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REPORT

OF

THE AUDITOR-GENERAL

ON

**TETU ABERDARE WATER AND
SANITATION COMPANY LIMITED**

**FOR THE YEAR
ENDED 30 JUNE, 2022**



TETU ABERDARE WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2022

**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 Company was incorporated under the Companies Act (Cap.486) on 13th April 2006 and that the Company is limited by Guarantee (Certificate of Incorporation for the Company No.C.124262). The Company's mandate is to provide Water and Sanitation Services in Tetu and parts of Nyeri Central sub-counties in Nyeri County in accordance with section 113 of the Water Act 2002 by Tana Water Works Development Agency. The water act has been reviewed and Water Act 2016 is currently in force to accommodate the 2010 constitution. The Company is wholly owned by the County Government of Nyeri.

Principal Activities

The principal activity of the Company is to provide water and sanitation services to residents of Tetu and parts of Nyeri Central sub-counties in Nyeri County

Directors

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

<u>Name</u>	<u>Status</u>	<u>Date Of Appointment</u>
1. Joel Kariuki	- Chairman	- 21 st June 2018
2. Isaac Njoroge Ndiritu	- Director	- 2 nd August 2021
3. Pastor Peter Ndiritu	- Director	- 21 st June 2018
4. Ruth Mwangi	- Director	- 17 th July 2018
5. Pauline Ndegwa	- Director	- 1 st October 2019
6. Nancy W. Ngogoyo	- Director	- 24 th July 2019
7. Lucy W. Ndungu	- Director	- 24 th July 2019
8. Symon W Wanjau	- Managing Director	

Corporate Secretary

FCS Richard K. Gikuhi,
P.O. Box 1271-10100,
Nyeri-Kenya

Registered Office

Kamakwa Nyeri Central Sub-County Water Office
P.O. Box 1089- 10100
Nyeri.

Corporate Contacts

Telephone: (0796 976 937)
E-mail: teawasco@gmail.com
: info@teawasco.co.ke
Website: teawasco.co.ke

Corporate Bankers

Kenya Commercial Bank Limited Nyeri Branch
P. O. BOX 215 -10100 Nyeri.

Independent Auditors

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

Principal Legal Advisers

Lucy Mwai & Company Advocate
P.O Box 12233-10109
0725363178
E-mail: lucymwai2012@gmail.com

III. The Board of Directors

Ref	
1.	 <p>Mr. Joel Wang'ombe Kariuki - Board Chairman Diploma in Special Education, Certificate in Primary Education, Certificate in ICT Entrepreneurship and Computer packages. Involved in Community work, one of committee members involved in establishing Gakere Boys High School (Kigogo-ini) in Tetu Constituency. O level Education.</p>
2.	 <p>Mr Isaac Njoroge Ndiritu Animal health and production specialist. Also has a BBA, Mppm and PHD finalist in Governance and leadership.</p>
3.	 <p>Mrs Ruth Mwangi Master in Project Management and BSC in General Agriculture Chief Officer Agriculture Nyeri County Government, pursuing PhD.</p>
4.	 <p>Pastor Peter Ndiritu Macharia Diploma in Theology (Kenya Baptist Theology College), KATC/CPA 1, O level Education. Have attended several leadership and management seminars. Ordained ministers serving with Baptist churches. Currently Pastor in charge of Kiandu Baptist church and Gacatha Baptist church. Founder and manager of Kiandu Baptist Academy and Instructor Kieni West Baptist Bible School-Bellevue. Director representing religious organization</p>
5.	 <p>Pauline W. Ndegwa K.C.S.E, Bachelor of Arts (Cultural Studies) Chief Officer-Water and Irrigation, Chief Officer-Governor's Office, Chief Officer- Public Service Management, Sub County Administrator, Ward Administrator, Project Director-Compassion International Kenya, Social Worker- Compassion International Kenya, BOM teacher Bingwa Secondary School and also BOM teacher Witima Secondary School Othaya.</p>
6.	 <p>Nancy W. Ngogoyo O Level, Accountancy, Corporate Management, Small Enterprise Development, worked as a supervisor at W.E.D an NGO and working in Community Development.</p>
7.	 <p>Mrs. Lucy W. Ndung'u Trained Kenya Enrolled Community Nurse, Maternal and child Health Planning, Micro Credit Management, Business Development & Marketing, HIV/AIDS Awareness & Control, BOG member of Mathakwa-ini and Ithite Secondary Schools, Chairperson of Tetu Sub-County Poverty Eradication Committee, she was member of CACC for two terms and currently the Vice Secretary Maendeleo ya Wanawake Nyeri County. She Represents Women's Organization.</p>
8.	 <p>Symon W. Wanjau- Managing Director K.C.S.E, Master of Business Administration, Bachelor's degree in Business Administration Finance/Accounting, CPA (K), CPS Finalist, CIFA Finalist, Registered with ICPAK,</p>
9.	 <p>FCPS- Richard Gikuhi Kiana- Company Secretary He is a member of ICPS (K) registration Certificate No R/NO 285 from ICPSK. He is secretary for various public institutions and a member of FKIM. He holds other directorships in public institutions</p>

III. Management Team

Ref	QUALIFICATIONS AND MAIN AREA OF RESPONSIBILITY	
1.		<p>Symon W. Wanjau- Managing Director K.C.S.E, Master of Business Administration, Bachelor's degree in Business Administration Finance/Accounting, CPA (K), CPS Finalist, CIFA Finalist, Registered with ICPAK, He is responsible for Planning Directing Coordinating and Controlling the Operation of the Company. Effective management of the company to ensure achievement of its set goals and objectives.</p>
2.		<p>Grace N. Gathigia- Commercial Manager K.C.S.E, Master of Business Administration, Bachelor's degree in Business Administration Finance/Accounting, CPA (K),Registered with ICPAK. More than 15 years Working Experience, She Ensures that all the financial resources of the company are well managed, prudently invested, fully accounted for and reported efficiently. Continuous improvement of Administration and Accounting systems in the company.</p>
3.		<p>Joshua N. Mumo-Technical Manager K.C.S.E, Diploma in water Engineering from Kenya Water Institute (KEWI) Over three years in water services provision sector. Responsible for production of quality water to customers, operate and maintain existing water infrastructure, ensure efficient and effective provision of water and sanitation services to meet consumer needs.</p>
4.		<p>Veronica Wanjiku Wanjugu-Human Resource & Admin Manager K.C.S.E, Bachelor's degree in commerce Human Resource Management option Member of Institute of Human Resource Management(IHRM) Pursuing Human Resource Professional (CHRP) More than five years working experience Responsible for coordinating all administrative activities related to the Organisations personnel.</p>
5.		<p>5. Anthony Ndegwa Githae- Internal Auditor K.C.S.E, Bachelor's degree in commerce finance option, CPA(K) and Registered with ICPAK. He ensures the Company assets are safeguarded and resources efficiently utilized. He also liaises with the External Auditors to facilitate the process of easy flow of successful Audit.</p>
6.		<p>FCPS- Richard Gikui Kiana- Company Secretary He is a member of ICPS (K) registration Certificate No R/NO 285 from ICPSK. He is secretary for various public institutions and a member of FKIM. He holds other directorships in public institutions</p>

IV. Chairman's Statement

The year 2021/2022 was a year with a difference, a year in which we were confronted by many challenges, but emerged more resilient and successful.

The macroeconomic landscape in the year was challenging characterized by depressed economies, disposable incomes in the whole world continued to decline resulting to reduced consumers spending. This greatly constrained our volumes and hindered growth in turnover during the year under review. However, despite the very difficult economic conditions, we are proud of the results we achieved. The Company water billing decreased from Ksh 64,785,843 to Ksh 63,211,898 for the financial year 2020/2021 and 2021/2022 respectively.

The company also undertook sponsorship of public health projects with Nyeri Hospice. This is targeted for Cancer Patients and focuses on quality of life thereby turning it into an important time of living. The company supported the market centres and some institutions with water harvesting containers placed at strategic points within our towns to enhance hand washing during the COVID-19 period. Employees' safety protocols were also implemented by:

Having all employee who were able to work remotely and heightened sanitation measures, restrictions on movement to and from work places.

We supported our staff who are front line workers with personal protective equipment's (PPES) and issued them with work identification cards. Conducting virtual trainings and meetings to enhance social distance. Our effort to grow and improve as a company would not have been possible without the leadership of our talented Board of Directors, our employees, our customers, Constituency Development Fund (NG-CDF) Tetu, Tana Water Works Development Agency, Tetu Sub-County Water Office, Nyeri County Government and other potential development partners also deserve commendation for their hard work and loyalty.

The results presented today would not have been achieved without the support of the Directors and thus I wish to thank my colleagues in the Board.

On behalf of the Board, I wish to record our gratitude to our consumers for their continued loyalty and support and to all our employees in the company for their dedication and exemplary service without which the results would not have been achieved.



JOEL W. KARIUKI
CHAIRMAN - TEAWASCO.

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V. MANAGING DIRECTOR'S REPORT

Water Sector Reforms

One of the main principles of the Water Act 2002 was that water services were managed at the lowest level possible. In line with this principle, the Ministry of Water and Irrigation transferred the provision of water services to Water Services Board now Tana Water Works Development Agency with effect from July 2005. The Water Act 2002 stipulates that the Service Boards shall contract agents, known as water service providers, for provision of water services. Now under the Water Act 2016 the water service providers are wholly owned by the County Government.

History and Legal Establishment

TEAWASCO has been given the responsibility to take charge of the Management of all the assets that were previously under the Management of both Ministry of Water and Irrigation as Tetu Thegenge and Titie Water Schemes and National Water Conservation and Pipeline Corporation as Aguthi Water Scheme. Over the years, all the existing water systems handed over to the Company have passed their ultimate design period, and in the process, they have been dilapidated and outlived their economic life. Hence, they need to be rehabilitated and augmented.

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

In addition, it is important to note that according to the new dispensation the water and sanitation services are devolved functions under the County Government, and this being the case the Water Act 2016 was enacted in order to accommodate these constitutional changes among other regulations awaiting enactment by Parliament.

In view of the above, the company is working closely with Tana Water Works Development Agency, National Government Constituencies Development Fund (NGCDF) Tetu, Sub County Water Office and Nyeri County Government in fulfilling our core mandate.

Infrastructure Development

For the purpose of improving our service delivery especially for Titie Water Scheme, the company is working closely with County Government of Nyeri, which is constructing a Conventional Water Treatment to improve water quality. Phase 1 includes; chemical house, flocculation and sedimentation tanks a Phase 2 included; filtration, backwash system and clear water tank. TWWDA donated a pick-up to the Company.

The company also received a conditional liquidity support grant (CLSG) of Kshs. 3,609,152 from WSTF This was for the construction of 280mm Upvc line and elevated steel backwash tank.

The treatment facility will ensure provision of quality water that meets water quality sector standard.

Future Development Plans

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

- √ Development of Kahiraini Bulk Water Supply by constructing reservoirs on Gura River including rehabilitation and augmentation of existing water systems.
- √ Improvement and development of sanitation services in our rural households and market centres.
- √ Water Catchment conservation and protection programmes. The company intend to start a tree nursery.
- √ Construction of office block at Wamagana which is the headquarter of Tetu Sub-County
- √ Re-location of Aguthi Gura intake by KTDA power
- √ Aguthi raw water main and Mathakwaini Treatment Works rehabilitation by Tana Water Works Development Agency at a cost of 160 M.

Project Proposal

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

Staff

The company has 73 employees. The company aims to develop policies to enable it recruit its own staff guided by the company's human resource management policy. The ultimate goal is to make the company an enterprising Tetu Aberdare Water and Sanitation Co Limited. In this regard the company has in place Human Resource Policy that includes health and safety, work injury benefits HIV/Aids awareness to enable staff deliver services.

Challenges

The company in its endeavours to avail quality, affordable and reliable water and sanitation services encountered various challenges to deal with.

The challenges include:

- Vandalism of water infrastructure networks.
- Dilapidated infrastructure.
- Low flow of water at the source during dry spell
- Destruction of our pipelines by road contractors continues to be a major setback.
- Major landslides within the Aberdare forest especially along river Gura which destroy pipe network
- The COVID-19 period, the economy was generally weakened with many commercial accounts performing below their normal scale due to the restrictions of movement imposed by the government. Schools were closed and this reduced both water consumption and water sales.

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Conclusion

With the implementation of Vision 2030 strategy and The Constitution of Kenya 2010, there is great demand for clean, safe and adequate water supply in all sectors contributing to economic development. This is a great opportunity for the company to exploit enabling it achieve its objectives and the ever-growing water service demand.

Gratitude

I would like to take this opportunity to thank Tana Water Works Development Agency, County Government of Nyeri, Water Office Tetu Sub-County, National Government Constituencies Development Fund (NG-CDF) Tetu, WSTF and TEAWASCO Board of Directors for their support during the year, also our esteemed customers and our suppliers who were all instrumental to our success this year. I am also grateful to our staff for their commitment and effort in striving to ensure the company meets its noble objectives and in fulfilling our core mandate.



S. W. WANJAU

MANAGING DIRECTOR

VI. Statement of Performance against Predetermined Objectives for FY 2021/2022

The Company had a good performance for the year even though there were Economic challenges due to COVID 19 Pandemic.

Strategic Pillar	Objective	Key Performance Indicator	Activities	Achievements
Metering	100% metering	Increase Revenue	Metering programme Procured customer meters 600 No worth Kshs.1,245,000	100%
Revenue Collection	95% and Above	Meet Obligations when they fall due.	Collection efficiency	103%
Billing	100%	Increase Revenue	Purchase of smart phones for meter reading for efficiency and automating them with GIS.	100 %
Non-Revenue Water	Reduce NRW	To attain the sector Benchmark of below 25%	<ol style="list-style-type: none"> 1. Procurement of meters for new water connection and replacing malfunctioning ones. 2. Recruitment of NRW Staff. 3. Application of GIS in mapping our infrastructure network. 4. Training and bench marking with other companies-NYEWASCO 	Attained 40% NRW.
Water Coverage Area	Increase area of water service coverage	To attain 100% coverage	Pipeline Extensions	Attained 91%

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VII. Corporate Governance Statement

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

TEAWASCO is committed to ensuring compliance with the provisions of Water Act 2016 and Operating License from WASREB among other regulatory and supervisory corporate governance requirements.

During the year the board of the company scheduled and met eight times to deliberate and make resolutions on general business of the board. The board had additional meetings on need basis to discuss, resolve and implement key agenda that would not have been implemented in the ordinary business of the company as follows; Nyeri County PAC invitation, Board Tour-Water facilities, Board meeting Nyeri county Government, induction of the new Board and Recruitments of Human Resources and Administration Manager.Finance Administration and Technical (FAT) and Audit, Risk and Assurance Sub-Committees met seven and five times respectively.

DATE	MEETING DESCRIPTION	NO. OF MEMBERS
16/08/2021	FULL BOARD MEETING	8
23/08/2021	AUDIT	3
24/08/2021	FINANCE,ADMN&TECHNICAL COMMITTEE	3
30/08/2021	FULL BOARD MEETING	7
20/09/2021	FINANCE,ADMN&TECHNICAL COMMITTEE	4
28/09/2021	FULL BOARD MEETING	8
12/10/2021	AUDIT	3
14/10/2021	FINANCE,ADMN&TECHNICAL COMMITTEE	4
21/10/2021	FULL BOARD MEETING	8
6/12/2021	AUDIT	3
20/12/2021	FULL BOARD MEETING	7
23/12/2021	FULL BOARD MEETING	8
11/01/2022	FINANCE,ADMN&TECHNICAL COMMITTEE	4
12/01/2022	AUDIT	3
18/01/2022	FINANCE,ADMN&TECHNICAL COMMITTEE	4
20/01/2022	FULL BOARD MEETING	8
5/04/2022	AUDIT	3
6/04/2022	FINANCE,ADMN&TECHNICAL COMMITTEE	4
18/04/2022	FULL BOARD MEETING	6
24/05/2022	FINANCE,ADMN&TECHNICAL COMMITTEE	3
26/05/2022	FULL BOARD MEETING	6

Succession planning;

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

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

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

Roles and Functions of the Board,

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

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

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

Induction and training

During the year 2021/2022 that is under review, Induction of the Board of Directors was held from 2nd to 4th August 2021.

Conflict of interest

During the financial year ended June 30th, 2022 any interest declared by a board member is registered in any of the committee.

Board remuneration

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

Ethics and conduct

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

The Board of Directors have constituted the following committees:

1. Finance, Administration and Technical Committee (FAT)
2. Audit, Risk and Assurance Committee

By order of the Board
For and on its behalf



Date 16/12/2022

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VIII. Management Discussion and Analysis (M D&A)

The Management's Discussion and Analysis of Financial condition and result of operating provides information that management believes is relevant to an assessment and understanding of the financial condition and results of operations of Tetu Aberdare Water and Sanitation Company Limited. This MD & A should be read in conjunction with the Company's Financial Statements and related notes for the year ended 30th June 2022, which are prepared in accordance with International Financial Reporting Standards (IFRS), Policies and best practices.

The company has complied with statutory requirements including Pension, NHIF, NSSF and payment of taxes. The company contributes to registered pension schemes, which are Standard Chartered, and CPF. The taxes remitted to KRA includes withholding and corporation taxes.

TEAWASCO Billing, Revenue and Debt position

Year	Total Billing (Kshs)	Total Revenue collection (Kshs)	Outstanding debts (Kshs)
2017/2018	56,606,300	58,257,105	15,726,113
2018/2019	62,010,225	61,614,995	18,558,220
2019/2020	58,491,846	53,532,527	22,906,131
2020/2021	64,785,843	65,112,620	21,768,669
2021/2022	63,211,898	64,958,137	20,345,306

Year	Registered connections	Active connections	Inactive connections	New water connections
2017/2018	14,577	10,420	4,157	688
2018/ 2019	15,265	10,969	4,296	535
2019/ 2020	15,800	12,016	3,784	414
2020/2021	16,866	12,300	4,566	586
2021/2022	17,329	13,011	4,421	463

Challenges Faced During the Year

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

Area of operation	Challenges	Interventions
Drought	Less Billing and Revenue	<ul style="list-style-type: none">• Proposal writing has been done to construct dams to preserve water during the rainy season to be used during the dry season.
Road Construction	Interrupted water supply and increased NRW	<ul style="list-style-type: none">• Rerouting of all the pipelines from the marked areas of the road construction earlier before the contractors destroy the pipes.• Repairing the destroyed pipes immediately to mitigate water loss.

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

No.	RISK FACTOR	LEVEL OF RISK	MITIGATION MEASURE
(i)	Inadequate resources	Medium	<ul style="list-style-type: none"> • Efficiency in resource utilization through Proper annual work plans & budgets. • Documentation and reporting on resource utilization. • Increase generation and collection efficiency
(ii)	Staff turnover	Medium	<ul style="list-style-type: none"> • Build Capacity-Trainings, Personal development • Improvement of working environment • Commendation letters and certificates
(iii)	Consumers with huge debts	High	<ul style="list-style-type: none"> • Negotiate with customers on Part payment modalities • Timely disconnection of defaulters to manage accumulation of debts • Debt policy
(iv)	Climate Change	High	<ul style="list-style-type: none"> • Build storage facilities • Participation in Conservation of the environment • Create public awareness on water conservation.
(v)	Corruption	Low	<ul style="list-style-type: none"> • Good corporate governance • Building strong ethical practices • Enforce/ invoke the law
(vi)	Irrigation, boreholes and wells	Medium	<ul style="list-style-type: none"> • Creation of public awareness • Provision of reliable treated water supply.
(vii)	Safety of valves installations	Medium	<ul style="list-style-type: none"> • Secure the valves by cementing. • Sensitize the community on the need of ownership • Securing the Storage tanks by fencing and locking them.
(viii)	Non-delivery of procured goods	Low	<ul style="list-style-type: none"> • Enhance Tender evaluation committee • Proper record keeping for both received and issued goods • Re-tendering of goods
(ix)	Communication breakdown	Medium	<ul style="list-style-type: none"> • Enhance communication through improving medium /channels of communication • Regular open staff meetings • Cultivate the good culture through sticking to the chain of command.
(x)	Evaluation of overall risks	Medium	<ul style="list-style-type: none"> • Set the performance targets

IX. Environmental and Sustainability Reporting

i. Sustainability Strategy and Profile

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

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

ii. Environmental Performance

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

iii. Employee Welfare

The Company operates two defined retirement benefits schemes for its employees; which are Standard Chartered Bank 1987 and CPF Pension Schemes, the Company also contributes towards NSSF for its staff. There is also a medical cover in place for employees and a component of Work Injury Benefit in case of injury of a work in course of duty.

iv. Market Place Practices

The Company's major objective is to gain return on its investments and therefore benefit financially by achieving the maximum value while leaving the customers with the feeling that they are definitely receiving their money's worth in service and quality. To do this the Company offers service at a price consistent with the customers' perception of the value received which is friendly. Water supplied is of high quality having undergone through full treatment to the required standards in the Sector.

v. Corporate Social Responsibility

The company has joined hands with other stakeholders concerned in planting indigenous trees in the Aberdare forest water catchment area bearing in mind that the sustainability of our water sources wholly depends on Aberdare water tower, which we desperately need to protect and preserve.

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

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vi. Community Engagements

The Company has been engaging the community through various forums, which include public barazas, holding clinic days and open days for customers, and the engaging the community through Corporate Social Responsibility (CSR).

There are other activities where the Company engages the Community, they include; -

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

X. Report of the Directors

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2022, which show the state of the company's affairs.

i. Principal activity

To provide water and sanitation services to residents of Tetu and parts of Nyeri Central sub-counties in Nyeri County.

ii. Results

The results of the Tetu Aberdare Water and Sanitation Co Limited for the year ended June 30, 2022 are set out on pages 1-5

iii. Dividends

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

iv. Directors

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

v. Auditors

The Auditor General is responsible for the statutory audit of the companies in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board



Richard Gikuhi Kiana
Company Secretary

Date: 16/12/2022

XI. Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2022. These responsibilities includes:

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

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


Statement of Directors' Responsibilities (Continued)


The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2022, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

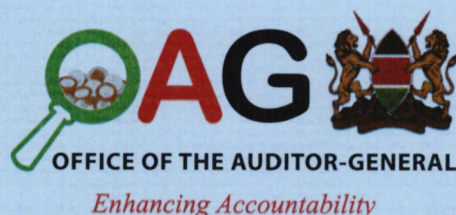
The company financial statements were approved by the Board of directors on 16/12 2022 and signed on its behalf by:

Signature 
Name JOEL KARIUKI
Chairperson of the Board

Signature 
Name SIMON WANJAM
Managing Director

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON TETU ABERDARE WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

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 Tetu Aberdare Water and Sanitation Company Limited set out on pages 1 to 42, which comprise the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution 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 matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Tetu Aberdare Water and Sanitation Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Long Outstanding Trade Receivables

The statement of financial position reflects trade receivables balance of Kshs.20,144,571 as at 30 June, 2022 as disclosed at Note 16 to the financial statements. However, the aging analysis provided showed that receivables amounting to Kshs.10,607,993 which is approximately 53% of the total trade receivables were outstanding for over 120 days as at 30 June, 2022. In addition, the general provision for doubtful debts made of Kshs.2,034,531 for all the trade receivables may be inadequate to cover the potential non-recoverable amounts.

In the circumstances, accuracy and recoverability of the receivables of Kshs.20,144,571 as at 30 June, 2022 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

As disclosed under the progress on follow up of auditor recommendations section of the financial statements, some of the prior year audit issues remained unresolved as at 30 June, 2022. Management has not provided satisfactory reasons for the delay in resolving the issues.

Other Information

The Management is responsible for the other information, which comprises the chairperson's report, report of the managing director, statement of performance against predetermined objectives, corporate governance statement, Management discussion and analysis, environmental and sustainability reporting, report of the directors and statement of directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Outdated Water Tariffs

As previously reported, the Company in the year under review, billed its customers based on water tariffs, which expired in financial year 2013/2014. Although the Management had sought for approval from the Water Services Regulatory Board (WASREB) for regular tariff adjustment for the financial year 2016/2017 to financial year 2021/2022, no authority

had been granted and the Company continued to bill water consumers using the outdated water tariffs.

In the circumstances, the Company continued to earn lower revenue as a result of using outdated tariffs.

2.0 Excessive Non-Revenue Water

During the year under review, the Company produced 2,928,652 cubic meters (m³) of water, and out of which, only 1,755,441 m³ was sold (billed) to consumers. The balance of 1,173,213 m³ or approximately 40% of the total volume of water produced represented Non- Revenue Water (NRW). The NRW is 15% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines.

In the circumstances, the significant level of non-revenue water negatively impacts on the Company's profitability and its ability to sustain its services.

3.0 Staff Ethnic Diversity

Review of the Company's human resource records revealed that during the year under review, the Company had a total of seventy-three (73) employees, out of which seventy (71) or ninety seven percent (97%) were from the dominant ethnic community, contrary to provisions of Section 65(e) of the County Government Act, 2012 which requires County Governments to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, 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 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, adequate accounting records have been kept by the Company, so far as appears from the examination of those books; and
- (iii) The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in 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 Managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 February, 2023

Tetu Aberdare Water & Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

XIV. Statement of Financial Position as at 30 June 2022

ASSETS	NOTES	2021/2022	2020/2021
NON - CURRENT ASSETS		Ksh	Ksh
Property, Plant & Equipment	23	33,685,138	30,254,794
Intangible Asset	24	27,682	34,603
Deferred Tax	30b	53,870	231,105
		33,766,690	30,520,502
CURRENT ASSETS			
Inventories	21	7,523,633	5,393,524
Trade Receivables	16	20,144,571	20,695,293
Bank & Cash Balances	17	24,060,621	22,833,929
TOTAL CURRENT ASSETS		51,728,825	48,922,746
TOTAL ASSETS		85,495,515	79,443,248
EQUITY AND LIABILITIES			
Reserves			
Retained Earnings	18	31,535,526	30,636,661
NON-CURRENT LIABILITES			
Deferred Income	22	23,045,142	20,933,540
EQUITY AND LIABILITIES		54,580,668	51,570,201
CURRENT LIABILITIES			
Consumer Deposits	20	15,391,777	14,617,777
Trade Payable	19	15,417,679	12,633,521
Tax Payable	30c	105,391	621,749
TOTAL CURRENT LIABILITIES		30,914,847	27,873,047
TOTAL EQUITY AND LIABILITIES		85,495,515	79,443,248

The financial statement were approved by the Board of Directors on16/12/2022
and signed on its behalf by:

Managing Director Commercial manager Chairperson.....

Symon Wanjau

Grace Gathigia
ICPAK M/NO: 20026

Joel Kariuki

XV. Statement of Changes in Equity for the Year Ended 30 June 2022

	Ordinary Share capital	Revaluation reserve	Fair value	Retained Earnings	Proposed dividend	Capital development	Total
2020/2021	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	
As at July 1, 2020	-	-	-	29,970,757	-	-	29,970,757
Profit for the Year	-	-	-	665,904	-	-	665,904
As at June 30, 2021	-	-	-	30,636,661	-	-	30,636,661
2021/2022							
As at July 1, 2021	-	-	-	30,636,661			30,636,661
Profit for the Year	-	-	-	898,865			898,865
As at June 30, 2022	-	-	-	31,535,526			31,535,526

Tetu Aberdare Water & Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

XVI. Statement of Cash Flows for the Year Ended 30 June 2022

	NOTES	2021/2022	2020/2021
CASH FLOW FROM OPERATING ACTIVITIES		Kshs	Kshs
Net profit for the year		898,865	665,904
Adjustment Investment Interest Earned		- 351,304	-305,265
Adjustment for depreciation	23	2,035,685	2,222,198
Decrease in provision for Tax		-	-249,033
Decrease in Provision for AGM		- 383,722	-274,902
Disposal of Telephone		-	18,560
Tax Expense	30a	51,521	390,644
Interest earned performance guarantee		-	90,994
Investment Interest Earned performance guarantee		-	-90,994
Interest earned	9	351,304	305,265
Operating surplus before		2,602,349	2,773,371
working capital adjustments			
Increase in Inventory	21	- 2,130,109	-1,943,392
Increase in Receivables	16	550,721	403,953
Increase in Payables	19	2,784,158	2,246,077
Deposits	20	774,000	1,002,500
Grant (deferred income)	22	3,000,000	29,415
Grant (deferred income)	22	- 888,398	-879,141
		4,090,372	859,412
Net cash generated from operating activities		6,692,721	3,632,783
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of assets	23	- 5,466,029	-1,436,000
		- 5,466,029	-1,436,000
CASH FLOW FROM FINANCING ACTIVITIES			
Net increase in cash and cash equivalents		1,226,692	2,196,783
Cash and cash equivalents at the beginning of the year		22,833,929	20,637,146
Cash and cash equivalents at the end of the year	17	24,060,621	22,833,929

Tetu Aberdare Water & Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

XVII. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30 June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2021-2022	2021-2022	2021-2022	2021-2022		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Operating Revenue	64,100,000		64,100,000	63,211,898	(888,102)	1.4%
Connection fees	800,000		800,000	787,100	(12,900)	1.6%
Grants	3,609,152		3,609,152	3,609,152	-	-
Finance Income	345,000		345,000	351,304	6,304	1.8%
Sale of Jericans	20,000		20,000	26,200	6,200	31%
House rent	105,600		105,600	105,600	-	-
Other gains	550,000		550,000	543,558	(6,442)	1.17%
Deferred income	888,398		888,398	888,398	-	-
Total Revenue	70,418,150		70,418,150	69,523,210	(894,940)	
Expenses						
Staff Costs	36,800,000		36,800,000	36,506,860	293,140	0.79%
Board expense	3,600,000		3,600,000	3,552,256	47,744	1.3%
General Operational expense	17,700,000		17,700,000	17,627,556	72,444	0.40%
Maintenance	5,950,000		5,950,000	5,843,546	106,454	1.7%
Depreciation and amortization	2,100,000		2,100,000	2,042,606	57,394	2.7%
Total recurrent expenditure	66,150,000		66,150,000	65,572,824	577,176	
Profit/loss	4,268,150		4,268,150	3,950,386	317,764	
Capital Expenditure						
Office furniture	240,000		240,000	212,000	28,000	11.6%
Titie grant	5,300,000		5,300,000	5,254,029	45,971	0.87%
Total Capital Expenditure	5,540,000		5,540,000	5,466,029	73,971	

XVIII. Notes to the Financial Statement

1. GENERAL INFORMATION

Tetu Aberdare water & sanitation company Limited is established by and derives its authority and accountability from Water Act 2016. Tetu Aberdare water & sanitation company Limited is wholly owned by the County Government of Nyeri and is domiciled in Kenya. The Company's principal activity is to provide water and sanitation services to residence of Tetu and parts of Nyeri Central Sub counties in Nyeri County.

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, impaired assets at their estimated recoverable amounts and liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying Tetu Aberdare Water & Sanitation Company Limited accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Tetu Aberdare Water and Sanitation Company Limited.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous; the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

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.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. 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.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application

NOTES TO THE FINANCIAL STATEMENTS (Continues)

i. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021/2022

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 when earned to Tetu Aberdare Water and Sanitation Co Limited 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 Tetu Aberdare Water and Sanitation Co Limited’s activities, net of value-added tax (VAT), where applicable and when specific criteria have been met for each of the Tetu Aberdare Water and Sanitation Co Limited activities as described below.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- i) Revenue from the provision of Water** is recognized in the year in which Tetu Aberdare Water and Sanitation Co Limited Provides water and the customer has accepted the commodity and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government and County Government** are recognized in the year in which Tetu Aberdare Water and Sanitation Co Limited actually receives such grants.
- iii) Finance income** comprises interest receivable from bank deposit invested and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Rental income** is recognized in the income statement as it accrues using the effective rental agreements.
- v) Other income** is recognized as it accrues.

b. In-kind contributions

In-kind contributions are donations that are made to Tetu Aberdare Water and Sanitation Company Limited 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, they include 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.

Tetu Aberdare Water & Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

c. Property, plant and equipment

Property plant and equipment are stated at cost less the accumulated depreciation charged. 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 as profit or loss in the income statement.

d. Depreciation and impairment of property, plant and equipment

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

Depreciation is charged on reducing balance method using the following rates

Pipes	2.5%
Telephone & computers	30%
Office furniture & equipment	12.5%
Plant and equipment	12.5%
Motor bikes and vehicles	25%

A full year's depreciation charge is recognised in the year of asset purchase

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

i) INVENTORIES

Inventories are valued at the lower of cost and net realizable value. The cost of inventories comprises purchase price, transportation and handling charges, and determined on the weighted average price method

i) PROFIT

The company is limited by guarantee and profit is ploughed back to finance company capital works

e. Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

f. Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

g. Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h. Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset. All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Tetu Aberdare Water & Sanitation Company Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

V) IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* outlines how to account for government grants and other assistance. Government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes expenses for the related costs for which the grants are intended for compensation, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

i. Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories comprises purchase price, transportation and handling charges, and is determined on the weighted average price method.

j. Trade and other receivables

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

k. 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.

iii. Current income tax (Continued)

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

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.

iv. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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.

i. Deferred tax (Continued)

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.

l) Bank and cash equivalents

Cash and cash equivalents comprise cash in 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 Kenya Commercial Bank at the end of the financial year.

M. Borrowings

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

Tetu Abdare Water & Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

n. Trade and other payables

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

o) Retirement benefit obligations

The company operates a defined contribution retirement benefits scheme for its employees (Standard Chartered Bank 1987), ICEA Lion and CPF Pension Scheme.

The company also contributes to National Social Security Fund (NSSF) which is a defined contribution scheme. Contributors are determined by local statute as legislated. The company's contributions to the defined contribution schemes are charged to the income and expenditure account in the year to which they relate.

p. Provision for staff leave pay

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

q. Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 12th May 2021. No Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. No additional appropriations are added to the original budget by Tetu Abdare Water & Sanitation Company Limited upon receiving the respective approvals in order to conclude the final budget. Accordingly, Tetu Abdare Water & Sanitation Company Limited did not record additional appropriations.

Tetu Abdare Water & Sanitation Company Limited 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r. Budget information (Continued)

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 5 of these financial statements.

s. Service concession arrangements

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

t. Comparative figures

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

u. 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. The preparation of Tetu Aberdare Water & Sanitation Company Limited 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 Tetu Aberdare Water & Sanitation Company Limited. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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 Tetu Aberdare Water & Sanitation Company Limited
- 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
- Changes in the market in relation to the asset

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.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. They are recognized and carried at the realizable value less the provision for risk allowance, at currently 10%. Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Tetu Aberdare Water & Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

	2021-2022	2020-2021
	Kshs	Kshs
Water sales	63,211,898	64,785,843
	63,211,898	64,785,843

7. Grants Income

	2021-2022	2020-2021
	Kshs	Kshs
Conditional Support liquidity grant	609,152	-
Deferred income	888,398	879,141
Total	1,497,550	879,141

8. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Sale of Jericans	26,200	-
Rental Income	105,600	105,600
Insurance compensation	17,500	-
New water connection fees	787,100	996,200
Total	936,400	1,101,800

9. Finance Income

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest income on savings account	351,304	396,259
Total	351,304	396,259

10. Other Gains and Losses

	2021-2022	2020-2021
Description	Kshs	Kshs
Decrease in provision for Annual General Meeting	383,722	274,902
Decrease in Provision for Tax	-	249,033
Decrease in Provision for Doubtful debts	142,336	113,746
Total	526,058	637,681

Tetu Aberdare Water & Sanitation Company Limited
 Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Staff Costs		
Basic pay	11,194,244	10,303,185
House Allowance	4,063,400	4,464,575
Medical Allowance	371,333	404,264
Gratuity	1,135,886	1,033,213
Commuter allowance	1,540,533	1,677,857
Pension	1,129,442	1,045,502
NSSF	10,800	11,800
Overtime Allowance	20,250	51,750
Leave Allowance	238,190	219,695
Wages	14,838,251	13,814,572
Staff Welfare	192,861	300,475
Staff Training	1,771,670	1,321,647
TOTAL	36,506,860	34,648,535
	73	67

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. General and Operations Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Staff Games	1,559,970	-
WASREB	2,536,476	2,591,433
Water resource authority	500,160	472,660
License application	348,540	100,000
Land, Rent & Rates	127,100	464,290
Fuel & Oil	1,729,667	1,276,685
Catchment, Conservation & Social Responsibility	40,000	349,550
Insurance	1,933,598	1,380,228
Water Chemicals	1,502,780	2,894,830
Production milk	102,535	117,790
Uniforms & Occupation Safety Health	538,500	577,500
Crop compensation	-	218,474
Laundry & Sanitation	116,476	126,549
Cleaning Materials	47,683	14,969
Loose Tools	-	74,139
Printing & Stationery	303,553	125,176
Office expenses	224,684	193,771
Telephone, Internet & Communication	1,797,513	1,529,841
Postage	64,842	32,927
Travelling & Subsistence	410,630	717,525
Electricity	196,092	434,665
Advertisement	219,240	280,335
Newspaper	7,080	3,660
Computer & Copier expenses	118,132	122,070
Transport(Public)	96,090	155,000
Copier & Computer Maintenance	-	128,530
Security	1,197,000	1,059,000
Consultation fee (strategic & business plan)	170,548	1,818,400
Legal Fee/Professional fees	60,000	54,990
Transportation of materials	-	62,928
Provision for AGM	650,000	650,000
Membership Subscription	345,000	234,280
Tax expense	10,560	10,560
Provision For Audit Fee	350,000	1,050,000

Tetu Aberdare Water & Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provision For Tax	300,000	300,000
Instalment Tax Paid	-	177,235
Financial Charges	23,107	64,711
Total	17,627,556	19,864,701

13. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Sitting Allowance	2,125,474	1,028,535
Medical Insurance		
Induction & Training	1,426,782	193,893
Total	3,552,256	1,222,428

14. Maintenance Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Motor Vehicle Repair	732,640	867,390
Cold Water Meters	1,245,000	680,000
General Repair & Maintenance	351,553	968,958
Repair of Furniture & signboards	150,800	-
Hydraulic fixtures	-	796,000
Minor alterations	-	838,972
Pipes & Fittings	3,340,753	4,214,600
Motor bike repair	22,800	411,743
Total	5,843,546	8,777,663

15. Depreciation and Amortization Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Depreciation	2,035,685	2,222,198
Amortisation(Upgrading quick water)	6,921	8,651
Total	2,042,606	2,230,849

Tetu Abdare Water & Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. TRADE RECEIVABLES

	2021-2022	2020-20221
	KSH	KSH
Disputed receivables	19,853,586	19,853,586
Salary Advance	20,000	-
Prepayment (Insurance)	1,563,785	956,894
Prepayment (Telephone)	40,840	-
Prepayment (Fuel & Oil)	176,583	114,009
Prepayment (Postage)	7,088	7,088
Deposits (Electricity)	25,500	25,500
Customer Unpaid Bills	20,345,306	21,768,669
	42,032,688	42,725,746
Less provision	(2,034,531)	(2,176,867)
Provision disputed receivables	(19,853,586)	(19,853,586)
Sub Totals	20,144,571	20,695,293

17.CASH AND BANK BALANCE

	KSH	KSH
	2021/2022	2020/2021
Current Account	1,749,050	2,908,557
WSTF account	1,068,479	-
Performance Guarantee	1,297,772	1,290,994
Savings Account	135,700	106,264
Fixed Account	14,365,257	13,263,773
Mpesa Account	193,849	13,827
Fund A/C	539,687	539,687
Development account(TWWDA)	837,843	837,843
Development account(Salary)	3,872,984	3,872,984
Total	24,060,621	22,833,929

Tetu Aberdare Water & Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Detailed analysis of the cash and cash equivalents

		2021-2022	2020-2021
Financial institution	Account number	KShs	KShs
a) Current account			
Commercial banks	1101961112	1,749,050	2,908,557
Others			-
Sub- total		1,749,050	2,908,557
b) On – call deposits			
Commercial banks	1107914752	135,700	106,264
Others			-
Sub- total		135,700	106,264
c) Fixed deposits account			
Other Commercial banks	1107914752	14,365,257	13,263,773
Others			-
Sub- total		14,365,257	13,263,773
d) Others(specify)			
Performance guarantee	1261562623	1,297,772	1,290,994
Development account (TWWDA)	1176553038	837,843	837,843
Development account (Salary)	1151909904	3,872,984	3,872,984
Fund account	111754556	539,687	539,687
WSTF Deposit	1297074424	1,068,479	-
M-pesa	851675	193,849	13,827
Sub- total		7,810,614	6,555,335
Grand total		24,060,621	22,833,929

Tetu Aberdare Water & Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18.RETAINED EARNINGS

Description	KSH	KSH
	2021-2022	2020-2021
Reserves	30,636,661	29,970,757
Profit for the Period	898,865	665,904
Total	31,535,526	30,636,661

19.TRADE PAYABLES

Description	KSH	KSH
	2021-2022	2020-2021
Eland Safari hotel	507,260	493,530
Bromak gen	1,582,495	1,638,500
Heri General merchants	205,590	-
Mortadella	79,500	-
Heri General merchants	29,900	-
Edunt solutions	133,450	-
Spike collections	134,050	-
Jakir Enterprises	71,300	-
Admark Enterprises	169,800	230,000
Pan African chemicals	958,160	-
Kel chemicals	544,620	359,100
Bio -Medica	-	1,067,040
Ianfra General	182,000	-
Terrenial investments	30,000	-
Gikuhi Kiana	421,380	473,974
Ianfra General	43,000	-
New Orlands	16,500	-
Naboken Tishbite enterprise	64,000	-
Kingongo junction	379,030	373,100
Double k metals	82,600	677,100
Dekut Enterprise	-	24,000
Jawawa Trading co	276,700	111,786
Kinetics Engineering	29,640	531,000
Niwan General Merchants	1,087,490	811,710
Urgent builders	696,660	-
Toyota Kenya	-	407,893
Reeds Security	96,000	-

Tetu Aberdare Water & Sanitation Company Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	KSH	KSH
	2021-2022	2020-2021
Mamka Electricals		228,172
Roel Milk	5,762	-
WASREB	903,824	115,817
WRA	113,165	113,165
Tana Water Works Development	1,819,433	2,419,433
Provision for audit	350,000	1,050,000
Provision for AGM	650,000	650,000
Patmos solution	78,089	60,000
Provision for tax	300,000	300,000
WASPA	105,000	85,000
June Salaries	2,737,468	252,651
Work Injury Benefit	79,195	-
Annual General Meeting	454,618	160,550
Total	15,417,679	12,633,521

20.Consumer Deposits

	KSH	KSH
	2021-2022	2020-2021
Bal B/F	14,617,777	13,615,277
Additions	774,000	1,007,000
Refund	-	-4,500
Bal B/D	15,391,777	14,617,777

21.INVENTORY

	KSH	KSH
	2021-2022	2020-2021
Pipes & water fittings	7,029,448	4,710,964
Water chemicals	494,185	682,560
Total	7,523,633	5,393,524

NOTES TO THE FINANCIAL STATEMENTS (Continued)
22.DEFFERED INCOME

	KSH	KSH
	2021/2022	2020/2021
Bal B/f	20,933,540	21,812,681
Additions	3,000,000	-
Amortizations	- 888,398	-879,141
Bal C/d	23,045,142	20,933,540

Year 2021/2022				
Item	Depreciation rate	Amount	Depreciation	Balance
		KSH	KSH	KSH
Pipeline extension	2.50%	2,984,179	74,604	2,909,575
Computer tables	30%	9,484	2,845	6,639
Plant & Machinery	12.50%	1,326,660	165,833	1,160,828
Motorbikes, motor cycles	25%	36,897	9,224	27,673
Meters	12.50%	1,354,884	169,361	1,185,523
Titie WSTF	2.5%	15,111,481	377,787	14,733,693
DWO METERS	12.5%	109,955	13,744	96,211
Titie Treatmentworks	2.5%	3,000,000	75,000	2,925,000
TOTAL		23,933,540	888,398	23,045,142

Tetu Aberdare Water & Sanitation Company Limited
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23. NOTES TO THE FINANCIAL STATEMENTS (Continued)

Plant, Property and Equipment for the year ended 30 June 2021

DETAILS	PIPES	TELEPHONE & COMPUTERS	OFFICE FURNITURES & EQUIPMENTS	METERS	MOTOR VEHICLES & CYCLES	TOTAL
Depreciation Rate	2.5%	30.0%	12.5%	12.5%	25.0%	
Opening Bal At Cost 1/7/2020	26,517,407	3,477,995	539,372	19,904,162	10,576,419	61,015,355
Additions	896,500	539,500				1,436,000
Disposal		-18,560				-18,560
Closing Bal As At 30/6/2021	27,413,907	3,998,935	539,372	19,904,162	10,576,419	62,432,795
DEPRECIATION						
Opening Bal As 1/7/2020	4,482,933	2,856,197	405,175	13,680,619	8,530,879	29,955,803
Period Charge	573,274	342,821	16,775	777,943	511,385	2,222,198
Total Depreciation	5,056,207	3,199,019	421,950	14,458,562	9,042,264	32,178,001
N B V As At 30/6/2021	22,357,700	799,916	117,422	5,445,600	1,534,155	30,254,794

DETAILS	PIPES	TELEPHONE & COMPUTERS	OFFICE FURNITURES & EQUIPMENTS	METERS	MOTOR VEHICLES & CYCLES	TOTAL
Depreciation Rate	2.5%	30.0%	12.5%	12.5%	25.0%	
Opening Bal At Cost 1/7/2021	27,413,907	3,998,935	539,372	19,904,162	10,576,419	62,432,795
Additions	5,254,029		212,000			5,466,029
Closing Bal As At 30/6/2022	32,667,936	3,998,935	751,372	19,904,162	10,576,419	67,898,824
DEPRECIATION						
Opening Bal As 1/7/2021	5,056,207	3,199,019	421,950	14,458,562	9,042,264	32,178,002
Period Charge	690,293	239,975	41,178	680,700	383,539	2,035,685
Total Depreciation	5,746,500	3,438,994	463,128	15,139,262	9,425,803	34,213,687
N B V As At 30/6/2022	26,921,436	559,941	288,244	4,764,900	1,150,616	33,685,138

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Intangible Assets

	2021-2022	2020-2021
	Kshs	Kshs
COST		
At July 1 2020	34,603	43,254
Additions		
Disposals		
At June 30 2021	34,603	43,254
AMORTISATION		
At July 1 2021		
Charge for the year	6,921	8,651
Disposals		
Impairment loss		
At June 30 2022	6,921	8,651
NET BOOK VALUE		
At June 30 2022	27,682	34,603

25.) Trade and Other Receivables

	2021-2022	2020-2021
	KShs	KShs
Trade receivables		
Deposits and prepayments	1,833,796	1,103,491
Customer unpaid bills	20,345,306	21,768,669
Other receivables	19,853,586	19,853,586
Gross trade and other receivables	42,032,688	42,725,746
Provision for bad and doubtful receivable	(2,034,531)	(2,176,867)
Provision disputed receivables	(19,853,586)	(19,853,586)
Net trade and other receivables	20,144,571	20,695,293

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Trade Receivables ageing analysis

Less than 30 days	3,800,909	4,366,973
Between 30 and 60 days	2,124,300	2,765,029
Between 61 and 90 days	1,503,142	2,115,560
Between 91 and 120 days	1,233,528	1,391,562
Over 120 days	11,683,427	11,129,555
Total	20,345,306	21,768,679

Finance costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. 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

28. Fair Value Adjustment Reserve

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

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

29. Trade and Other Payables

	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	15,417,679	12,633,521
Tax payable	105,391	621,749
Other payables	15,391,777	14,617,777
Total	30,914,847	27,873,047

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. TAX COMPUTATION			
		Kshs	Kshs
Profit before tax			950,386
Add			
Depreciation		2,035,685	
Loss on Disposal		-	
provision for doubtful & bad debts		142,336	
Provision for AGM		650,000	
Provision Tax		300,000	
Provision Audit fees		350,000	
			3,478,021
Less			
Wear and tear allowance		2,425,168	
Interest income		351,304	
Rent Income		105,600	
Amortisation		888,398	
Gain on disposal		-	
			3,770,470
Taxable income / (Losses)			
Accumulated tax loss b/fwd			-
Adjusted taxable income/(losses)			657,937
Rental Income			105,600
Tax paid (house rent)			-10,560
Income			95,040

30a) Tax payable/(Refundable)		105,391-53,870	51,521
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30b) Deferred tax			
Withholding tax deducted at source			53,870

30 c) Tax Payable			
Interest Income		351,304 x 30/100	
			105,391

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other Disclosures

31. Related Party Disclosures

County Government of Nyeri

The County Government of Nyeri is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Nyeri in 2022 has provided full guarantee to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- Parent ministry
- Tana Water works Development Agency
- WASREB
- Water Resource Authority
- Key management
- Board of directors

32. Financial Risk Management

The company's overall risk management programme focuses on unpredictable changes in the operating environment and seeks to minimize the potential adverse effect of such risks on its performance.

Major types of financial risk that may face the company include:

i) Currency Risk

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

ii) Interest Rate Risk

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

iii) Price Risk

The company does not hold investments that would be subject to price risk hence no exposure to price risk.

iv) Credit Risk

This is the risk that one party will default on his/her contractual obligation resulting in financial loss to the company.

The company measures, monitors and manages credit risk for each receivable.

This risk is primarily attributable to bank balances, trade and other receivables

The amounts presented in the statement of financial position are net of 10% risk allowance estimated by the management based on prior experience and assessment of the current economic environment.

The company developed a debt management policy in order to reduce the customer unpaid bills

Credit risk	Total amount	Fully performing	Past due	Impaired
As at 30th June 2021				
Customer unpaid bills	21,768,669	7,967,333	13,801,336	19,853,586
Total	21,768,669	7,967,333	13,801,336	19,853,586
Risk allowance	2,176,867	796,333.3	1,380,133.6	19,853,586

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 30th June 2022				
Customer unpaid bills	20,345,306	9,562,405	10,809,901	19,853,586
Total	20,345,306	9,562,405	10,809,901	19,853,586
Risk allowance	2,034,531	956,241	1,080,990	19,853,586

Credit Risk (Continued)

i) Liquidity Risk

The company manages liquidity risk by maintaining banking facilities through continuous Monitoring of forecast and actual cash flows. The management has also put in place framework For the management of the company's' short, medium- and long-term funding and liquidity management requirements.

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022 current year				
Trade payables	319,925	1,551,172	12,246,582	14,117,679
Current portion of borrowings				
Provisions			1,300,000	1,300,000
Deferred income			23,045,142	23,045,142
Employee benefit obligation				
Total	319,925	1,551,172	36,591,724	38,462,821
At 30 June 2021 previous year				
Trade payables	373,100	139,600	10,120,821	10,633,521
Current portion of borrowings				
Provisions			2,000,000	2,000,000
Deferred income			20,933,540	20,933,540
Employee benefit obligation				
Total	373,100	139,600	33,054,361	33,567,061

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. Incorporation

The Company is incorporated in Kenya under the Kenyan Companies Act 2015 and is domiciled in Kenya.

34. Events after the Reporting Period

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

35. Currency

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

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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:(Resolved / Not Resolved)	Timeframe:(Put a date when you expect the issue to be resolved)
1 1.1	INACCURACIES IN THE FINANCIAL STATEMENTS The statement of Profit and loss and comprehensive income reflects a profit before Tax balance of Kshs1,056,548 whereas the statement of comparison of budget and actual amounts reflects a surplus of Kshs.1,057,250 resulting in unreconciled variance of Kshs.702.	The variance of Kshs. 702 occurred while transferring the figure of Selling and Distribution Costs from the Statement of Profit and Loss and other Comprehensive Income, which is	Grace Gathigia Commercial Manager	Resolved	

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		<p>Kshs. 6,104,702 but was posted as Kshs. 6,104,000 in the Statement of Comparison of Budget and Actual amounts.</p>			
1.2	<p>Note 11(b) to the financial statements reflects customer deposits balance brought forward of Kshs. 12,415,277 that differs with prior year comparative amount of Kshs.13,615,277 resulting to unexplained variance of Kshs. 1,200,000.</p>	<p>The amount of Kshs. 1,200,000 relates to Performance Guarantee, which is a requirement by our regulator Water Service Regulatory Board (WASREB) that was deposited in our Liquidation Account number 1261562623 in KCB Bank Nyeri Branch in relation to Company Licence for two years from 19th May 2019 to April 2021. The Performance Guarantee is both an Asset and a Liability to the Company, it was clearly indicated in the</p>	<p>Grace Gathigia Commercial Manager</p>	<p>Resolved</p>	

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<p>1.3</p>	<p>Note 13(a) to the financial statements reflects deferred income balance of Kshs. 20,933,540, which is net of amortization charge of Kshs 879,141. However, the amortization charge was omitted from the statement of profit and loss and other comprehensive income for the year under review</p> <p>In the circumstances, the accuracy and completeness of the affected financial statement balances for the year ended 30 June, 2021 could not be confirmed.</p>	<p>Audited Financial Statement of Financial Year 2018/2019. The opening balance of Financial Year 2019/2020 included the Performance Guarantee of Kshs.1,200,000 from the previous Financial Year amounting to Kshs. 12,918,777. The closing balance of Kshs.13,615,277 for the Financial Year 2019/2020 was also inclusive of Kshs. 1,200,000 but in the Financial Year 2020/2021 it was separated. The opening balance of Financial Year 2020/2021 amounting to Kshs. 12,415,277 plus Kshs. 1,200,000 totals to Kshs.13,615,277</p> <p>The amortization of Grants for the Audited Annual Report and Financial Statement for</p>	<p>Grace Gathigia Commercial Manager</p>	<p>Resolved</p>	
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		Financial Year 2020/2021 amounting to Kshs. 879,141 was included in the Other Income row in the Statement of Profit and Other Comprehensive income on Page 1 . which totals to Kshs. 3,014,881 and in the Other Income on page 20 Note 3			
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Note 3

ITEM	AMOUNT (Kshs)
New Water Connection	996,200
Interest Income	396,259
Decrease in AGM	274,902
Decrease in provision for Tax	249,033
Decrease in Doubtful debt	113,746
Deferred income	879,141
House Rent	105,600
TOTAL	3,014,881

2	INACCURATE TRADE RECEIVABLES	The trade receivables balance for the Financial Year	Grace Gathigia Commerci	Resolved
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	<p>The statement of financial position reflects trade receivables balance of Kshs. 20,695,293 as disclosed under Note 8. However, the balance was not supported by detailed debtors aged analysis indicating the period the debts have been outstanding.</p> <p>In the circumstances, the accuracy, completeness and classification of trade receivables balance of Kshs. 20,695,293 as at 30 June, 2021 could not be confirmed.</p>	<p>2020/2021 amounting to Kshs. 20,695,293 as disclosed under Note 8 in form of a detailed debtors aged analysis has been provided.</p>	<p>al Manager</p>												
3	<p>UNSUPPORTED CONSUMER DEPOSITS</p> <p>The statement of financial position as at 30 June, 2021 reflects customer deposits balance of Kshs. 14,617,777. However, the balance was not supported by way of certificate of bank balances or bank reconciliation statement. In the circumstances, the accuracy, completeness and validity of the customer deposits balance of Kshs. 14,617,777 as at 30 June, 2021 could not be confirmed.</p>	<p>The Customer Deposits in the Financial Statement for the Financial Year 2020/2021 amounting to Kshs. 14,617,777 Bank reconciliation statement is found below.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td>Balance as per Bank statement</td> <td style="text-align: right;">13,370,037</td> </tr> <tr> <td>Add Performance Guarantee</td> <td style="text-align: right;">1,200,000</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">14,570,037</td> </tr> <tr> <td>Un transferred deposits</td> <td style="text-align: right;">47,740</td> </tr> <tr> <td>Balance as per cash book</td> <td style="text-align: right;">14,617,777</td> </tr> </table> <p>The amount of un-transferred deposit amounting to Kshs. 47,740 was included in a Bank transfer, which was done on 27th October 2021. Attached is a copy of Bank slip amounting to 159,000. Whereby the difference is included</p>	Balance as per Bank statement	13,370,037	Add Performance Guarantee	1,200,000	Total	14,570,037	Un transferred deposits	47,740	Balance as per cash book	14,617,777	<p>Grace Gathigia Commercial Manager</p>	Resolved	
Balance as per Bank statement	13,370,037														
Add Performance Guarantee	1,200,000														
Total	14,570,037														
Un transferred deposits	47,740														
Balance as per cash book	14,617,777														

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BUDGETARY CONTROL AND PERFORMANCE

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 72,185,600 and Kshs. 67,800,724 resulting to revenue shortfall of Kshs.4,384.876. The Company spent Kshs. 66,743,474 against an approved budget of Kshs. 68,096,820 resulting to under expenditure of Kshs. 1,353,346.

The amount in relation to under expenditure is for Provisions for Tax, Audit Fee, and AGM, which are non-cash items.

Other Matter					
1	<p>Water Tariffs According to records presented for audit showed that the Company has been operating and billing customers based on water tariffs which expired in 2013/2014 financial year. Although the Management has written to Water Services Regulatory Board(WASREB) for approval of regular tariff adjustment for the period 2016/2017 to 2020/2021, authority has not been granted, and the company continue to bill water consumers using the expired water tariffs.</p>	<p>The Company embarked on the tariff review process in 2019 and negotiated for an agreed tariff in 2022 ready for Public Participation that ought to be arranged during the Year. However due to Covid-19 Pandemic, the Government restricted and banned public gatherings thus rendering the proposed tariff review data obsolete. However, the Company has proposed a revised Regular Tariff Adjustment (RTA) review to the County Government of Nyeri for consideration and is awaiting response.</p>	<p>Symon Wanjau Managing Director</p>	<p>Not Resolved</p>	

2	<p>Non-Revenue Water. During the year under review, the Company produced 2,789,464 cubic meters (M³) of water, out of which 1,975,011 m³ was sold (billed) to consumers. The balance of 814,453 m³ which is approximately 29% of the total volume of water produced represented Non-Revenue Water (NRW). The NRW of 29% was over and above the allowable loss of 25% set by the Water Services Regulatory Board (WASREB) guidelines by 4%.</p>	<p>The Company is working hard to achieve the benchmark of 25%, during the year under review, we undertook the following measures.</p> <p>a. Non-revenue unit The company has recruited non – revenue water team to deal with unaccounted for water losses where we have achieved a reduction of water loss from 31% to 29% in the year under review.</p> <p>b. Capacity building This program aims to equip all employees with skills and technical knowledge in dealing with non-revenue water Through company’s policy on personal development and achievements, the company has been sponsoring employees in non-revenue water management.</p> <p>c. Metering policy This policy deals with activities around customer meter that leads to loss of water. Initially customer meters used to be installed in their compound, this was suspected to have given room for abstraction of water before it is registered by the meter. Relocating customer meters close to the off takes has reduced water loss through abstraction.</p>	<p>Joshua N Mumo Technical Manager</p>	<p>Not resolved</p>
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Tetu Aberdare Water & Sanitation Company Limited

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		<p>The policy also gives standard procedures of meter installation that facilitates optimum functionality of the meter.</p> <p>d. Ultrasonic flow meters We received grants of three ultrasonic flow meters from TWWDA, which are crucial in measuring water flow to our distribution lines before being registered in the customer meters.</p> <p>e. GIS mapping We are now applying GIS in mapping our infrastructure network</p>			
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3	The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 72,185,600 and Kshs. 68,096,820 resulting to an unexplained variance of Kshs 4,088,780. This is contrary to Section 31 (c) of the Public Finance Management (County Governments) Regulations 2015 that states that the budget revenue and expenditure appropriations shall be balanced	The variance of Kshs. 4,088,780 relates to budgeted capital expenditure for the Company for the Year under review. The Budget Template provided rows for budgeted recurrent expenditure whereby the relative figures were inserted, but the same template did not provide rows for budgeted capital expenditure figures resulting to the difference.	Symon Wanjau Managing Director	Not Solved
4	The statement of profit or loss and other comprehensive income reflects personnel expenses balance of Kshs. 34,648,535 representing sixty-eight percent (68%) of the total operating expenditure of Kshs. 51,181,269 for the year ended 30 June, 2021. This is higher than the recommended threshold of thirty percent (30%) in accordance with the WASREB guidelines.	The excess personnel costs may negatively impact on the Company's profitability and sustainability of services if measures are not put in place to contain the costs within the acceptable levels		

Personnel Costs

ITEM	AMOUNT (Kshs)
Personnel cost	34,648,535
Less Salaries	19,179,951
Training	1,321,647
Leave pay	219,695
Staff welfare	112,670
Contracted Casuals	9,680,181
Casuals not contracted	4,134,391

$\text{Kshs. } 34,648,535 - 4,134,391 \times 100 = 45.7\%$

66,744,176

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Managing Director  Chairman of the Board 

Date 16/12/2022 Date 16/12/2022

