs	14,942,167	21,469,910
Sewer network Maintenance	8,454,083	8,767,193
Disludging of waste water treatment ponds	1,985,501	1,819,248
Disilting of intake works & sedimentation tanks	484,656	369,730
Manhole Maintenance	5,460,352	5,460,295
System Maintenance	1,561,900	738,717
Computer Accessories	1,224,350	1,093,200
Sub Total	54,120,203	57,556,175
Motor vehicle running expenses		
Fuels and Oils	11,636,876	8,872,451
Motor vehicle repairs	2,144,217	2,007,492
Tyres and Tubes	443,600	325,130
Generator repairs and oils	209,512	36,200
Exhauster maintenance	780,360	451,229
Motor Bikes repair	816,319	978,735
Sub Total	16,030,884	12,671,237
Grand Total	70,151,087	70,227,412

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General Insurance	1,325,432	1,305,447
Bank Charges	472,738	499,460
Printing and Stationery	2,167,206	2,832,263
Uniforms	2,056,810	2,040,486
Provision for Bad and Doubtful Debts	-	7,218,397
Cleaning materials	3,021,238	3,688,257
Total	77,436,905	71,083,060
Operations		
Licenses & Permits	-	2,450
Likii-WRUA	140,000	302,600
WRA abstraction fees	1,885,325	1,514,041
chemicals	9,818,037	7,408,706
Water Analysis	174,140	583,950
WASREB fees	3,308,184	3,294,132
Meter testing & Calibration	143,500	112,500
Solio project	0	1,966,700
Project Admin Cost-Makurian	0	40,362,262
Electricity	8,200,767	6,518,865
Consultancy	1,000,000	1,966,369
Low Income Area	-	758,439
Total	24,669,952	64,791,015
Grand Total	102,106,857	135,874,075

Notes to the financial statements (continued)

13. Board Expenses

Description	2022/2023	2021/2022
	KShs	KShs
Committee allowances	690,004	1,164,304
Board Expenses	2,177,184	1,733,607
Full Board allowances	3,282,454	1,362,884
Total Board Expenses	6,149,642	4,260,795

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Description	2022/2023	2021/2022
	Kshs	Kshs
Employer's contributions to pension scheme	12,576,554	12,680,881
Provisions for Leave pay	7,316,552	6,514,899
Gratuity provisions	5,506,634	5,546,179
Total	153,189,651	157,320,734
The average number of employees during the year	135	135

12. General and Operations Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
End of year party	1,700,435	1,470,000
Performance Token	661,700	529,000
Additional tax assessment	331,100	-
AGM	847,708	1,008,780
Ground Maintenance	5,562,776	2,422,372
Staff Medical Insurance	6,614,514	6,825,900
Advertisements	116,928	246,664
Travelling and Subsistence	12,789,100	10,146,721
Telephone and Postage	771,562	850,866
Newspapers and periodicals	169,280	234,600
Office Expenses	661,541	345,781
Staff Training	9,720,503	5,887,691
Corporate Social Responsibility	2,402,670	379,908
Staff Welfare	5,950,790	8,123,665
Subscription	1,002,000	398,000
Games and Sports	2,168,440	2,484,814
Legal Fees	2,000	25,000
Audit Fees	538,240	538,240
Professional fees	396,550	
Security	6,625,772	5,413,937
Stakeholders participation	3,649,629	1,964,970
Internet	5,710,245	4,201,840

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Notes to the financial statements (continued)

8) Other Income

	<i>2022/2023</i>	<i>2021/2022</i>
	Kshs	Kshs
Miscellaneous income (fitting fee)	-	2,393,344
Miscellaneous income (Decrease in provision of doubtful debts)	4,711,180	
Total	4,711,180	2,393,344

9) Finance Income

	<i>2022/2023</i>	<i>2021/2022</i>
Description	Kshs	Kshs
Interest income from treasury bonds	-	-
Total	-	-

The company did not invest in treasury bonds during financial year 2022-2023 hence no interest income from the same was received.

10. Other Gains and Losses

	<i>2022/2023</i>	<i>2021/2022</i>
Description	Kshs	Kshs
Foreign exchange gains / (losses)	-	-
Loss/gain on disposal on sale of investments	-	-
Gain on sale of fixed assets	-	-
Fair value gain/loss on biological Assets	-	-
Fair value gain or losses on revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Unrealized foreign exchange gains/(losses)	-	-
Total	-	-

11. Staff Costs

Description	<i>2022/2023</i>	<i>2021/2022</i>
	Kshs	Kshs
Gross Salary and Allowances	126,399,956	128,072,697
Casual workers' Wages	-	4,057,478
Employer's contributions to social security schemes	1,389,955	448,600

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6(i) Operating Receipts

	2022/2023	2021/2022
	Kshs	Kshs
Water sales	257,843,367	255,668,004.23
Sewerage Services	79,990,405	73,339,034.47
Meter rent	4,843,414	5,257,222.78
Other receipts	36,195,361	15,341,520.95
Total	378,872,547	349,605,782.43

7) Grant Incomes

	2022/2023	2021/2022
	Kshs	Kshs
Recurrent/operational grants from other agencies	21,162,219	45,632,593
Capital grants amortized	13,723,048	13,723,048
Total	34,885,267	59,355,641

(Note: For capital/development grants the amount recognized in the statement of comprehensive income have been depreciated/amortised equivalent to the assets that have been acquired using such capital/development grant as per IAS 20).

The company did not receive any grants from the ministry/department

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	Insert Current FY KShs
Department	-	-	-	-	-
Ministry	-	-	-	-	-
Total	-	-	-	-	-

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market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

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

c) Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

The company provides 16.5% of its gross debtors in order to mitigate or reduce future obligations and uncertainties' which may arise due to bad debts.

(NB: Nanyuki Water and Sanitation Company Limited uses the accrual method of accounting.)

Notes to the financial statements (continues)

6) Operating Revenue

	2022/2023	2021/2022
	Kshs	Kshs
Water sales	220,000,005	218,428,178
Sewerage Services	95,187,068	90,693,273
Meter rent	10,969,900	10,174,850
Adjustment	(28,626,091)	(24,318,264)
Billing for other services*	55,420,069	31,085,591
Total	352,950,951	326,063,629

Billing for other services refers to income generated from services such as reconnection fees, exhauster services, renewal fee

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Notes to the financial statements (continued)

Summary of Accounting Policies

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5) Significant Judgments and Sources of Estimation Uncertainty

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

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

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

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limited to specific contributions legislated from time to time and is currently at Kshs 15% of basic and house allowance per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

Notes to the financial statements (continued)

Summary of Accounting Policies

w) Budget information

The original budget for FY 2022-2023 was approved by the Board on May 19th 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by Nanyuki Water and Sanitation Company Limited upon receiving the respective approvals in order to conclude the final budget. Accordingly, Nanyuki Water and Sanitation Company Limited recorded additional appropriations of an increase Kshs 67million on expenditure and an increase of Kshs 21million on Revenue on the 2022-2023 budget following the board's approval. Nanyuki Water and Sanitation Company Limited's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Notes to the financial statements (continued)

Summary of Accounting Policies

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Borrowings

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

s) Trade and other payables

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

Notes to the financial statements (continued)

Summary of Accounting Policies

t) Retirement benefit obligations

Nanyuki Water and Sanitation Company Limited operates a defined contribution scheme for all full-time employees from July 1, 2007. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is

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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.

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.

p) Borrowing costs

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

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l) Inventories

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

m) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

Notes to the financial statements (continued)

Summary of Accounting Policies

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

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

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

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Notes to the financial statements (continued)

Summary of Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at amortized cost or at fair value through profit or loss or at fair value through other comprehensive income (FVOCI). The company did not have a fixed interest investment during the financial year 2022/2023

j) Quoted investments

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

Notes to the financial statements (continued)

Summary of Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange. These are measured at fair value through profit or loss (FVTPL).

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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.

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.

g) Investment property

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

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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
Plant and machinery	8	12.5%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	3	30%
Office equipment, furniture and fittings	8	12.5%
Tractors & trailers	4	25%
Equipment's, safe & cabinet	8	12.5%
Water systems	8	12.5%
Building	8	12.5%
Software	5	20%
Provision for bad and doubtful debts	~	16.5%

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

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

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

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

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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.

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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.

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

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Title	Description	Effective Date
(issued in September 2022)	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.	after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer 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.

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

iii. Early adoption of standards

Nanyuki Water and Sanitation Company Limited did not early – adopt any new or amended standards in year 2022/2023

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Annual Reports and Financial Statements For the year ended 30, June 2023

Title	Description	Effective Date
	company has not changed the accounting policy.	
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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

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 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-	The amendments are effective for annual periods beginning on or

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements For the year ended 30, June 2023

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. <i>The Company does not issue insurance contracts.</i>	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of ‘accounting estimates’ and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. <i>No amendments were done on the financial statements for the year ended 30th June 2023</i>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies. Nanyuki Water and Sanitation	The amendments are effective for annual periods beginning on or after January 1, 2023.

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Annual Reports and Financial Statements For the year ended 30, June 2023

19. Notes to the Financial Statements

1) General Information

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

2) Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company.

The financial statements have been prepared in accordance with the companies act, the PFM act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the financial statements (continued)

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

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Annual Reports and Financial Statements For the year ended 30, June 2023

Depreciation & Amortization	45,300,000		45,300,000	43,766,417	1,533,583	97%
Maintenance	71,214,648	0	71,214,648	70,151,087	1,063,561	99%
Total Recurrent Expenditure	380,181,887		380,181,887	376,376,695	3,805,192	99%
Profit or Loss	-25,166,968	0	-25,166,968	-69,052,707	(43,885,739)	
					0	
Capital Expenditure	67,946,311	0	67,946,311	66,789,182	1,157,129	98%
Total Expenditure	448,128,198		448,128,198	443,165,877	(4,962,321)	99%

Note: PFM Act section 164(2) ii and iv requires a County Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available.

However, for public sector entities, the PSASB (PUBLIC SECTOR ACCOUNTING STANDARDS BOARD) has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

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

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Annual Reports and Financial Statements For the year ended 30, June 2023

	Note	2022/2023	2021/2022
		Kshs	Kshs
Grant			13,723,048
Loan		6,985,739	10,000,000
Repayment Of Borrowings	38	(2,215,985)	(1,451,168)
Dividends Paid		-	-
Net Cash From/(Used In) Financing Activities		6,272,742	(14,915,284)
Increase/(Decrease) In Cash and Cash Equivalents			
Cash And Cash Equivalents At Beginning Of Year	31	7,088,240	22,003,524
Effects Of Foreign Exchanges Rate Fluctuations		-	-
Cash And Cash Equivalents At End of the Year	31	13,360,982	7,088,240

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e= c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operating Revenue	334,550,690	-	334,550,690	326,156,973	8,393,717	97%
Non-Operating Revenue	32,059,840	0	32,059,840	26,793,978	5,265,862	84%
Grants	56,350,700	0	56,350,700	21,162,219	35,188,481	38%
Total Revenue	422,961,230	0	422,961,230	374,113,170	48,848,060	88%
Expenses						
Staff Costs	153,286,588	0	153,286,588	153,189,651	96,937	100%
Board Expenses	6,335,901	0	6,335,901	6,149,642	186,259	97%
General and operations Expenses	103,024,750	0	103,024,750	102,106,857	917,893	99%
Finance costs	1,020,000		1,020,000	1,013,041	6,959	99%

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

	Note	2022/2023	2021/2022
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts	6(i)	378,872,547	326,063,629
Grants Income	7	21,162,219	59,355,641
Finance Income		-	-
Other Income			2,393,344
Customer Deposits	42	6,857,000	8,382,200
Total Receipts		406,891,766	396,194,814
Payments			
Staff Costs	11	153,189,651	157,320,734
General And Operation Expenses	12	102,106,857	135,874,075
Board Expenses	13	6,149,642	4,260,795
Maintenance Expenses	14	70,151,087	70,227,412
Finance Costs	16	1,013,041	1,292,150
Refund Of Customer Deposits	42	5,989,318	4,065,300
Total Payments		338,599,596	373,040,466
Net Cash From/ (Used In) Operating Activities		68,292,170	23,154,348
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(66,789,182)	(41,175,540)
Proceeds From Disposal Of PPE		-	-
Purchase Of Intangible Assets		-	-
Purchase Of Investment Property		-	-
Purchase Of Quoted Investments		-	-
Proceeds From Disposal of Quoted Investments		-	-
Net Cash From/ (Used In) Investing Activities		(66,789,182)	(41,175,540)
		1,502,988	18,021,192
Cash Flows from Financing Activities			

Nanyuki Water & Sanitation Company Limited
Annual Reports and Financial Statements For the year ended 30, June 2023

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

	Notes	Ordinary share capital	WSTF	Capital Reserves	Revenue Reserves	Total
As at July 1, 2022		100,000	105,600,447	157,938,935	(12,004,247)	255,819,074
Prior year adjustments		-	-	-	88,668,243	88,668,243
Reallocation			4,183,940			
Grant income amortization		-	(13,723,048)	-	-	(13,723,048)
Profit for the year		-	-	-	(17,972,666)	(17,972,666)
As at June 30, 2022		100,000	96,061,339	157,938,935	58,691,330	312,791,603
As at July 1, 2022		100,000	96,061,339	157,938,935	58,691,330	312,791,603
Prior year adjustments		-	-	-	-	-
Grant Income amortization		-	(13,723,048)	-	-	(13,723,048)
Profit/loss for the year		-	-	-	17,614,951	17,614,951
At June 30, 2023		100,000	82,338,291	157,938,935	76,306,281	316,683,506

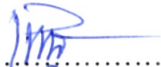
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	Note	2022/2023	2021/2022
		Kshs	Kshs
Total current liabilities		147,671,046	122,793,700
Total equity and liabilities		473,978,048	447,876,679


The financial statements were approved by the Board on 22nd September 2023 and signed on its behalf by:



 Name **Kennedy Githa**
 Managing Director



 Name **Paul Mwangi**
 Head of Finance
 ICPAK M/No: **4931**



 Name **Martin Muthiri**
 Chairman of the Board