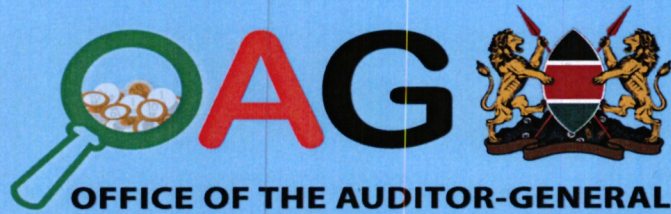


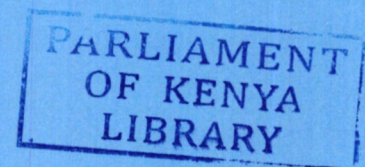
REPUBLIC OF KENYA



Enhancing Accountability

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REPORT



OF

THE AUDITOR-GENERAL

ON

**NAIVASHA WATER AND SANITATION
COMPANY LIMITED**

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

Issued on 30th June 2022



NAIVASHA WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

Naivasha Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

Naivasha Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

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I. Key Entity Information

Background information

Naivasha Water and Sanitation Company Ltd (NAIVAWASCO) was established by the Water Act 2016 of Parliament. At County level, the Company is represented by the County Executive Member responsible for Water, Environment and Natural Resources, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya.

Vision

To realise a reliable high-quality water and sanitation services accessible within a reasonable distance.

Mission

To continuously provide adequate high quality, affordable, accessible and sustainable water and sanitation services that exceed the needs and expectations of customers using contemporary technology.

Principal Activities

The principal activities of NAIVAWASCO are;

- a) Water, abstraction, treatment and distribution of water
- b) Collection, transmission, treatment and disposal of sewage to the prescribed service and quality
- c) Maintenance and repair of assets for water and sanitation
- d) Establishing connections to expand service area coverage

Directors

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

1.	Johnson Karanja	Chairman	Appointed on April 2020
2.	CPA Muchinah Gitau	Member	Appointed on July 2018
3.	Joyce Lairumbe	Member	Appointed on April 2020
4.	Pius Langat	Member	Appointed on July 2019
5.	Jane Muriu	Member	Appointed on February 2021
6.	Tabitha Kamau	Member	Appointed on July 2021
7.	Mark Kariuki	Member	Appointed on May 2020

Corporate Secretary

Mr. Gikuhi Kiana
P.O. Box 1271-10100
Nyeri

Registered Office

Water Works along Kenyatta Avenue next to KWSTI
P.O. Box 321-20117
Naivasha, Kenya

Naivasha Water and Sanitation Company Ltd
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Corporate Headquarters

P.O. Box 321-20117

Water Works along Kenyatta Avenue next to KWSTI

Naivasha, Kenya

Corporate Contacts

Telephone: (254) 0705877770

E-mail: info@naivashawater.go.ke

Website: www.naivashawater.go.ke

Corporate Bankers

1.Kenya Commercial Bank (Bank details refer to Note 21 under Notes to financial statement)

Kenyatta Avenue

P.O Box 130-20117

Naivasha Branch, Kenya

2.Co-operative Bank of Kenya (Bank details refer to Note 21 under Notes to financial statement)

Co-operative House-Mai Mahiu Road

P.O Box 1180-20117

Naivasha Branch, Kenya

3.Sidian Bank (Bank details refer to Note 21 under Notes to financial statement)

Pennibrah House, Moi Road

P.O Box 558-20117

Naivasha Branch, Kenya

4.Family Bank (Bank details refer to Note 21 under Notes to financial statement)

Moi Road

P.O Box 1614

Naivasha Branch, Kenya

5.Kenya Post Office Savings Bank (Postbank) (Bank details refer to Note 21 under Notes to financial statement)

P.O Box 4199

Naivasha Branch, Kenya

6.Safaricom M-pesa (Paybill details refer to Note 21 under Notes to the financial statement)

Independent Auditors

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

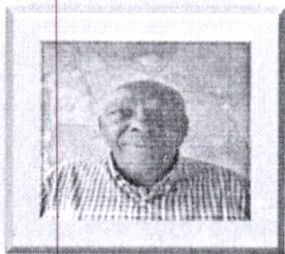
Principal Legal Advisers

1.The County Attorney
Nakuru County
P.O Box 14797-20100
Nakuru Kenya

2.Mirugi Kariuki and Co Advocates
P.O Box 1689-20100
Nakuru, Kenya

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II. The Board of Directors

Ref	Directors	Details
1.	 Johnson Karanja	Mr Johnson Karanja was born on 18 th December 1974 and serves as the Board Chairman. He holds a degree of bachelor of Science from Egerton University. He has vast experience in business administration. He represents the professional organizations in the board.
2.	 CPA Muchinah Gitau	CPA Muchinah Gitau was born on 05 th October 1979 and is the current Chief Officer Finance Nakuru County Government representing the shareholder in the board. He holds a degree in Banking and Finance as well as CPA and CPS holder and currently pursuing Masters of Science in Finance. He is a member of the Finance and Administration Committee as well as Audit, Risk and Governance having joined the company in July 2018.
3.	 Joyce Lairumbe	Joyce Lairumbe was born on 27 th November 1977 and sits as the chair in the Finance and Administration Committee. She holds a certificate in community health and represents special interest groups (women, people living with disability, youths and marginalized communities) in the board.
4.	 Pius Langat	Mr. Pius Langat was born on 15 th August 1948 and is a member of the Technical Committee and holds a higher national diploma in Automobile Engineering. He represents Community Based Organizations in the Board having joined the company in 2019

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5.	 Eng. Jane Muriu	Eng Jane Muriu was born on 03rd July 1962 and currently the AG. Chief Officer Water-Directorate of Water and Sanitation Nakuru County. She holds an MSc in Irrigation from the University of Florence, Italy and BSc in Water Engineering from Kenyatta University. She is registered with the Engineers Board of Kenya (EBK) as a graduate engineer. She sits in the Technical Committee as a representative of the County Government. She joined the company in February 2021.
6.	 Mark Kariuki	He was born on 2nd November 1953 and is a member of the Technical and Audit, Risk and Governance committees. He represents Commercial consumers in the board. He has been a board member of various institutions including Lake Imarisha Board and Development Committee; Kenya Medical Training Institute to name just a few. He joined the company in May 2015 and was re-elected in April 2020
7.	 Tabitha Kamau	Tabitha Wangari Kamau was born on 20th October 1966 and is a member of Finance and Administration Committee and Audit, Risk and Governance Committee. She has a bachelor of Arts in Counselling Psychology and Professional Qualification as an Associate Counsellor.
8.	 CPS Gikuhi Kiana	CPS Gikuhi is the company secretary. He is a member of the Fellow of institute of Certified Public Secretaries of Kenya (FCPSK), Member of Kenya Institute of Management (MKIM), Member of Audit Risk and Governance Committee -KIM having pursued an MBA (Strategic Management) from Moi University. He has a rich employment record in various institutions within the country and thus a vast experience in company secretarial duties. He joined the company in 2015

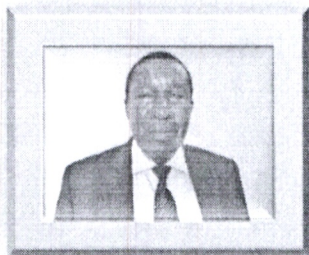
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9.	 Eng Nahashon Wahome	Eng Nahashon Wahome was born on 09th April 1987. He has been the Managing Director since July 2018 having joined the company in November 2014 and serves as the secretary to the board. He has a BSc. In Water Engineering and currently pursuing MSc. Soil and Water Engineering. He is a registered member of Institute of Engineers Technologists (IET) and has a wide experience in project management.
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III. Management Team

Ref	Management	Details
1.	 Eng Nahashon Wahome	Eng Nahashon Wahome is the Managing Director since July 2018 having joined the company in November 2014. He has a BSc in Water Engineering and currently pursuing MSc. Soil and Water Engineering. He is a registered member of the Institute of Engineers Technologists (IET) and has a wide experience in project management.
2.		CPA Winnie Karanja is the Finance and Administration Manager having joined the company in June 2019 and serves as the secretary to the Finance and Administration Committee. She has a bachelor's degree in Finance and Masters in Business Administration. She is a registered member of Institute of Certified Public Accountants of Kenya (ICPAK)

Naivasha Water and Sanitation Company Ltd
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	CPA Winnie Karanja	
3.	 Harry Njung'e	Mr Harry Njung'e is the Distribution and Sales Manager having joined the company in 2014. He holds a degree in Geomatic Engineering from JKUAT and a postgraduate diploma in Marketing Management. He has wide experience in sales and marketing; customer Service; NRW (Non-Revenue Water) management and GIS
4.	 Felix Mwarema	Mr Felix Mwarema joined the company in June 2019 and has broad experience in water systems. He holds a bachelor's degree in Agricultural Engineering and a diploma in Management. He serves a secretary to the Technical Committee.
5.	 CPS Gikuhi Kiana	CPS Gikuhi is the company secretary. He is a member of the Fellow of institute of Certified Public Secretaries of Kenya (FCPSK), Member of Kenya Institute of Management (MKIM), Member of Audit Risk and Governance Committee -KIM having pursued an MBA (Strategic Management) from Moi University. He has a rich employment record in various institutions within the country and thus a vast experience in company secretarial duties. He joined the company in 2015

IV. Chairman's Statement



Dear Shareholders!

Welcome to Naivasha Water and Sanitation Company Limited Annual Report and Accounts for the Financial Year 2021/2022.

First and foremost, allow me to appreciate, and acknowledge the shareholders led by the Governor of Nakuru County. In the same breath I wish to applaud all the members of the Board, Management, Members of Staff and Development Partners for the efforts they have invested in steering the Company to the right trajectory of achieving the mandate bestowed on the utility. The year has been quite eventful and the Company has made significant strides towards increasing service coverage, improving the levels of service, enhancing efficiency and improving governance.

Governance

The Members of the Board continue to provide Strategic leadership and direction to the Company to enable it achieve its mandate as detailed in the Water Act 2016, and the strategic objectives enumerated in our Strategic Plan 2020-2024. The Board of Directors was composed of seven (7) Board members representing different stakeholders. The County Government of Nakuru is represented by two Directors while the other five Directors represent stakeholders within our area of service delivery.

The Board has constituted three committees with clear mandate and Terms of Reference (ToR).

The committees include;

1. Technical Committee
2. Finance and Administration Committee
3. Audit, Risk and Governance Committee

Within the FY 2021/2022, each of the committee met once per every quarter followed by a quarterly full board meeting.

Further, in efforts to enhance the capacity of the Board, the members of the Board were taken through Induction and Corporate Governance training. The business of the Board is guided by the Board Charter and the members of the Board are evaluated at the end of the year.

Strategic Plan 2020 - 2024

The Strategic Plan remains our guiding document in fulfilling the Strategic Objectives and executing the strategies which were meticulously identified and agreed upon by members of the Board and members of staff. NAIWASCO plans to optimize operational and institutional systems through the strategic objectives, strategies and strategic actions, these includes but not

Naivasha Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

limited to reduction of NRW through development and implementation NRW reduction framework, reduction of requisition process for issuance of materials for operation and maintenance by automation of processes, enhancing company risk management and compliance through reduction of the Company's exposure to risks and strengthening of internal control framework.

Financial Performance

The Financial performance of the Company has continued to grow after achieving sales of KES 192 million in FY2021/22 marking 10% growth. Moreover, our operation and maintenance cost recovery grew from 105% to 111% showing that the Company is able to break-even in its operational costs, while relying on internally generated revenue.

Coverage

The company has been able to reach more people and more areas in Naivasha Sub-County. Within FY 2021/2022, we were not only able to attain 11,102 connections within the formerly 5 wards we have been providing services but also, we were able to record our presence in Maiella Ward, where a borehole was developed and two communal water points constructed. This year the company targets to intensify connections in Kinamba, Mararo, Mirera, Mai Mahiu, Ngondi among other areas.

Strategic Partnerships

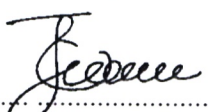
In order to remain relevant and achieve our mandate, NAIVAWASCO has continued to strengthen and deepen existing partnerships and forging new alliances. During the year, we were able to partner with different stakeholders who include the County Government of Nakuru (CGN), Water Services Regulatory Board (WASREB), Central Rift Valley Water Works Development Agency (CRVWWDA), Water Sector Trust Fund (WSTF), Vitens Evides International (VEI), Water and Sanitation for Urban Poor (WSUP), Sanivation and UNICEF.

Special thanks to the County Government who in the previous year did not only provide good political and working environment, but also, they invested directly in various water supply projects such as Manera Water Supply project. I am aware that plans to implement Karima Water Project and Kabati Water Project are in high gear.

Conclusion

NAIVAWASCO resolve is to continue delivering increased amount of water to the residents of the Sub-County whose quality is assured to be high, and more importantly, the Company is still looking forward to reach other new areas within Naivasha Sub-County such as Kinamba, Mirera and Mai Mahiu. Our short-term plans are well illustrated in the newly developed 2020-2024 strategic plan. We anticipate to serve more customers with sufficient potable water and bring on board more development partners.

We are looking forward for a better 2022/2023!

Sign.....


Johnson Karanja

Chairman, Naivasha Water and Sanitation Company Ltd.

Naivasha Water and Sanitation Company Ltd
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V. Report of the Managing Director



NAIVAWASCO has the responsibility of providing water and sanitation within Naivasha Sub County as well as undertaking any other function conferred on it by the Water Act, 2016. NAIVAWASCO will continue to be in the frontline in ensuring access to quality water and sanitation services in the Sub County.

Eng. Nahashon Wahome, Managing Director

Over the last year, the Company has recorded positive growth which was depicted through the increase in services coverage, improved customer service, better governance and enhanced financial sustainability. As NAIVAWASCO we are delivering increased amount of water to the residents whose quality is assured to be high. At the same time, the company has been able to implement a series of projects to enhance service coverage.

Recognition and Awards

NAIVAWASCO's efforts to provide mandated services to the residents of Naivasha Sub-County has been recognized by the national regulator (WASREB) over the years; and has been awarded various awards:

Table 1: Awards

Awards	YEARS		
Most Improved Utility	2022	2020	2018
Top Utility Medium Category	2022	2021	2020
Best Utility Reporting	2022		

Performance

Technical Department, which is responsible for production and treatment of water, monitoring of water quality, and planning and expansion witnessed impressive result over the year as indicated in below.

	FY 2020/2021	FY 2021/2022
No. of Boreholes	10.00	22.00
Total Yield (m3/day)	14,600.00	19,600.00
Actual Production (m3/year)	1,974,833.00	2,035,979.00
Production Loss	35,781.00	40,126.00
Water Available for Sale	1,939,052.00	1,995,853.00

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Secondly, Distribution Department with a mandate to supply and distribute of water, receiving and handling customer complaints, management of NRW, sales and marketing, new connections and service delivery in the low-income areas recorded the following achievements

- ✓ Increase in connections to 11,102 from 9,393 thereby transitioning the utility to Large category as per WASREB ranking.
- ✓ Reduction in NRW from 28% to 26% due to intensification of NRW reduction activities in zones with high water losses i.e. Lakeview & CBD
- ✓ Full Automation of meter reading to leading to increased meter reading efficiency and reduced billing errors.
- ✓ Maintained hours of water supply at 24Hours
- ✓ Increased Sales from KES 174M to 192M

Thirdly, the Finance department, which is responsible for revenue collection and budget planning and utilization achieved the following

- ✓ Revision and Implementation of a New Water tariff structure that would enable to enhance financial sustainability as well as met the needs of the consumer
- ✓ Full Repayment of two Asset Financing Loans that had been borrowed to purchase an Exhauster and 10 Motorcycle, this improved the financial strength of the company as more cash was available for the other use.
- ✓ Secured a Conditional Liquidity Support Grant of Kes 34M from the WSTF to support the company against the Covid-19 pandemic and increase coverage

In a bid to recruit and retain talented employees, Company has invested in various employee centric initiatives which includes:

1. Rehabilitation of a conference facility center at Kihoto for trainings and meetings purposes.
2. Development of various policy manuals to enhance Company Efficiency i.e. New Connection policy, Health & Safety policy, NAIVAWASCO workplace policy on Gender mainstreaming, Human Resource Policies and Procedures Manual and Risk Management Register.

Research and Development

As noted, the Company has invested in a conference centre that will promote training and capacity development of the employees.

Moreover, NAIVAWASCO has supported its employees in participating in global research initiatives such as Young Expert Program -YEP- (one employee was supported), Sustainable Urban Water and Sanitation -SUWAS - (two employees supported).

Together with VEI and WRA, NAIVAWASCO has also embarked on a search for good quality water sources which, once through, will help in increasing the amount of water produced, improving quality and reducing cost of production.

NAIVAWASCO is also in the process of installing solar systems with an aim of reducing power costs and partly automating production sites

Strategic Relationships

The company has been able to identify and collaborate with various to strategic partners and

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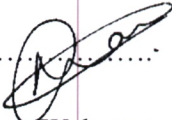
stakeholders. The main stakeholders that the Company is working with include:

- ✓ The County Government of Nakuru – who is the major shareholder. CGN has invested in various water projects such as Manera WP, Karima WP and Kabati SP.
- ✓ Water Services Regulatory Board – this is the regulator
- ✓ Central Rift Valley Water Works Development Agency – involves in developing major assets
- ✓ Water Sector Trust Fund – Funds water and sanitation projects such as UBSUP, and Supported the Company with CLSG, Ihindu PSF
- ✓ Vitens Evides International (VEI)- VEI is a key partner in Water Worx program that we signed for 2nd phase in April, 2022. With VEI NAIWASCO has implemented infrastructural projects such as Mirera Kiu WP, initiated NRW reduction programs, participated in capacity building our employees.
- ✓ Water and Sanitation for Urban Poor (WSUP) – WSUP has been a key partner in improving water and sanitation services in the low-income areas and has invested in infrastructural projects in Kihoto and Kayole, assisted in development of policies such as Pro-Poor Policy, and Social Connection Policy
- ✓ Sanitation- they are sanitation partners who have been involved in initiating sanitation projects in the Sub-County including a recycling plant at our STP
- ✓ UNICEF – they are assisting the company to strengthen its governance

g) FUTURE PLANS

In the coming year, NAIWASCO will direct its effort towards

- Constructing 97km Water network expansion to Kinamba, Mararo, Mirera and MaiMahiu under commercial financing. This project entails water network expansion only for Kinamba, Mararo and Mirera designed to utilize the unutilized production capacity at Karate. In Mai Mahiu, additional two boreholes are proposed to be drilled under the project. Mai Mahiu Water supply project (W4L) this is a water expansion project seeking to lay 27km water network to serve Mai Mahiu town.
- Increasing customer connections through expansion to new areas which include-Ngondi, Nyongoro, Mai-Mahiu, Kinungi, Mirera, Karai, Mararo, Kinamba.
- Carrying out a customer satisfaction survey.
- Implementing prepaid metering for large and commercial customers.
- Improving collection efficiency
- Improving personnel efficiency

Sign.....

Eng. Nahashon Wahome

Managing Director, Naivasha Water and Sanitation Company Ltd

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

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity's performance against predetermined objectives.

NAIVAWASCO has three strategic pillars and objectives within the current Strategic Plan for the 2020-2024. These strategic pillars as follows:

Pillar 1: Increase Water and Sanitation Coverage

Pillar 2: Improved Customer Satisfaction

Pillar 3: Strengthened Financial Sustainability

NAIVAWASCO develops its annual work plans based on the above three pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. NAIVAWASCO achieved its performance targets set for the FY 2021/2022 period for its three strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Increase Water and Sanitation Coverage	➤ Expansion of water network infrastructure	➤ New main lines and sub main lines	➤ Extending Mirera-Kiu water network	➤ New supply water lines to water in Mirera-Kiu
	➤ Increase access to improved sewer coverage to 30% and decent onsite sanitation for all in the service area	➤ New sanitation projects	➤ Upgrade of toilets in Kabati area and connecting them to sewer line	➤ 207 toilets constructed and connected to the sewer line

Pillar 2: Improved Customer satisfaction	➤ Increase and maintain satisfaction level to over 85% by 2024	➤ Enhancement of customer relations through effective communication	➤ Undertaking continuous customer engagement and awareness creation	➤ Conducted water clinics in a number of zones to take note of challenges being faced by our customers and create awareness on our services
				➤ Reactivated USSD code to enable customers view their monthly billings and verify staff who do routine meter readings at their premises
Pillar 3: Increased Financial Sustainability	➤ Increase sales income to 275 million per annum by 2024	➤ Increase in water and sewer sales ➤ Reviewing of tariff structure ➤ Offering of exhauster services	➤ Increasing customer connections ➤ Developing and implementing water provision for tariff structure for financial sustainability ➤ Undertaking marketing of exhauster services	➤ Increased connections for water and sewer by 1,675 and 123 respectively ➤ Increased sales revenue from KES.192,649,030.77 from KES.175,552,693 ➤ Implemented new tariff structure effective 01st January 2022 ➤ Marketed exhauster services via social media platforms, posters and brochures

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VII. Corporate Governance Statement

A. Board Composition and Appointment

The Board of Directors was composed of seven (7) Board members representing different stakeholders. The County Government of Nakuru is represented by two Directors while the other five Directors represent stakeholders within our area of service delivery.

Vacant board positions are advertised and an Adhoc Selection Committee of the Board conducts the shortlisting and interviews of the shortlisted candidates. The report of the Selection Committee is submitted to the office of the Governor of Nakuru County for review and appointment of the candidate proposed by the Selection Committee.

Every year, two directors retire in succession to ensure retention of institutional memory.

B. Full Board Meetings and Board Committee Meetings

To support the business of the Board, there are three committees namely, Finance and Administration Committee, Audit Risk and Governance Committee and Technical Committee. The three Committees meet every quarter and the Full Board meets once every quarter as illustrated in the below table showing attendance by Directors;

BOARD MEMBERS	FULL BOARD	FINANCE AND ADMINISTRATION COMMITTEE	TECHNICAL COMMITTEE	AUDIT, RISK AND GOVERNANCE COMMITTEE
Johnson Karanja	4\4			
Pius Langat	4\4		4\4	
Mark Kariuki	4\4		3\4	4\4
Tabitha Kamau	4\4	4\4		
Jane Muriu	3\4		3\4	2\4
Joyce Lairumbe	3\4	4\4		
Joseph Muchinah	1\4	3\4		3\4

The business of the Board is guided by the Board Charter and the members of the Board are evaluated at the end of the year. The evaluation is carried out by an independent NAIWASCO and the recommendations are shared and implemented the following year.

The roles and functions of the Board are well articulated by the Board, the Chairperson, the Committees, the Directors and the Managing Director are well documented in the Board charter and are respected.

Through the involvement of the County Government and supporting donor agencies, the members are put through a training process and they sign a code of conduct for Board Members.

Naivasha Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

C) Remuneration of The Board Members

The remuneration of the Board is guided by WASREB guidelines and the resolution of the shareholders. The following are highlights of the company's board policy;

- During full board and board committee meetings directors are entitled to a sitting allowance, transport allowance and lunch allowance
- The board chairman is entitled to a monthly honorarium
- Medical cover is provided to all directors comprising of both inpatient and outpatient services

Below is a schedule of the board member allowances;

DESCRIPTION	TOTAL ALLOWANCE	TRANSPORT ALLOWANCE	LUNCH ALLOWANCE	SITTING ALLOWANCE
Chairman's Honorarium	KES.28,571	KES.2,000	KES.2,000	KES.24,571
Chairman allowance-Full Board	KES.22,571	KES.2,000	KES.2,000	KES.18,571
Director's allowance-Full board and committee meetings	KES.15,429	KES.2,000	KES.2,000	KES.11,429
Director's allowance-other meetings	KES.12,571	KES.2,000	KES.2,000	KES.8,571

VIII. Management Discussion and Analysis

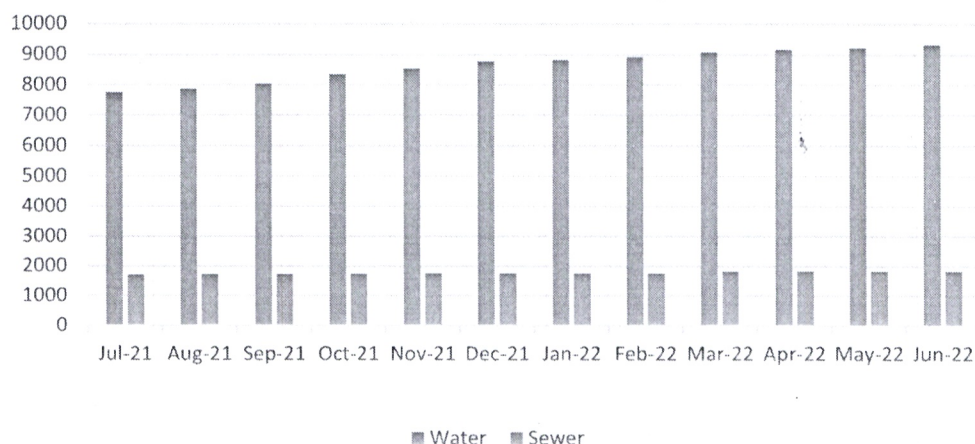
A) New Connections

The company had a steady growth in the number of new connections for both water and sewer recording 1,675 and 123 connections respectively. The key notable zones which contributed more new water connections were Mai Mahiu with 539 connections, Hells Gate 353 connections and Kayole 311 connections. The company is planning to start projects in the Kinamba – Mararo areas that will further enhance growth in the number of water connections.

The graph below shows the growth in both water and sewer connections

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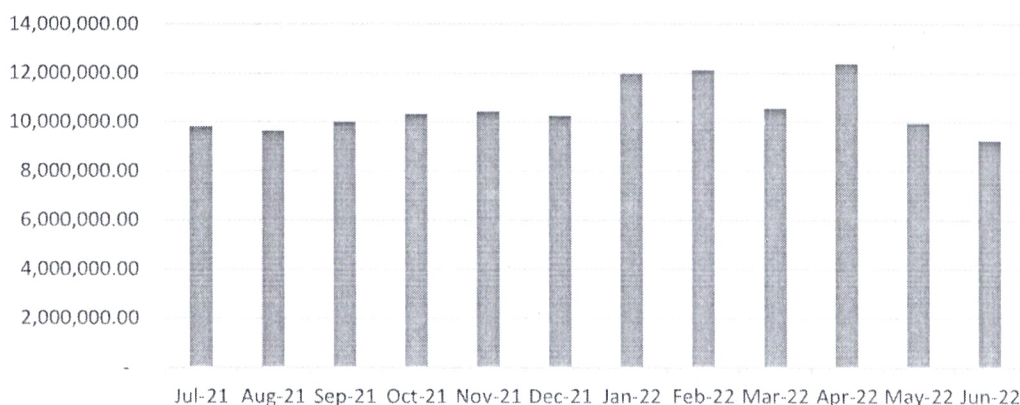
Number of total connections FY2021/2022



B) Water Sales

The company performed exemplary well in terms of water revenue with sales of KES. 126,628,055.30 compared to the FY 2020/2021 which recorded sales worth KES. 113,473,640 translating to 11.6% increment in sales. There was a steady growth in water sales revenues from the month of July 2021 and peaked in April 2022 with sales amount of KES. 12,370,653. The strong growth in sales from Q3 was partly due to adoption of the new tariff from January 2022. Significant drop in sales were recorded in May and June 2022 attributed to low demand from commercial and government institutions. Below is a graph showing the sales performance in the FY2021/2022

Water sales FY2021-2022

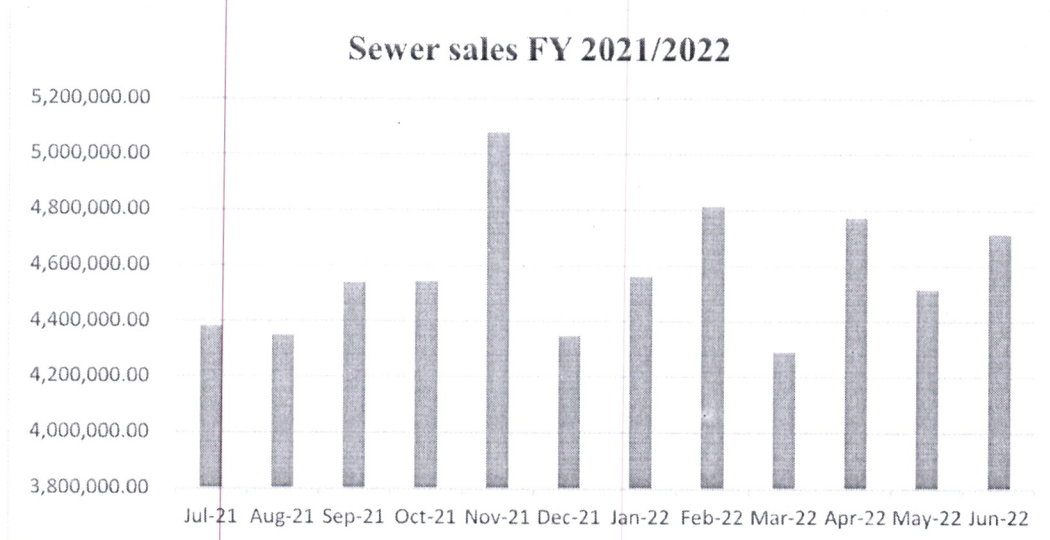


C) Sewer Sales

The company had a slight increase in sewer sales by 7.5% where in FY 2021/2022 it recorded sales worth KES. 54,817,725.72 compared to KES. 50,993,507.30 in FY2020/2021. The highest sales in FY2021/2022 was recorded in the month of November 2021 KES. 5,077,369 and the lowest sales was in March 2022 recording KES. 4,291,621.

The below chart shows the trend in sales in FY2021/2022;

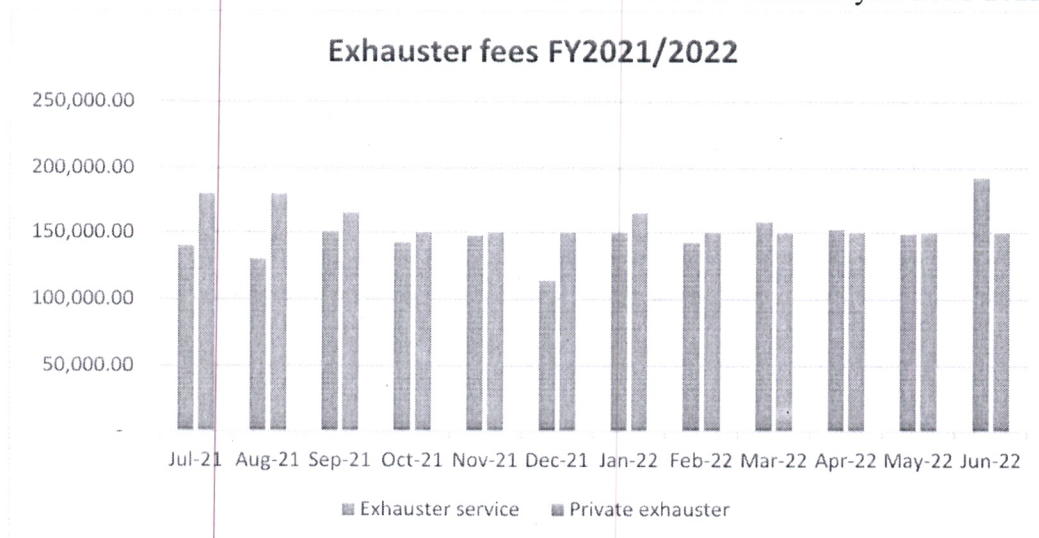
Naivasha Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022



C) Exhauster Fees

The company charges a flat fee of KES15,000 to private exhausters to dump at its sewer facility and offers exhausting services to residents of Naivasha at competitive market rates. The concluded FY2021/2022 was marked with increase in exhauster fees by 34.7% where it recorded sales worth KES. 3,660,001 against KES. 2,717,500 in FY2020/2021. The company exhauster recorded it is highest sales in the month of June 2022 at KES. 193,000 and its lowest in the month of December 2021 where it recorded KES. 114,000.

The below chart elaborates the trend in exhauster fees in the financial year 2021-2022.



D) Future Plans

The company has focused on implementation of small projects both in the current and the entire service provision area in order to attain the following short-term objectives;

Naivasha Water and Sanitation Company Ltd
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- ❖ Increase quantity of good quality water through increasing the number of boreholes in better water quality yielding aquifers and to roll out defluoridation project
- ❖ Reduction of production costs by use of solar and other renewable sources of energy in the production sites
- ❖ Construct new reservoirs and increase supply hours to all serviced areas
- ❖ Reduce NRW to 22.5%
- ❖ Improve collection efficiency to over 95%
- ❖ Increase water coverage to over 90% through construction of new/replacing distribution lines in existing and new areas (water and sewer)

IX.Environmental and Sustainability Reporting

NAIVAWASCO exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

According to the NAIVAWASCO 2020-2024 Strategic plan, improved operational and institutional performance is key to the sustainability of the Company. NAIVAWASCO plans to optimise operational and institutional systems through the strategic objectives, strategies and strategic actions, these includes but not limited to Reduction of NRW to 23% through Development and implementation NRW Reduction Framework, Reduction of requisition process for issuance of materials for Operation and Maintenance by atomization of processes, Enhancing company risk management and compliance through reduction of the Company's exposure to risks and strengthening of internal control framework.

Financial sustainability is also critical to service delivery and on-going infrastructure development, maintenance and improvements. Efficient and effective resource mobilisation and management will help the Company to move the business towards successful execution of strategic objectives and reaching its goals.

ii) Environmental performance

NAIVAWASCO has environmental policy that promotes sustainable environmental conservation practices such as restoration of water catchment areas, preserving ecosystems and biodiversity conservation. It also ensures awareness creation on climate change; impacts on water, adaptation and mitigation measures to improve on water resource to the people. advocates on improving public and environmental health through sustainable, effective and efficient sanitation service delivery.

iii) Employee Welfare

NAIVAWASCO through a Human Resource policy is committed to building a highly skilled and motivated workforce that will perform effectively in their positions as well as further the

Naivasha Water and Sanitation Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2022

company mission. All recruitments are conducted in an open and transparent manner without undue influence from stakeholders, shareholders, members of the Board of Directors or any member of staff irrespective of their seniority.

The Policy guides on the Company staff welfare services including counselling on personal problems, assistance with problems of health or sickness. It supports the formation of staff welfare initiatives and encourages employees to register as members of welfare associations formed by members of staff, as well as savings and co-operatives savings society. Further to this NAIWASCO through the policy ensures that all employees comply with all applicable OSHA standards as required in the Occupational Safety and Health Act of 2007, (OSHA).

iv) Market Place Practices-

a) Responsible Competition Practice.

The Company annually advertises for registration and prequalification of Vendors in a print media with wide circulation giving opportunities to different categories including reservation of disadvantages groups. It also exercises open and transparent tendering process to ensure business integrity and ethics.

b) Responsible Supply Chain and Supplier Relations

NAIWASCO maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible Marketing and Advertisement

The company continue carrying out water clinics, road shows and barazas in all the zones to interact with the customers and reach out to others who are not connected

d) Product Stewardship

The company carries out public participations during negotiation of tariff changes

v) Corporate Social Responsibility / Community Engagements

NAIWASCO helped to nurture talent among the youth by contributing cash donation of KES. 100,000 towards the Stanbic Nakuru City Marathon held on 28th November 2021. In addition the company held meetings with landlords and Member of County Assembly for Longonot, Mai Mahiu, Kayole in a bid to agree on strategies to bring water and sanitation services to these areas.

Naivasha Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

X. Report of the Directors

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

i) Principal Activities

The principal activities of NAIVAWASCO are the provision of affordable clean water and sanitation services to the residents of Naivasha Sub-County and its environs.

ii) Results

The results of the company for the year ended June 30, 2022 are set out on page 1. Below is summary of the profit or loss made during the year.

iii) Dividends

The company has not declared dividends for the year ended 30th June 2022.

iv) Directors

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

v) Auditors

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

By Order of the Board

Name.....
Signature.....
Date.....
Secretary to the Board

Naivasha Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

XI. Statement of Directors' Responsibilities

Section 164(1) of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that NAIVAWASCO 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 NAIVAWASCO.

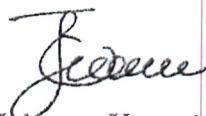
The Directors are responsible for the preparation and presentation of NAIVAWASCO financial statements, which give a true and fair view of the state of affairs of NAIVAWASCO for and as at the end of the financial year ended 30th June 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

The Directors are of the opinion that NAIVAWASCO's financial statements give a true and fair view of the state of NAIVAWASCO's transactions during the financial year ended June 30, 2022, and of the NAIVAWASCO's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for NAIVAWASCO, 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 NAIVAWASCO will not remain a going concern for at least the next twelve months from the date of this statement.

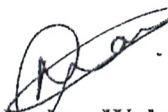
Approval of the financial statements

The company financial statements were approved by the Board on 15TH SEPTEMBER 2022 and signed on its behalf by:



Johnson Karanja

Chairperson of the Board

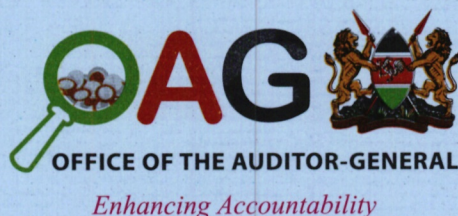


Eng. Nahashon Wahome

Managing Director

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Naivasha Water and Sanitation Company Limited set out on pages 1 to 41, 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 statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the basis for qualified opinion section of my report, the financial statements do present fairly, the financial position of as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Board Expenses

The statement of profit or loss and other comprehensive income reflects board expenses balance of Kshs.3,780,065 and as disclosed in Note 12 to the financial statements. However, the expenditure was not supported by way of detailed schedule showing board member name, description of allowance, committee meeting and the allowance paid.

In the circumstances, the propriety, accuracy and occurrence of board expenses of Kshs.3,780,065 for the year ended 30 June, 2022 could not be confirmed.

2. Unsupported Assets Additions

The statement of financial position reflects property, plant and equipment balance of Kshs.566,797,801 and as disclosed in Note 17 to the financial statements. Included in the balance are additions during the year valued at Kshs.373,203,863 of which assets valued at Kshs.339,542,367 were unsupported by way of detailed schedule indicating asset description, date of purchase and its value. Further, the balance excludes land and buildings of undetermined value on which the company resides.

In the circumstances, the accuracy, and fair statement of property, plant and equipment balances of Kshs.566,797,801 as at 30 June, 2022 could not be confirmed.

3. Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.140,296,428 and as disclosed in Note 19 to the financial statements. Included in the balance are deposits and prepayments of Kshs.1,250,408 whose invoices and evidence of prepayments were not provided for audit.

In the circumstances, the accuracy, and fair statement of trade and other receivables balance of Kshs.140,296,428 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 Naivasha 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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a total revenue budget balance of Kshs.598,305,073 against actual revenue of Kshs.230,486,490 resulting to revenue shortfall of Kshs.367,818,583. The statement also reflects total expenditure budget of Kshs.468,005,418 against actual expenditure of Kshs.215,665,989 resulting to under expenditure of Kshs.252,339,428. No explanations have been provided for the exceeding 10% variances.

The revenue short fall of Kshs.367,818,583 negatively affected the Company's operations and profitability during the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Service Provision Agreement

Review of records and documentation provided for audit revealed that the Company was operating without a Service Provision Agreement for the financial year under review. The service provision agreement in force expired on 20 May, 2021 and was yet to be renewed as at the time of audit.

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

2. Unaccounted for Customer Deposits

The statement of financial position also reflects customer deposits balance of Kshs.17,242,661 and as disclosed in Note 25 to the financial statements. However, the

corresponding bank account holding the deposits indicated a balance of Kshs.7,907,573 resulting to unaccounted for customer deposits of Kshs.9,335,088. This is indicative of utilization of customer deposits for Company operations contrary to Water Service Regulatory Board Regulations, 2002.

In the circumstances, the Company 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 believe that the 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 standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 April, 2023

Naivasha Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

XIII. Statement Of Profit or Loss & Other Comprehensive Income for The Year Ended 30,June 2022.

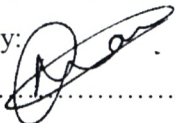
	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue			
Operating Revenue	6	192,649,033.77	175,557,379.00
Grants Income	7	34,582,597.20	34,995,428.00
Other Income	8	2,577,091.28	775,019.00
Finance income	9	437,767.60	-
Total Revenue		230,246,489.85	211,327,826.00
Expenses			
Staff Costs	10	87,167,075.56	72,732,953.00
General and Operations expenses	11	86,369,173.81	76,009,583.72
Board Expenses	12	3,780,065.00	2,670,164.00
Maintenance Expenses	13	10,191,241.27	11,799,492.28
Depreciation and Amortization expenses	14	25,050,363.72	20,603,066.00
Finance Costs	15	3,108,070.08	3,417,370.00
Total Expenses		215,665,989.44	187,232,629.00
Profit/(Loss) Before Taxation		14,580,500.41	24,095,197.00

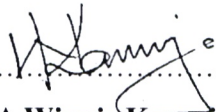
Naivasha Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

XIV.Statement of Financial Position as at 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	17	566,797,800.54	208,018,106.00
Intangible assets	18	9,780,308.66	10,865,867.00
Total Non-Current Assets		576,578,109.20	218,883,973.00
Current Assets			
Trade and receivable	19	140,296,427.92	122,639,579.00
Bank and cash balances	20	51,072,981.67	24,214,103.00
Total Current Assets		191,369,409.59	146,853,682.00
Total Assets		767,947,518.79	365,737,655.00
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	21	100,000.00	100,000.00
Retained Earnings	22	10,589,000.73	(2,826,888.00)
Capital grants and Reserves		667,354,592.77	281,812,873.00
		678,043,593.50	279,085,985.00
Non-Current Liabilities			
Borrowings	23	15,362,060.54	23,893,179.00
Total Non-Current Liabilities		15,362,060.54	23,893,179.00
Current Liabilities			
Borrowings	23	2,424,579.05	4,559,483.00
Trade and other payables	24	54,874,624.70	44,206,947.00
Customer Deposits	25	17,242,661.00	13,992,062.00
Total Current Liabilities		74,541,864.75	62,758,492.00
TOTAL EQUITY AND LIABILITIES		767,947,518.79	365,737,656.00

The financial statements were approved by the Board on 15TH SEP 2022 and signed on its behalf by:


 Eng. Nahashon Wahome
 Managing Director


 CPA Winnie Karanja
 Head of Finance
 ICPAK M/No:20778


 Johnson Karanja
 Chairman of the Board

Naivasha Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

XV. Statement Of Changes In Equity For The Year Ended 30 June 2022

	Ordinary share capital	Capital Reserves	Capital Grants	Retained Earnings	Total
As at July 1, 2020	100,000.00	56,581,095.00	211,850,723.00	(26,922,085.00)	241,609,733.00
New capital issued	-				-
Profit for the year				24,095,197.00	24,095,197.00
Capital/Development grants received during the year			13,381,055.00		13,381,055.00
As at June 30, 2021	100,000.00	56,581,095.00	225,231,778.00	(2,826,888.00)	279,085,985.00
As at July 1, 2021	100,000.00	56,581,095.00	225,231,778.00	(2,826,888.00)	279,085,985.00
Issue of new share capital	-				-
Adjustment to revenue reserve				(1,164,611.68)	(1,164,611.68)
Profit for the year				14,580,500.41	14,580,500.41
Capital/Development grants received during the year			385,541,719.77		385,541,719.77
At June 30, 2022	100,000.00	56,581,095.00	610,773,497.77	10,589,000.73	678,043,593.50

Naivasha Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

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

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash Flows from Operating Activities			
Surplus for the year		14,580,500.41	24,095,197.00
Adjustment for;			
Depreciation and amortization		21,406,009.57	13,890,467.00
Changes in working capital			
(Increase)/decrease in receivables		(17,656,848.92)	(7,267,932.00)
Increase/(decrease) in payables		14,718,249.30	(5,722,733.00)
Net Cash From/(Used In) Operating Activities		33,047,910.36	24,994,999.00
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment (PPE)		(373,203,863.05)	(25,752,103.00)
Purchase of Intangible Assets		(5,192,090.40)	(12,114,877.60)
Net Cash From/ (Used In) Investing Activities		(378,395,953.45)	(37,866,980.60)
Cash Flows from Financing Activities			
Increase/(Decrease) in Capital/Equity		385,541,719.77	
Long term loan		(10,666,021.61)	17,346,526.00
Net Cash From/(Used In) Financing Activities		374,875,697.36	17,346,526.00
Increase/(Decrease) In Cash and Cash Equivalents		29,527,654.27	4,474,544.40
Cash and Cash Equivalents at Beginning of Year		21,545,327.40	17,070,783.00
Cash and Cash Equivalents at End of The Year		51,072,981.67	21,545,327.40

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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 utiliz ation	
	2021-2022	2021-2022	2021-2022	2021-2022			
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%	
Operating Revenue	227,190,312	(25,444,540.25)	201,745,771.90	192,649,030.77	9,096,741.13	95%	
Rental income	225,000	24,000	249,000	240,000	9,000	96%	
Grants	29,548,308	366,761,992.90	396,310,300.90	34,582,597.20	396,310,300.90	9%	KENHA relocation funds were budgeted under the operational budget, however the actual received funds of KES 361,605,399.3 0 were capitalized in the financial statements
Finance Income	0	0	0	437,767.60	(437,767.60)	0%	Interest accrued from call deposit and fixed deposit accounts
Other incomes	0	0	0	2,577,091.28	(2,577,091.28)	0%	Revolving fund for social connection

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							materials and fittings
Total Revenue	256,963,620.15	341,341,452.65	598,305,072.80	230,486,489.85	367,818,582.95	39%	
Expenses							
Staff Costs	88,943,784.96	7,122,161.04	96,065,946	87,167,075.56	8,898,870.44	91%	
Board Expenses	3,000,000	405,632	3,405,632	3,780,065	(374,433)	111%	
General and operations Expenses	96,541,007.98	239,710,937.78	336,251,945.76	86,369,173.81	249,882,771.95	26%	KENHA relocation expenditure had been budgeted as an operational expenditure however the actual utilized funds of KES 339,542,366.40 has been capitalized under works in progress
Maintenance	8,614,550	3,147,944.03	11,762,494.03	10,191,241.27	1,571,252.76	87%	There were few repairs and maintenance in the financial year
Depreciation and amortization	21,811,088.55	(4,307,282.30)	17,503,806.25	25,050,363.72	(7,546,557.47)	143%	Increased assets within the financial year
Finance costs	8,136,996	(5,121,402.59)	3,015,593.41	3,108,071.08	(92,477.67)	103%	

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Total Recurrent Expenditure	227,047,427.49	240,957,989.96	468,005,417.45	215,665,989.44	252,339,428.01	46%	
Profit or Loss	29,916,192.66	100,383,462.69	130,299,655.35	14,820,500.41	115,479,154.94	11%	
Capital Expenditure	43,670,000	0	43,670,000	378,395,953.45	(334,725,953.45)	86%	
Total Expenditure	270,717,427.49	(12,923,850.04)	257,793,577.45	594,061,942.89	(336,268,366.40)	230%	

XVIII. Notes to the Financial Statements

1. General Information

Naivasha Water and Sanitation Company Ltd (NAIVAWASCO) was established in 2006 and derives its authority and accountability from Water Act (2016). The Company is wholly owned by the Nakuru County Government and is domiciled in Kenya. The Company's principal activity is to supply affordable, clean water and sanitation services to Naivasha town and environs.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

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

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

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 recognise 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.

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Title	Description	Effective Date
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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Title	Description	Effective Date
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.

Title	Description	Effective Date
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 of the above, they do not expect that there will be a significant impact on the company's financial statements.

iii. Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognized in the year in which NAIWASCO actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and is recognized in profit and loss statement.
- iv) Rental income** is recognized in the income statement as it accrues.
- v) Other income** is recognized as it accrues.

b) In-kind contributions

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

c) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Freehold Land		Nil
Leasehold Land		Nil
Buildings and civil works	40	2.5%
Infrastructure works	40	2.5%
Plant and machinery	8	12.5%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	3	33.3%
Intangible assets	3	33.3%
Office equipment, furniture and fittings	8	12.5%

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

e) Intangible assets

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

f) Amortization and impairment of intangible assets

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

g) Right of Use Asset

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

option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

h) Inventories

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

i) Trade and other receivables

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

j) Borrowing costs

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

k) Cash and cash equivalents

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

l) 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.

m) Trade and other payables

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

n) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 02nd June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. NAIVAWASCO's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature

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of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Profit or Loss and Other Comprehensive income has been presented in these financial statements.

o) Service concession arrangements

NAIVAWASCO 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, NAIVAWASCO 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, NAIVAWASCO also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

p) Comparative figures

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

q) 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, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of NAIVAWASCO's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of

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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. NAIWASCO 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 NAIWASCO. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. In this instance, provision for bad debts has been pegged to debts that have accrued for more than 60 days at a rate of 20%. The increase in provision is debited in the comprehensive income statement.

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<u>Aging accounts receivable</u>		Provision for bad debts.	
	KSHS	RATE	KSHS
Over 60 days	118,394,623.58	20%	23,678,924.72
Less opening balance			21,534,570.57
Increase in provision from previous year			2,144,354.15

6. Operating Revenue

	2021-2022	2020-2021-1
	Kshs	Kshs
Water sales	126,628,055.30	113,473,640.00
Sewerage Services	54,817,725.72	50,993,507.30
Billing other services		
Reconnection fees	2,171,000.00	1,651,007.00
New Connection fees	2,957,500.00	2,231,500.00
Sewer Unblockage	15,000.00	8,100.00
Sewer Penalties Charges	83,000.00	700.00
Meter Charges	67,501.00	32,500.00
Standing charge	4,304,150.00	3,677,300.00
Water Penalties	757,511.00	491,527.00
Other Penalties	54,960.00	180,097.70
Exhauster fees	3,660,001.00	2,717,500.00
Stolen Meters	99,200.00	64,700.00
Statement fee	17,800.00	14,700.00
Closure of Account	6,600.00	2,600.00
Billing Adjustments	(3,011,975.25)	-
Miscellaneous-Billing pro	8,002.00	18,000.00
Butt welding machine	13,000.00	0
Total	192,649,030.77	175,557,379.00

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7. Grants Income

	2021-2022	2020-2021
	Kshs	Kshs
Recurrent/operational grants from other agencies		
WSTF-Revenue Grant	(122,304.80)	-
Revenue Grants WASUP	300,000.00	-
SNV Revenue Grants	330,300.00	-
WSTF CLSG Grant	34,074,602.00	33,479,153.00
WSTF		1,516,275.00
Total	34,582,597.20	34,995,428.00

8. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Material and Fittings	2,261,424.28	281,702.00
Rent Recovered	240,000.00	240,000.00
Post Bank Customer Charges	-	4,875.00
Staff Surcharges	75,151.00	248,442.00
MPESA TEST	519.00	-
Total	2,577,091.28	775,019.00

9. Finance Income

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest from commercial banks and financial institutions	437,767.60	-
Total	437,767.60	-

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10. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Basic salaries	40,571,480.00	37,001,436.00
Casual wages	5,543,118.00	2,954,816.60
Internship Stipend	1,102,500.00	1,042,500.00
Contribution NSSF	302,000.00	267,600.00
Contribution Pension Funds	4,797,858.00	4,082,613.00
Housing allowance	13,562,820.00	10,676,500.00
Medical allowance	3,066,000.00	3,255,000.00
Entertainment allowance	440,000.00	300,000.00
Commuter allowance	7,885,750.00	5,665,500.00
Airtime	1,329,600.00	956,700.00
Extraneous allowance	638,592.00	526,950.00
leave allowance	1,891,958.00	1,501,785.00
Arrears	1,239,000.00	109,642.00
Acting Allowance	239,745.00	175,000.00
Hazard Allowance	87,729.56	-
Overtime / extra duty expenses	1,460,117.00	2,056,644.40
Gratuity	3,008,808.00	2,160,266.00
Total	87,167,075.56	72,732,953.00
The average number of employees during the year	88	89

11. General and Operations Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Training	270,100.00	877,784
Chemicals	771,831.94	771,201.64
Electricity	53,469,104.00	46,270,744.08
Effluent license	105,000.00	-
Abstraction cost	1,712,770.07	2,126,825.78
Staff Water Bill Expense	739,878.25	4,686.00
Conference and Meetings	1,252,277.00	951,190.00
Travel & Accommodation	3,064,784.64	1,632,308.32
Entertainment	201,531.00	76,410.00
Security	5,967,880.54	3,961,336.26
Insurance	397,048.24	781,925.00
Printing & stationary	341,283.00	520,980.00
Staff welfare	3,879,990.44	3,232,599.85
CSR Activity NAIWASS	100,000.00	-

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TARRIF REVIEW	327,571.00	-
Postage & Deliveries	539,580.00	777,915.50
Modem Airtime	55,000.00	42,000.00
Mobile expenses	64,550.00	48,200.00
Internet expenses	136,300.00	211,580.00
Water theft incentive and enforcement fee	310,535.00	129,800.00
Advertisements	417,832.00	979,475.97
Billing SMS units	164,394.00	-
Marketing	252,044.00	24,250.00
Audit fees	348,000.00	300,000.00
Legal fees	5,000.00	250,000.00
Professional / consultancy fees	999,230.82	1,301,906.07
Regulatory levies	7,261,987.34	6,669,938.83
Subscription fees	203,850.00	282,850.00
WASREB Operational Licence	100,000.00	-
Membership subscription	59,600.00	31,700.00
Motor vehicle, motor cycle and exhauster fuel	1,327,834.53	643,363.67
Motor vehicle hire	5,000.00	189,950.00
Motor vehicle, motor cycle and exhauster insurance cost	354,126.00	18,161.00
WSTF CSR Activities	1,148,500.00	3,778,285.75
Unsurrendered imprest	14,760.00	
Total	86,369,173.81	76,009,583.72

12. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Chairman Honoraria	342,852.00	326,281.00
Board Committee Meetings	756,538.00	540,828.00
Annual General Meeting expense	356,350.00	600,000.00
Board Full Board	567,377.00	516,623.00
Board-Other Expense	1,756,948.00	628,246.00
Board corporate stakeholders	-	58,186.00
Total Board Expenses	3,780,065.00	2,670,164.00

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13. Maintenance Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Water distribution networks and production sites	8,960,635.27	10,562,991.78
Motor vehicles, motor cycles and exhausters	337,250.00	498,729.50
Office Repair and Maintenance	539,282.00	522,012.00
Computer expense	354,074.00	215,759.00
Total Maintenance Expenses	10,191,241.27	11,799,492.28

14. Depreciation and Amortization Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Depreciation and amortization	21,406,009.57	13,890,467.00
Provision for bad debts	2,144,354.15	2,212,599.00
Provision for unrecoverable vat	1,500,000.00	4,500,000.00
Total Depreciation and Amortizations and provisions	25,050,363.72	20,603,066.00

15. Finance costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest loans	2,920,871.44	3,200,677.00
Interest on lease liabilities	71,112.39	-
Bank charges	116,086.25	216,693.00
Total	3,108,070.08	3,417,370.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Property, Plant and Equipment

17. Property, Plant and Equipment											
	Buildings and water and sewer infrastructure	Water Meters	Computers	Furniture and fittings	Tools and Equipments	Capital Work in progress	Exhauster	Motor cycle	Generator	Water pump	Total
2021-2022											
Cost Or Valuation											
At July 1, 2020	193,764,154.00	16,977,902.00	3,706,031.00	3,006,301.00	19,893,251.00	-	-	-	-	-	237,347,639.00
Additions	7,844,987.00	6,045,836.00	343,300.00	72,007.00	146,690.00	-	9,790,938.00	1,419,070.00	72,675.00	16,600.00	25,752,103.00
Transfers	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
At June 30, 2021	201,609,141.00	23,023,738.00	4,049,331.00	3,078,308.00	20,039,941.00	-	9,790,938.00	1,419,070.00	72,675.00	16,600.00	263,099,742.00
Additions	26,000,913.81	6,068,188.00	-	210,000.34	627,849.50	340,296,911.40	-	-	-	-	373,203,863.05
As at June 30, 2022	227,610,054.81	29,091,926.00	4,049,330.71	3,288,308.34	20,667,790.50	340,296,911.40	9,790,938.00	1,419,070.38	72,675.00	16,600.00	636,303,605.14
Depreciation											
At July 1, 2021	22,014,828.00	12,119,252.00	3,774,316.00	2,539,354.00	13,173,426.00	-	1,265,058.00	184,499.00	10,901.00	-	55,081,634.00
Charge For The Year	5,453,442.51	3,019,781.15	234,994.71	390,757.24	2,511,533.01	-	2,447,734.38	354,767.77	9,084.63	2,075.00	14,424,170.40
At June 30, 2022	27,468,270.51	15,139,033.15	4,009,310.91	2,930,111.24	15,684,959.01	-	3,712,792.38	539,266.77	19,985.63	2,075.00	69,505,804.60
Net Book Value At June 30, 2022	200,141,784.30	13,952,892.85	40,019.80	358,197.10	4,982,831.49	340,296,911.40	6,078,145.62	879,803.61	52,689.37	14,525.00	566,797,800.54

Work in progress comprises of 10 water dispensing ATMs obtained through two finance lease agreements which will lapse in April 20 and relocation of water network funded by KENHA to pave for road construction.

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

18.Intangible Assets

18.Intangible Assets		
	2021-2022	2020-2021
	Kshs	Kshs
COST		
At July 1	15,390,404.37	3,275,526.77
Additions	5,192,090.40	12,114,877.60
Disposals	-	-
At June 30	20,582,494.77	15,390,404.37
AMORTISATION		
At July 1 2021	4,524,537.39	2,761,411.27
Charge for the year	6,277,648.72	1,763,126.12
Disposals	-	-
Impairment loss	-	-
At June 30	10,802,186.11	4,524,537.39
NET BOOK VALUE		
At June 30	9,780,308.66	10,865,866.98

Intangible assets comprise of NAIVAWASCO's ERP system

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

19.) Trade and Other Receivables

	2021-2022	2020-2021
	KShs	KShs
Trade receivables (note (20a))	136,819,802.90	131,553,602.00
Deposits and prepayments	1,250,407.64	730,169.00
VAT recoverable	11,393,021.68	12,893,022.00
Staff receivables (note 20 (c))	234,549.00	191,220.00
Other receivables	525,407.60	63,218.00
Gross trade and other receivables	150,223,188.82	145,431,231.00
Provision for bad and doubtful receivable	9,926,760.90	22,791,652.00
Net trade and other receivables	140,296,427.92	122,639,579.00

19 (a) Trade Receivables

	2021-2022	2020-2021
Gross trade receivables	136,819,802.90	131,553,602.00
Provision for doubtful receivables	-	-
Net trade receivables	136,819,802.90	131,553,602.00

	2021-2022	2020-2021
Gross trade receivables	136,819,802.90	131,553,602.00
Provision for doubtful receivables	-	-
Net trade receivables	136,819,802.90	131,553,602.00
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	10,671,222.66	14,087,806.97
Between 30 and 60 days	7,753,956.66	9,792,941.91
Between 61 and 90 days	10,922,310.58	10,704,897.45
Between 91 and 120 days	6,205,108.75	8,167,809.20
Over 120 days	101,267,204.25	88,800,146.20
Total	136,819,802.90	131,553,601.73

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

19 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	22,791,652.00	20,579,054.00
Additional provisions during the year	2,144,354.15	2,212,598.00
Recovered during the year	-	-
Written off during the year	15,009,245.25	-
At the end of the year	9,926,760.90	22,791,652.00

19 (c) Staff Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross staff loans and advances	234,549.00	191,220.00
Provision for impairment loss	-	-
Net staff loans	234,549.00	191,220.00
Less: Amounts due within one year		-
Amounts due after one year		

20. Bank and Cash Balances

	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	50,220,304.04	23,524,516.00
Cash in hand	90,091.63	94,499.00
Mobile money account	762,586.00	595,087.00
	51,072,981.67	24,214,102.00

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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			
Kenya Commercial Bank current account	1113964162	8,473,615.60	437,861.00
Cooperative bank expenditure account	01141626743801	819,184.76	7,379,981.00
Cooperative bank revenue account	01141626743800	694,303.99	436,071.00
Cooperative bank business current account	01136626743800	716,046.90	2,760,451.00
Cooperative bank Social Connection support account	01136626743801	11,328.32	12,768.00
Cooperative bank Karagita Ubsup project account	01141626743802	-	1,544,495.00
Cooperative bank grant account	01141626743803	-	11,180.00
Post Bank	0744130012413	2,080.00	815,788.00
Family Bank	053000041749	17,713.47	1,577,485.00
Family Bank Relocation Project A/C	053000054725	29,778,458.00	-
Sidian Bank	01022020003663	-	639,198.00
Sub-total Commercial banks current accounts		40,512,731.04	15,615,278.00
Sub- total			
b) On – call deposits			
Cooperative bank call deposit account	01132626743800	1,800,000.00	-
Sub- total of on-call deposit accounts		1,800,000.00	-
c) Fixed deposits account			
Cooperative bank fixed deposit account	01150626743800	7,907,573.00	-
Kenya Commercial bank fixed deposit	1116375060	-	7,909,238.00
Sub- total of fixed deposits		7,907,573.00	7,909,238.00
Sub- total		51,696,258.53	23,524,516.00
d) Others			
MPESA PAYBILL 641771	641771	651,116.00	-
MPESA 335450	335450	111,470.00	595,087.00
Petty cash (cash in hand)		90,091.63	94,499.00
Sub- total of mobile money and petty cash		852,677.63	689,586.00
Grand total		51,072,981.67	24,214,102.00

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

21. Ordinary Share Capital

	2021-2022	2020-2021
	Kshs	Kshs
5000 ordinary shares of Kshs 20.00 par value each	100,000.00	100,000.00

22. Retained Earnings

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

23. Borrowings

Description	2021-2022	2020-2021
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-
b) Domestic Borrowings		
Balance at beginning of the year	28,452,661.20	21,818,414.00
Domestic borrowings during the year	-	9,638,946.00
Repayments during the year	10,666,021.61	3,004,698.80
Balance at end of the year	17,786,639.59	28,452,661.20
C) Total Balance at end of the period c = a+b	17,786,639.59	28,452,661.20

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

The analyses of domestic borrowings is as follows:

	2021-2022	2020-2021
	KShs	KShs
Domestic Borrowings		
Kenya Shilling loan from Cooperative Bank	-	9,638,946.00
Total balance at end of the year	-	9,638,946.00

Description	2021-2022	2020-2021
	KShs	KShs
Short term borrowings (current portion)	2,424,579.05	4,559,483.00
Long term borrowings	15,362,060.54	23,893,179.00
Total	17,786,639.59	28,452,662.00

24.Trade and Other Payables

	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	37,822,072.09	34,018,062.00
Revenue received in advance	2,525,133.55	2,525,134.00
Retention/ contract monies	768,184.04	1,009,819.00
Employee payables	5,555,768.23	5,071,145.00
Other payables	8,203,466.79	1,582,788.00
Total	54,874,624.70	44,206,948.00

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

25.Customer Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Opening Balance	13,992,062.00	11,360,559.00
Add: deposits received during the year	3,250,599.00	2,631,503.00
Less: Refunded deposits during the year	-	-
Closing balance	17,242,661.00	13,992,062.00
Total		

Other Disclosures

26.Related Party Disclosures

County Government of Nakuru

The County Government of Nakuru is the principal shareholder of NAIVAWASCO, holding 99.4% of the company's equity. The rest of the equity is distributed as follows; County Secretary 0.2%, Office of the County Executive Finance and Economic Planning holds 0.2% and Office of the County Executive Water Environment and Natural Resources 0.2%.

Other related parties include:

- ❖ Central Rift Valley Water Works Development Agency
- ❖ Water Services Regulatory Board (WASREB)
- ❖ Water Resources Authority
- ❖ Ministry of Water
- ❖ Water Sector Trust Fund
- ❖ Vitens Evides International (VEI)
- ❖ Water and Sanitation for Urban Poor (WSUP)
- ❖ NAIVAWASCO Board of Directors
- ❖ NAIVAWASCO Key Management

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Transactions with related parties

	2021-2022	2020-2021
	Kshs	Kshs
a) Sales to related parties		
Water sales to Government agencies	16,160,655	16,408,785
Total	16,160,655	16,408,785
b) Purchases from related parties		
Bank charges paid to Government owned Commercial banks	46,035.00	45,591.00
Abstraction fees paid to Water Resources Authority (WRA)	1,712,770.07	2,126,825.78
Regulatory levies due and operational license to WASREB	7,361,987.34	6,669,938.83
Total	9,120,792.41	8,842,355.61
c. Key management compensation		
Directors' emoluments (Board chair and Directors allowances)	1,204,586	1,265,660
Compensation to key management	11,939,742	11,307,544
Total	13,144,328	12,573,204

26. Liabilities

Contingent Liabilities

	2021-2022	2020-2021
	Kshs	Kshs
Contingent liabilities	0.00	0.00
Court case xxx against the entity	0.00	0.00
Bank guarantees in favour of subsidiary	0.00	0.00
Contingent liabilities arising from contracts including PPPs	0.00	0.00
Others (Specify)	0.00	0.00
Total	0.00	0.00

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

26. Financial Risk Management

NAIVAWASCO's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does

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not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2022				
Trade Receivables	136,819,802.90	10,671,222.66	7,753,956.66	118,394,623.58
Bank balances	51,072,981.67			
Total	187,892,784.60	10,671,222.66	7,753,956.66	118,394,623.58
At 30 June 2021 (previous Year)				
Receivables	131,553,602	107,672,852.85	21,668,150.31	2,212,598.57
Bank balances	24,214,103			
Total	155,767,705	107,672,852.85	21,668,150.31	2,212,598.57

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

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

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ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022 current year				
Trade payables	10,579,769.02	(6,511,843.79)	33,754,146.86	37,822,072.09
Current portion of borrowings	190,732.41	584,201.01	1,649,645.63	2,424,579.05
Provisions			1,144,467.42	1,144,467.42
Employee payables	5,555,768.23			
Total	16,326,269.66	(5,927,642.78)	36,548,259.91	41,391,118.56
At 30 June 2021 previous year				
Trade payables	3,764,364.84	5,730,731.17	24,522,965.51	34,018,062.52
Current portion of borrowings			4,559,483.00	4,559,483.00
Provisions			24,374,440	24,374,440
Employee payables	5,071,144.73			5,071,144.73
Total	3,764,364.84	5,730,731.17	53,456,888.51	68,023,130.25

(iii) Market risk

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

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

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

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

iv) Capital Risk Management

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

	2021-2022	2020-2021
	Kshs	Kshs
Authorized capital	100,000	100,000
Capital grants	610,773,497.77	225,231,778
Retained earnings	10,589,000.73	(2,826,888)
Capital reserve	56,581,095.00	56,581,095
Total funds	678,043,593.50	279,085,985
Total borrowings	17,786,639.59	28,452,661
Less: cash and bank balances	(51,072,981.67)	(24,214,103)
Net debt/(excess cash and cash equivalents)	(33,286,342.08)	4,238,558
Gearing	2.6%	10.2%

27.Incorporation

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

28.Events After the Reporting Period

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

29.Currency

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

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XIX.Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Inaccuracies in Payables -Included in the payables balance is an amount of KES 4,467,743 owed to Rift Valley Water Works Agency which differs with records from the Agency totalling KES 58,671,417 resulting to an explained variance amounting to KES 54,203,674.	NAIVAWASCO is only aware of KES 4,467,743. We do not have any records nor any engagements from Rift Valley Water Works Agency showing that we owe them an amount of KES 42,848,338	Resolved	
2.0	Unsupported Capital Grants – The statement of financial position reflects capital grants totalling to KES 211,850,723 an increase from the previous year's amount of KES145,799,013 by an amount of KES 66,051,770 received during the	During the year under review, there was no procurement carried out under the WSTF project. The increase in figures from KES 15,050,577 in 2019 to KES 79,885,006 in 2020 was as a result of World Bank subsidy for the Kayole-	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	year. However, supporting documents to confirm the terms of reference, project work plan, procurement plan and project monitoring, evaluation and target achievement reports were not provided thus the accuracy of KES211,850,723 as capital grant could not be confirmed	Mirera water supply project whose procurement process was undertaken in the year 2017. Also a project called Decentralized Treatment Facility funding by WSTF, its procurement was done in the FY2018/2019 Annual Procurement Plan but its completion spilled over to FY2019/2020 and finally completed in FY2020/2021		
3.0	Non-Revenue Water – Review of records indicated that the company produced 1,607,818 cubic meters (M ³) of water out of which only 1,101,985M ³ were billed to customers leaving out the balance of 505,833M ³ unbilled representing 31.5% of the production. The NRW of 103,877M ³	The cause of the high NRW was caused by dilapidated network inherited from the municipal council. However, the company has continuously been reducing the NRW rate over the years as a result of development of NRW reduction strategies i.e., caretaker	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	exceeded the set threshold of 25% as approved by Water Services Regulatory Board guidelines. The NRW of 103,877M ³ resulted to an abnormal loss of revenue totalling to KES 14,542,780 using the same average exchange rate of KES 140 per M ³ as approved by the Water Services Regulatory Board.	approach resulting in quick responses to bursts and leakages. Also, the introduction of sub-DMA's to further monitor NRW reduction in smaller isolated areas and clamp down on water theft, meter tampering, static meters and invisible leaks which will further reduce NRW to below 25%		
4.0	Long Outstanding Receivables- As disclosed in Note 18 to the financial statements, the statement of financial position reflects receivables balance of KES.135,220,532. Aging analysis presented in support of the balance indicated that receivables amounting to	The company on the financial statements made a provision for bad debts of over three years in accordance to our finance manual at 20%. The same was reported in the financial statements under provisions and accruals.	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	KES.105,563,776 or 78% of the balance had remained outstanding for periods exceeding two years. In addition, VAT recoverable of KES18,009,899 is long outstanding and Management has not applied for a refund.	The company has a credit control mechanism which is measured in the budget as targets set to reduce arrears every year. The revenue section has targets to reduce receivable balances as well as advice the management on debts that are recoverable from those that are not economically viable to collect giving rise to write offs. For the VAT recoverable, the management has been following up with KRA for refund and currently the amount stands at KES 11,471,827.93. This reduction is from amount received from KRA and the annual provision		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		done to reduce the unrecoverable VAT amount.		
5.0	Lack of Risk Management Policy- During the year under review, the company did not have the Risk Management Policy in place and therefore had no approved processes and guidelines on how to mitigate operational, legal and financial risks.	The company has a Risk Register in place and are in the implementation process	Resolved	

Eng. Nahashon Wahome

Signature.....

Managing Director

Naivasha Water and Sanitation Company Ltd
Annual Reports and Financial Statements for the year ended June 30, 2022

Appendix II: Projects Implemented by The Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Upscaling Basic Sanitation for the Urban Poor in Kabati and Karagita Project, UBSUP	02HS/RVWWD/NAKURU/NAIVASH A/043	Water Sector Trust Fund (WSTF)	January 2020 - August 2021	5,054,250.00	Yes	Yes
Mirera Kiu Water Supply project	NAIVAWASCO/MWSP/W4L/02/2020-2021	VEI - Water for Life (W4L)	September 2020 - December 2021	23,936,320.00	Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Relocation of Water and Sewerage Infrastructure along Magumu Flyover-Gilgil Weighbridge and Mtarakwa-Mai Mahiu-Naivasha.	440,370,197.96	339,542,366.40	77%	440,370,197.96	339,542,366.40	Kenya National Highways Authority (KeNHA)

Appendix III: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Water Sector Trust Fund (WSTF)	14 th December 2021	Recurrent	34,074,602	Yes					
Sanivation Limited	15 th December 2021	Recurrent	330,300	Yes					
Kenya National Highways Authority (KENHA)	01 st July 2021; 27 th October 2021; 27 th May 2022	Recurrent (Relocation of Water and Sewerage Infrastructure)	361,605,399.30		Yes				
Water and Sanitation for the Urban Poor (WSUP)	N/A	Recurrent	300,000	Yes					
VEI - Water for Life (W4L)	N/A	Development	23,936,320		Yes				
Total			420,246,621.30						

