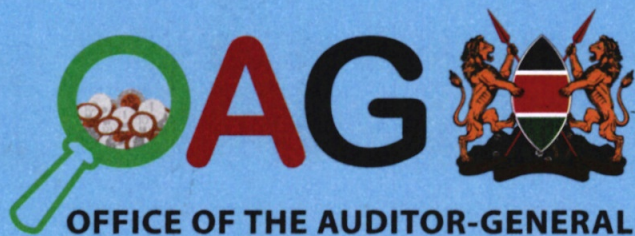
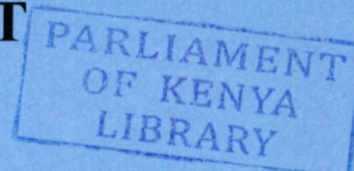


REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**



**OF**

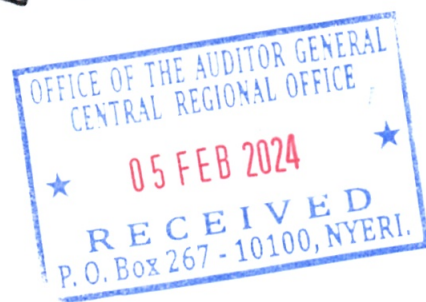
**THE AUDITOR-GENERAL**

**ON**

**NAROMORU WATER AND SANITATION  
COMPANY LIMITED**

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

PAPERS LAID	
DATE	25/3/24
TABLED BY	Sen. Kiniga
COMMITTEE	—
CLERK AT THE TABLE	Polyarp



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**NAROMORU WATER & SANITATION COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2023**

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

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

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**Naromoru Water and Sanitation Company Ltd**  
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**1. Acronyms and Glossary of Terms**

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

**Naromoru Water and Sanitation Company Ltd**  
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**2. Key Entity Information**

**Background information**

Naromoru Water and Sanitation Company was established by the Companies Act of Parliament Cap (486) on 30th July, 2012. At County level, the Company is represented by the County Executive Committee Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and has one office in Naromoru Town, in Kieni-East Sub County.

**Principal Activities**

The principal activity of the Company is to provide Water and Sanitation Services to residents of Naromoru Town and its immediate environs in Nyeri County and lower parts of Lamuria Location in Tigithi Sub-Location in Laikipia County.

**Mission**

“To ensure provision of quality, affordable, Reliable and Sustainable Water and Sanitation Services by operating and maintaining Water and Sanitation facilities

**Vision**

“To be a model water service provider in Nyeri County and in Kenya”

**Core Values**

- Team work
- Innovations
- Professionalism
- Integrity
- Customer Focus

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

**Directors**

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

- |                                 |                     |                                    |
|---------------------------------|---------------------|------------------------------------|
| 1. Eng Eliud Kiura Gicheru      | - Chairperson       | - Appointed on.....29th July, 2022 |
| 2. Rev. Francis Nderitu Wothaya | - Director          | - Appointed on ....15th May,2016   |
| 3. Mrs.Naomi Waitherero Githin  | - Director          | - Appointed on ....15th May, 2016  |
| 4. Mrs.Rachael Wangui Muturi    | -Director           | - Alternate to...15th March, 2019  |
| 5. Ms. Pauline W. Ndegwa        | -Director           | - Appointed on ....19th Oct,2019   |
| 6. Dr. Nyoike Wamwea            | -Director           | - Appointed on ....16th Jan,2023   |
| 7. Mr. David Wambugu Gathuku    | -Director           | - Appointed on ....7th July,2021   |
| 8. Ms. Gladys Njeri Warugongo   | -Managing Director  | - Appointed on ....30th July,2021  |
| 9. Mr. Richard Gikuhi Kiana     | - Company Secretary |                                    |

**Company Secretary**

Mr. Richard Gikuhi Kiana

Kimathi Street, Kang'aru Annex Building

P.O Box 271-10100

Nyeri .

KENYA

**Registered Office**

Naromoru Town, Kanyua Building.

Hospital Road.

P.O. Box 234-10105

Naromoru, KENYA

**Corporate Headquarters**

Naromoru Town, Kanyua Building.

Hospital Road.

P.O. Box 234-10105

Naromoru, KENYA

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

**Corporate Contacts**

Telephone: (254) 791151094

E-mail: [narowasco@gmail.com](mailto:narowasco@gmail.com)

Website: [www.naromoruwater.co.ke](http://www.naromoruwater.co.ke)

**Corporate Bankers**

Naromoru Water and Sanitation Company Limited

Kenya Commercial Bank

P.O Box 393-10105

Branch- Naromoru

**Independent Auditor**

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

**Principal Legal Advisers**

The Attorney General

State Law Office, Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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


3. The Board of Directors

Directors	Details
	<p><b>Eng. Eliud Kiura Gicheru</b> Professional Engineer registered by Engineering Board of Kenya (A 2557), Member Institute of Engineers of Kenya (M-3806), Holds a Bachelor of Science Agriculture Engineering (Soil Water (1996) from Egerton University, Diploma in Agriculture Engineering Power and Machinery from Egerton College (1981). Has over 40 years experience in Engineering works. Represents Institute of Engineering of Kenya. Currently the chairman of the BOD.(64yrs)</p>
	<p><b>Mr. David Wambugu Gathuku</b> Holds a Bachelor of Arts (Economics) from Egerton University (1991), Post Graduate Diploma (PGDE)- Catholic University of East Africa (1996) Diploma in Senior Management (KEMI-2009) Has over 30 years' experience in the Education Sector as Curriculum Implementation Administrator. He is currently The School Principal at Matu Secondary School in Murang'a (55y</p>
	<p><b>Revered Francis Wothaya Nderitu</b> Holds a Diploma in Bible and Theology from Machakos College of Theology. Currently, he is the Revered in-charge Africa Inland Church-Naromoru. He is the Chairman of Pastor's Fellowship in Naromoru.(40yrs)</p>
	<p><b>Ms Gladys Njeri Warugongo</b> Holds Bachelor's degree in Business Administration (Finance) from Kenya Methodist University She also holds a Professional Certificate in Certified Public Accountants (CPA) from KASNEB Has worked in Tetu Aberdare Water &amp; Sanitation Company (TEAWASCO) as an Accountant Assistant for seven (7) years and has worked with NAROWASCO as Commercial Manager and Head of Commercial Department for (7) years. Currently is the Managing Director for Naromoru Water &amp; Sanitation Company. (40yrs)</p>

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




	<p><b>FCS Richard K.</b></p> <p>Gikuhi is a Certified Secretary and a Fellow of the Institute of Certified Secretaries Kenya (ICPSK) Reg No285. He is an Accredited Governance Auditor, holds a Master of Business Administration Degree with a major in Strategic Management from Moi University and an Advanced Practical Course in Management of Urban Development from Birmingham University.</p> <p>He is currently the Managing Partner at Gikuhi Kiana &amp; Company, Certified Secretaries. For over 25 years he has worked with various Water and Sanitation Companies as a Company Secretary and advises in the area of Corporate Governance. His stint at the European Union contributes to his knowledge in Project Management and Capacity building. (67yrs)</p>
	<p><b>Mrs Naomi Githinji</b></p> <p>She is an “A” level holder at Star of the Sea High School. Holds a Diploma in Electrical Engineering at Kiambu Institute of Science and Technology.</p> <p>Currently, she is a businesswoman running an electrical workshop in Naromoru (</p>
	<p><b>Ms Pauline W. Ndegwa</b></p> <p>Holds Bachelor of Arts (Cultural Studies Moi University) 2003</p> <p>work experience; Chief officer- Water and Irrigation Services 2019-2020, Chief Officer Governor's office 2018-2019, Chief Officer Public Service Management 2018, Sub County Admin 2015-2018, Ward Administrator 2014-2015, Project, Director - Compassion International Kenya 2008- 2014, Social Worker - Compassion International Kenya 2006-2008, BOM Teacher Bingwa secondary school 2005-2008, BOM Teacher Witima Secondary school, Othaya 2003-2004(44yrs)</p>
	<p><b>Dr. Nyoike Wamwea; PhD</b></p> <p>(Economics) Finance Macroeconomics, Masters of Arts in Economics (First Class) Agriculture Economics, Bachelor of Arts in Economics (First Class) Masters of Arts in the International Studies, Public Finance Management IMF Institute Washington Microeconomic Policies and Management Harvard University Special Advisor at Director. Performance Based Management and Measurement Governor Unit Nyeri County. (69yrs)</p>

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



	<p><b>Ms Rachael Wangui Muturi</b></p> <p>Holds a Diploma in Farm Management from Egerton University, 2006. Has worked as a Divisional Environment and Land Management Officer in Kieni East and as an Agricultural officer in Kieni East Sub-County since 2010. She is currently serving as Ward Agricultural in charge of Thegu River Ward.</p> <p>She represents women group in the Board of NAROWASCO (40yrs)</p>
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**Naromoru Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**4. Key Management Team**

Managers	Details
	<p><b>Ms Gladys Njeri Warugongo</b></p> <p>Holds Bachelor's degree in Business Administration (Finance) from Kenya Methodist University</p> <p>She also holds a Professional Certificate in Certified Public Accountants (CPA) by KASNEB</p> <p>Has worked in Tetu Aberdare Water &amp; Sanitation Company (TEAWASCO) as an Accountant Assistant for seven (7) years and has worked with NAROWASCO as the Commercial Manager and Head of Commercial Department for (7) years. Currently she is the Managing Director for Naromoru Water &amp; Sanitation Company</p>
	<p><b>Ms Lydiah Wangu Kiara</b></p> <p>Holds a Diploma in Water Engineering from Kenya Water Institute.</p> <p>Has worked in the Northern Water Services Board as an Engineering Assistant in the office of Planning &amp; Design for 2 years, Project Manager Likii Water Resources Users Association for Community Development Trust Fund for 3 years. Previously worked as a Road Inspector for Kieni East and West Sub- County in Nyeri County for 4 years.</p> <p>Has also been a Private Consultant in the Water Sector for a period of 1 year</p> <p>She is currently the Technical Services Manager for NAROWASCO</p>
	<p><b>Mr. Lincoln Mwangi Ngumi</b></p> <p>K.C.S.E, CPA (K) Registered with ICPAK . More than thirteen years (13yrs) of working experience. He ensures that all financial resources of the company are well managed and fully accounted for and reported efficiently.</p> <p>He is currently the Commercial Manager Narowasco.</p>

**Naromoru Water and Sanitation Company Ltd**  
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	<p><b>Mr. Eric Karoki Maina</b></p> <p>CPAK and registered with ICPAK, More than eight year of working experience. He ensures the company assets are safeguarded and resources efficiently utilized. He also liaises with the External Auditors to facilitate the process of easy flow of successful Audit. He is currently the Internal Auditor Narowasco.</p>
	<p><b>FCS Richard K.</b></p> <p>Gikuhi is a Certified Secretary and a Fellow of the Institute of Certified Secretaries of Kenya (ICPSK) Reg No285. He is an Accredited Governance Auditor, holds a Master of Business Administration Degree with a major in Strategic Management from Moi University and an Advanced Practical Course in Management of Urban Development from Birmingham University.</p> <p>He is currently the Managing Partner at Gikuhi Kiana &amp; Company, Certified Secretaries. For over 25 years he has worked with various Water and Sanitation Companies as a Company Secretary and advises in the area of Corporate Governance. His stint at the European Union contributes to his knowledge in Project Management and Capacity building</p>

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

**5. Chairman's Statement**

I am happy to report that 2022/2023 was a successful year for the company despite the company losing our Technical Manager on 26th May, 2023.

**International Scene**

World real GDP contracted by 4.2 per cent in 2023 compared to a growth of 2.7 per cent in 2022. Real GDP in Advanced Economies is estimated to have contracted by 5.8 per cent in the period under review compared to 1.7 per cent growth in 2022. This was due to accelerated collapse in economic activity driven by sharp declines in demand and supply of services. Sub Saharan Africa economies contracted by 1.9 per cent in 2023 compared to a real GDP growth of 3.2 per cent in 2022. East African Community (EAC) real GDP contracted by 0.2 per cent in 2022 compared to a growth of 6.2 per cent recorded in 2023.

Global inflation eased from 3.5 per cent in 2022 to 3.2 per cent in 2023 largely due to significant decline in oil prices. World trade volume contracted by 10.3 per cent in 2023 compared to 1.0 per cent growth in 2022. World current account surplus as a percentage of GDP narrowed from 0.5 per cent in 2022 to 0.2 per cent in 2023. This was mainly attributed to weak external demand and decline in oil prices. Global employment levels deteriorated substantially during the review period. Unemployment rate stood at 6.5 per cent in 2023 from 5.5 per cent in 2022.

**Economic Performance**

Real Gross Domestic Product (GDP) is estimated to have contracted by 0.3 per cent in 2023 compared to a growth of 5.0 per cent in 2022. The contraction was spread across all sectors of the economy but was more dismal in accommodation and food serving activities, education, professional and administrative service activities. Agriculture, Forestry and Fishing activities were however more vibrant in 2023 despite a contraction in global demand in 2023. The sector grew by 4.6 per cent in 2023 compared to 2.3 per cent growth in 2019. Manufacturing sector growth slowed down from 2.8 per cent in 2022 to 0.2 per cent in 2023. Despite most sectors recording contraction in growths, the economy was somewhat supported by accelerated growths in agricultural production (4.8 per cent), construction activities (11.8 per cent), financial and insurance activities (5.6 per cent) and health services activities (6.7 per cent).

Agriculture remained the dominant sector, accounting for 23.0 per cent of the total value of the economy in 2023. Industry related activities accounted for 17.1 per cent of the total contribution in GDP growth in the same period. Nominal GDP increased from KSh 10,255.7 billion in 2022 to KSh 10,753.0 billion in 2023. Similarly, gross domestic expenditure at current prices increased from KSh 11,123.0 billion in 2022 to KSh 11,667.7 billion in 2023. Gross National Disposable Income increased

## **Naromoru Water and Sanitation Company Ltd**

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

from KSh 10,630.4 billion in 2022 to KSh 11,100.4 billion in 2023. Gross domestic product per capita in constant prices however declined from KSh 183,664.1 in 2022 to KSh 179,021.6 in 2023.

#### **Water and Sanitation Subsector Overview**

Access to safe water and sanitation is a human right. Governments are the duty bearers of the progressive realization of this right in their jurisdictions. Kenya, under Sustainable Development Goal 6, has committed itself to achieve by 2030 universal and equitable access to safe and affordable water for all; access to adequate and equitable sanitation and hygiene for all and an end to open defecation, paying special attention to the needs of women, girls and those in vulnerable situations. Against the above background, the 2022/2023 Water Service Regulatory Board (WASREB) impact report issue no.13 indicates that at the national level, sanitation coverage improved from 81% in 2021/22 to 88% in 2022/23 but water and Sewerage coverage declined from 59% to 57%, from 17% to 15% respectively.

As is typical in depressed economies, disposable incomes in the whole world continued to decline resulting in reduced consumers spending. This greatly constrained our volumes and hindered growth in turnover during the year under review. Despite the very difficult economic conditions the Company water billing increased from Kshs 13,126,100 in 2021-2022 to Kshs 13,236,035 in 2022-2023.

The company will strive to provide a 24 hours Water and Sanitation Service and I believe this position shall be achieved in our expansion programmes.

Our effort to grow and improve as a company would not be possible without the leadership of the County Government of Nyeri, Board of Directors, Tana Water Works Development Agency, the Management, our esteemed customers, Sub County Water Officer- Kieni East and Water Sector Trust Fund (WSTF).

The results presented in this report would not have been achieved without the support of the directors and for this I wish to thank my colleagues in the board.

On behalf of the board, I wish to record our gratitude to our consumers for their continued loyalty and support and to all our employees in the company for their hard work and dedication without which the results would not have been possible.

We urge all the stakeholders to maintain and enhance the support and collaboration with our clarion call being 'Water for All' with respect to access and 'All for Water' from responsibility point of view.



Eng. Eliud Kiura Gicheru

CHAIRMAN –NAROWASCO

30/1/2024

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

**6. Report Of the Managing Director**

One of the main principles of the Water Act 2002 and Water Act 2016 was that Water and Sanitation Services were to be managed at the lowest level possible. In line with this principle the Ministry of Water, Natural Resources and Irrigation transferred the provision of Water and Sanitation Services to Water Services Boards with effect from July 2005. The Water Act 2002 stipulates that the Water Service Boards shall contract agents, known as Water Service Providers, (WSP) for provision of Water and Sanitation Services. Under the new constitutional dispensation and Water Act 2016, Water and Sanitation services are functions of the County Government. Therefore, Narowasco is an agent of County Government of Nyeri.

**History and Legal Establishment**

In compliance with the above Water Sector Reforms Act, Naromoru residents registered Naromoru Water and Sanitation Company. The Company was incorporated under the Companies Act (Cap.486) and that the Company is limited by Guarantee on 30th July 2012 (Certificate of Incorporation for the Company No. CPR/2012/79833.) The Company's mandate is to be responsible for the provision of Water and Sanitation Services in Naromoru and its environs as mandated under Water Service Provision Agreement in accordance with section 113 of the Water Act 2002 by Tana Water Works Development Agency.

NAROWASCO as a Company has been given the responsibility to take charge of the Management of all the assets that were previously under the Management of both Ministry of Water and Irrigation and County Council of Nyeri. Over the years all the existing water systems handed over to the Company have passed their ultimate design period, and in the process they have been dilapidated and outlived their economic life. Hence, they need to be rehabilitated and augmented.

In order to be able to achieve sustainability there is need to develop and implement the infrastructure involving various components. However, these undertakings requires huge amount of money which is beyond the capability of the Company to generate internally, therefore demanding external funding.

In view of the above, the company is working closely with Nyeri County Government, Tana Water Works Development Agency, Water Sector Trust Fund and Sub County Water Office in developing capital works.

**Naromoru Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**  
**Development Plans**

The Company has earmarked to undertake the following activities in our future development programmes.

- √ Improvement of water quality by completing a conventional treatment plant which is almost to completion
- √ Constructing of storage facilities/reservoirs including rehabilitation and augmentation of existing water systems.
- √ Water Catchment conservation and protection programme.
- √ Construction of office block.

Construction of sewerage system for waste water disposal

**Project Proposal**

For the purpose of improving service delivery at the same time achieve sustainability there is an urgent need to augment the existing systems through development of the infrastructure by implementing the activities outlined in the company's project proposal document.

**Water Catchment Conservation**

The company has joined hands with other stakeholders concerned in planting indigenous trees in the water Catchment area.

**Financial Status.**

In the financial year 2022/2023 the total turnover for water sales was **Kshs 13,236,035**. An increase from **Kshs 13,126,100** financial year 2021/2022

**Staff**

The company has 24 employees: - All are recruited by the Board of Directors. The company aims to develop policies to enable it recruit its own staff guided by the transfer plan. The ultimate goal is to make the company an enterprising entity. In this regard the company has in place Human Resource Policy and Procedure manual that includes health and safety, work injury benefits HIV/Aids awareness to enable staff deliver services.

**Gratitude**

I would like to take this opportunity to thank County Government of Nyeri, Tana Water Works Development Agent, Sub County Water Officer Kieni East Sub County, Water Sector Trust Fund and

**Naromoru Water and Sanitation Company Ltd**

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

NAROWASCO Board of Directors for their support during the year, also our esteemed customers and our suppliers who were all instrumental to our success this year. I am also grateful to our staff for their commitment and effort in striving to ensure the company meets its objectives.

**Conclusion**

With the implementation of Vision 2030 there is great demand for water supply in all sectors contributing to economic development. This is a great opportunity for the company's bright future that depicts a company as a going concern. The company therefore, strives to meet the ever growing water service demand.

Ms.Gladys Njeri Warugongo

**MANAGING DIRECTOR**

## Naromoru Water and Sanitation Company Ltd

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

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

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

- Metering
- Revenue Collection
- Non- Revenue Water
- Water Coverage

Naromoru Water and Sanitation Company develops its annual work plans based on the above 4 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2022/2023 period for its 4 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Metering	100% metering	Increase Revenue	Metering programme Procured customer meters 90 No worth <b>Kshs.156,600</b>	Metering
Revenue Collection	95% and Above	Meet Obligations when they fall due.	<b>Collection efficiency</b>	<b>102.66%</b>
Non-Revenue Water	Reduce NRW	To attain the sector Benchmark of below 25%	1. Procurement of meters for new water connection and replacing malfunctioning ones. 2. Recruitment of NRW Staff. 3. Application of GIS in mapping our infrastructure network.	

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

			Training and bench marking with other companies-NYEWASCO	
Water Coverage Area	Increase area of water service coverage	To attain 100% coverage	Pipeline Extensions in Kandara Ngutik Scheme	Attained 62%

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

**8. Corporate Governance Statement**

Naromoru Water and Sanitation Company limited is committed to operate under a clear governance framework and strongly adheres to sound management and control practices.

The Company is committed to ensuring compliance with the provisions of Water Act 2002 and Service Provision Agreement granted by Tana Water Works Development Agency among other regulatory and supervisory corporate governance requirements.

In ensuring that corporate governance is enhanced and that the power of Naromoru Water and Sanitation Company limited is exercised in the stewardship of the company total portfolio of assets and resources with the objective of maintaining stakeholder value, the Boards of Directors have constituted the following committees:

- **Finance, Administration And Human Resources**
- **Risk And Audit Committee**
- **Technical Committee**

**These committees met in the year under review on the following occasions:**

<b>S N.O</b>	<b>Date</b>	<b>Meeting Description</b>	<b>No. Of Members</b>
1.	29/07/2022	FULL BOARD MEETING	9
2.	19/08/2022	FINANCE,ADMN&HUMAN RESOURCE COMMITTEE	5
3.	09/09/2022	FULL BOARD MEETING	9
4.	15/09/2022	FINANCE,ADMN&HUMAN RESOURCE COMMITTEE	3
5.	23/09/2022	FULL BOARD MEETING	7
6.	06/01/2023	FINANCE,ADMN&HUMAN RESOURCE COMMITTEE	3
7.	20/01/2023	FULL BOARD MEETING	8
8.	14/04/2023	COMMERCIAL MANAGER & INTERNAL AUDITOR INTERVIEWS	11
9.	12/05/2023	FINANCE,ADMN&HUMAN RESOURCE COMMITTEE	4
10.	19/05/2023	FULL BOARD MEETING	7
11.	6/06/2023	SPECIAL FULL BOARD MEETING	8

**Succession planning;**

To effectively plan and execute a seamless implementation of the board mandate, the board in the year under review implemented recruitment of substantive HR and Administration Manager.

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

The company has implemented the board charter, which defines the roles of the board. The board undertakes an annual evaluation of the board performance in line with the Charter and realigns itself to meet its mandate.

The company Memorandum and Articles of Association have defined the process of appointment and removal of directors. The MAA recognizes the role of stakeholders in effective appointment and retirement of directors. As a Policy the company recognizes the need for gender balance in appointment of board. The company undertook a review of the MAA to align it with the changes of the company ACT 2015 and Water Act 2016. This is stressed in the advertisement & filling the position of the Board of Directors where women and Persons Living with Disability are encouraged to apply.

The Board of Directors has ensured that proper management structures that maintain integrity, reputation and responsibility are in place.

The major roles of the BOD is to protect and promote the interest of the organization and this includes;

1. Taking due care of asset and liabilities of the organization.
2. Oversight role: the BOD is responsible for policy matters and major undertakings.
3. The Board of Directors have a fiduciary relationship to treat the organization as its own and take prudent measures to grow the organization

**Process of Appointment & Removal of Directors**

1. Board appointments are transparent and competitive so as to ensure the public served has an opportunity to participate in decision making in service delivery that affects them.
2. Vacant positions are advertised in the media and on the website of the company and the criteria set out by WASREB is used.
3. An ad hoc nominating committee of the board of directors comprising county and select committee from two or three primary/key stakeholders normally assess applications and ensure that not only is the Leadership and Integrity criteria met but shall perform a background check to ensure the candidates add value to the entity.
4. The select committee receives the applications, vet them to ensure that they comply with the Fit and Proper Test plus the eligibility criteria and where necessary conduct interviews.

## **Naromoru Water and Sanitation Company Ltd**

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

5. The Report of the selection committee is submitted to the stakeholders who is required as stakeholders and function owner to ensure that only persons who add value to the company are appointed.
6. The Fit and Proper Test Form must be filled by all applicants and appointees.
7. The copy of the Fit and Proper Test Forms of each of the appointed directors is sent to WASREB.
8. A letter of appointment issued by the county secretary that adheres to the articles of association of the company is given after ratification of names of the accepted directors at annual general meeting by the stakeholder.
9. The letter contain a termination clause on poor performance and misconduct and ensure that it captures that unless the board is retired due to poor performance a third of the members shall retire every year from the third year.
10. Board members serve a maximum of six (6) years based on the approval of the stakeholder and on performance issues.
11. Before a board member begins to serve he must be inducted in governance training customized for the water services sector and sign a code of ethics based on the Leadership and Integrity Act 2012 and the Public Officer Ethics Act 2003.
12. The list of ratified board members and the stakeholder group they represent shall be maintained on the website of the company and shall be communicated to WASREB.

### **Roles and Functions of the Board of Directors**

1. Appointment of the CEO
2. Formulation of Strategy and Values
3. Evaluating the company performance
4. Ensuring Balance of Power
5. Enhancing a smooth relationship with Stakeholders

### **Induction and training**

During the year 2022/2023 that is under review, Induction of the Board of Directors was held from 9<sup>th</sup> to 11<sup>th</sup> November 2022.

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

**Conflict of interest**

During the financial year, ended June 30, 2023 there was no interest declared or registered in any of the committee or the Board of Directors.

**Board remuneration**

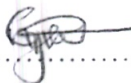
The company operates in a regulated sector. To provide efficiency and act as an incentive to improve performance at oversight level, the limit for sitting allowance and other expenditure of the Board of Directors and its committees is capped at the higher of 5% of the turnover or Kshs 4 million per annum.

**Ethics and conduct**

The Board of Directors has identified Internal and External stakeholders on which they agree in policy on how to relate to them especially relation to appointing the Directors and monitoring the performance of the company. All directors are signatories to the code of conduct that guides them in operations.

By order of the Board

For and on its behalf

  
.....

Date 30/11/2024

Ms.Gladys Njeri Warugongo

**MANAGING DIRECTOR**

**NAROMORU WATER AND SANITATION COMPANY**

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**9. Management Discussion and Analysis**

The Management's Discussion and Analysis of Financial condition and result of operating provides information that management believes is relevant to an assessment and understanding of the financial condition and results of operations of Naromoru Water and Sanitation Company Limited. This should be read in conjunction with the Company's Financial Statements and related notes for the year ended 30<sup>th</sup> June 2023, which are prepared in accordance with International Financial Reporting Standards (IFRS), Policies and best practices.

The company has complied with statutory requirements including Pension, NHIF, NSSF and payment of taxes. The taxes remitted to KRA includes Withholding and corporation taxes.

**NAROWASCO's Billing, Revenue and Debt position:**

<b>Year</b>	<b>Total Billing</b>	<b>Total Revenue Collection</b>	<b>Outstanding Debts</b>
2017/2018	9,477,979	9,948,369	1,894,606
2018/2019	11,623,368	12,354,260	2,106,298
2019/2020	11,376,646	10,489,578	2,360,177
2020/2021	12,180,835	12,880,033	3,303,487
2021/2022	13,126,100	13,972,878	2,910,784
2022/2023	13,236,035	13,606,666	3,085,131

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<b>CONNECTION</b>				
<b>Year</b>	<b>Registered connections</b>	<b>Active connection</b>	<b>Inactive connection</b>	<b>New water connections</b>
2017/2018	1625	1460	165	414
2018/ 2019	1865	1661	204	240
2019/ 2020	2000	1792	208	135
2020/2021	2199	2019	180	199
2021/2022	2464	2190	274	265
2022/2023	2542	2245	297	78

**Challenges Faced During the Year**

During the year, the company experienced the following challenges during implementation of the financial management process.

<b>Area of operation</b>	<b>Challenges</b>	<b>Interventions</b>
Transport	Lack of enough medium of Transportation of employees and materials	The Company requested for a motor vehicle from Tana Water Works Development Agency.
Drought	Lack of enough water for supplying to the customers.	Equitable water distribution was employed to ensure the little commodity was shared among all consumers

Naromoru Water and Sanitation Company Ltd

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

Major risks facing the organisation; the following matrix represents the risks facing the company and the mitigating factors.

No.	Risk Factor	Level Of Risk	Mitigation Measure
(i)	Inadequate resources	Medium	Efficiency in resource utilization through Proper annual work plans & budgets. Documentation and reporting on resource utilization.  Increase generation and collection efficiency
(ii)	Staff turnover	Medium	· Build Capacity-Trainings, Personal development · Enhance staff incentive programs like payment of bonuses. · Improvement of working environment -Commendation letters and certificates
(iii)	Consumers with huge debts	High	· Negotiate with customers on Part payment modalities Timely disconnection of defaulters to manage accumulation of debts · Engage debt collectors · Liaison with other agencies e.g. County Government of Nyeri. Debt policy
(iv)	Climate Change	High	· Build storage facilities · Participation in Conservation of the environment Create public awareness
(v)	Corruption	Low	· Good corporate governance · Building strong ethical practices · Enforce/ invoke the law
(vi)	Irrigation, boreholes and wells	Medium	· Creation of public awareness · Provision of reliable treated water supply.

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(vii)	Safety of valves installations	Medium	<ul style="list-style-type: none"> <li>· Secure the valves by cementing.</li> <li>· Sensitize the community on the need of ownership</li> </ul>
(ix)	Communication breakdown	Medium	<ul style="list-style-type: none"> <li>· Enhance communication through improving medium /channels of communication</li> <li>· Regular open staff meetings</li> <li>· Cultivate the good culture through sticking to the chain of command.</li> </ul>
(x)	Evaluation of overall risks	Medium	<ul style="list-style-type: none"> <li>· Set the performance targets</li> </ul>

**10. Environmental and Sustainability Reporting**

***i) Sustainability strategy and profile -***

The Company main goal is to be self-sustaining; this can only be achieved through collection of revenue at optimal level to cater for operations and maintenance, personnel costs and any other incidental costs that may occur during day to day running of the Company. Strategies must be put in place for a Company to continue being a going concern. During the year under review the company budget was to increase the customer base by installing 255 new connections, in its area of supply. The Company equally has to consider cost benefit analysis while coming up with methods of collecting revenue and cost of supplying water services to the customers.

The Company introduced cashless mode of Revenue Collection, which is effective and reliable. Provision of water is through gravity, which is very economical since no power is required, equally water is abstracted from Aberdare forest where pollution is minimal.

***ii) Environmental performance-***

Environmental Performance indicators condense data into relevant information that allows monitoring, target setting, tracing performance improvements, benchmarking and reporting. Environmental Performance indicators supply the operational level as well as top management with the information required for decision-making. The Company has been conserving the environment through planting trees to protect water catchment areas and preventing soil erosion. The Company has also constructed gabions along the intake to preserve our abstraction point from landslides and erosion.

*iii)* **Employee welfare-**

The Company operates one defined retirement benefit schemes for its employees; which is the NSSF for its staff.

*iv)* **Market place practices-**

**a) Responsible competition practice.**

- The Company's major objective is to gain return on its investments and therefore benefit financially by achieving the maximum value while leaving the customers with the feeling that they are definitely receiving their money's worth in service and quality. To do this the Company offers service at a price consistent with the customers' perception of the value received which is friendly. The company has also been preparing tentative calendar of events of the Board meeting guided by the articles and memorandum of association. Internal controls has also be put in to place to deal with fraudulent and risk.

**b) Responsible Supply chain and supplier relations**

Noromoru Water and Sanitation Company Limited has been advertising its tender through County public portal, county government website, company website and local dailies done. Upon receipt of all tenders the company ensures that the procurement processes are done as guided by the public procurement and disposal act 2015 and its regulations 2022.

The company has been responsibly honouring contracts and respecting payment plans.

**c) Responsible marketing and advertisement**

Noromoru Water and Sanitation Company Limited has been advertising its tender and employment vacancies via County public portal, county government website, company website and local dailies done.

**d) Product stewardship**

The Company has been engaging its consumers through various forums, which include public barazas, holding clinic days and open days for customers, and the engaging the consumers through CSR.

There are other activities where the Company engages its consumers to safeguard their rights as well as interests which include;-

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

- Public participation on project proposals
- Stakeholders Conferences
- Conservation of catchment areas
- Demonstrating and encouraging rain water harvesting
- Customer clinic days
- Provision of Hand washing points

**v) Corporate Social Responsibility / Community Engagements**

Naromoru Water And Sanitation Company Ltd practices Corporate Social Responsibility within its area of jurisdiction. Consumer within its area of jurisdiction, the community in liaison with the office of the assistant chief has identified persons living with disabilities.

The company has connected such identified persons with water.

The work involves:-

1. Free cost of installation for metered service lines.
2. Free water consumption.
3. Free maintenance of such connections.

The company too undertook sponsorship of public health projects with Nyeri Hospice. This is targeted for Cancer Patients and focuses on quality of life thereby turning the end of life into an important time of living.

**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**

- ii) The principal activity of the Company is to provide Water and Sanitation Services to residents of Naromoru Town in Nyeri County and its immediate environs and lower parts of Lamuria Location in Tigithi Sub-Location in Laikipia County

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

**iii) Results**

The results of the company for the year ended June 30, 2023 are set out on page 1-39 .... Below is summary of the profit or loss made during the year.

FY2022/ FY2023	FY2021/ FY2022
Kshs	Kshs
(1,713,581)	1,268,259

**iv) Dividends**

The company is limited by guarantee and does not pay dividends. Any surplus realised is ploughed back to finance capital expenditure

**v) Directors**

The members of the Board of Directors who served during the year are shown on page four In accordance with Regulation of the company's Articles of Association. retire by rotation and that eligible offer themselves for re-election..

**vi) 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 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



.....

**Name: FCS Richard K. Gikuhi**

**Company Secretary/Secretary to the Board**

**Date: .....**

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

**12. Statement Of Directors' Responsibilities**

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

**Naromoru Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2023**  
**Statement Of Directors' Responsibilities (Continued)**

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2023, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern and nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The company financial statements were approved by the Board on \_\_30<sup>th</sup> September\_ 2023 and signed on its behalf by:

*Eng Ehus K Gietteru*  
Name: .....

*[Signature]*

Chairperson of the Board

Date: *30/1/2024* .....

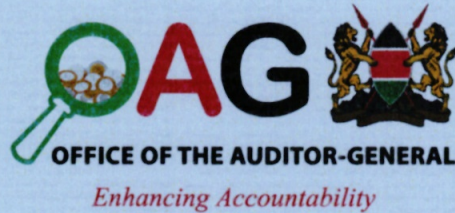
Name: *Gladys Njeri Wangayo* .....

Managing Director *[Signature]*

Date: *30/1/2024* .....

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

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

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### **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 Naromoru Water and Sanitation Company Limited set out on pages 1 to 90, which comprise the statement of financial

position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

### **Basis for Qualified Opinion**

#### **1. Unconfirmed Inventories Balance**

The statement of financial position reflects inventories balance of Kshs.2,370,277 as disclosed in Note 28 to the financial statements. However, the balance excludes an inventory of treated and raw water (volume of Water stock that is produced/work in progress but held within the distribution infrastructure) of undetermined value. This was contrary to the International Accounting Standard (IAS) 2 on inventory, which provides that an entity shall disclose in the financial statements the accounting policies for inventories, the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity, the carrying amount of inventories carried at fair value less costs to sell, and the amount of inventories recognized as an expense during the period.

In the circumstances, the accuracy and completeness of the inventories balance of Kshs.2,370,277 could not be confirmed.

#### **2. Inaccuracies in the Financial Statements**

Review of the financial statements revealed the following anomalies:

- i. The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.14,112,235, while the statement of comparison of budget and actual amounts shows a corresponding amount of Kshs.13,236,035, resulting in a variance of Kshs.876,200. As disclosed in Note 6 to the financial statements, the variance relates to sewerage services (Kshs.706,500) and billing for other services (Kshs.169,700) and is included in the other gains amount of Kshs.2,861,508 reflected in the statement of comparison of budget and actual amounts. Further, the statement of profit or loss and other comprehensive income reflects other income and finance income amounts of Kshs.1,954,950 and Kshs.30,359 respectively, which are also included in the other gains amount of Kshs.2,861,508. However, Management has not

explained why sewerage services, billing for other services, other income and finance income were classified differently in the two (2) financial statements.

- ii. The statement of profit or loss and other comprehensive income reflects general and operations expenses amount of Kshs.6,415,920, while the statement of comparison of budget and actual amounts shows a corresponding amount of Ksh.7,326,239, resulting in a variance of Kshs.910,319 which represents depreciation and amortization expenses. However, Management has not explained why the latter amount was classified differently in the two (2) financial statements.
- iii. The statement of comparison of budget and actual amounts reflects over expenditure of Kshs.2,694,281 in respect of total recurrent expenditure, while re-computation revealed an over expenditure of Kshs.2,704,231, resulting in an unexplained or unreconciled variance of Kshs.9,950.
- iv. The statement of comparison of budget and actual amounts also reflects profit or loss performance difference of Kshs.1,803,631 which differs with the re-computed amount of Kshs.3,527,581, resulting in a variance of Kshs.1,723,950 that has neither been explained nor reconciled.
- v. The statement of comparison of budget and actual amounts further reflects budgeted profit or loss amount of Kshs.100,000, while re-calculation revealed a corresponding amount of Kshs.1,814,000, resulting in an unexplained or unreconciled variance of Kshs.1,714,000.

In the circumstances, the accuracy and fair presentation of the financial statements could not be confirmed.

### **3. Non-compliance with the Prescribed Reporting Requirements**

The statement of cash flows was prepared in a format that does not comply with the format provided in the reporting template prescribed for public water companies. This is because the statement shows net cash from/ (used in) operating activities as being the sum of cash flows before working capital changes and total working capital adjustments, while the prescribed template requires net cash from/ (used in) operating activities to be the difference between total receipts and total payments.

Further, the statement of comparison of budget and actual amounts indicates variances between actual and budgeted amounts of 10% or more (over/ under) in respect of staff costs, board expenses, general and operations expenses, maintenance, finance costs and capital expenditure. However, Management did not include budget notes to explain these variances as required by the prescribed reporting template.

Therefore, Management violated Section 164(1) of the Public Finance Management Act, 2012, which stipulates that at the end of each financial year, the accounting officer for a county government entity shall prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board.

In the circumstances, the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board. Also, Management was in breach of the law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Naromoru Water And Sanitation Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled 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**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects total recurrent expenditure budget and actual on comparable basis amounts of Kshs.15,106,894 and Kshs.17,811,125 respectively, resulting in an over expenditure of Kshs.2,704,231 (or 18% of the budget). This over expenditure includes huge over expenditures of Kshs.1,611,857 (139% of the budget) and Kshs.32,384 (324% of the budget) against maintenance and finance costs respectively. Further, the statement reflects capital expenditure budget amount of Kshs.1,714,000 and actual on comparable basis amount of Kshs.104,400, resulting in an under expenditure of Kshs.1,609,600 (or 94% of the budget).

In addition, the statement reflects total revenue budget of Kshs.16,920,894 and total expenditure budget of Kshs.16,820,894, resulting in a budget surplus of Kshs.100,000, contrary to Regulation 31 of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, the following guidelines shall be observed at all times during budget formulation and approval— (c) budget revenue and expenditure appropriations shall be balanced; and (e) total budget revenue shall cover total budget expenditure.

In the circumstances, the regularity of the recurrent over expenditure could not be confirmed. Further, the capital under expenditure may have adversely affected provision of water to the public. In addition, Management was in breach of the law.

### **2. Unresolved Prior Year Audit Issues**

The progress on follow up on Auditor's recommendations section of the financial statements indicates that several issues raised in the previous year's audit report remain unresolved as at 30 June, 2023. No satisfactory explanation was provided for the delay in resolving the issues.

My opinion is not modified in respect of these matters.

## **Other Information**

The Directors are responsible for the other information. The other information comprises the Chairman's Statement, Report of the Managing Director, Statement of Performance

Against Predetermined Objectives for financial year 2022/2023, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and the Statement of the 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 an audit opinion or any form of assurance thereon.

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Lack of Water Charging Tariff**

The company had been charging water tariffs adopted from another Water Services Provider. However, it was noted that the tariff structure expired in the year 2012 and the tariffs had not been reviewed or regularized by the Water Services Regulatory Board (WASREB) as at 30 June, 2023, contrary to Section 72(1)(a) of the Water Act, 2016, which states that the power and functions of Regulatory Board shall be to evaluate and recommend water and sewerage tariffs to the County Water Services Providers and approve the imposition of such tariffs in line with consumer protection standards.

In the circumstances, the tariff levied by the Company had outlived its economical effectiveness. In addition, Management was in breach of the law.

#### **2. Excessive Non-Revenue Water**

The statement of financial performance reflects operating revenue of Kshs.14,112,235 which, as disclosed in Note 6 to the financial statements, includes water sales amounting to Kshs.13,236,035. However, examination of water production data revealed that during the year under review, the Company produced 317,105 cubic meters (M<sup>3</sup>) of water out of which, only 227,270 cubic meters (M<sup>3</sup>), worth Kshs.13,236,035, was billed to customers, resulting in the balance of 89,835 M<sup>3</sup> of water (or 28% of the total production) representing Non-Revenue Water (NRW) which is above the sector recommended threshold of 25%

as set by Water Services Regulatory Board. This NRW may have resulted in loss of sales estimated at Kshs.5,231,923 (at the average rate of Kshs.58.24 per cubic meter).

The potential NRW loss of Kshs.5,231,923 has negatively impacted on the Company's profitability and its long-term sustainability. In addition, Management was in breach of the law.

### **3. Non-compliance with Ethnic Diversity Requirement in Staffing**

Review of personnel records revealed that the Company had twenty-four (24) staff members during the year ended 30 June, 2023. However, all the staff members were from one dominant ethnic community, contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which stipulates that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

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

### **4. Failure to File Annual Returns with the Register of Companies**

Review of records revealed that the Company was incorporated in the year 2012. However, Management did not provide evidence to show that annual returns were filed with the Registrar of companies. This was contrary to Section 705(1) of the Companies Act, 2015 which provides that every company shall submit to the Registrar successive annual returns each of which is made up to a date not later than the date that is from time to time the company's return date. No reason was given for failure to file returns.

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

### **5. Board Members Exceeding the Required Threshold**

Information provided for audit indicated that during the year under review, the Company's Board of Directors consisted of seven (7) directors, contrary to Part 3.4.1 of WASREB Corporate Governance Guidelines for the Water Services Sector, 2018, which states that the Board membership for small companies shall have a maximum of five (5) members, comprising two (2) members from the County executive and three (3) directors from the stakeholders.

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

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

#### **Lack of Information and Communication Technology (ICT) Policy**

Review of Information Communication Technology (ICT) controls and Information Management Systems of the Company revealed that, the Company had not developed and implemented an ICT policy.

In the circumstances, the adequacy and effectiveness of the Company's ICT controls during the year under review could not be confirmed.

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

### **Responsibilities of Management and the Board of Directors**

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

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

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how 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 on the basis of these financial statements.

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

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

22 February, 2024

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

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

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

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

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

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

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

	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	14,112,235	14,136,100
Grants Income	7	-	3,430,413
Other Income	8	1,954,950	2,155,714
Finance income	9	30,359	34,119
Other gains/(losses)	10	-	-
<b>Total Revenue</b>		<b>16,097,544</b>	<b>19,756,346</b>
<b>Expenses</b>			
Staff Costs	11	6,968,241	6,914,836
General and Operations expenses	12	6,415,920	5,800,082
Board Expenses	13	702,404	776,907
Maintenance Expenses	14	2,771,857	3,997,924
Depreciation and Amortization expenses	15	910,319	970,246
Finance Costs	16	42,384	28,092
<b>Total Expenses</b>		<b>17,811,125</b>	<b>18,488,087</b>
<b>Profit/(Loss) Before Taxation</b>		<b>(1,713,581)</b>	<b>1,268,259</b>
<b>Income Tax Expense/(Credit)</b>	17	<b>-</b>	<b>-</b>
<b>Profit/(Loss) After Taxation</b>		<b>(1,713,581)</b>	<b>1,268,259</b>
Earnings Per Share – Basic and Diluted	18	-	-
Dividend per share	19	-	-
		-	-

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

	Note	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
		Kshs	Kshs
<b>Other Comprehensive Income</b>		-	-
<b>Profit/ (Loss) After Taxation</b>		<b>(1,713,581)</b>	<b>1,268,259</b>
Surplus Or Deficit on Revaluation Of PPE		-	-
Remeasurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		-	
<b>Total Comprehensive Income for The Year</b>		<b>(1,713,581)</b>	<b>1,268,259</b>

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

15. Statement Of Financial Position As at 30 June 2023

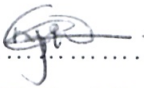
	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	20	22,142,197	22,948,115
Intangible assets	21	-	-
Investment property	22	-	-
Right- of -use assets	23	-	-
Biological assets	24	-	-
Fixed interest investments	25	-	-
Quoted investments	26	-	-
Unquoted investments	27	-	-
<b>Total non-current assets</b>		<b>22,142,197</b>	<b>22,948,115</b>
<b>Current assets</b>			
Inventories	28	2,370,277	2,857,415
Trade and receivable	29	3,085,131	2,910,784
Tax recoverable	30	-	0
Short-term deposits	31	-	0
Bank and cash balances	32	536,711	1,129,676
<b>Total non-current assets</b>		<b>5,992,119</b>	<b>6,897,875</b>
<b>Total Assets</b>		<b>28,134,316</b>	<b>29,845,990</b>
<b>Equity and liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	33	-	-

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

	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Revaluation reserve	34	-	-
Fair value adjustment reserve	35	-	-
Retained earnings	36	10,328,542	10,391,655
<b>Capital and Reserves</b>		<b>10,328,542</b>	<b>10,391,655</b>
<b>Non-current liabilities</b>			
Deferred Income	44	11,553,281	13,203,749
Borrowings	38	-	-
Lease liability	39	-	-
Provisions	40	-	-
Retirement benefits	41	-	-
<b>Total non-current liabilities</b>		<b>11,553,281</b>	<b>13,203,749</b>
<b>Current liabilities</b>			
Borrowings	38		
Lease liability	39		
Provisions	40		
Retirement benefit obligations	41		
Trade and other payables	42	2,002,025	1,908,836
Refundable deposits and Prepayments	43	2,600,000	2,455,500
Deferred income	44	1,650,468	1,886,250
Dividends payable	45	-	-
Taxation	46	-	-
<b>Total current liabilities</b>		<b>6,252,493</b>	<b>6,250,586</b>
<b>Total equity and liabilities</b>		<b>28,134,316</b>	<b>29,845,990</b>

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

The financial statements were approved by the Board on 30/9 2023 and signed on its behalf by:

  
.....

**Ms Gladys Njeri Warugongo**


**Managing Director**

  
.....

**Mr. Lincoln Mwangi Ngumi**

**Head of Finance**

**ICPAK Assoc /No 4587**

  
.....

**Eng. Eliud Kiura Gicheru**

**Chairman of the Board**

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

16. Statement Of Changes in Equity for the Year Ended 30 June 2022

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustmen t reserve	Retained earnings	Proposed dividends	Capital/ Development Fund	Total
<b>As at July 1, 2021</b>		-	-	-	5,081,432	-	2,155,714	7,237,146
New capital issued		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	1,268,259	-	-	1,268,259
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	1,886,250	1,886,250
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
<b>As at June 30, 2022</b>		-	-	-	6,349,691	-	4,041,964	10,391,655

Naromoru Water and Sanitation Company Ltd  
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	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustmen t reserve	Retained earnings	Proposed dividends	Capital/ Development Fund	Total
<b>As at July 1, 2022</b>					6,349,691		4,041,964	10,391,655
Issue of new share capital								
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(1,713,581)	-	-	(1,713,581)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	1,650,468	1,650,468
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
<b>At June 30, 2023</b>		-	-	-	<b>4,636,110</b>	-	<b>5,692,432</b>	<b>10,328,542</b>

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

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

	Note	FY 2022/2023	FY 2021/2023
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
Net surplus for the year		(1,713,581)	1,268,259
Adjustment for depreciation	17	910,319	970,246
Operating surplus before working capital adjustments		(803,262)	2,238,505
Increase in receivables		(174,347)	392,703
Increase in payable		93,189	(25,510)
Increase Customer Deposits	26	144,500	340,500
Decrease in differed liability		(235,782)	(218,451)
Decrease in Inventory		487,138	(1,499,469)
Prior year			
Total Working Capital Adjustments		314,698	(1,010,227)
Net cash generated from operating activities	47	(488,564)	1,228,278
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant & equipment	17	(104,400)	(1,178,250)
Net cash flow from Investing Activities		(104,400)	(1,178,250)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net increase in cash and cash equivalents		(592,965)	50,028
Cash and cash equivalents at the beginning of the year		1,129,676	1,079,648
Cash and cash equivalents at the end of the year	32	536,711	1,129,676

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

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e= c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	%
<b>Revenue</b>						
Operating Revenue	14,145,894	-	14,145,894	13,236,035	909,859	94%
Non-Operating Revenue	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Finance Income	-	-	-	-	-	-
Other gains	2,775,000	-	2,775,000	2,861,509	(86,509)	103%
					-	-
<b>Total Revenue</b>	<b>16,920,894</b>	<b>-</b>	<b>16,920,894</b>	<b>16,097,544</b>	<b>823,350</b>	<b>95%</b>
<b>Expenses</b>						
Staff Costs	7,740,594	-	7,740,594	6,968,241	772,353	90%
Board Expenses	950,000	-	950,000	702,404	247,596	74%
General and operations Expenses	5,246,300	-	5,246,300	7,326,239	(2,079,939)	139%
Maintenance	1,160,000	-	1,160,000	2,771,857	(1,611,857)	239%
Finance costs	10,000	-	10,000	42,384	(32,384)	424%
Total Recurrent Expenditure	15,106,894		15,106,894	17,811,125	(2,694,281)	118%
<b>Profit or Loss</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>	<b>(1,713,581)</b>	<b>1,803,631</b>	<b>-1704%</b>

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

		-			-	-
<b>Capital Expenditure</b>	<b>1,714,000</b>	-	<b>1,714,000</b>	<b>104,400</b>	<b>1,609,600</b>	<b>6%</b>
		-			-	-
		-			-	-
<b>Total Expenditure</b>	<b>16,820,894</b>	-	<b>16,820,894</b>	<b>17,915,525</b>	<b>(1,094,631)</b>	<b>106%</b>

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

**19. Notes To the Financial Statements**

**1. General Information.**

Naromoru Water & Sanitation Company Ltd is established by and derives its authority and accountability from Companies Act. The Company is wholly owned by the County Government and is domiciled in Kenya. The Company's principal activity is Water and Sanitation Services Provision. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

**2. Statement of Compliance and Basis of Preparation**

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

Notes to the financial statements (continued)

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

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

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	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.	Effective for annual periods beginning on or after 1 <sup>st</sup> January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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

Title	Description	Effective Date
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.

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

**Notes to the Financial Statements (Continued)**

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

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

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

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

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

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

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year under review.

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

**Notes to the financial statements (continued)**

**4. Summary of Accounting Policies**

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

**a) Revenue recognition**

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

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

Notes to the financial statements (continued)

Summary of Accounting Policies

**b) In-kind contributions**

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment, utilities or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded but disclosed.

**c) Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

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

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**d) Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Years	Rates
Freehold Land	-	-
Leasehold Land	-	-
Buildings and civil works	-	-
Infrastructure works	-	-
Plant and machinery	2023	12.5%
Motor vehicles, including motorcycles	2023	25%
Computers and related equipment	2023	30%
Office equipment, furniture and fittings	2023	12.5%

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

**e) Intangible assets**

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

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

**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.

**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

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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).

**j) Quoted investments**

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

**k) Unquoted investments**

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

**l) Inventories**

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

Notes to the financial statements (continued)

Summary of Accounting Policies

**m) Trade and other receivables**

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

**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,

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the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

**p) Borrowing costs**

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

Notes to the financial statements (continued)

**Summary of Accounting Policies**

and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**q) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

**r) Borrowings**

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

**s) Trade and other payables**

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

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**t) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 2022. 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.

**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 of Directors on 13th March. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company has no additional appropriations added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section 5 of these financial statements.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**x) Service concession arrangements**

Naromoru Water & Sanitation Company Limited 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, Naromoru Water & Sanitation Company Limited 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, Naromoru Water & Sanitation Company Limited also recognizes a corresponding liability, adjusted by a cash consideration paid or received

**y) Comparative figures**

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

**z) Subsequent events**

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

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in

outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. 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. They are recognized and carried at the realizable value less the provision for risk allowance, at currently 10%. Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

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Notes to the financial statements (continues)

6. Operating Revenue

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Water sales	13,236,035	13,126,100
Sewerage Services	706,500	593,500
Billing for other services	169,700	416,500
<b>Total</b>	<b>14,112,235</b>	<b>14,136,100</b>

7. Grants Income

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Operational grants from Government entities	-	3,430,413
Recurrent/operational grants from other agencies	-	-
Capital grants amortised	-	-
Donations from County Governments	-	-
In Kind contribution/donations from other agencies	-	-
<b>Total</b>	<b>-</b>	<b>3,430,413</b>

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Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2022/2023 FY KShs
Department	-	-	-	-	-
Ministry	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

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Notes to the financial statements (continued)

**8. Other Income**

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Sale of Tender		
Fine and penalties	68,700	
Rental income		
Insurance compensation		
Miscellaneous income (specify) Deffered Income	1,886,250	2,155,714
<b>Total</b>	<b>1,954,950</b>	<b>2,155,714</b>

**9. Finance Income**

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
Description	Kshs	Kshs
Interest income from treasury bonds	-	-
Interest income from treasury bills	-	--
Interest from receivables	-	
Interest from commercial banks and financial institutions	30,359	34,119
Interest on staff loans	-	-
Dividends	-	-
<b>Total</b>	<b>30,359</b>	<b>34,119</b>

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**10. Other Gains and Losses**

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
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)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**11. Staff Costs**

Description	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Gross Salary and Allowances	6,220,961	5,974,616
Casual workers' Wages	747,280	940,220
Medical insurance schemes	-	-
Employer's contributions to social security schemes	-	-
Employer's contributions to pension scheme	-	-
Provisions for Leave pay	-	-
Gratuity provisions	-	-
Fringe Benefit tax	-	-
Staff welfare	-	-
Other allowances	-	-
<b>Total</b>	<b>6,968,241</b>	<b>6,914,836</b>
<b>The average number of employees during the year</b>	<b>24</b>	<b>26</b>

## 12. General and Operations Expenses

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Chemicals	-	-
Electricity	78,225	205,000
Fuel, oil, lubricants, and gases	466,181	345,000
Office expenses	165,625	129,293
Bulk water Costs	-	-
Office supplies	-	-
Uniform and protective clothing	132,400	91,500
Telecommunication	208,222	197,494
Postage and courier	9,850	19,130
Water and sewerage	-	-
Insurance	187,591	187,591
Rent and Rates	717,114	717,114
Hire of Equipment and vehicles	-	-
Claims and compensation	-	-
Domestic Traveling and subsistence	686,900	811,725
Foreign travel and accommodation	-	-
Staff training and development	50,000	-
Bank Charges	-	-
Security services	-	-
Agency commissions	-	-
Publicity and advertising	268,726	233,816
Audit fees	-	-
Legal fees	-	-
Consultancy fees (Professional Fee)	284,824	186,725
Licensing and levies	-	-
Sports and recreation	-	-

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Stakeholders' expenses	-	-
Donations/CSR	12,000	6,900
Hospitality expenses	-	-
Research and Development	-	-
Conservation expenses	-	-
Provision for doubtful debts	-	-
Others (Specify) Printing and Stationery	97,600	66,819
Internet connection	69,588	82,841
Workshop	348,300	180,400
Conference meetings	75,600	227,000
Development of business plan and proposals	71,500	75,000
Managing director meetings	25,600	-
Maintenance of computer software	74,400	52,000
Computer & copier expenses	247,380	79,730
Library expenses	14,760	14,460
9% T.W.S.B	45,000	180,000
4% Wasreb	754,584	525,044
WRA	50,000	30,000
Provision in Audit	928,000	812,000
Stakeholders forum	159,950	149,500
Provision in AGM	150,000	150,000
WRUA	36,000	44,000
<b>Total</b>	<b>6,415,920</b>	<b>5,800,082</b>

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Notes to the financial statements (continued)

**13. Board Expenses**

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Chairman Honoraria	-	-
Sitting allowances	-	-
Medical Insurance	-	-
Induction and Training	495,904	474,907
Travel and accommodation	-	-
Other allowances (Director Allowances)	206,500	302,000
<b>Total Board Expenses</b>	<b>702,404</b>	<b>776,907</b>

**14. Maintenance Expenses**

	2022/2023 FY	2021/2022 FY
Description	Kshs	Kshs
Plant and Equipment	-	-
Buildings	-	-
Infrastructural networks	-	-
Grounds	-	-
Motor vehicles	64,340	48,450
Software	-	-
ICT (Information Communication Technology)	-	-
Furniture	-	-
Water Meter maintenance costs	-	-
Maintenance of access roads	-	-
Pipes & Fittings	326,450	179,120
General Maintenance	471,705	578,902
Improvement of Water Supply	1,401,840	443,120
Maintenance Of Exhauster	151,300	126,980
Maintenance of Small Lines	356,222	287,689

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WSTF Grants	-	2,33,663
<b>Total Maintenance Expenses</b>	<b>2,771,857</b>	<b>3,997,924</b>

**15. Depreciation and Amortization Expenses**

Description	2022/2023 FY	2021/2022 FY
	KShs	KShs
Property, plant, and equipment	910,319	970,246
Right of Use Assets	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total Depreciation and Amortization</b>	<b>910,319</b>	<b>970,246</b>

**16. Finance costs**

	2022/2023	2021/2022
	FY	FY
Description	Kshs	Kshs
	-	-
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Others (specify) Bank Charges	42,384	28,092
<b>Total</b>	<b>42,384</b>	<b>28,092</b>

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**17. Income Tax Expense/(Credit)**

**Current taxation**

	2022/2023 FY	2021/2022 FY
	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	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Profit before taxation	(1,713,581)	1,268,259
Tax at the applicable tax rate of 30%	-	380,478
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	910,319	970,246
Tax effects of income not taxable	(1,650,468)	(1,886,250)
Tax effects of excess capital allowances over depreciation/amortization	(910,319)	(970,246)
Deferred tax prior year over-provision	-	-
<b>Total</b>	<b>(3,364,049)</b>	<b>(998,469)</b>

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**Notes to the financial statements (continued)**

**18. Earnings Per Share**

No share that were distributed at the end of financial year.

**19. Dividend Per Share**

No divided that were shared during the closure of the year.

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Notes to the financial statements (continued)

20. Property, Plant and Equipment

2021/2022 FY	Freehold land	Pipes	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
<b>Cost Or Valuation</b>	-	2.5%	-	-	12.5%	-	30.0%	12.5%	-	
At July 1, 2020	-	36,073,652	-	-	4,016,900	-	330,248	143,870	-	40,564,670
Additions	-	-	-	-	1,178,250	-	-	-	-	1,178,250
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
<b>At June 30, 2021</b>		<b>36,073,652</b>			<b>5,195,150</b>		<b>330,248</b>	<b>143,870</b>		<b>41,742,920</b>
<b>Depreciation</b>										
At July 1, 2020	-	15,798,718	-	-	1,704,902	-	284,854	36,085	-	17,824,559
Charge For the Year	-	506,873	-	-	436,281	-	13,618	13,473	-	970,246
Impairment Loss	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-
<b>At June 30, 2022</b>	-	<b>16,305,591</b>	-	-	<b>2,141,183</b>	-	<b>298,472</b>	<b>49,558</b>	-	<b>18,794,805</b>
<b>Net Book Value At June 30, 2022</b>	-	<b>19,768,061</b>	-	-	<b>3,053,967</b>	-	<b>31,776</b>	<b>94,312</b>	-	<b>22,948,115</b>

Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

2022/2023 FY	Freehold land	Pipes	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
<b>Cost or valuation</b>	-	2.5%	-	-	12.5%	-	30.0%	12.5%	-	-
<b>As at 1 July 2022</b>	-	36,073,652	-	-	5,195,150	-	330,248	143,870	-	41,742,920
Additions	-	-	-	-	104,400	-	-	-	-	104,400
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
<b>As at 30th June 2023</b>		<b>36,073,652</b>			<b>5,299,550</b>		<b>330,248</b>	<b>143,870</b>		<b>41,847,320</b>
<b>Depreciation</b>										
At July 1, 2022	-	16,305,591	-	-	2,141,183	-	298,472	49,558	-	18,794,804
Charge for the year	-	494,202	-	-	394,796	-	9,533	11,789	-	910,319
Impairment loss	-	-	-	-	-	-	-	-	-	-
disposal	-	-	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2023</b>	-	<b>16,799,793</b>	-	-	<b>2,535,979</b>	-	<b>308,005</b>	<b>61,347</b>	-	<b>19,705,123</b>
<b>Net book value</b>	-		-	-		-	-	-	-	-
<b>At June 30, 2023</b>	-	<b>19,273,859</b>	-	-	<b>2,763,571</b>	-	<b>22,243</b>	<b>82,523</b>	-	<b>22,142,197</b>

Notes to the financial statements (continued)

Valuation

Land and buildings are under the defunct County Government of Nyeri

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
Land	-	-	-
Buildings	-	-	-
Plant and machinery	-	-	-
Motor vehicles, including motorcycles	-	-	-
Computers and related equipment	330,248	308,005	22,243
Office equipment, furniture, and fittings	143,870	61,347	82,523
Pipes	36,073,652	16,799,793	19,273,859
Water meter	5,299,550	2,535,979	2,763,571

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

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	-	-
Motor vehicles, including motorcycles	-	-
Computers and related equipment	-	-
Office equipment, furniture and fittings	-	-
<b>Total</b>	-	-

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**21. Intangible Assets**

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
<b>Cost</b>	-	-
<b>At July 1</b>	-	-
Additions	-	-
Disposals	-	-
<b>At June 30</b>	-	-
<b>Amortization</b>		
<b>At July 1</b>	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
<b>At June 30</b>	-	-
<b>Net book value</b>	-	-
<b>At June 30</b>	-	-

**22. Investment Property**

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

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<b>Depreciation (if at cost)</b>		
<b>At July 1 2022</b>		
Charge for the year	--	-
Disposals	-	-
Impairment loss	-	-
<b>At June 30 20xx</b>	-	-
<b>Net book value</b>	-	-
At June 30 2023	-	-

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**23. Right-of-use assets**

	<i>Buildings</i>	<i>Plant</i>	<i>Equipment</i>	<i>Total</i>
	Kshs	Kshs	Kshs	Kshs
<b>Cost</b>	-	-	-	-
As at 1 July 2022	-	-	-	-
Additions	-	-	-	-
As at 30 June 2022	-	-	-	-
Additions	-	-	-	-
As at 30 June 2022	-	-	-	-
<b>Accumulated Depreciation</b>				
As at 1 July 2022	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2023	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2023	-	-	-	-
<b>Carrying Amount</b>				
As at 30 June 2023	-	-	-	-
As at 30 June 2023	-	-	-	-

**24. Biological Assets**

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Cattle	-	-
Trees	-	-
Others (Specify)	-	-
<b>Total</b>	-	-

Notes to the financial statements (continued)

**25. Fixed Interest Investments (Bonds)**

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

<i>Details</i>	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	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	-	-

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**26. Quoted Investments**

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

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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

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

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*Provide short appropriate explanations as necessary, including make-up under the table below].  
Disclose any dividends received with respect to unquoted investments and the valuation methodology. [00]*

**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 t	Value of shares less impairment t
	Direct shareholding	Indirect shareholding	Effective shareholding			
	g	g	g			
	No	No	No	Shs	2022/2023 FY	2021/2022 FY
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	--	-	-
Entity D	-	-	-	-	-	--
	-	-	-	-	-	-

**28. Inventories**

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
General stores	54,850	2,857,415
Water Inventory (Reservoir & Distribution Line)	-	-
Chemicals & Laboratory items	-	-
Water fittings and Accessories	-	-
Water meters	2,313,742	-
Uniform and protective clothing	-	-
Fuel, oil and lubricants	-	-

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Motor vehicle spare parts	-	-
Goods in transit	-	-
Stationery and general stores	1,685	-
Finished goods	-	-
Work in progress	-	-
Less: Impairment of stocks	-	-
<b>Total</b>	<b>2,370,277</b>	<b>2,857,415</b>

*[Provide short appropriate explanations as necessary]*

**28. a) Reconciliation of Impairment Allowance for Inventories**

Description	FY 2022/2023	FY 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	-	-

**29. Trade and Other Receivables**

	FY 2022/2023	FY 2021/2022
	KShs	KShs
Trade receivables (note (29a))	3,085,131	2,910,784
Deposits and prepayments	-	-
VAT (Value Added Tax) recoverable	-	-
Staff receivables (note 29 (c))	-	-
Other receivables	-	-
<b>Gross trade and other receivables</b>	<b>3,085,131</b>	<b>2,910,784</b>
Provision for bad and doubtful receivable	-	-
<b>Net trade and other receivables</b>	<b>3,085,131</b>	<b>2,910,784</b>

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**29. (a) Trade Receivables**

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Gross trade receivables	3,085,131	2,910,784
Provision for doubtful receivables	-	-
Net trade receivables	<b>3,085,131</b>	<b>2,910,784</b>
	-	-
<b>As at June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	1,021,182	1,108,500
Between 30 and 60 days	473,379	800,125
Between 61 and 90 days	530,548	45,282
Between 91 and 120 days	264,668	32,580
Over 120 days	795,354	924,297
<b>Total</b>	<b>3,085,131</b>	<b>2,910,784</b>

**29. (b) Reconciliation of Impairment Allowance for Trade Receivables**

Description	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	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	-	-

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**29. (c) Staff Receivables**

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	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	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

**30. Tax Recoverable**

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
<b>At beginning of the year</b>	-	-
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	-	-

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**Notes to the financial statements (continued)**

**31. Short Term Deposits**

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
<b>Commercial banks</b>	-	-
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
Barclays Bank of Kenya	-	-
Others (specify)	-	-
	-	-

**32. Bank and Cash Balances**

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Cash at bank	536,711	1,129,676
Cash in hand	-	-
Mobile money account	-	-
	<b>536,711</b>	<b>1,129,676</b>

Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	FY 2022/2023	FY 2021/2022
		KShs	KShs
<b>a) Current account</b>			
Commercial banks	1137612517	129,963	52,981
Others		-	-
<b>Sub- total</b>		<b>129,963</b>	<b>52,981</b>
<b>b) On – call deposits</b>			
Commercial banks	1137612711	16,032	42,856
Others		-	-
<b>Sub- total</b>		<b>16,032</b>	<b>42856</b>
<b>c) Fixed deposits account</b>			
Other Commercial banks	1137612576	390,717	1,032,867
Others		-	-
<b>Sub- total</b>		<b>390,717</b>	<b>1,032,867</b>
<b>Sub- total</b>			
<b>d) Others(specify)</b>			
Cash in transit		-	972
Cash in hand		-	-
Mobile money account		-	-
<b>Sub- total</b>		<b>0</b>	<b>972</b>
<b>Grand total</b>		<b>536,711</b>	<b>1,129,676</b>

Notes to the financial statements (continued)

**33. Ordinary Share Capital**

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
<b>Authorized:</b>		
ordinary shares of Kshs. par value each	-	-
<b>Issued and fully paid:</b>		
ordinary shares of Kshs. par value each	-	-

**34. Revaluation Reserve**

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

**35. Fair Value Adjustment Reserve**

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is disposed, the portion of the reserve that relate to that asset is deducted 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.

Naromoru Water & 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. Naromoru Water & Sanitation Company Limited obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.400 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund. Employees contribute 7.5% 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

### 36. Retained Earnings

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

<b>RETAINED EARNINGS</b>	<b>2022/2023</b>	<b>2021/2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Reserves	10,391,655	7,237,146
Surplus/Loses for the period	(1,713,581)	1,268,259
Other reserves /prior	1,650,468	1,886,250
<b>TOTALS</b>	<b>10,328,542</b>	<b>10,391,655</b>

### 37. Deferred Tax Liability

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

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	<b>Kshs</b>	<b>Kshs</b>
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:

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

**38. Borrowings**

Description	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	KShs	KShs
<b>a) External Borrowings</b>		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
<b>Balance at end of the year</b>	-	-
<b>b) Domestic Borrowings</b>		
Balance at beginning of the year	-	-
Domestic borrowings during the year	-	-
Repayments during the year	-	-
<b>Balance at end of the year</b>	-	-
<b>C) Total Balance at end of the period c = a+b</b>	-	-

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

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from 'xxx Organization'	-	-
Sterling Pound denominated loan from 'yyy organization'	-	-
Euro denominated loan from zzz organization'	-	-
<b>Domestic Borrowings</b>	-	-
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Total balance at end of the year	-	-

<i>Description</i>	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	KShs	KShs
<b>Short term borrowings (current portion)</b>	-	-
<b>Long term borrowings</b>	-	-
Total	-	-

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39. Lease Liability

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

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

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40. Provisions

Description	Leave	Bonus	Gratuity	Other	Total
	Provision	Provision	provisions	Provisions	
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-	-
Additional Provisions	-	-	-	-	-
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Balance at the end of the year	-	-	-	-	-

Provisions details

Description	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Current Portion of Provisions	-	-
Long-term portion of Provisions	-	-
<b>Total</b>	-	-

41. Retirement Benefit Obligations.

Description	Defined	Post-	Other	<i>FY</i>	<i>FY</i>
	benefit	employe	Benefits	<i>2022/2023</i>	<i>2021/2022</i>
	plan	nt medical		Kshs	Kshs
	Kshs	benefits		Kshs	Kshs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**Notes to the financial statements (continued)**

**Retirement benefit Asset/ Liability**

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 400 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund. Employees contribute 7.5% 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.

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

**Recognition of Retirement Benefit Asset/ Liability**

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

	FY 2022/2023	FY 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	-	-
<b>Remeasurement of the net defined benefit liability (asset)</b>	-	-

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**b) Amounts recognised in the Statement of Financial Position**

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
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	-	-

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The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 400 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund. Employees contribute 7.5% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

**42. Trade and Other Payables**

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Trade payables	2,002,025	1,908,836
Accrued expenses	-	-
Employee payables	-	-
Other payables	-	-
<b>Total</b>	<b>2,002,025</b>	<b>1,908,836</b>

**Aging Analysis for Trade and other Payables**

	<b>FY 2022/2023</b>	<b>% of the total</b>	<b>FY 2021/2022</b>	<b>% of the total</b>
Under one year	993,950	50%	814,772	50%
1-2 years	363,000	18%	400,824	18%
2-3 years	116,000	6%	345,240	6%
Over 3 years	529,075	26%	348,000	26%
<b>Total</b>	<b>2,002,025</b>	<b>100%</b>	<b>1,908,836</b>	<b>100%</b>

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**43. Refundable Deposits and Prepayments**

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	<i>Kshs</i>	<i>Kshs</i>
Customer deposits	2,600,000	2,455,500
Prepayments by customers	0	0
Retention/Contract deposits	0	0
Others (Specify)	0	0
<b>Total</b>	<b>2,600,000</b>	<b>2,455,500</b>

**Aging Analysis for Refundable Deposits and Prepayments**

	<i>FY 2022/2023</i>	<i>% of the total</i>	<i>FY 2021/2022</i>	<i>% of the total</i>
Under one year	<b>154,500</b>	5.56%	<b>340,500</b>	13.87%
1-2 years	<b>340,500</b>	13.1%	<b>325,000</b>	13.24%
2-3 years	<b>325,000</b>	12.5%	<b>228,000</b>	9.29%
Over 3 years	<b>1,780,000</b>	68.85%	<b>1,562,000</b>	63.61%
<b>Total</b>	<b>2,600,000</b>		<b>2,455,500</b>	

**44. Deferred Income**

<i>Description</i>	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	<i>KShs</i>	<i>KShs</i>
National/County government	11,553,281	13,203,749
International funders	-	-
Public contributions and donations	-	-
<b>Total deferred income</b>	<b>11,553,281</b>	<b>13,203,749</b>

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The deferred income movement is as follows:

	County government	International funders	Public contributions and donations	Total
Balance brought forward	13,203,749	-	-	13,203,749
Additions	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers deferred Income from long term liability to current liability	(1,650,468)	-	-	(1,650,468)
Other transfers	-	-	-	-
Balance carried forward	11,553,281	-	-	11,553,281

**45. Dividends Payable.**

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

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

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**Dividend Payable analysis**

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

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46. Taxation

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	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	-	-

47. Notes to The Statement of Cash Flows

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations</b>		
Profit or loss before tax	(1,713,581)	1,268,259
Depreciation	910,319	970,246
Amortization		0
(Gain)/loss on disposal of property, plant and equipment		0
Operating profit/(loss) before working capital changes		
Working capital changes:		
Increase in receivables	(174,347)	392,703
Increase in payable	93,189	(25,510)
Increase Customer Deposits	144,500	340,500
Decrease in differed liability	(235,782)	(218,451)
Decrease in Inventory	487,138	(1,499,469)
<b>Cash generated from/ (used in) operation</b>	<b>(488,564)</b>	<b>1,228,278</b>
<b>(b) Analysis of changes in loans</b>		

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	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
<b>Balance at beginning of the year</b>	-	-
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
<b>Balance at end of the year</b>	<b>(518,924)</b>	<b>1,228,278</b>
<b>(c) Analysis of cash and cash equivalents</b>		
Short term deposits	0	0
Cash at bank	536,711	1,129,676
Cash in hand	0	0
<b>Balance at end of the year</b>	<b>536,711</b>	<b>1,129,676</b>
<b>(d) Analysis of interest paid</b>		
Interest on loans	-	-
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	-	-
Interest paid	-	-
<b>(e) Analysis of dividend paid</b>		
Balance at beginning of the year	-	-

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	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
20xx dividends paid	-	-
20xx dividends paid	-	-
20xx interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

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**Other Disclosures**

**48. Related Party Disclosures**

County Government of Nyeri

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

**Transactions with related parties**

	<i>FY</i> <i>2022/2023</i>	<i>FY</i> <i>2021/2022</i>
	Kshs	Kshs
<b>a) Sales to related parties</b>		
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)	-	-
<b>Total</b>	-	-

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	<i>FY</i> 2022/2023	<i>FY</i> 2021/2022
	Kshs	Kshs
<b>b) Purchases from related parties</b>		
	-	-
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)	-	-
<b>Total</b>	-	-
<b>b) Grants from the Government</b>		
Grants from National Govt Agencies	-	-
Grants from County Government	-	-
Donations in kind	-	-
<b>Total</b>	-	-
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
<b>Total</b>	-	-
	-	-
<b>d) Key management compensation</b>		
Directors' emoluments	-	-
Compensation to key management	-	-
<b>Total</b>	-	-

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**49. Capital Commitments**

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

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

**Contingent Assets and Liabilities**

**Contingent Assets**

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

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**Contingent Liabilities**

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

**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:

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**(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
<b>At 30 June 2023</b>				
Trade Receivables	3,085,131	1,972,251	1,112,880	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
Bank balances	536,711	536,711	-	-
<b>Total</b>	<b>3,621,842</b>	<b>2,508,962</b>	<b>1,112,880</b>	<b>-</b>
<b>At 30 June 2022 (previous Year)</b>				
Receivables	2,910,784	1,797,848	1,112,936	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
			-	-
Bank balances	1,129,676	1,129,676	-	-
<b>Total</b>	<b>4,040,460</b>	<b>2,927,524</b>	<b>1,112,936</b>	<b>-</b>

***Credit Risk (Continued)***

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

**ii) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June current year</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June previous year</b>	-	-	-	-

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Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**(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.

**a) Foreign currency risk**

The company is currently not exposed to currency risk because it does not trade with foreign countries.

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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
<b>At 30 June Current Year</b>			
<b>Financial assets</b>			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Financial Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June Previous year</b>			
<b>Financial assets</b>			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Financial Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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**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.

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

**c) Interest rate risk**

The company has not borrowed money and thus not affected by interest rate risk.

**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**

**a) *Financial instruments measured at fair value***

Determination of fair value and fair values hierarchy

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

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

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**Notes to the financial statements (continued)**

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

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

	<i>FY 2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	10,328,542	10,391,655
Capital reserve	-	-
<b>Total funds</b>	<b>10,328,542</b>	<b>10,391,655</b>
Total borrowings	-	-
Less: cash and bank balances	(536,711)	(1,129,676)
Net debt/ (excess cash and cash equivalents)	3,085,131	2,910,784
<b>Gearing</b>	<b>24.6%</b>	<b>17.1%</b>

50. Incorporation

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

51. Events After the Reporting Period

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

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**20. Appendices**

**Appendix 1: progress on follow up of auditor recommendations.**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Undisclosed Material Uncertainty in Relation to Going Concern	The company faced challenges with effects of Covid- 19 Pandemic that resulted to shortfall of the targeted revenue expectations. As the company under its formation is not a profit making entity, the negative working capital does not affect the company's sustainability of service.	Resolved	
2	Unsupported Adjustment in the Statement of Cash flow	This has since been corrected and adjusted in the amended financial statements.	Resolved	
3	Inaccuracies In Property, Plant and Equipment	This has since been corrected and adjusted in the amended financial statements.	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)
4	Un-Analysed Trade Receivables	This has since been corrected and adjusted in the amended financial statements.	Resolved	
5	Budgetary Control and Performance	The company realized an under funding in its Budget due to shortfall in targeted billing. This was attributed to the prolonged dry spell that resulted to the company.	Resolved	
6	Un-Resolved Prior Year Audit Issues	The company is currently following up on the matters and hopes to address the issues raised amicably.	Not-Resolved	
7	Personnel Costs	The company will strive to increase its Operational costs through increase of internally generated revenue and lobbying of funds to other development partners to improve on its total expenditures.  The personnel cost is 38% computed from a personnel	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)
		cost of Kshs. 6,368,076 as a percentage of O&M of Kshs. 16,540,076 as guided by Wasreb Key Indicator Parameters		
8	Failure to Gazette Board of Directors	The company has contracted a Company Secretary who offers advises on matters Company Law. In reference to this Audit finding, the Company Secretary advised that Naromoru Water & Sanitation Company under its current formation (limited by Guarantee) does not require its board of directors to be gazetted.	Resolved	
9	Lack of Annual Evaluation of Board Performance	The company had not conducted then Annual Evaluation of Board Performance in the year under audit due to Covid-19 restrictions on meetings. This has however been carried out	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)
		and will be recognized in the current financial year 2021/2022.		
10	Non- Revenue Water	<p>The company had UFW of 29%. This is also anticipated to reduce to 27% in the financial year 2020/2021 if the Conventional Treatment Works under construction will have been completed and handed over to the company by the County Government of Nyeri. Meanwhile, the following measures have been taken to reduce UFW</p> <ul style="list-style-type: none"> <li>• Rapid Result Initiative was put place for close supervision on servicing of water meters and attendance of bursts and leaks without delay.</li> <li>• Installation of zonal meters</li> <li>• Installation of water strainers</li> </ul>	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)
		<ul style="list-style-type: none"> <li>Sealing of all consumer meters</li> <li>Ensuring 100% metering ratio</li> </ul>		
11	Operation Without a License	<p>The company is in its final stages in the application for License from Water Services Regulatory Board (WASREB) where the regulator has promised to grant the company a 2- year Interim License.</p> <p>The company presented before your office documents to attest to this on the progress it has made on this.</p>	Resolved	
12	Lack of a Consumption Based Water Billing System	<p>The company has a Centralized Billing System that it uses to bill its consumers. The 994 Connections that were billed on flat rate consumed 0-6 units and were charged at Kshs. 250 as they belong to</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		that cluster in the Company's Tariff. No revenue was lost as a result.		
13	Lack of Approved Water Charging Tariff	The company after its formation was granted a Service Provision Agreement (SPA) by Tana Water Services Board and issued with a tariff from Othaya Mukurweini Water Services Company (OMWASCO) water and sewerage which was adopted by the Board of Directors of Naromoru Water and Sanitation Company. The amendments made on the deposit charges for consumers were approved by the Board of Directors.	Not-Resolved	
14	Failure to file Annual Returns	The company has contracted a Company Secretary who offers advises on matters Company Law. In reference to this Audit finding, the Company Secretary files a	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>return after the every Annual General Meeting for compliance.</p> <p>Due to Covid 19 restrictions on conveyance of meetings, the company did not hold Its AGM in the year 2020 which has led to delays in filing of the returns.</p>		
15	Lack of Staff Ethnic diversity	<p>The company upon filing of a vacant position advertises through the Company's website, County Government website and in the Dailies. Being in a small rural area, the company presumably attracts interest from applicants from nearby towns and surrounding counties who upon interviewing are recruited.</p>	Not-Resolved	
16	Lack of a Risk Management	The company has drafted the Risk/Disaster Management Policy which is in the draft	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)
	Policy & Framework	stage awaiting Board of Directors approval for adoption. The same document was presented to your office during audit.		
17	Lack of ICT Policy and Strategic Plan	The company has drafted the IT strategic plan and Policy which is in the draft stage awaiting Board of Directors approval for adoption. The company is in the process of formulating an I.T Committee for compliance of the same.	Resolved	
18	Lack of Internal Audit Function	The company is in the process of advertising and filling the position of the Internal Auditor. It has also included this allocation in its Personnel Costs in the Budget for Financial Year 2022-2023 and therefore expects to commence the recruitment process as from July 2022.	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)
19	Lack of an Imprest Register	The company has prepared and is currently maintaining and updating the register. This will be recognized in the coming financial year's audit.	Resolved	

**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 Glady's Njeri Wangango  
 Signature   
 Managing Director  
 Date..... 30/1/2024.....

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

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

Head of Accountants department of beneficiary entity:

Name Lineolu Ogum Sign  Date 30/1/24

**Appendix IV: Reporting of Climate Relevant Expenditures**

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

**Appendix V: Reporting Disaster Management Expenditure**

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

*(Attach forms from each transferring Government entity.)*

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Appendix VI: Recording of Transfers from Other Government Entities

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



