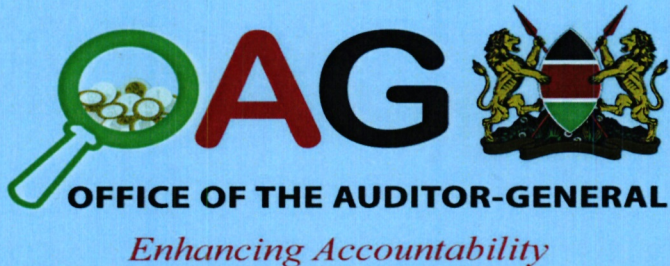


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# REPORT

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TABLED BY	Senate Majority Leader
COMMITTEE	—
CLERK AT THE TABLE	Abdirahman M.

OF

## THE AUDITOR-GENERAL

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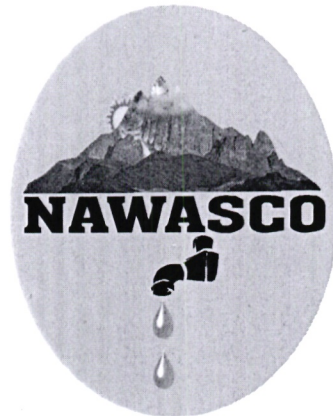
## NANYUKI WATER AND SEWERAGE COMPANY LIMITED

### FOR THE YEAR ENDED 30 JUNE, 2021

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NANYUKI WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2021

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

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## **I. Key entity information**

### **Background information**

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

### **Principal activity**

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

### **Main business activity**

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

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

### **Directors**

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

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

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**The following director retired within the year under audit**

1.	Eng Gideon Maina Thuku	Member	12 <sup>th</sup> Oct 2017- 12 <sup>th</sup> December 2020
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**Company Secretary**

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

**Registered office**

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

**Corporate headquarters**

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

**Corporate contacts**

Telephone : 254 06331351  
Email: [Nawascom@yahoo.com](mailto:Nawascom@yahoo.com)  
Website: [www.nawasco.co.ke](http://www.nawasco.co.ke)

**Principal Bankers**

(a) Kenya Commercial Bank Limited

Nanyuki Branch  
  
P.O. Box 323-10400  
Nanyuki

(b) Equity Bank

Nanyuki Branch  
P.O. Box 323-10400  
Nanyuki

(c) Family Bank

Nanyuki Branch  
P.O. Box 323-10400

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Nanyuki

(d) Sidian Bank

Nanyuki Branch

P.O. Box 323-10400

Nanyuki

**Independent Auditors**

Auditor General

The office of Auditor General

Anniversary Towers, University way

P. O. Box 30084 – 00100

Nairobi

**Principal Lawyer Advisor**

Joseph Mwangi





Advocate and Commissioner for oaths

P.O. Box 1244 - 10400


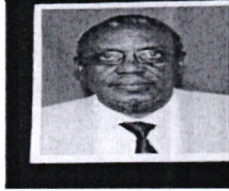



Nanyuki

## II. THE BOARD OF DIRECTORS


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

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







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5.	CPA Daniel G Wamae P.O.Box 136-10400 Nanyuki	Youth	Member	09/01/ 1987	10 <sup>th</sup> March 2020	MBA B.A Economics & Psychology CPAK HR	
6.	Lawrence Ashford Nteere	Residents Organization	Member- Chairs Audit committee	1952	19 <sup>th</sup> February 2019-20 <sup>th</sup> February 2022	Degree Civil Engineering	
7.	M/s Nancy Njeri Githu P.O. Box 995-10400 Nanyuki	PWD's	Member	1969	13 <sup>th</sup> Dec 2016-todate	A' Level Certificate Secretarial	
8.	CPA Esther Murungi Ndegwa P.O. Box 995-10400 Nanyuki	Professionals	Member- Chairs Finance & Admin committee	1957	19 <sup>th</sup> February 2019-20 <sup>th</sup> February 2022	C.P.A (K)	
9	Kennedy Gitonga P.O Box 995-10400 Nanyuki	Managing Director	Managing Director	1976		Bsc (Civil Engineering	

**The following director retired within the year under audit**

4.	Eng Gideon Maina Thuku P.O. Box 995-10400 Nanyuki	County Government	Member	25/05/ 1955	12 <sup>th</sup> Oct 2017- 12 <sup>th</sup> February 2021	B.TECH ENG MSC ENG.	
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**III. Management team**

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

#### IV. CHAIRMAN'S STATEMENT

It is my pleasure to release our annual report and financial statements for the year ended June 30, 2021. The period has had its challenges and it is quite evident that there exists a gap whereby capacity must be built to enable all parties appreciate the role of NAWASCO, its challenges and how the County Government can intervene.

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

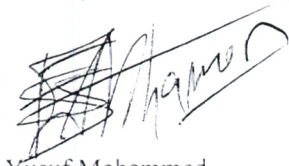
- The Public view of NAWASCO as a profit-making organization. Procedures of tariff application which are based on bare cost recovery need to be clearly explained to them.
- The difference between irrigation and domestic water needs to be explained as the two have been seen as one and the same. There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

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

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

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

Thank you and God bless you all.



Yusuf Mohammed

**Chairman, NAWASCO Board of Directors**

## **V. REPORT OF THE MANAGING DIRECTOR**

### **Introduction**

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

### **The New County dispensation**

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

### **Coverage**

The Company's area of jurisdiction is 286km<sup>2</sup> with a population of about 109,000. Our coverage in terms of population 96% and we call upon the County Government to intervene in this regard by funding our proposals to reach the un-served and underserved communities.

### **Asset development**

It is important to note that the responsibilities of NAWASCO does not include asset development but the maintenance of the existing infrastructure. The responsibility of asset development and major rehabilitation remains with RVWDA under current arrangement or the County Government when new legislation was enacted.

### **Challenges**

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

### **Performance**

This year we achieved gross revenue of KShs.345million up from KShs.323million achieved last year from operating activities of the Company which shows a marginal increase of 7%. This excludes grant income of Kshs 62m from the Ministry of Water and irrigation where they provided chemicals, WSTF/ World bank /Treasury who provided conditional liquidity support to mitigate the effect of Covid 19 pandemic to the tune of Kshs 53million within the year (Approved 92million), County Government of Laikipia through drilling of boreholes and KMT who supported in financing CIS exercise.

During the year, assets worth KShs.46million compared to Kshs 55million previous year, were procured to increase efficiency and support growth as well as to replace worn out assets.

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

The value of non-current assets increased by Kshs 19million or 8% while that of currents assets decreased by Kshs 16 million or 8%. This was largely due to refund of customer deposits to the tune of Kshs 12 million. On the other hand, current liabilities increased by 6% or Kshs 10million

#### **Way forward**

The management intends to focus on the area of NRW to enable us increase the saleable water and revenue as well. Another area to focus will be staff training and performance appraisal to enable the company embrace best practices for improved efficient water and sewerage extensions to unserved areas.

#### **Gratitude**

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



**ENG. KENNEDY GITONGA**  
**MANAGING DIRECTOR**

## VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

### EXECUTIVE SUMMARY

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

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

Based on the above mandate NAWASCO contributes to making peoples lives better through realization of their constitutionally enshrined rights to water and reasonable standards of sanitation. The company did this through increasing access to clean and safe drinking water and sanitation services and by growing financial, commercial position and viability to be able to sustainably provide timely, quality and reliable services underpinned by strong organizational structures and operational processes that strengthens its human capital and communication systems in the period 2020/2021.

The water coverage was increased from **94%** to **96%** while Sewerage coverage increased from **31%** to **40%**. The Company's revenue for the year was Ksh **345,355,156** against the project budget of Ksh **355,899,004**.

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

- 51Km of water extension projects (e.g. Baraka, Ichuga, Nkando, Nturukuma)
- 7.5Km of Sewer extension (e.g. Livian, Likii, Mt. View) and one no Pumping station
- Automation of the Company's operations through ERP, hence increased operations efficiency
- Three (3)No of Policies were developed leading to enhanced internal controls
- Reduced Pending bills by Ksh. 13.1million through WSTF- CLSG support project.
- COVID 19 interventions ( Ichuga water project, Hand washing units and fumigation to Schools and Public places)
- Staff retention, Staff development and recruitment
- Provision of technical support to Solio water project has experienced growth of customer connection to 1,744 connections. The project has been life transforming for Solio residents.
- Review of the Strategic Plan (2019/2023)- At 2<sup>nd</sup> draft stage

Key ongoing projects include: Makurian Osirwa project (22km pipeline) and construction of 3no Elevated steel tanks. Both have completed procurement process and going into construction phase. The construction of tanks is being implemented as part of Tariff investments.

During the year WASREB conducted a review exercise on how the new Tariff was operationalized. Total investments of Ksh41.1million were made under Tariff from internal funding. The Service Provision Area was also confirmed to be 187Km2.

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The Impact report of 2020/2021 rated NAWASCO at **No. 5** nationally and scored **134** out of **200** marks. In addition, NAWASCO was listed under improved WSPs, having improved by 3points.

During the FY 2020/2021 NAWASCO received funding of **Ksh.53.3Million** in first disbursement from WSTF Conditional Liquidity programme to caution against effects of Covid 19 pandemic (CLSG Programme) out of the approved **Kshs 97.2million.** in March 2021.

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

The main challenge during the year was service provision in the context of COVID 19, whereby some key customers' ability to pay was negatively affected leading to delayed payments. Consequently, the list of debtors and defaulters has continued to grow.

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

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

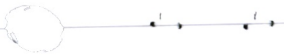
The Company achieved its performance targets set for the FY 2020/2021 period for its five strategic objectives as indicated in the diagram below:

Strategic objective	Objective	Key performance Indicator	Activities	Achievements
1	Increase access to safe and clean drinking water and sanitation services	% Increase in water access	- <b>51Km</b> water pipeline constructed facilitating <b>1,529</b> new water connections.  -3no of boreholes (Baraka, Mirera and Yard primary) drilled out of which 1no is equipped (Baraka) increasing water production by 1,500m <sup>3</sup>	Water coverage increased from <b>94%</b> to <b>96%</b> .
		% Increase sewer access	- <b>7.5Km</b> sewer lines constructed  -1no pumping station at Livian estate leading to <b>1,463 no.</b> of additional sewer connections	-Sewer coverage increased from <b>31%</b> to <b>40%</b> .
		% Increase on net profit	Cost coverage	Net loss increased from (84m) to (9m,)
2	<b>Grow Financial and Commercial position and viability</b>	Billing on actual		-The billing for the year was Kshs 345m up from Kshs 323m the previous year and against a target of Kshs 335m.
		% Increase in collection efficiency		Collection efficiency in was 107%

		O & m cost recovery		Cost recovery stood at 114%
		% Increase in metering ration		Metering ratio was 100%
		Staff per 1000 connections		Staff per 1000 connection was 6
		Improve credit worthiness ranking		The Company was able to acquire a loan of 10m in the current year 2021-2022 from financial institution due to its good credit worthiness.
		% Reduction in NRW	-The key interventions employed to reduce NRW - acquiring NRW equipment and 2no vehicles, replacement of faulty meters, training of staff, recruitment of NRW officer and repair of masonry tank (Inooro).	-Currently the in the year 2021-2022, the NRW is 35% down from 40%
3	<b>Provide timely, quality and reliable services</b>	Increase in hours of supply		-Continuous customer engagement through social media, office visits and customer clinics provided feedback to NAWASCO for improved services.  -installed 6No. Smart Water Sensors which has improved

				efficiency for the distribution and O& M teams.
		% Customer satisfaction index		Scored 71% in the last customer satisfaction survey and expect more in the current CSS
		Drinking water quality		Replacement of the filter media, and conducting of internal and external water quality analysis leading water quality compliance with WASREB guidelines at 98%.
		Compliance with residual chlorine		Replacement of the filter media, and conducting of internal and external water quality analysis leading water quality compliance with WASREB guidelines at 98%.

4	<b>Strengthen Organization structures and operational processes</b>	Continuous improvement		-Acquired Enterprise Resource Planning (ERP system) which has improved the operations efficiency in Billing, revenue collection, finance and customer relations. It has boosted data integration across the departments.
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				<p>-Three (3) no policies were reviewed and approved by the BoD namely, Procurement Policy, Debt Management Policy, Risk Management. This has strengthened internal controls and operational processes within the organization.</p>
5	<p><b>Strengthen people and communication systems</b></p>			<p>-Staff appraisals and review of Job descriptions. On job staff trainings e.g. on the ERP system as well as bench marking with other WSPs to enhance staff capacity.</p> <p>-Activation of Human Resource Management module; which has enhanced leave day management, performance evaluation and staff self-services</p> <p>-Staff reward system was established and approved by the BoD to motivate staff and team work.</p> <p>-Filled in M&amp;E position as per the HR and SP organogram.</p> <p>-Recruitment of NRW officer</p>

## VII. CORPORATE GOVERNANCE STATEMENT

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

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

### **Board of Directors**

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

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

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

### **Board committees**

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

#### **a) Finance and Administration committee**

NAWASCO take cognizance of the fact that human resource is the single most important asset in any organization. It's the function of the staff and establishment committee to ensure that NAWASO has the right staff at the right place and doing the right thing. More so, the committee will ensure that the staff welfare is taken care of.

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

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

#### **b) Technical and Strategic Committee**

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

1. June Kawira Opot
2. Peter Nderitu Mwangi

**c) Audit, risk management and governance committee**

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

1. Lawrence Nteere
2. CPA David Wamae

**Board meetings**

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

Period	Date	Meeting	Meeting Attendance
1 <sup>st</sup> Quarter	11 <sup>th</sup> August 2020	Audit risk & compliance committee	2 Members
	27 <sup>th</sup> August 2020	Technical committee & Strategic committee	4 Members
	3 <sup>rd</sup> September 2020	Audit risk & compliance committee	2 Members
2 <sup>nd</sup> Quarter	6 <sup>th</sup> October 2020	Finance & Administration Committee	3 Members
	8 <sup>th</sup> October 2020	Full board	8 Members
	26 <sup>th</sup> November 2020	Technical committee & Strategic committee	4 Members
	9 <sup>th</sup> December 2020	Audit risk & compliance committee	2 Members
	15 <sup>th</sup> December	Finance & Administration Committee	4 Members
	22 <sup>nd</sup> December 2020	Full board	9 Members

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3 <sup>rd</sup> Quarter	25 <sup>th</sup> February 2021	Audit risk & compliance committee	2 Members
	16 <sup>th</sup> March 2021	Technical committee & Strategic committee	4 Members
	25 <sup>th</sup> March 2021	Finance & Administration Committee	3 Members
	30 <sup>th</sup> March 2021	Full board	9 Members
4 <sup>th</sup> Quarter	14 <sup>th</sup> April 2021	Finance & Administration Committee	4 Members
	6 <sup>th</sup> April 2021	Full board	9 Members
	21 <sup>st</sup> May 2021	Audit risk & compliance committee	2 Members
	15 <sup>th</sup> June 2021	Technical committee & Strategic committee	4 Members
	22 <sup>nd</sup> June 2021	Finance & Administration Committee	4 Members

**Statement of compliance**

The Board of directors confirms that the company has throughout the year FY 2020/2021 complied with all statutory and regulatory requirements and that the company has been managed with the principles of good corporate governance.

**Internal control and risk management**

**Internal Control**

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

**Standing Instructions**

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

**Organization Structure**

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that

staff develop and maintain the required skills to fulfill their responsibilities, and that the company can meet its future management requirements.

### **Strategic Plan**

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

### **Internal Control Framework**

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

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Audit Committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during yr 2020/21.

### **Risk Management**

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

### **Management Team**

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

### **Auditor**

The company is audited by the Auditor-General.

## **VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

Nanyuki Water and Sewerage Company (NAWASCO), pursuant to Section 154 of the Water Act 2016 operates as a county water service provider mandated to serve Nanyuki and its environs including parts of Nyeri and Meru Counties. The

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company is owned 100% by the county Government of Laikipia and serves as her agent. The Company has a service provision area covering a total of 286km<sup>2</sup> as per the license with the Water Services Regulatory Board (WASREB).

The company developed a strategic plan for the period 2019-2023 to guide the operations and execution of its mandate. Arising out of the strategy the company also developed a business plan to guide investments required to execute the strategy. In the same operating period and as a regulated utility, WASREB gazetted a user tariff that will guide the company in the period 2019-2023.

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

Implementation of the strategic plan was however largely affected by the Covid 19 global pandemic.

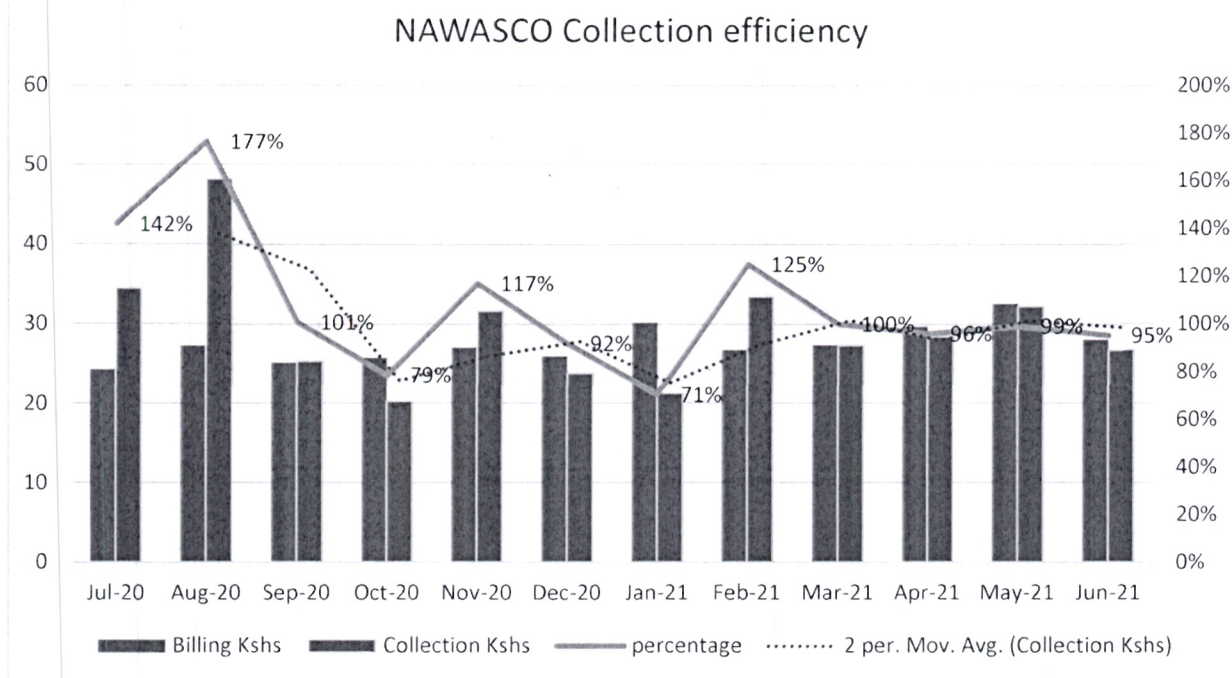
**The operation and financial performance of the company for the last financial year is as analyzed below;**

**a) Billing vs Collections During the 2020/2021FY (Ksh in Million)**

Month	Jul-20	Aug-20	Sep-20	Oct 20	Nov20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Total s
<b>Billing</b>	24.3	27.3	25.2	25.8	27.1	26.0	30.2	26.8	27.4	29.7	32.6	28.1	330.5
<b>Collections</b>	34.5	48.2	25.4	20.3	31.7	23.9	21.3	33.5	27.4	28.5	32.3	26.8	353.8
<b>Collection efficiency</b>	142%	177%	101%	79%	117%	92%	71%	125%	100%	96%	99%	95%	107%

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**Graphical Representation**



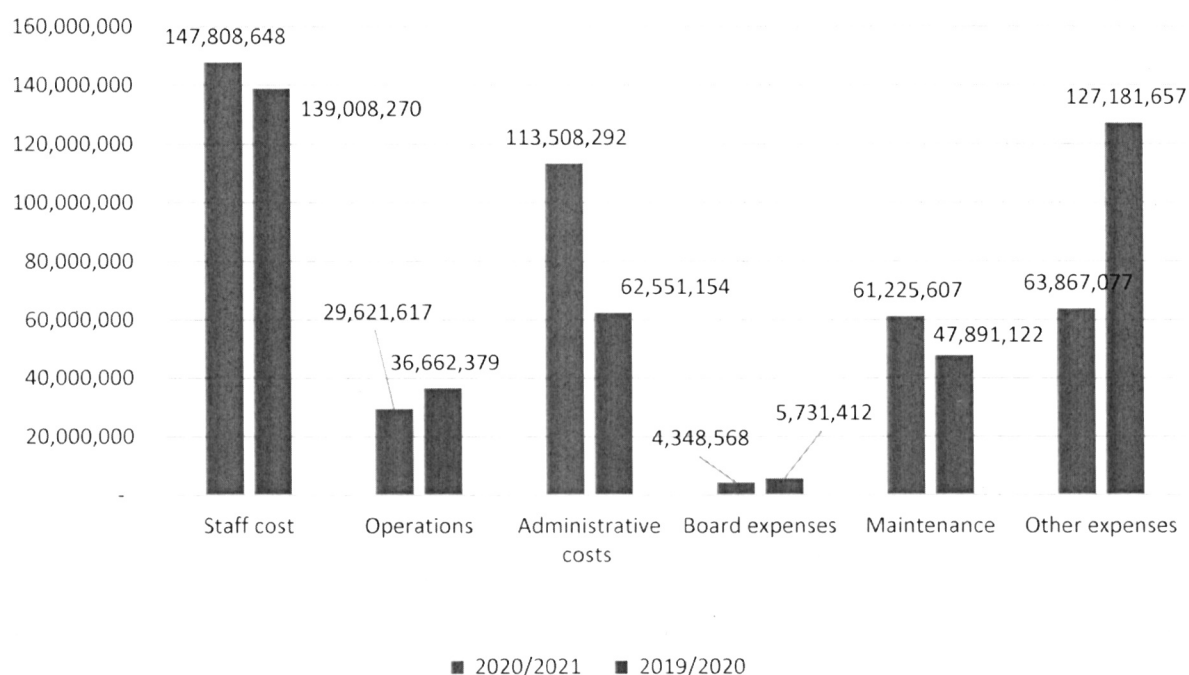
The performance was greatly affected by the Covid 19 pandemic as from the month of June 2020 as depicted in the graph above.

**Cost Summary for the 2020/2021 FY**

Cost Item	Amount (Kes)	
	2020/21	2019/20
Staff Costs	147,808,648	139,008,270
Board expenses	4,348,568	5,731,412
Administration Expenses	113,508,292	62,551,154
Operation Costs	29,621,617	36,662,379
Maintenance	61,225,607	47,891,122
Other expenses	63,867,077	127,181,657
<b>TOTAL</b>	<b>420,379,809</b>	<b>419,025,993</b>

Chart presentation of expenditure for the 2020/2021FY.

Cost summary



The table below shows the Company progress in its performance as it executed the 2019/2020- 2022/2023 strategic plan

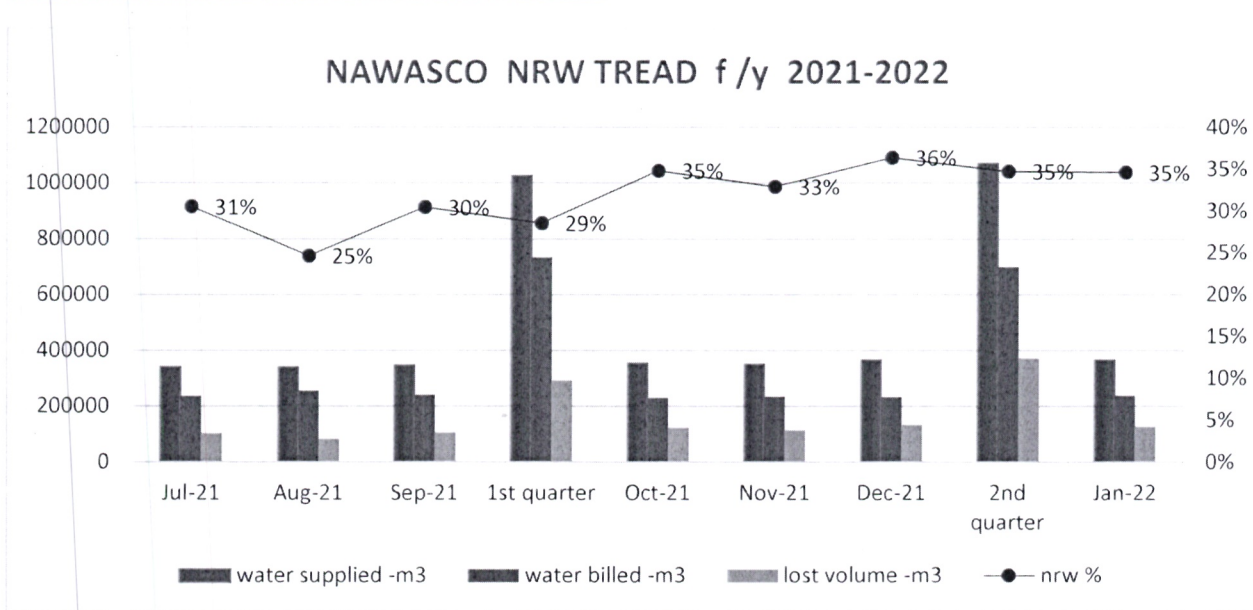
Parameter	FY 2018/19	FY 2019/20	FY 2020/21
<b>Water Production</b>	4,358,732	4,432,971	4,665,582
<b>Billed volumes</b>	2,795,954	2,880,781	2,789,080
<b>Variance</b>	1,562,778	1,552,190	1,876,502
<b>% NRW</b>	36%	35%	40%

The company has undertaken radical measures to reduce the NRW and the projected trend for the year 2021/2022 is as indicated below

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The NRW is has continued to reduce to 31% in July 2021 with a low of 25% in August 2021 and currently stands at 35% in January 2022

**Table 1.2 -NAWASCO NRW TREAD 2021 /2022**



**b) Key projects**

The company implemented various projects such as

- Solio Water Project, a donor funded project through WSTF (Kshs 120m) and county Government of Laikipia (Kshs 23m)
- Taji Estate water service line and sewer service station (Kshs32.2m) , a PPP with Unison Sacco
- Livian Estate sewer project and a solar powered sewer pumping station (11.7m) through internal funds
- Automation of office operation through purchase of ERP system (9.9m)
- Ichuga water project (4.1m) a donor funded project through WSTF

**c) Compliance to statutory requirements**

The company has continued honoring all its statutory obligations such as P.A.Y.E, NHIF,NSSF, WASREB Levies, WRA abstraction fees as they fall due.

**d) Future developments**

- Upgrade of water networks at Ngei, Thingithu phase 1/2/3 Asian quarters, Mt View
- Construction of elevated steel tanks Baraka and Njoguini
- Equipping of boreholes
- Acquisition of motor vehicles for administration efficiency

- Water and sewer extensions
- Meter replacement
- Rehabilitation of water network at Kilimo, Majengo and Ruai

## **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

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

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

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

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

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

### ***ii)* Environmental performance**

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

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

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

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

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

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

### ***iii)* Employee welfare**

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

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

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

**iv) Market place practices-**

Nawasco ensures the following are adhered to;

**a) Responsible competition practice.**

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

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

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

**c) Responsible marketing and advertisement**

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

**d) Product stewardship**

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

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

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

## **X. REPORT OF THE DIRECTORS**

The directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the company's affairs

### **Principal Activities**

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

### **Results**

The results of the company for the year ended June 30,2021 are set out on pages 1-77

### **Dividends**

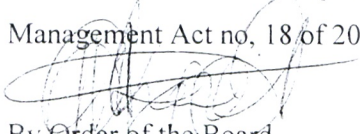
The Board of Directors do not propose any dividends for the year.

#### **Directors**

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

#### **Auditors**

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

  
By Order of the Board

CS Muriithi Kingori

Company Secretary

Nanyuki

September 30, 2021

## **XI. STATEMENT OF DIRECTORS' RESPONSILITIES**

The Public Finance Management Act, and the Companies Act, requires the Directors to prepare financial statements in respect of the company which give a true and fair view of the state of affairs of the Company at the end of the financial year period and the operating results of the company for that year / period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company. The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended June 30, 2021. This responsibility includes:

- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- b) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company;
- c) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- d) Safeguarding the assets of the company;
- e) Selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

Nanyuki Water & Sanitation Company Limited  
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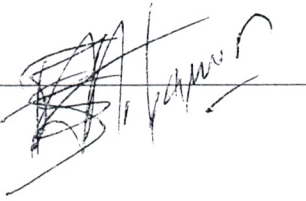
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The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the Companies Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2021, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.


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

The company's financial statements were approved by the Board on 12/04/2022 and signed on its behalf by:

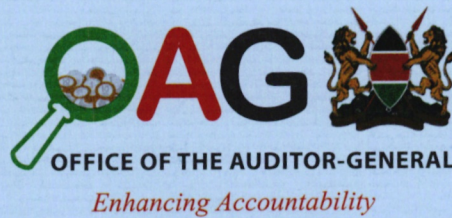
Director



Director



# REPUBLIC OF KENYA



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Website: www.oagkenya.go.ke

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

## **REPORT OF THE AUDITOR-GENERAL ON NANYUKI WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021**

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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 intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Nanyuki Water and Sewerage Company Limited set out on pages 1 to 75, which comprise the statement of financial position as at 30 June, 2021, 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

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*Report of the Auditor-General on Nanyuki Water and Sewerage Company Limited for the year ended 30 June, 2021*

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nanyuki Water and Sewerage Company Limited as at 30 June, 2021, 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 with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

## **Basis for Conclusion**

### **1. Unsupported Trade and Other Receivables**

As disclosed in Note 27 to the financial statements, the statement of financial position reflects trade receivables balance of Kshs.153,505,025 as at 30 June, 2021. However, audit review indicated the following anomalies;

- i. Value Added Tax (VAT) refundable of Kshs.22,253,547 was not supported with correspondences from the Kenya Revenue Authority.
- ii. The Company's Board approved the write off of the special bad debts of Kshs.36,605,364. However, the write off was not approved by the County Executive Committee Member for Finance. This is contrary to Section 150(2) of the Public Finance Management Act, 2012 which requires an Accounting Officer for a county government entity to obtain approval of the County Executive Committee Member for Finance to write off a loss.

In addition, the criteria of selecting debtors who qualified for write off was unclear since majority of the debtors were entities that still exist and Management ought to have planned for installment payment arrangements with affected clients. This is contrary to Section 150(2) of the Public Finance Management (County Governments) Regulations, 2015 which provides that an Accounting Officer shall ensure that all losses written off are done in accordance with this Act, these Regulations or any other relevant legislation.

In the circumstances the accuracy of the trade and other receivables balance of Kshs.153,505,025 could not be confirm.

### **2. Lack of Ownership Documents**

The statement of financial position reflects a balance of Kshs.251,431,043 under Property, Plant and Equipment which, as disclosed in Note 19 to the financial statements, includes an amount of Kshs.30,000,000 in respect of land acquired from Nanyuki High School. However, the title deed was not provided for audit verification. Further, logbooks for four (4) motor vehicles and one (1) motor cycle all valued at Kshs.4,165,708 were not provided for audit review.

In the circumstances, the ownership and accuracy of the property plant and equipment balance of Kshs.251,431,043 as at 30 June, 2021 could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Information**

The Board of Directors are responsible for the other information which comprises of the Chairman's Report, Report of Managing Director, the statement of corporate social responsibility , and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my report thereon.

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, 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. Non-Compliance with the National Cohesion and Integrity Act, 2008**

Review of human resource records revealed that during the year under review, the Company had a total of sixty-one (61) employees on permanent and pensionable terms out of which forty-nine (49) or eighty (80%) were from the dominant community. This is contrary to Section 7(2) of the National Cohesion and Integrity Act, 2008 which provide "No public establishment shall have more than one third of its staff from the same ethnic community."

In the circumstances, Management discriminate other communities in employment and was in breach of the law.

## 2. Non-Revenue Water

Review of documents provided for audit revealed that the Company produced 4,665,582 cubic meter (m<sup>3</sup>) of water during the year out of which 2,789,080 cubic meters (m<sup>3</sup>) was billed to consumers. The balance of 1,876,502 m<sup>3</sup> or approximately 40% of the total volume produced valued at of Kshs 12,688,260 represents Non-Revenue Water (NRW) which is over and above the allowable loss of 25% provided by the Water Services Regulatory Board (WASREB) guidelines.

The significant level of Non-Revenue Water is an indication of inefficiency and ineffectiveness in the use of public water resources, which negatively impact on the Company's profitability and its ability to continue as going concern.

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

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

#### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

#### Basis for Conclusion

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

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

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

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

Because of its inherent limitations, internal 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 ability of the Company to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

15 July, 2022

**XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2021**

	Notes	2020-2021	2019-2020
REVENUES		Kshs	Kshs
Revenue	6	<u>345,355,156</u>	<u>323,795,529</u>
<b>Other income</b>			
Grant income	8	<u>62,721,211</u>	<u>9,293,000</u>
<b>Total revenues</b>		<b><u>408,076,368</u></b>	<b><u>333,088,529</u></b>
<b>OPERATING EXPENSES</b>			
Staff cost	12	147,808,648	139,008,270
Board expenses	12 (e)	4,348,568	5,731,412
Administrative cost	12	113,508,292	62,551,154
Operations	12 (c)	29,621,617	36,662,379
Maintenance	12 (d)	61,225,607	47,891,122
Other expenses	12 (f)	<u>63,867,077</u>	<u>127,181,657</u>
<b>TOTAL OPERATING EXPENSES</b>		<b><u>420,379,809</u></b>	<b><u>419,025,993</u></b>
<b>PROFIT /(LOSS) BEFORE TAXATION</b>		(12,303,442)	(85,937,464)
Net profit (Loss ) from Enterprise		<u>2,739,320</u>	<u>1,183,160</u>
<b>PROFIT /(LOSS) BEFORE TAXATION</b>		<b><u>(9,564,121)</u></b>	<b><u>(84,754,304)</u></b>
<b>Earnings per share -basic and diluted</b>		-	=
<b>Dividend per share</b>		-	=

The financial statements were authorized for issues by the board on 12/17/2022 and were Signed on its behalf by;

Managing Director..... Finance Manager..... Chairman of the board.....

Eng. Kennedy Gitonga

Paul Mwangi

Yusuf Mohamed

MN 4931

Nanyuki Water & Sanitation Company Limited  
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For the year ended 30, June 2021

V. STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	19	251,431,043	230,193,602
Intangible Assets Software -(IMIS)	20	<u>5,236,840</u>	<u>6,982,456</u>
<b>Total non current assets</b>		<b><u>256,667,884</u></b>	<b><u>237,176,058</u></b>
<b>Current Assets</b>			
Inventories	26	8,641,638	6,988,757
Trade and other receivables	27	153,505,025	187,181,326
Bank and Cash balances	30	<u>22,003,525</u>	<u>13,708,089</u>
<b>Total Current assets</b>		<b><u>184,150,187</u></b>	<b><u>207,878,171</u></b>
<b>Total Assets</b>		<b><u>440,818,071</u></b>	<b><u>445,054,230</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary Share Capital	31	100,000	100,000
Capital reserves	31 (a)	157,938,935	157,938,935
Revenue reserves	34	(12,004,248)	(2,440,127)
Grant-Solio	31(b)	4,183,940	7,922,652
Grants	31(c)	<u>105,600,447</u>	<u>105,686,252</u>
<b>Capital and Reserves</b>		<b><u>255,819,074</u></b>	<b><u>269,207,712</u></b>
<b>Non current Liabilities</b>			
Gratuity	31(d)	<u>5,963,893</u>	<u>7,076,054</u>
<b>Total Non current Liabilities</b>		<b><u>5,963,893</u></b>	<b><u>7,076,054</u></b>
<b>Current Liabilities</b>			
Trade and other payables	38	<u>179,035,104</u>	<u>168,770,464</u>
<b>Total Current Liabilities</b>		<b><u>179,035,104</u></b>	<b><u>168,770,465</u></b>
<b>Total equity and liabilities</b>		<b><u>440,818,071</u></b>	<b><u>445,054,230</u></b>

The financial statements were authorized for issues by the board on 12/04/2022 and were Signed on its behalf by;

Managing Director..... Finance Manager..... Chairman of the board.....

Eng. Kennedy Gitonga

Paul Mwangi ICPAK MN4931

Yusuf Mohamed

**XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2021**

	Share Capital Kshs	WSTF Kshs	Capital Reserves Kshs	WSTF Grant Solio Kshs	Revenue reserves Kshs	Total Kshs
<b>Year ended June 30, 2020</b>						
As at 1 <sup>st</sup> July 2019	100,000	106,984,446	157,938,935	69,052,436	82,314,177	416,389,994
Grant -Bungoma primary		(1,298,194)				(1,298,194)
Grant -WSTF solio project				(10,893,324)		(10,893,324)
Grant -WSTF solio project				(50,236,460)		(50,236,460)
Net surplus (deficit) for the year					(84,754,304)	(84,754,304)
<b>At 30 June 2020</b>	<b>100,000</b>	<b>105,686,252</b>	<b>157,938,935</b>	<b>7,922,652</b>	<b><u>(2,440,127)</u></b>	<b><u>269,207,712</u></b>

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	Share Capital Kshs	WSTF Kshs	Capital Reserves Kshs	WSTF Grant Solio Kshs	Revenue reserves Kshs	Total Kshs
<b>Year ended June 30, 2021</b>						
As at 1 <sup>st</sup> July 2020	100,000	105,686,252	157,938,935	7,922,652	(2,440,127)	269,207,712
Grant -Bungoma primary		(85,805)				(85,805)
Grant -WSTF solio project				(3,738,712)		(3,738,712)
Net surplus (deficit) for the yr					(9,564,121)	(9,564,121)
<b>At 30 June 2021</b>	<b>100,000</b>	<b>105,600,447</b>	<b>157,938,935</b>	<b>4,183,940</b>	<b>(12,004,248)</b>	<b>255,819,074</b>

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**XVI. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED JUNE 30, 2021**

	Notes	2020-2021	2019-2020
		Kshs	Kshs
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
<b>CASH GENERATED FROM /USED IN OPERATIONS</b>			
Profit (loss) for the year		(9,564,121)	(84,754,304)
<b>Adjustments for;</b>			
Depreciation		25,516,097	19,410,084
Amortization		1,745,616	1,745,614
<b>Operating profit (loss) before working capital changes</b>		<b>17,697,592</b>	<b>(63,598,606)</b>
<b>Changes in working capital items</b>			
(Increase) /decrease in inventories		(1,652,881)	6,061,336
(increase) / decrease in trade and other receivables		33,676,301	135,089,685
(decrease) / increase in trade & other payables		<u>9,152,479</u>	<u>(11,789,141)</u>
<b>Cash generated from / (used in) operating activities</b>		<b>58,873,491</b>	<b>65,763,274</b>
Interest paid			
Taxation paid			
<b>Net cash used in operating activities</b>		<b><u>58,873,491</u></b>	<b><u>65,763,274</u></b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		<u>(46,753,538)</u>	<u>(55,357,359)</u>
<b>Net cash outflows from investing activities</b>		<b><u>(46,753,538)</u></b>	<b><u>(55,357,359)</u></b>
<b>Net cash outflows from investing activities</b>			
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Grant		(3,824,517)	(62,427,973)
Net increase / (decrease) in cash and cash equivalents		8,295,436	(52,022,063)
Opening cash and cash equivalents		<u>13,708,088</u>	<u>65,730,145</u>
<b>Closing cash and cash equivalents</b>		<b><u>22,003,524</u></b>	<b><u>13,708,088</u></b>

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE  
PERIOD ENDED 30 JUNE 2021**

	Original budget Kshs	Adjustments Kshs	Final budget Kshs	Actual on comparable basis Kshs	Performance difference Kshs	% of utilis ation
<b>REVENUE</b>						
Water charges	213,653,294	0	213,653,294	225,076,075	11,422,981	5%
Sewer Charges	129,607,713	(31,807,713)	97,800,000	95,529,016	(2,270,984)	(2%)
Standing charges	8,298,600	1,000,000	9,298,600	9,939,770	641,170	7%
Other Incomes	6,226,739	8,920,371	15,147,110	14,810,095	(337,015)	(2%)
<b>Total</b>			<b>335,899,004</b>	<b>345,355,156</b>		
Grant Incomes	25,607,588	0	25,607,588	62,721,211		
<b>Grand total</b>	<b>357,786,346</b>	<b>(21,887,342)</b>	<b>361,506,592</b>	<b>408,076,368</b>		
<b>Expenses</b>						
Staff cost	135,589,378	2,570,001	138,259,378	147,808,648	(9,549,270)	(7%)
Operations	33,190,283		29,553,863	29,621,617	(67,754)	(0%)
Administrative costs	56,736,88	57,252,000	125,285,586	113,508,292	11,777,294	9%
Board expenses	5,543,698	0	5,546,698	4,348,568	1,198,130	22%
Maintenance	51,668,350	6,210,000	57,878,350	61,225,607	(3,347,257)	(6%)
Other expenses			<b>62,745,616</b>	<b>63,867,077</b>	<b>(1,121,461)</b>	<b>(2%)</b>
<b>Total</b>			<b>419,269,491</b>	<b>420,379,809</b>	<b>(1,110,318)</b>	<b>0%</b>

## XVIII. NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

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

### 2. Statement of compliance and basis of preparation

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

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

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

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

#### i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

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

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

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....

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

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

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

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

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

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

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

The annual rates in use are:

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

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

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

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

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

**e) Intangible Asset**

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

**f) Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**g) Investment property**

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

**h) Risk of Use Asset**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for

costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

**i) Fixed interest investments (bonds)**

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

**j) Quoted investments**

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

**k) Unquoted investments**

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

**l) Inventories**

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

**m) Trade and other receivables**

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

**n) Taxation**

**i. Current income tax**

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

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**o) Deferred tax**

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

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

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

or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

**p) Borrowing costs**

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

**q) Cash and cash equivalents**

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

**r) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised 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 capitalised 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 amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

**t) Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 20XX. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.XXX per employee per month.

**u) Provision for staff leave pay**

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

**v) Exchange rate differences**

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

**w) Budget information**

The original budget for FY 2020-2021 was approved by the Board on June 30, 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of an increase Kshs 67million on expenditure and reduction of Kshs 21million on Revenue on the 2020-2021 budget following the board's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to

be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

**a) Service concession arrangements**

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

**b) Comparative figures**

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

**c) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

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

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

**a) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future

developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

**b) Useful lives and residual values**

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

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

**c) Provisions**

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

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

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

**6. REVENUE**

	2020/2021	2019/2020
	Kshs	Kshs
Gross sales of services	345,355,156	323,795,529
<b>Total</b>	<b>345,355,156</b>	<b>323,795,529</b>

**7. Cost of sales**

	2020/2021	2019/2020
	Kshs	Kshs
Cost of sales of goods	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**8. Grants from National Government**

Description	2020/2021	2019/2020
	Kshs	Kshs
KMT	950,000	4,293,000
County Government of Laikipia	1,991,495	5,000,000
WSTF	4,137,723	0
Grant Chemicals (WASPA)	2,324,040	0
Liquidity support	53,317,953	0
<b>Total</b>	<b>62,721,211</b>	<b>9,293,000</b>

**9. Finance Income**

	2020/2021	2019/2020
	Kshs	Kshs
Interest income from treasury bonds	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**10. Other income**

	2020/2021	2019/2020
	Kshs	Kshs
Sale of tender documents	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**11. Other gains and losses**

	2020/2021	2019/2020
	Kshs	Kshs
Foreign exchange gains	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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12. Administrative costs & Staff costs

Description	2020/2021	2019/2020
	Kshs	Kshs
Staff cost (note 12 b)	147,808,648	139,008,270
<b>Total</b>	<b>147,808,648</b>	<b>139,008,270</b>
<b>Administrative cost</b>		
End of year party	1,309,072	934,000
Performance token	707,000	549,000
Additional tax assessment	21,611,374	-
AGM	-	647,892
Ground maintenance	2,379,210	2,344,980
Staff medical insurance	5,948,081	7,426,226
Advertisements	245,000	775,871
Travelling & subsistence	7,605,122	13,304,757
Telephone & postage	999,665	1,322,952
Newspapers & periodicals	421,770	317,116
Office expenses	306,897	218,990
Staff training	10,157,577	6,065,335
Corporate social responsibility	1,209,860	1,770,569
Staff welfare	8,059,862	11,096,085
Subscription	284,470	575,914
Games & sports	31,000	2,651,085
Legal fees	70,550	1,217,185
Audit fees	538,240	1,076,480
Professional fees	-	1,147,688
Security	5,568,059	3,845,551
Stakeholders participation	1,051,154	1,697,566
Internet	3,765,939	1,893,907
General insurance	1,150,428	1,491,650
Bank charges	515,610	567,100
Printing & stationery	3,056,808	4,618,578

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Uniforms	341,050	513,908
Provision for bad & doubtful debts	32,689,333	(7,164,019)
Cleaning materials	3,485,161	1,644,787
<b>Total</b>	<b>113,508,292</b>	<b>62,551,154</b>

12. (b) Staff costs

Description	2020/2021	2019/2020
	Kshs	Kshs
Salaries and allowances of permanent employees	120,882,392	111,037,687
Wages of temporary employees	2,704,050	5,112,869
Compulsory national health insurance schemes	-	-
Compulsory national social security schemes	441,000	388,800
Other pension contributions	12,066,831	12,038,036
Leave pay and gratuity provisions	11,714,375	10,430,878
<b>Total</b>	<b>147,808,648</b>	<b>139,008,270</b>
<b>The average number of employees at the end of the year was:</b>		
Senior Management	8	8
Permanent employees – Middle level Management	15	14
<b>Permanent</b>	<b>35</b>	<b>35</b>
<b>Long term contract (3yrs -5yrs)</b>	<b>18</b>	<b>18</b>
<b>Fixed short term contract –(3mths – 1yr)</b>	<b>86</b>	<b>86</b>
<b>Total</b>	<b>162</b>	<b>161</b>

12 (c) Operations

Description	2020/2021	2019/2020
	Kshs	Kshs
Licenses & permits	10,010	880,231
Likii -WRUA	53,000	356,000
WRA abstraction fees	1,271,476	1,241,180

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Chemicals	7,360,861	2,616,140
Water Analysis	697,947	376,300
WASREB fees	3,095,522	2,790,509
Solio project	8,710,731	7,887,728
Project admin cost- Makurian	554,579	-
Electricity	5,547,492	8,132,801
Consultancy	2,320,000	12,381,490
<b>Total</b>	<b>29,621,617</b>	<b>36,662,379</b>

**12 (d) Maintenance**

Description	2020/2021	2019/2020
	Kshs	Kshs
<b>General maintenance</b>		
Tools & equipment	325,865	144,509
Electrical repairs	2,457,715	1,071,742
NRW	2,555,353	2,066,455
Repair & maintenance of boreholes	1,675,437	679,910
Fencing & access road maintenance	4,390,813	4,747,087
Building maintenance	2,781,431	3,798,277
Water network repairs	17,444,534	15,957,660
Sewer network maintenance	6,824,213	6,618,769
Disludging	2,153,329	910,620
Disilting	522,565	-
Manhole maintenance	5,168,634	863,776
System maintenance	1,540,300	-
Computer accessories	766,770	520,404
<b>Sub total</b>	<b>48,606,959</b>	<b>37,379,209</b>
<b>Motor vehicle running expenses</b>		
<b>Fuel &amp; oils</b>	<b>6,649,358</b>	<b>5,118,189</b>
<b>M/V repairs</b>	<b>3,898,969</b>	<b>3,004,343</b>

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Tyres & tubes	300,500	771,573
Generator repairs & oils	276,298	342,344
Exhauster maintenance	161,583	452,973
Motor bikes repair	1,331,940	822,490
Sub total	12,618,649	10,511,913
Grand total	61,225,607	47,891,122

12 (e) Board expenses

Description	2020/2021	2019/2020
	Kshs	Kshs
Committee allowances	1,339,166	2,518,860
Full board allowances	1,123,638	2,144,006
Board expenses	1,885,764	1,068,546
<b>Total</b>	<b>4,348,568</b>	<b>5,731,412</b>

12 (f) other expenses

Description	2020/2021	2019/2020
	Kshs	Kshs
<b>Depreciation</b>	25,516,097	19,410,085
Amortization	1,745,616	1,745,614
Bad debts written off	36,605,364	106,025,958
<b>Total</b>	<b>63,867,077</b>	<b>127,181,657</b>

13. Selling & distribution costs

Description	2020/2021	2019/2020
	Kshs	Kshs

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Salaries & wages of sales personnel	-	-
Marketing and promotional expenses	-	-
Sales commissions	-	-
Sales discounts and rebates	-	-
Other selling and distribution costs		

**14. Finance costs**

	2020/2021	2019/2020
Description	Kshs	Kshs
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
<b>Total</b>	-	-

**15. Operating profit / Loss**

	2020-2021	2019-2020
	Kshs	Kshs
<b>The operating profit/ (Loss) is arrived at after charging / (crediting)</b>		
Staff costs (note 12 b)	147,808,648	139,008,270
Depreciation of property plant and equipment	25,516,097	19,410,085
Amortisation of intangible assets	1,745,616	1,745,614
Provision for bad and doubtful debts	32,689,333	(7,164,019)
Directors' emoluments- Fees	2,462,804	4,662,865
-others	1,885,764	1,068,546
Auditors' remuneration- current year fees	538,240	538,240
-Prior year under provision	-	-
Loss on disposal of property , plant and equipment	-	-
Net foreign exchange loss	-	-
Interest receivable	(37,758)	(22,473)
Interest payable	-	-

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Rent receivable	(19,500)	(4,500)
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**16. Income tax expense / (Credit)**

**a) Current taxation**

	2020/2021	2019/2020
Description	Kshs	Kshs
Current taxation based on the adjusted profit for the at 30%	-	-
Current tax : prior year under/ (over) provision	-	-
Prior year under-provision for deferred tax	-	-
<b>Total</b>	-	-

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

	2020/2021	2019/2020
Description	Kshs	Kshs
Profit before taxation	-	-
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation / amortization	-	-
Deferred tax prior year over-provision	-	-
<b>Total</b>	-	-

**17. Earning per share**

The earnings per share is calculated by dividing the profit after tax of (Kshs (84,754,304) (2019-2020) (Kshs (847)) by the average number of ordinary shares in issue during the year of 100,000 (2019-2020: 100,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date

**18. Dividend per share**

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2021, a final dividend in respect of the year ended June 30, 2021 of Kshs. 0 (2020: Kshs. 0) for every ordinary share of par value of Kshs.10 is to be proposed. An interim dividend of Kshs. 0 (2020: Kshs. 0) for every ordinary share of par value of Kshs.10 was declared and paid during the year. This will bring the total dividend for the year to Kshs.0 (2020: Kshs.0).

19. Property, Plant and Equipment

2020/2021	Motor Vehicles	Tractors & trailers	Motor cycle	Furniture & fittings	Equipment's, safe & cabinets	Buildings	Borehole/Tanks Solar	NRW Equipments	Filter media
<b>COST OR VALUATION</b>									
At July 1, 2020	12,655,259	2,570,000	3,518,382	3,507,751	3,705,670	9,660,928	25,535,733	-	-
Additions	-	-	112,650	-	-	1,826,573	4,213,557	966,000	1,160,890
<b>At June 30, 2021</b>	<b>12,655,259</b>	<b>2,570,000</b>	<b>3,631,032</b>	<b>3,507,751</b>	<b>3,705,670</b>	<b>11,487,501</b>	<b>29,749,290</b>	<b>966,000</b>	<b>1,160,890</b>
<b>DEPRECIATION</b>									
At July 1, 2020	12,655,259	1,070,000	3,194,293	2,179,208	2,941,686	5,470,322	-	-	-
Charge for the year	-	500,004	149,508	285,000	253,164	1,435,938	3,718,656	120,756	145,116
<b>As At 30<sup>th</sup> June 2021</b>	<b>12,655,259</b>	<b>1,570,004</b>	<b>3,343,801</b>	<b>2,464,208</b>	<b>3,194,850</b>	<b>6,906,259</b>	<b>3,718,656</b>	<b>120,756</b>	<b>145,116</b>
<b>NET BOOK VALUE As at June 30, 2021</b>	<b>-</b>	<b>999,996</b>	<b>287,232</b>	<b>1,043,543</b>	<b>510,821</b>	<b>4,581,241</b>	<b>26,030,634</b>	<b>845,244</b>	<b>1,015,774</b>
<b>NET BOOK VALUE As at June 30, 2020</b>	<b>-</b>	<b>1,500,000</b>	<b>324,090</b>	<b>1,328,543</b>	<b>763,985</b>	<b>4,190,606</b>	<b>25,535,733</b>	<b>-</b>	<b>-</b>

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Property, plant and Equipment (continued)

2020/2021	Land	W.I.P WSTF	W.I.P Solio	Computer equipments	Water systems Likii sewerage	Water system sewerlinne ext	Water systems Nturukuma , Nkando Katheri	Water systems S/water, Ichuga, Njoguini	Water systems & Meters & Water extension
<b>COST OR VALUATION</b>									
At July 1, 2020	30,000,000	49,684,106	7,930,229	10,870,721	7,344,624	9,891,493	3,975,163	4,724,707	15,567,586
Additions				536,900	1,618,893	20,672,552	295,085	3,066,250	12,284,189
<b>At June 30, 2021</b>	<b>30,000,000</b>	<b>49,684,106</b>	<b>7,930,229</b>	<b>11,407,621</b>	<b>8,963,517</b>	<b>30,564,045</b>	<b>4,270,248</b>	<b>7,790,957</b>	<b>27,851,775</b>
<b>DEPRECIATION</b>									
At July 1, 2020	-	-	-	10,196,447	2,397,849	3,198,923	1,540,568	1,835,693	4,079,862
Charge for the year	-	-	-	498,444	820,703	3,420,654	341,208	744,401	2,971,489
<b>As At 30<sup>th</sup> June 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,694,891</b>	<b>3,218,553</b>	<b>6,619,577</b>	<b>1,881,776</b>	<b>2,580,095</b>	<b>7,051,351</b>
<b>NET BOOK VALUE As at June 30, 2021</b>	<b>30,000,000</b>	<b>49,684,106</b>	<b>7,930,229</b>	<b>712,730</b>	<b>5,744,964</b>	<b>23,944,468</b>	<b>2,388,472</b>	<b>5,210,862</b>	<b>20,800,424</b>
<b>NET BOOK VALUE As at June 30, 2020</b>	<b>30,000,000</b>	<b>49,684,106</b>	<b>7,930,229</b>	<b>674,274</b>	<b>4,946,775</b>	<b>6,692,570</b>	<b>2,434,595</b>	<b>2,889,014</b>	<b>11,487,724</b>

Property, plant and Equipment (continued)

2020/2021	Bottling	Old Water system							Total
<b>COST OR VALUATION</b>									
At July 1, 2020	2,298,515	283,248,197							486,689,064
Additions	-	-							46,753,538
<b>At June 30, 2021</b>	<b>2,298,515</b>	<b>-</b>							<b>533,442,602</b>
<b>DEPRECIATION</b>									
At July 1, 2020	1,077,106	204,658,244							256,495,462
Charge for the year	287,316	9,823,740							25,516,097
<b>As At 30<sup>th</sup> June 2021</b>	<b>1,364,424</b>	<b>214,481,984</b>							<b>282,011,559</b>
<b>NET BOOK VALUE As at June 30, 2021</b>	<b>934,091</b>	<b>68,766,213</b>							<b>251,431,043</b>
<b>NET BOOK VALUE As at June 30, 2020</b>	<b>1,221,407</b>	<b>78,589,953</b>							<b>230,193,602</b>

Property, Plant and Equipment (continued)

2020/2021	Motor Vehicles	Tractors & trailers	Motor cycle	Furniture & fittings	Equipment's, safe & cabinets	Buildings	Borehole/Tanks Solar	NRW Equipment's	Filter media
<b>COST OR VALUATION</b>									
At July 1, 2019	12,655,259	570,000	3,175,279	2,978,210	3,669,175	8,533,742	20,524,430	-	-
Additions		2,000,000	343,103	529,541	36,495	1,127,186	5,011,303	-	-
<b>At June 30, 2020</b>	<b>12,655,259</b>	<b>2,570,000</b>	<b>3,518,382</b>	<b>3,507,751</b>	<b>3,705,670</b>	<b>9,660,928</b>	<b>25,535,733</b>	-	-
<b>DEPRECIATION</b>									
At July 1, 2019	1,578,755	570,000	2,950,057	1,894,676	2,688,526	4,263,990	-	-	-
Charge for the year	1,076,503	500,000	244,236	284,532	253,160	1,206,332	-	-	-
<b>As At 30<sup>th</sup> June 2020</b>	<b>12,655,258</b>	<b>1,070,000</b>	<b>3,194,293</b>	<b>2,179,208</b>	<b>2,941,686</b>	<b>5,470,322</b>	-	-	-
<b>NET BOOK VALUE As at June 30, 2020</b>	-	<b>1,500,000</b>	<b>324,089</b>	<b>1,328,543</b>	<b>763,984</b>	<b>4,190,606</b>	<b>25,535,733</b>	-	-
<b>NET BOOK VALUE As at June 30, 2019</b>	<b>1,076,504</b>	-	<b>225,222</b>	<b>1,083,534</b>	<b>980,649</b>	<b>4,269,752</b>	<b>20,524,430</b>	-	-

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

19. (b) Property, Plant and Equipment

	Cost or valuation	Accumulated depreciation
Motor vehicle	12,655,259	12,655,259
Tractor	570,000	570,000
Motor cycle	3,095,538	3,095,538
Computers	364,800	364,800

20. Intangible Assets

	2020/2021	2019/2020
	Kshs	Kshs
<b>COST</b>		
At July 1	8,728,070	
Additions		8,728,070
Disposals	-	
	_____	
At June 30	<b>8,728,070</b>	<b>8,728,070</b>
	_____	
<b>AMORTISATION</b>		
At July 1	1,745,614	-
Charge for the year	1,745,616	1,745,614
Disposals	-	
Impairment loss	-	
	_____	
At June 30	3,491,230	1,745,614
	_____	
<b>NET BOOK VALUE</b>		
At June 30	<b>5,236,840</b>	<b>6,982,456</b>

**21. Investment Property**

	2020/2021	2019/2020
	Kshs	Kshs
<b>Opening valuation</b>	-	-
<b>Movements during the year</b>		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
<b>Closing valuation</b>	-	-
<b>DEPRECIATION (IF AT COST)</b>		
<b>At July 1</b>	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
<b>At June 30</b>	-	-
<b>NET BOOK VALUE</b>		
At June 30	-	-

**22. Right-of-use assets**

	Buildings	Plant	Equipment	Total
	Kshs	Kshs	Kshs	Kshs
<b>Cost</b>				
As at 1 July 2020	-	-	-	-
Additions	-	-	-	-
As at 30 June 2021	-	-	-	-
Additions	-	-	-	-
As at 30 June 2021	=	=	=	=

#### 4. Summary of Significant Accounting policies

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

##### a) Revenue recognition

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

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

##### b) In Kind contribution

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

##### c) Property, plant and equipment



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

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

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020/2021

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<b>Accumulated Depreciation</b>				
As at 1 July 2020	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2021	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2021	=	=	=	=
<b>Carrying Amount</b>				
As at 30 June 2021	=	=	=	=
As at 30 June 2020	=	=	=	=

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

	2020/2021	2019/2020
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Infrastructure Bond	-	-
AB Corporate Bond (give details)	-	-
CD Corporate Bond (give details)	-	-
<b>Total</b>	-	-

Details	2020/2021	2019/2020
	Kshs	Kshs
Balance at 1 July	-	-
Additions during the year	-	-

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Interest accrued during the year	-	-
Investment maturities during the year	-	-
Balance at 30 June	-	-

**24. Quoted Investments**

	2020/2021	2019/2020
	Kshs	Kshs
<b>Opening valuation</b>	-	-
<b>Movements during the year</b>		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
<b>Closing valuation</b>	-	-

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	-	-	-	-	-	-
	-	-	-	-	-	-

Property, plant and Equipment (continued)

2020/2021	Land	W.I.P WSTF	W.I.P Solio	Computer equipments	Water systems Likii sewerage	Water system sewerlinne ext	Water systems Nturuku ma, Nkando Katheri	Water systems S/water, Ichuga, Njoguini	Water systems Meters & Water extension
<b>COST OR VALUATION</b>									
At July 1, 2019	-	49,684,106	7,930,229	10,132,659	7,078,128	7,468,463	3,824,601	4,598,209	11,882,988
Additions	30,000,000	-	-	738,062	266,496	2,423,030	150,562	126,498	3,684,598
<b>At June 30, 2020</b>	<b>30,000,000</b>	<b>49,684,106</b>	<b>7,930,229</b>	<b>10,870,721</b>	<b>7,344,624</b>	<b>9,891,493</b>	<b>3,975,163</b>	<b>4,724,707</b>	<b>15,567,586</b>
<b>DEPRECIATION</b>									
At July 1, 2019	-	-	-	9,807,047	1,691,167	2,269,182	1,422,978	1,192,690	2,535,408
Charge for the year	-	-	-	389,400	706,682	929,740	117,590	643,004	1,544,454
<b>As At 30<sup>th</sup> June 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,196,447</b>	<b>2,397,849</b>	<b>3,198,922</b>	<b>1,540,568</b>	<b>1,835,694</b>	<b>4,079,862</b>
<b>NET BOOK VALUE As at June 30, 2020</b>	<b>30,000,000</b>	<b>49,684,106</b>	<b>7,930,229</b>	<b>674,274</b>	<b>4,946,775</b>	<b>6,692,571</b>	<b>2,434,595</b>	<b>2,889,013</b>	<b>11,487,724</b>
<b>NET BOOK VALUE As at June 30, 2019</b>	<b>-</b>	<b>49,684,106</b>	<b>7,930,229</b>	<b>325,612</b>	<b>5,386,961</b>	<b>5,199,181</b>	<b>2,401,623</b>	<b>3,405,519</b>	<b>9,347,580</b>

Property, plant and Equipment (continued)

2020/2021	Bottling	Old Water system							Total
<b>COST OR VALUATION</b>									
At July 1, 2019	2,106,100	283,248,197							440,059,775
Additions	192,415	-							46,629,289
<b>At June 30, 2020</b>	<b>2,298,515</b>	<b>283,248,197</b>							<b>486,689,064</b>
<b>DEPRECIATION</b>									
At July 1, 2019	789,793	193,431,109							237,085,378
Charge for the year	287,315	11,227,136							19,410,084
<b>As At 30<sup>th</sup> June 2020</b>	<b>1,077,108</b>	<b>204,658,245</b>							<b>256,495,462</b>
<b>NET BOOK VALUE As at June 30, 2020</b>	<b>1,221,407</b>	<b>78,589,952</b>							<b>230,193,602</b>
<b>NET BOOK VALUE As at June 30, 2019</b>	<b>1,316,307</b>	<b>89,817,088</b>							<b>202,974,397</b>

### 29. Short Term Deposits

	2020/2021	2019/2020
	Kshs	Kshs
<b>Other commercial banks</b>		
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-

### 30. Bank and Cash Balances

	2020/2021	2019/2020
	Kshs	Kshs
Cash at bank	21,988,185	13,708,088
Cash in hand	15,340	-
	<b>22,003,525</b>	<b>13,708,088</b>

The bulk of the cash at bank was held Equity bank -consumer deposit (12m), post bank, a collection account (2.3m) and Family bank -Conditional liquidity support account (4.8m).

### Detailed analysis of the cash and cash equivalents

		2020/2021	2019/2020
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Sidian Bank	0101900000667	584,897	247,443
KCB	1103189492	525,385	(701,262)
Equity	0270262386906	275,236	(246,468)
Equity	0270295023483	12,030,682	4,569,809

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		2020/2021	2019/2020
Financial institution	Account number	KShs	KShs
Family bank	064000074156	4,857,114	-
Family bank	064000072475	373,117	1,427,957
KCB	1231036583	51,278	128,533
KCB	1235799794	-	2,948
KCB	1234142643	3,723	20,481
Family bank	064000073526	167	-
<b>Sub- total</b>		<b>18,701,599</b>	<b>5,449,441</b>
<b>b) On - call deposits</b>			
Other Commercial banks		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>c) Fixed deposits account</b>			
Other Commercial banks		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>d) Staff car loan/ mortgage</b>			
Other Commercial banks		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>e) Others(specify)</b>			
Post bank	0744130012585	2,348,144	7,667,889
Mpesa Utility	540300	886,146	345,406
Kopokopo	869751	27,638	160,508

**25. Unquoted Investments**

	2020/2021	2019/2020
	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>	-	-

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

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**26. Inventories**

	2020/2021	2019/2020
	Kshs	Kshs
Miscellaneous	929,962	633,828
Chemicals	997,788	1,514,594
Stationery	2,080,813	1,921,415
Pipes & fittings	3,169,372	1,756,343
Meters	650,503	450,277
Bottling	813,201	712,301
Work in progress	-	-
Less: Impairment of stocks	-	-
<b>Total</b>	<b>8,641,638</b>	<b>6,988,757</b>

**26 a) Reconciliation of Impairment Allowance for Inventories**

Description	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year	6,988,757	13,050,094
Additional provisions during the year	1,652,881	(6,061,336)-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	<b>8,641,638</b>	<b>6,988,757</b>

**27. Trade and Other Receivables**

	2020/2021	2019/2020
	Kshs	Kshs
Trade receivables	156,059,733	162,345,779
Deposits and prepayments	717,059	20,000

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VAT recoverable	22,253,547	17,651,528
<b>Gross trade and other receivables</b>	<b>179,030,339</b>	<b>180,017,307</b>
Provision for bad and doubtful receivable	(25,525,314)	7,164,019
<b>Net trade and other receivables</b>	<b>153,505,025</b>	<b>187,181,326</b>

**27 (a) Trade Receivables**

	2020/2021	2019/2020
	Kshs	Kshs
Gross trade receivables b/f	-	-
Provision for doubtful receivables	-	-
<b>Net trade receivables</b>	<b>-</b>	<b>-</b>
<b>At June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	-	-
Between 30 and 60 days	-	-
Between 61 and 90 days	-	-
Between 91 and 120 days	-	-
Over 120 days	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**27 (b) Reconciliation of Impairment Allowance for Trade Receivables**

Description	2020-2021	2019-2020
	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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**27 (c) Staff Receivables**

	2020/2021	2019/2020
	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	-	-

**27 (d) Reconciliation of Impairment Allowance for Staff Receivables**

Description	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

**28. Tax Recoverable**

	2020/2021	2019/2020
	Kshs	Kshs
<b>At beginning of the year</b>	-	-
Income tax charge for the year (note 16)	-	-
Under/(over) provision in prior year/s (note 16)	-	-
Income tax paid during the year	-	-
At end of the year	-	-

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<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>Balance at end of the period- Domestic and External borrowings c = a+b</b>	-	-

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

	2020-2021	2019-2020
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan	-	-
Sterling Pound denominated loan	-	-
Euro denominated loan	-	-
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB	-	-

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Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Total balance at end of the year	-	-

Description	2020-2021	2019-2020
	KShs	KShs
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
Total	-	-

### 36 Deferred Tax Liability

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

	2020/2021	2019/2020
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability	-	-

The movement on the deferred tax account is as follows:

	2020/2021	2019/2020
--	-----------	-----------

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		2020/2021	2019/2020
Financial institution	Account number	KShs	KShs
Mpesa Working account	540300	24,658	84,844
Bottling cash sales		15,340	-
<b>Sub- total</b>		<b>3,301,926</b>	<b>8,258,647</b>
<b>Grand total</b>		<b>22,003,525</b>	<b>13,708,088</b>

**31. Ordinary Share Capital**

	2020/2021	2019/2020
	Kshs	Kshs
<b>Authorized:</b>		
5,000 ordinary shares of KShs 20par value each	<b>100,000</b>	<b>100,000</b>
<b>Issued and fully paid:</b>		
5,000 ordinary shares of KShs 20 par value each	<b>100,000</b>	<b>100,000</b>

**31 (a) Capital reserves**

	2020-2021	2019-2020
	Kshs	Kshs
Capital reserve	157,938,935	157,938,935

**31 (b) Grants Solio**

	2020-2021	2019-2020
	Kshs	Kshs
Grants- solio	4,183,940	7,922,652

### 31 (c) Grants

	Kshs	Kshs
Grants	105,600,447	105,686,252

### 31 (d) Gratuity

	Kshs	Kshs
Gratuity	5,963,893	7,076,054

### 32 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.

### 33 Fair Value Adjustment Reserve

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

### 34 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.

	Kshs	Kshs
Retained earnings	(12,004,248)	(2,440,127)

### 35 Borrowings

Description	2020-2021	2019-2020
	KShs	KShs

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	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>	-	-

**37 Lease Liability**

Description	2020-2021	2019-2020
	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>	-	-

	2020-2021	2019-2020
Maturity analysis	Kshs	Kshs
Year 1	-	-
Year 2	-	-
Less: unearned interest	-	-
Analysed as:		
Non-Current	-	-
Current	-	-

### 38 Trade and Other Payables

	2020-2021	2019-2020
	Kshs	Kshs
Trade payables	34,118,325	38,973,464
Accrued expenses	802,906	0
Deposits	34,938,607	30,662,707
Employee payables	33,031,123	50,568,018
Other payables	76,144,143	48,566,275
<b>Total</b>	<b>179,035,104</b>	<b>168,770,464</b>

### 39 Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2020-2021	2019-2020
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
<b>Total employee benefits obligation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Retirement benefit Asset/ Liability

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

#### Recognition of Retirement Benefit Asset/ Liability

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

	2020-2021	2019-2020

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Description	Kshs	Kshs
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from 0020 changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (Specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
<b>Remeasurement of the net defined benefit liability (asset)</b>	<b>-</b>	<b>-</b>

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

	2020-2021	2019-2020
Description	Kshs	Kshs
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded Status(=a-b)	-	-
Restrictions on asset recognized	-	-
Others	-	-
Net Asset or liability arising from defined benefit obligation	-	-

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

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**40 Provisions**

Description	Long service leave	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	-	-	7,076,054	-	7,076,054
Additional Provisions	-	-	-	-	-
Provision utilized	-	-	(1,112,161)	-	(1,112,161)
Change due to discount and time value for money	-	-	-	-	-
Less: Current portion	-	-	-	-	-
Balance at the end of the year	-	-	5,963,893	-	5,963,893

**41 Dividends Payable**

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

	2020-2021	2019-2020
	Kshs	Kshs
At the beginning of the year	-	-
Additional declared during the year	-	-
Paid during the year	-	-
Balance at end of the year	-	-

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

**42 Notes to The Statement of Cash Flows**

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	2020-2021	2019-2020
	Kshs	Kshs
(e) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	(9,564,121)	(84,754,304)
Depreciation	25,516,097	19,410,084
Amortisation	1,745,616	1,745,614
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	<b>17,697,592</b>	<b>(63,598,606)</b>
(Increase)/decrease in inventories	(1,652,881)	6,061,336
(Increase)/decrease in trade and other receivables	33,676,301	135,089,685
Increase/(decrease) in trade and other payables	9,152,479	(11,789,141)
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/(used in) operations	<b>58,873,491</b>	<b>65,763,274</b>
<b>3. Analysis of changes in loans</b>		
<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>4. Analysis of cash and cash equivalents</b>		
Short term deposits	-	-

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	2020-2021	2019-2020
	Kshs	Kshs
Cash at bank	21,988,184	13,708,088
Cash in hand	15,340	-
<b>Balance at end of the year</b>	<b>22,003,524</b>	<b>13,708,088</b>

	2020-2021	2019-2020
	Kshs	Kshs
<b>5. Analysis of interest paid</b>		
Interest on loans	-	-
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalized	-	-
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	-	-
Interest paid	-	-
	=====	=====
<b>6. Analysis of dividend paid</b>		
Balance at beginning of the year	-	-
2019 dividends paid	-	-
2020 dividends paid	-	-
2021 interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-
	=====	=====

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**43 Related Party Disclosures**

**Government of Kenya**

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

Other related parties include:

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

**Transactions with related parties**

	2020-2021	2019-2020
	Kshs	Kshs
<b>b) Sales to related parties</b>		
Sales of electricity to Govt agencies	-	-
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from Tbills and Bonds	-	-
Others (Specify)	-	-
<b>Total</b>	-	-
<b>b) Purchases from related parties</b>		
Purchases of electricity from KPLC	-	-
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
<b>Total</b>	-	-

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	2020-2021	2019-2020
	Kshs	Kshs
<b>c) Grants from the Government</b>		
Grants from National Govt	-	-
Grants from County Government	-	-
Donations in kind	-	-
<b>Total</b>	-	-
<b>d) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees	-	-
Payments for goods and services for	-	-
<b>Total</b>	-	-
<b>e) Key management compensation</b>		
Directors' emoluments	2,462,804	4,662,866
Compensation to key management	-	-
<b>Total</b>	2,462,804	4,662,866

#### 44 Capital Commitments

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

	2020-2021	2019-2020
	Kshs	Kshs
Amounts authorised and contracted for	-	-
Amounts authorizes but not contracted for	-	-
Less: Amounts included in Work in progress	-	-
	-	-

#### 45 Contingent Assets and Liabilities

##### Contingent Assets

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	2020-2021	2019-2020
	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>	-	-

**Contingent Liabilities**

	2020-2021	2019-2020
	Kshs	Kshs
<b>Contingent liabilities</b>	-	-
Court case against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
Others (Specify)	-	-
<b>Total</b>	-	-

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

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

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

**(i) Credit risk**

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

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

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

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2021</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-

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<b>Total</b>	-	-	-	-
<b>At 30 June 2020</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has no significant concentration of credit risk

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

**ii) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2021</b>				

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Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2020</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**(iii) Market risk**

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

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

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

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

**f) Foreign currency risk**

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

**(iii) Market risk (Continued)**

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2021</b>			
<b>Financial assets</b>			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Financial Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

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	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2020</b>			
<b>Financial assets</b>			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Financial Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

**g) Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on Profit before tax	Effect on Equity
	Kshs	Kshs	Kshs
<b>2021</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2020</b>			

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Euro	10%	-	-
USD	10%	-	-

**h) Interest rate risk**

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

**i) Management of interest rate risk**

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

**ii) Sensitivity analysis**

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

**iii) Fair value of financial assets and liabilities**

***XIX. Financial instruments measured at fair value***

Determination of fair value and fair values hierarchy

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

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

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data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

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

<b>At 30 June 2021</b>	<b>Level 1 Kshs</b>	<b>Level 2 Kshs</b>	<b>Level 3 Kshs</b>	<b>Total Kshs</b>
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-
<b>At 30 June 2020</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.

**iv) Capital Risk Management**

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

	2020-2021	2019-2020
	Kshs	Kshs
Capital reserve	157,938,935	157,938,935
Retained earnings	(12,004,248)	(2,440,127)
Ordinary share Capital reserve	100,000	100,000
Grants	4,183,940	7,922,652
Grants	105,600,447	105,686,252
<b>Total funds</b>	<b>255,819,074</b>	<b>269,207,712</b>
Total borrowings	-	-
Less: cash and bank balances	22,003,525	13,708,088
Net debt/(excess cash and cash equivalents)	233,815,549	255,499,624
<b>Gearing</b>	<b>-</b>	<b>-</b>

#### **47 Incorporation**

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

#### **48 Events After The Reporting Period**

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

#### **49 Currency**

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

APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1.0 Inaccuracies in Property, Plant and Equipment	The statement of financial position reflects property, plant and equipment balance of Kshs 202,974,399 as at 30, June 2019. The balance excludes the value assets inherited from the defunct Municipal Council of Nanyuki by northern Water Services Board of Kshs 230,715,019. The assets were written off in the financial statements for financial year 2015/2016. However, Management did not provide the approvals for the write off from Northern Water Services Board for audit review.	The value of inherited assets from the defunct Municipal Council of Nanyuki by Northern Water Services Board (NWSB) were written off based on previous audit recommendation for the years 2014 and 2015. The assets are still in use by Nanyuki Water and Sewerage Company Ltd as leased assets upon which the Company pays fees to NWSB as per the current SPA (find extracts of the SPA – deed of surrender) and are fully depreciated. The bulk of the inherited assets relate to water system which are dilapidated and NAWASCO is in the process of replacing the same in order to improve on service delivery and reduce non- revenue water. The Company has engaged the County being the shareholders of NAWASCO and since water provision is a devolved function on formalization of assets acquired from Northern Water Service	Resolved	30 <sup>th</sup> June 2020

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>Further, ownership documents for all parcels of land owned by the Company were not provided for audit review.</p> <p>Consequently, the accuracy, completeness, ownership and carrying value of the property, plant and equipment balance of Kshs 202,974,399 as at 30 June 2019 could not be confirmed</p>	<p>Board. The exercise is expected to be finalised in the year 2020.</p> <p>Further, the process of ring fencing all Company parcels of land is ongoing and acquiring the relevant title deeds and tagging all its assets as we migrate to the new system (IFMIS) from 1<sup>st</sup> April 2020.</p>		
<p><b>2.0 Inaccuracies in Consumer Deposits</b></p>	<p>The statement of financial position reflects consumer deposits balance of Kshs.28,094,518 as at 30 June 2019. However, the bank account held at Equity Bank in respect of the consumer deposits reflects a balance of Kshs.78,753, resulting in</p>	<p>The Company maintains consumer deposits in billing system (promix) which indicates all the consumer deposits since inception. It has put in place measures to regulate consumer deposits and the same can only be utilized by the Company upon express authorization by the Board of Directors. Find attached minutes of board of Directors dated 15<sup>th</sup> July 2015 (Appendix 23) authorizing usage of deposit account for several projects to improve service delivery to the consumers. It's worth noting that refund claim is settled immediately. Since inception of the</p>	<p>Resolved</p>	<p>30<sup>th</sup> June 2020</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>unreconciled difference of Kshs.28,015,765. Further, although minutes of the Board dated 15 July 2015 authorized the Company to spend an amount of Kshs.20,476,476 from the consumers' deposits account for the construction of the Company's offices and development of water extension to Ntukururuma and Nkando areas, the funds had not been refunded as at 30 June 2019.</p>	<p>company, the company has refunded Kshs 17,279,578 promptly. ( refer to appendix 24)</p> <p>Therefore the company usage of deposit account does not in any way affect refund when required by the consumer.</p> <p>It's also worth noting that the company inherited customers deposit liability from the county amounting to Kshs 9.4 million. The Company has since inception refunded the deposits for inherited consumers from the defunct municipal council of Nanyuki promptly without demanding refund from the county. (Refer to attached analysis of inherited consumer deposits)</p> <p>The Company is however optimistic that, since water is a devolved function, the county will refund the utility the inherited consumer deposits. It further intends to transfer Kshs 4million per year as it promptly refunds those who request for their refund for the next four years to build the consumer deposit account to the tune of Kshs</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
		16million to make it Kshs 25million which would be equivalent to the total consumer deposit.		
3.0 Provision for doubtful Trade and Other Receivables	The trade and other receivables balance of Kshs.320,349,051 as at 30 June 2019 includes an amount of Kshs.206,441,148 in respect of debts inherited from the defunct Municipal Council of Nanyuki at the inception of the Company and which has remained outstanding over a long period of time. Although the recoverability of these debts is uncertain, the provision of bad and doubtful debts of Kshs.111,556,504 made in the financial statements against the outstanding debts appears inadequate.	<p>From the above analysis and with assistance from the County Government, Kshs 306,132,589 is collectable out of Kshs 417,689,094 in financial statement note 6 and thus the provision of Kshs 111,556,504 giving a net of Kshs 302,132,589 which is deemed adequate to cover the long outstanding debts.</p> <p><b>Specifically</b></p> <p>a) <b>Domestic.</b> Over 50% of the long outstanding debt for domestic consumers is deemed collectable and the management has put in place measures to improve on collection efficiency thus ensuring no domestic debt is presumed bad or doubtful. A provision of 46.6 % or Kshs 94,197,372 has been provided given the specific bad debts of Kshs 49,945,300</p>	Resolved	30 <sup>th</sup> June 2020

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
		<p>b) <b>Nanyuki High-</b> There is an ongoing process relating to exercising some land from the school in lieu of the long outstanding debt of Kshs 33million and an arrangement to pay what they currently consume is in place.  (Ref to appendix 2 on minutes of the board dated 8<sup>th</sup> February 2018)</p> <p><b>County government-</b>The Company has agreed with the County Government of Laikipia, the main shareholders, to Offset, swap or contra old debts because the Company collects fees on behalf of the County while the County demands lease fees from the Company.  Further, the company agreed with the County Government that all departments should pay for their own water consumption as from 1<sup>st</sup> July 2018 failure to which it will be disconnected while NAWASCO Pays the lease fees as they fall due.</p>		
Non -Revenue Water	During the financial year under review, the company produced	The company recognizes that NRW still remains a major challenge due to physical losses attributed to	Not resolved	In progress

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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>4,358,732 cubic meters of water, out of which only 2,795,954 M<sup>3</sup> of water was billed to Customers. The balance of 1,562,778 M<sup>3</sup> or approximately 36% of the total volume of water produced represented Non-revenue water (NRW) which is 11% over and above the allowable water loss of 25% as per the Water Service Regulatory Board guidelines. The NRW of 36% may have resulted in loss of water sales estimated at Kshs.65,517,815.</p> <p>The significant level of non-revenue water is an indication of inefficiency and lack of effectiveness in the use of public resources and, may negatively impact negatively on the Company's profitability and its long-term sustainability.</p>	<p>the dilapidated water network systems that were established in 1980's and formerly operated by the defunct Nanyuki Municipal council.</p> <p>The company has developed five year elaborate strategic plan to manage NRW from the current 36% to 25% in 2023. The total budget approved in the current year 2019/20 amounted to KES <b>8,791,750</b> with a target to reduce NRW to <b>33%</b> as indicated below</p> <p><b><u>Ongoing Measures 2019/20</u></b></p> <ul style="list-style-type: none"> <li>✓ Replacement of 3,300 No. eight year old consumer meters with more accurate DIEHL meters. The activities are ongoing</li> <li>✓ Establishment of District Metering Areas (DMA) in Icuga and Nturukuma areas. The areas form 30% of total coverage area. The base NRW was over 60% and is currently been reduced to less than 45%.</li> <li>✓ Quarterly Calibration of large consumer meters 6No. Through this excise, we have replaced 2no. under-registering meters with average consumption of 1,500 m<sup>3</sup>/month.</li> <li>✓ Continuous and Scheduled illegal connections patrol and legalization.</li> <li>✓ Rehabilitation and upgrade of 6km service network in Icuga DMA ongoing.</li> </ul>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
		<ul style="list-style-type: none"> <li>✓ Implementation of detailed design report on water supply network rehabilitation and extension.</li> <li>✓ NRW Performance improvement Plan implementation, the current target is to repair distribution tanks 3No. that were established to leaking 150m<sup>3</sup>/day.</li> <li>✓ Procurement of meter testing kit to undertake active meter testing.</li> </ul>		

Accounting Officer

Name Eng Kennedy Gitonga

Nanyuki Water and Sanitation Company Limited

Signature



Date.....

12/09/2022

**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

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

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

**Status of Projects completion**

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

APPENDIX III: INTER-ENTITY TRANSFERS

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

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

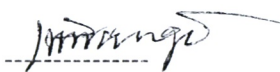
Finance Manager

Managing Director

Nanyuki Water and Sanitation Company

Nanyuki Water and Sanitation Company

Sign



Sign



**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

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