

REPUBLIC OF KENYA



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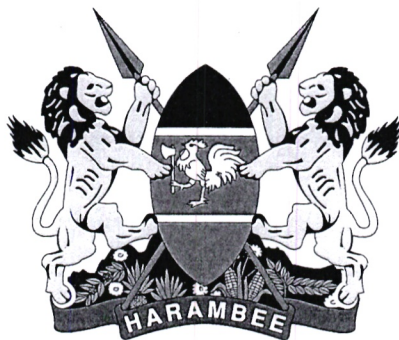
OF

THE AUDITOR-GENERAL

ON

**NYAHURURU WATER AND SANITATION
COMPANY LIMITED**

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



NYAHURURU WATER AND SANITATION COMPANY LIMITED

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)**



Nyahururu 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

The Nyahururu Water and Sanitation Company Ltd was established by the Water Act of Parliament of 2002 and was incorporated on 18th February 2002 under the Companies Act Cap 486 of Kenyan law.

At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and is wholly owned by the County Government of Laikipia.

Principal Activities

The principal activity of the Company is to provide clean and healthy drinking water and sanitation services reliably to residents of Nyahururu (Town and Environs), Igwamiti, Marmanet, Rumuruti, Salama and Kinamba in compliance with the Service Provision Agreement (SPA).

In pursuit of its principal activities, the company is well guided by the following tenets:

Vision

To be the leading water and sanitation services provider

Mission

To offer high quality services in the most efficient and cost-effective manner.

Core Objective

To provide access to safe clean water and reliable sanitation services for all within the company's area of jurisdiction.

Directors

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

1. Wilfred K. Daniel	-Chairperson	- Appointed on 21st Dec. 2021
2. Dorcas Chelangat Korir	-V/ Chairperson	- Appointed on 21st Dec. 2021
3. Peter Kariithi Mwangi	-Managing Director	- Appointed on 8th Oct. 2020
4. Irene Njeri Wamithi Director	-Director	- Appointed on 5th Oct. 2017
5. Rev. Elijah Ngugi Kirika	-Director	- Appointed on 21st Nov. 2018
6. Eunice Wanjiku Kamau	-Director	- Appointed on 21st Nov. 2018
7. James Ndirangu Kungu	-Director	- Appointed on 21st Nov. 2018
8. Margaret Njeri Kanja	-Director	- Appointed on 21st Nov. 2018
9. Paul Njenga Waweru	-Director	- Left on 21st Dec. 2021
10. Doris Wamaitha Kamawera	-Director	- Left on 9th Dec. 2021
11. Richard Gikuhi Kiana	-Company Secretary	-Appointed on 4 th June 2021

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Corporate Secretary

Mr. Richard Gikuhi Kiana (**Member ICS**)
P.O. Box 1271-10100;
Nyeri.

Registered Office

Nyahururu Office (Main); Hekima Building- Kenyatta Avenue
Marmanet Office (Subsidiary); Ol-jabet Chief's Camp Compound
Rumuruti Office (Subsidiary); Behind County Headquarters Building.
Igwaremiti Office (Subsidiary); Karuga Trading Centre.

Corporate Headquarters

P.O. Box 952-20300
Hekima Building
Kenyatta Avenue
Nyahururu, KENYA

Corporate Contacts

Telephone: (254) 065-2032774
E-mail: info@nyahuwasco.co.ke
Website: www.nyahuwasco.co.ke

Corporate Bankers

1. Cooperative Bank of Kenya Ltd (Nyahururu Branch)
2. Equity Bank Ltd (Nyahururu Branch)
3. Family Bank Ltd (Nyahururu Branch)
4. Post Bank Kenya Ltd (Nyahururu Branch)

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

2. Kariuki Mwangi and Co. Advocates
Kimwa Centre,
Kenyatta Avenue
P.O. Box 468-20300
Nyahururu, Kenya

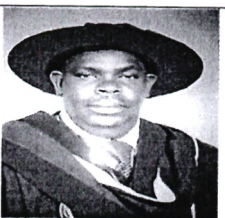
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II. The Board of Directors

Ref	Directors		Appointment Date	Professional/Academic Qualifications	Details
1.	Wilfred K. Daniel		21 st December 2021	BSC in Business Administration	A non-executive director who serves as the chairman of the Board. He represents business organizations in the board
2.	Dorcas Chelangat Korir		21 st December 2021	Master of Engineering (Civil and Environment) <i>(Practising Engineer)</i>	A non-executive director serving as the vice chairperson of the board Nominated to represent County Government of Laikipia in the board
3.	Peter Kariithi Mwangi		8 th October 2020	Master of Arts <i>(Project Planning and Management)</i> Bachelor of Science <i>(Water Engineering)</i> Member of Engineering Board and KAPM	An Executive director who serves as the Managing Director of the company.
4.	Irene Njeri Wamithi		5 th October 2017	BSC in Law <i>(Practising Advocate)</i>	A non-executive director who serves as the chair of the Finance committee. She represents Laikipia County in the board
5.	Rev. Elijah Ngugi Kirika		21 st November 2018	BSC in Theology	A non-executive director who represents religious organizations in the board
6.	Doris Wamaitha Kamawera		5 th October 2017	BSC in Community Development	A non-executive director serving as the chairperson of the technical committee of the board. She represents the Rural schemes in the board

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7.	Eunice Wanjiku Kamau		21 st November 2018	BSC Finance	A non-executive director who represents Resident Organizations in the board
8.	Margaret Njeri Kanja		21 st November 2018	Diploma in Community Development	A non-executive director who represents Women Organizations in the board
9.	James Ndirangu Kungu		21 st November 2018	PHD in Business Administration – Finance	A non-executive director who represents Professional Organizations in the board. He serves as the Chairperson Audit Committee
10.	Paul Njenga Waweru		12 th February 2021	Bachelor of Commerce (Finance Option). CPAK.	A non-executive director who represents The County Government of Laikipia in the board
11.	FCS Richard Kiana Gikuhi		4 th June 2021	MBA Strategic Management FCPSK	The Company Secretary is a member of CPS-R/CPSB/285 with over thirty years of professional experience.

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III. Management Team

Ref	Management			Details
1.	Peter Kariithi Mwangi		Master of Arts (<i>Project Planning and Management</i>) Bachelor of Science (<i>Water Engineering</i>) Member of Engineering Board and KAPM	Managing Director
2.	Esther Muthoni Njeri		Bachelor of Commerce (<i>Finance Option</i>) CPA K, CISA Member of ICPAK	Finance Manager
3.	Joseph Gitau Mboi		Master of Engineering (<i>Civil and Environment</i>) Bachelor of Science (<i>Agricultural Engineering</i>) Grad Engineer – E.B.K.	Technical Services Manager
4.	Ann M. Mwongera		Bachelor of Management and Leadership (<i>HRM Option</i>) Diploma Human Resource Management CHRP-K, Member of IHRM	Human Resource and Administration Manager
5.	FCS Richard Kiana Gikuhi		MBA Strategic Management FCPSK	The Company Secretary is a member of CPS-

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					R/CPSB/285 with over thirty years of professional experience.
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IV. Chairman's Statement

On behalf of NYAHUWASCO Board of Directors, it is with great honor that I present to you an overview of the annual report and financial statements of the Company for the year ended 30 June 2022.

Operating Environment:

During the period under review, the Kenyan economy grew by 6.1% after recovering from a recession of 0.3 % attributed to the COVID 19 pandemic. On the other hand, inflation increased from 6.1% in June 2021 to 7.91% in June 2022 according to the twelve months average inflation analysis by the Central Bank of Kenya. This has seen prices of Electricity, Chemicals and other operating costs increase despite fuel subsidies and other fiscal policies by the National Government.

Business Development:

The Company revenue from internal sources dropped by 8 million due to discontinuation of supply of bulk water to Nyandarua Water and sanitation company after getting its own water source. The company through its development partners; Water Sector Trust fund (WSTF) and the County Government of Laikipia implemented water and sanitation projects aimed at increasing coverage and promotion of hygiene. Some of these projects such as Kinamba Water project, are still ongoing and are expected to increase the company's revenue base.

Corporate Social Responsibility:

The Company at corporate level ensured that all its activities were carried out ethically, sustainably and for public benefit. The company, through its CSR policy participated in various initiatives aimed at giving back to the local community.

Staff Welfare:

The Company being one of the major employers within the County ensured that its employees were; fully supported in their work, fairly rewarded, and maintained a good work-life balance. Employees participated in WASCO games held at Kisumu and had an opportunity to interact with staff from other companies.

Customer Focus:

NYAHUWASCO recognizes that our customers form the key pillar of the Company's existence. Customer satisfaction surveys are conducted periodically to ascertain whether programs and activities meet customer needs and issues raised are addressed promptly. The company ensures quality standards are maintained through regular quality tests while also outsourcing services from ISO certified Labs.

Future Outlook:

The Company continues to implement its business and strategic plans whose objective is to ensure that the company provides high quality services. It continues to enjoy confidence with its development partners, customers and the County Government due to its good corporate image. Therefore, NYAHUWASCO's immediate and long-term future looks bright.

Appreciation:

I most sincerely wish to appreciate all our stakeholders; the County Government of Laikipia (CGL) and other development partners for your solid commitment and support during the year, our esteemed customers, for your loyalty and support and finally to the Board of Directors, Management for hard work and dedicated effort to make 2021/2022 financial year a success.

We look forward to continued cooperation from all the stakeholders in the coming years.

May God Bless you all



WILFRED K. KIMOTHO.

CHAIRMAN, NYAHUWASCO BOARD OF DIRECTORS

V. Report Of the Managing Director

I am pleased to present to you my report on the company's performance for the period July 2021 to June 2022.

1. Water Production

The company produced 3,310,236 cubic meters of water. The company billed 1,981,260 cubic meters while the non-revenue water amounted to 1,328,976 cubic meters. The non-revenue was 40% which is above than the Global benchmark of 25%.

The company water production averages 9069 cubic meters daily. This is a capacity utilization of 87% of the abstraction capacity of 10,460 cubic meters per day and 55% utilization of treatment capacity of 16,600 cubic meters per day. The reserve capacity is meant to cater for the future growth in our service area.

2. Financial Results for the year 2021-2022

The following is the summary of the key highlights of the financial statements;

a) Turnover

The company's sales during the year were Ksh 242,941,360 against Ksh 251,074,343 achieved in the year 2020-2021. This is about 3% drop. The reduction in turnover was due to a loss of a bulk supply to Nyandarua water and Sanitation Company after they got their own source.

The company received a grant of Ksh 28,257,228 from Water Sector Trust Fund during the year. The company, through its development partners; Water Sector Trust fund (WSTF) and the County Government of Laikipia implemented water projects aimed at increasing coverage and promotion of hygiene. Some of these projects such as Kinamba Water project, are still ongoing and are expected to increase the company's revenue base.

b) Expenses

The operating expenses during the year under review were Ksh 259,360,405 from Ksh 255,719,421 in the year 2020-2021. This is a 1.4 % increase. The increase was due to inflation that increased from 6.1% in 2021 to 7.91% in 2022.

c) Profit for the year

The company made a profit of Ksh 11,838,183. This is a reduction from Ksh 41,572,373 in the year 2020-2021. This was due to increase in operational costs due to rise in inflation.

d) Capital Investment

The company managed to invest Ksh 18,837,200 in capital works against Ksh 57,937,633 in the year 2020-2021. Due to revenue constraints, the company's capital works are financed by grants and in-kind donations in the form of assets from development partners. In the period under review, grant income reduced from Ksh 46, 157,263 in 2021-2022 to Ksh 28, 257,228.

3. The Challenges in the operational environment

High cost of water production and other operational costs due to Inflation.

4. Human Resource Development

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During the F/Y the company was assisted through a programme by JICA (JAPAN INTERNATIONAL COOPERATION AGENCY) in the form of capacity building for the staff in the Non-Revenue Water Section. The training aimed at equipping employees on methods of identifying underground leakages using modern tools and technology among other techniques. Further during the period the company organized for a mental health awareness training to assist staff cope with the day to day challenges and also the effects of COVID 19 pandemic.



PETER K. MWANGI

MANAGING DIRECTOR

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

In conformity with Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 the following is the statement of the Company's performance against the predetermined objectives.

Nyahururu Water and Sanitation Company Limited has 5 strategic pillars and objectives within its Strategic Plan for the period 2019-2024. These Strategic Pillars are as follows:

Pillar I: Access to Clean/Safe Portable Water

Pillar II: Sanitation

Pillar III: Institution Capacity

Pillar IV: Financial Sustainability

Pillar V: Corporate Governance

The Company develops its annual work plans and Budgets on the basis of the above-named pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis.

The Company was able to significantly achieve its performance targets for the financial year 2021/2022 in line with its 5 strategic pillars as tabulated below:

Strategic Pillar	Objectives	Key Performance Indicators	Activities	Achievements
Access to clean/safe portable water	• Increase access to safe water. • Rehabilitate the distribution Network. • Safeguard quality of raw water.	▪ Increase in no. of customers. ▪ Reduction in physical losses. ▪ Reduction in chemical costs.	❖ Line extensions to unserved areas. ❖ Plant trees & fence abstraction points	✓ 3.3 km pipeline at Karuga & Mariakani. ✓ Kinamba 108 M³ elevated steel tank. ✓ 1,000 trees planted at treatment plant site.
Sanitation	Increase sewer coverage by 2% and onsite sanitation coverage by 4%	▪ Increase in no of sewer connections. ▪ Increase in no of toilet blocks	❖ Sewer line extension. ❖ Maintenance of sewer system	✓ 30 synthetic manhole covers fitted on main sewer trunk. ✓ Sewer unblocking rods replaced
Institution capacity	Strengthen institutional capacity.	▪ Job placement criteria ▪ Digitized HR ▪ Compliance with OSHA regulations.	❖ Staff training & refresher courses ❖ Digital performance monitoring	✓ In-house training done ✓ OSHA compliance training conducted. ✓ Safety and Health Committee appointed.
Financial sustainability	Strengthen Financial capability of the company.	▪ Increase in revenue. ▪ Improve on credit worthiness.	❖ Improve billing & collection efficiency	✓ Smart (phone) meter reading enhanced.
Corporate Governance	Improve corporate governance.	• Board charter • Bod evaluation framework. • Board training	❖ Develop a charter. ❖ Develop evaluation criteria & template. ❖ Conduct training on governance.	✓ Charter developed ✓ Board Evaluation conducted ✓ Board training conducted.

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VII. Corporate Governance Statement

The Company is fully owned by the County Government of Laikipia and is registered with 5,000 shares of Kshs 20 each. According to the Company Memorandum and Articles of Association the shares are held in trust and they are as follows:

Shareholding	Number of Shares held:
• The County Government of Laikipia (CGL)	4,996
• His Excellency the Governor, CGL	1
• The CEC, Finance and Economic Planning, CGL	1
• The CEC, Environment, Water and Natural Resources, CGL	1
• The County Secretary, CGL	1
TOTAL	5,000

NYAHUWASCO is governed by a Board of Directors that oversees the overall management of the Company. It is tasked with ensuring that company business and operations are conducted with integrity, professionalism, and in compliance with the law, internationally accepted principles and best practices in corporate governance.

These include compliance with Corporate Governance Guidelines issued by WASREB as well as Mwongozo Guidelines.

The Board of Directors are responsible for the following:

- Making policies and approving strategies and development plans;
- Implementation of Memorandum and Articles of Association
- Approval of business plans, budgets and tariff adjustment.
- Approval of major projects and ensuring prudent investment of funds
- Appointment of CMT and provision of management guidelines
- Fiduciary duty of monitoring and overseeing the activities of management.

Board Composition:

NYAHUWASCO Board of Directors is composed of 9 Non-Executive Directors and one (1) Executive director (Managing Director). The Directors represent various stake holders and have varying skills and experiences.

On appointment, each Director is provided with a comprehensive and tailored induction process detailing their legal and regulatory obligations.

Appointment of Directors:

Once a vacancy in any stakeholder group is identified, an advert is done in a at least one daily newspaper. The stakeholders are also invited to select a committee to shortlist the applicants. The committee should include three members from the stakeholder group, the managing director and a nominee of the county government of Laikipia. The committee shortlists the applicants and a list of the shortlisted applicants is submitted to the shareholder for appointment of the director(s) in the respective stakeholder groups.

Board Charter:

The Board charter is in place.

Board Meetings: The Board has a regulated formal schedule of meetings to conduct its business. The Board meets 4 times in one financial year except for instances where there are special board meetings.

The following is a tabular schedule of the meetings held and the attendance details during the year under review:

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Category of meeting	No. of members	Date Held	Members attendance
Full Board Meeting	10	09/07/2021	10
Full board meeting	9	27/09/2021	9
Full board meeting	7	21/01/2022	7
Full board meeting	7	06/05/2022	8
Full board meeting	7	30/06/2022	7
Special full board meeting	9	20/08/2021	7
Special full board meeting	10	08/12/2021	10
Special full board meeting	8	03/06/2022	8

Board Committees: The Board has constituted 3 sub-committees chaired by one director in each, namely; Finance and Administration, Technical, Audit, Risk and Governance. Each committee meets 4 times in one financial year. The Board may occasionally appoint Adhoc committees as and when necessary.

Below is a tabular summary of the committee meetings held during the year;

Category of meeting	No. of members	Date Held	Members attendance
Technical committee	3	17/09/2021	3
Technical committee	2	13/01/2022	2
Technical committee	3	12/04/2022	3
Technical committee	4	13/06/2022	4
Finance and Administration committee	3	14/09/2022	3
Finance and Administration committee	3	17/01/2022	3
Finance and Administration committee	3	27/04/2022	3
Finance and Administration committee	4	20/06/2022	4
Audit, Risk and Governance committee	3	05/07/2021	2
Audit, Risk and Governance committee	3	16/9/2021	3
Audit, Risk and Governance committee	2	19/01/2022	2
Audit, Risk and Governance committee	3	14/4/2022	3
Audit, Risk and Governance committee	4	16/6/2022	4
CBA negotiations	4	11/08/2021	3
Nakuru Industrial Court Case	1	02/06/2022	1
Wasco Games 2022	7	18/04/2022	7
Wasco Flag Off	1	13/04/2022	1
Corporate Governance	8	08/03/2022	8
AGM	10	09/12/2021	10
Solar Generation Project	3	13/08/2021	3

Board succession plan: The county government ensures that tenures of board of directors are staggered with a 1/3 of directors retiring every AGM. The retiring directors are eligible for re-election subject to a maximum of two terms of three years each. The retiring members are determined on the basis of members who have served longest.

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Process of removal of directors:

Directors can be removed from office on the following grounds;

- He/She is removed from the office pursuant to Section 185 of the Act, or by special resolution by the company in General Meeting.
- He/She ceases to be a director by virtue of Section 183 and 186 of the Act.
- He/She ceases to be an officer of the County Government.
- He/She becomes bankrupt or makes an arrangement of composition with his creditors.
- He/She becomes prohibited from being a director by reason of any order under section 189 of the Act.
- He/She becomes of unsound mind.
- He/She fails without any reasonable cause and without consent of the board to attend three (3) consecutive meetings of the Board and the Board resolves that, the reason of such failure he shall cease to be a director.
- He/She resigns his office by notice in writing to the company.
- He/She or any persons to who he has personal ties and transacts with the company
- Unsatisfactory performance on performance evaluation
- He/She breaches the Signed Code of Ethics and Conduct
- He/She ceases to be a representative of the stake holder's body entity that has appointed him or her.
- He/She is charged with an offence under the Anti-Corruption and Economic Crimes Act or Water Act 2002.
- He becomes a director in any other water sector institution.

Board induction and training:

The board induction and training is done once every year.

Board Evaluation:

Board evaluation is carried out every year

Conflict of Interest:

Directors sign a conflict of interest register in every meeting.

Code of Conduct:

All directors have signed the code of conduct and ethics

VIII. Management Discussion and Analysis

The following is a management discussion and analysis of the company's overall performance. This analysis is based on a critical evaluation of the achievement of the following indicators:

a) Operational Performance:

During the period under review, the company managed to provide water and sanitation services equitably in all its areas of jurisdiction as provided for in the service provision license by WASREB. The Company ensured that the treated water supplied to the consumers and the sewer effluent discharged into the environment met all the necessary quality characteristics as guided by WASREB, NEMA and KEBS guidelines.

b) Financial Performance:

Nyahuwasco performed better during the period under review compared to the previous period in most of the key financial performance indicators. The following is a tabular presentation of the highlights:

Performance Indicator	2021-2022	2020-2021	2019-2020	2018-2019	Benchmark
New Water Connections	2,510	2,746	1,596	2,274	
New Sewer Connections	19	19	20	36	
Metering Ratio	100%	99%	98%	98%	100%
Billing (Kshs)	242, 941,360	251,037,172	235,640,251	223,043,843	
Revenue Collection	238,490,409	254,046,623	229,039,422	230,238,087	
R. Collection Efficiency	98%	101%	97%	103%	100%
Production(M ³)	3,310,236	3,184,387	3,206,262	3,254,878	
Billing (M ³)	1,981,260	1,931,100	1,976,276	2,065,110	
NRW (M ³)	1,328,976	1,253,287	1,229,986	1,189,768	
Non-Revenue Water (%)	40%	39%	38%	37%	≤ 25%
Annual Income (Turnover)	271,198,588	297,254,623	235,640,251	223,043,843	
O&M Costs	259,360,405	255,719,420	241,319,320	247,142,680	
O+M Cost Coverage	105%	114%	98%	90%	≥ 150
Personnel Expenditure	136,367,137	124,783,740	119,232,657	113,207,423	

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Personnel Expenditure as a % of O+M Cost.	53%	48%	49.4%	46%	≤ 35%
Accrued Statutory Obligations	18,018,228	19,745,690	21,808,352	25,769,906	

Explanation of variances:

- a) Billing in ksh reduced by ksh 8M due to loss of Mairi Inya bulk supply billing to Nyandarua Water Company after they got their own source. In addition, the company had misapplied the approved tariff during the year ended 30th June 2021 leading to regulator sanctioned refund to customers and revert to the approved tariff.
- b) Revenue collection reduced from Ksh 254 million to ksh 234 million due to reduced billing.
- c) Annual income (turn over) reduced due to reduction in grant income which was ksh 28,257,228 in the year 2021-2022 as compared to 46,157,263 in 2020-2021
- d) O& M costs increased from ksh 255M to ksh 259M due to inflation that contributed to rise in item costs for factors of production such water and sewer treatment chemicals, fuel and electricity.
- e) Personnel expenditure increased from ksh 124.7 million to ksh 136 million due to the recruitment of management staff in March 2021.
- f) Accrued statutory obligations attributed to payroll liabilities that have accrued since the year 2007.

c) Key Projects/ Investment Decisions:

Despite the uncertainty in the economy, the Company in conjunction with other development partners managed to achieve the following during the year:

- ❖ Extended water pipelines in Igwamiti Scheme by **1.65 Km** and Nyahururu Town by **1.69 kms**.
- ❖ Installed **30 No.** synthetic manhole covers in the sewer network valued at Kshs **0.5M** during the year.
- ❖ Constructed a **108M³** elevated steel tank at Kinamba at a cost of **Kshs 4.9M** during the year.

The Company was however not able to achieve some of its targeted projects due to the revenue strain occasioned by the negative impact of COVID 19.

The ear marked projects that have been carried forward to the next financial year include the following:

- Extend sewer pipe network by **2 KM** in Nyahururu town
- Procure an additional water pump for the intake
- Procure additional motorbikes for the schemes
- Complete the main line extension within Kinamba town.

- Fence off the Rumuruti water treatment plant compound.
- Explore alternative power sources such as solar energy to complement electric and diesel power at the intakes, treatment units and pump houses.

d) Compliance with Statutory/Other Financial Obligations:

The Company is cognizant of its statutory and other financial obligations. This is well reflected in the annual company budgets and other finance planning tools such as the cash flow projections. The Company commits to ensure that there is total compliance with these obligations as and when they fall due.

During the period under review, the Company was able to meet **99%** of its statutory and financial obligations. Settlement plans have been put in place to clear the pending obligations.

e) Major Risks facing the Company:

The Company faces a number of risks arising from: Its operations, the general economy, global factors among other contributors. Some of the critical risks facing the Company include:

- ✘ Deteriorating raw water quality at the source causing high usage of water treatment chemicals and thereby overstressing the Company's budget;
- ✘ Inadequate water sources;
- ✘ Vandalism of sewerage infrastructure causing open deep sewerage manholes and providing avenue for entry of foreign materials that clog the sewer network.
- ✘ Damage of pipelines by road, electricity and fibre optic contractors causing massive water and business losses to the Company.
- ✘ Some major raw water pipelines passing through areas prone to landslides
- ✘ Irregular revenue patterns due to low spending power of customers caused by macro-economic factors such as inflation
- ✘ Uncertainties caused by global pandemics such as COVID 19 as well as other external factors such as economic recessions.

IX. Environmental and Sustainability Reporting

Nyahururu Water and Sanitation Company Ltd exists to sustain livelihoods. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

Sustainability strategy and profile -

The company has designed its sustainability strategy based on four pillars;

- a) Human sustainability; the company aims to maintain and improve its human capital. The company procures, on an annual basis a medical insurance for all employees as well as Work Injury Benefits insurance cover. All Employees are also encouraged to improve their education. The company also offers in house and external short duration trainings to employees.
- b) Social sustainability; the company aims to preserve social capital by maintaining good relations with the surrounding communities. This is achieved through public participation forums, motivational visits to schools, offering students educational tours around company production and distribution systems as well as offering student attachment opportunities. The company also gives financial assistance to deserving causes such as persons living with disabilities.
- c) Economic sustainability; the company aims to consistently use its assets efficiently so as to maintain economic growth and sustain its services to its customers. The company achieves this through a cost recovery tariff and prudent use of resources. Also, the company has consistently partnered with development partners such as the Water Sector Trust Fund and County Government to extend services to uncovered areas as well as improve services to already covered areas.
- d) Environmental Sustainability; the company aims to achieve environmental sustainability by ensuring that environmental conservation efforts bear fruits. This is achieved through catchment conservation through growing of trees and prevention of pollution to the rivers.

i) Environmental performance

While the company does not have an elaborate environmental policy, it strives to ensure that its water is fit for human consumption and that sewerage is effectively treated. This is achieved through quality monitoring of both drinking water and waste water.

ii) Employee welfare

The company has a recruitment policy embedded in its human resource manual. The policy indicates that corporate management team positions shall be advertised in at least one national daily newspaper while other positions may be advertised through local community channels, partner organizations or if the board of directors deemed it fit, may be advertised in a national daily newspaper.

The company is committed to gender parity and has the corporate management team being composed of 50% of either gender. Overall, the company has 34% of its workforce being female and 66% being male.

The company has a performance management system which involves setting of annual targets for all employees and performance appraisal. The human resource manual is subject to review on need basis. The Occupational Health and Safety committee is in place while the Occupational Health and Safety Policy is awaiting board of director's approval.

iii) Market place practices-

a) Responsible competition practice.

Nyahuwasco works under a regulated environment where its service area and tariff is regulated by the Water Services Regulatory Board. The company has consistently adhered to the regulations set.

All Nyahuwasco employees are required to be politically neutral.

a) Responsible Supply chain and supplier relations

The procurement of goods and services is done through open tender and request for quotations to the registered suppliers in strict adherence to the Public Procurement and Asset disposal Act 2015 as well as Public Procurement and Asset disposal regulations 2020 so as to ensure value for money and fairness. Payment to suppliers are made on a first come first paid basis and within the agreed credit periods.

b) Responsible marketing and advertisement

Nyahuwasco markets its products through public barazas, social media and through local radio stations.

c) Product stewardship

Nyahuwasco maintains a robust customer relations system. It has a customer care desk in every of its four branches

X. Corporate Social Responsibility / Community Engagements

During the year ended 30 June 2022, the Company spent a sum of **Kshs 117,900** on corporate social responsibility activities.

The company organized and funded the following activities;

- Rumuruti community sensitization on borehole maintenance and operation at a cost of **Kshs 29,200**.
- Donation of **Kshs 10,000** to St Martin CSA (home for the destitute) during their mental health awareness campaigns.
- Donation of **Kshs 50,000** to Ilmoitok secondary school for construction of a classroom block.
- Conducted a health and sanitation sensitization program at Starehe Primary School at a cost **Kshs 32,000**.
- Provision of water (Bowser Services) to Low Income Areas namely: Maina Slums, Kang'a, and African Location at Rumuruti and Remote Health centers such as Ndidika health center.

Community Support Programs: The Company was involved in various activities aimed at giving back to the community either routinely or during exceptional occurrences requiring urgent intervention measures.

The company organized and sponsored the following community engagements either financially or other in-kind support for the following:

- ❖ Homes for the destitute, Elderly and Orphans
- ❖ Special schools and other institutions
- ❖ Donations to National disasters, Relief and Emergencies such as COVID 19
- ❖ Pro-Poor areas and informal settlements
- ❖ HIV/AIDS and other Terminal illnesses sensitization programs
- ❖ Special interest groups empowerment programs.

Corporate Social Investments:

The company through the Human resource and administration department made the following corporate social investments during the year ended 30th June 2022:

- Tree plantation exercise by the employees at water and sewerage treatment plants.
- Mental Health training to company employees in conjunction with St. Martins -Nyahururu.
- Free medical screening to company employees sponsored by Good Hope Nursing Home.
- Facilitation of Covid -19 vaccination and Jab Booster to employees in liaison with Nyahururu County Referral Hospital.

XI. Report Of the Directors

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

i) Principal activities

The principal activities of the Company continue to be provision of clean water and sanitation services reliably to its clients.

ii) Results

The results of the company for the year ended June 30, 2022 are set out on page 1.

iii) Dividends

The company has not declared dividends for the year ended 30th June 2022 as the directors intend to retain the earnings to fund growth of the company.

iv) Directors

The members of the Board of Directors who served during the year are shown on page ix in accordance with Regulations of the company's Articles of Association.

v) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 and as such shall carry out the audit of the Company for the year/period ended June 30, 2022.

By Order of the Board

Name.....

Signature.....

Date.....

Corporate Secretary/Secretary to the Board

XII. Statement Of Directors' Responsibilities

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

The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company.

The Directors are also responsible for safeguarding the assets of the Company.

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

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

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

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

Statement Of Directors' Responsibilities (Continued)

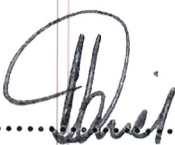
The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2022, and of the Company's financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

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

Signature.....

Name. KILFRED K. DANIEL

Chairperson of the Board

Signature

Name. PETER K. MWANGI

Managing Director

XIII. Report Of the Independent Auditors

REPUBLIC OF KENYA



Enhancing Accountability

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

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

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

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines, and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nyahururu Water and Sanitation Company Limited set out on pages 1 to 69, which comprise the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of

Report of the Auditor-General on Nyahururu Water and Sanitation Company Limited for the year ended 30 June 2022

significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1.0 Unrecognized Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.175,534,348 as at 30 June, 2022. However, as previously reported, ownership documents for four (4) motor vehicles of unknown value granted by the Northern Water Services Board and the County Government of Laikipia had not been transferred and registered in the name of the Water Company.

In the circumstances, the accuracy and completeness of the property, plant, and equipment balance of Kshs.175,534,348 could not be confirmed.

2.0 Long Outstanding Payables

As reported in the previous years, the Company's trade and other payables balance of Kshs.63,967,076 included long outstanding payables in respect to regulatory fees payable to Water Service Regulatory Board (WASREB), Water Resource Authority (WRA), County Government of Laikipia (Conservancy), and lease fees payable to Northern Water Works Development Agency of Kshs.8,111,017, Kshs.247,695, Kshs.6,846,758, and Kshs.8,480,983, respectively, all totalling Kshs.23,686,453 that had been outstanding for over six (6) years. This has exposed the Company to possible legal actions and increased costs due to interests and penalties that may accrue.

Further, the trade and other payables balance of Kshs.63,967,076 includes Kshs.20,462,395 in respect to trade payables. The latter balance includes an amount of Kshs.3,343,255 due to an insurance service provider. Information provided revealed that the service provider has since terminated the insurance cover for non-payment of premiums.

In the circumstances, accuracy of the trade and other payables of Kshs.27,029,708 could not be confirmed.

3.0 Financial Performance

The statement of financial position reflects a balance of Kshs.85,889,531 in respect to total current assets and Kshs.95,786,755 in respect to total current liabilities resulting to a negative working capital of Kshs.9,897,224. This implies that the water company may not be able to meet its current obligations as and when they fall due.

Recurring negative working capital threatens the going concern of the Water Company.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nyahururu 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

1. Budgetary Controls and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.432,959,416 and Kshs.271,198,588, respectively, resulting to an under-funding of Kshs.161,760,828 or 37% of the budget. Similarly, the Company spent Kshs.282,775,805, against an approved budget of Kshs.433,003,450 resulting to an under-expenditure of Kshs.150,227,645 or 35% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Prior Year Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given explanations for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Excess Non-Revenue Water

The statement of profit or loss and other comprehensive income reflects Kshs.220,626,984 in respect to operating revenue which, as disclosed in Note 6 to the financial statements includes Kshs.158,180,666 in respect to revenue from the sale of water. Information provided indicated that the Company produced 3,310,246 cubic meters

(M³) of water out of which 1,981,218 (M³) cubic meters were sold (billed) to the customers. The balance of 1,329,028 cubic meters or approximately 40% of the total volume of water produced, therefore, represents Non-Revenue Water (NRW) which is 15% over and above the allowable loss of 25% as per the Water Service Regulatory Board (WASREB) guidelines.

The significant level of Non-Revenue Water could be an indication of inefficiency and ineffectiveness in the use of public water resources, which may negatively impact on the Company's profitability and its ability to sustain services.

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

2.0 Lack of Diversity in Staff Ethnicity

As reported in the previous year, review of human resource records revealed that during the year the Company had a total of one hundred and fifty-six (156) employees out of which one hundred and forty-two (142) or ninety one percent (91%) were from the dominant ethnic community. This was contrary to the provisions of Section 7(2) of the National Cohesion and Integration Act, 2008 which stipulates that no public establishment shall have more than one third of its staff from the same ethnic community.

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

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

As reported in the previous year, the statement of profit or loss and other comprehensive income reflects an expenditure of Kshs.136,367,137 incurred on staff costs which translated to 50% of the actual operating revenue. The acceptable benchmark for a large entity according to the WASREB guidelines is 30% and, therefore, the Company was 25% above the industrial benchmark.

The excess staff costs may negatively impact on the Company's profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable level.

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

4.0 Appointment of Board Members

Information provided for audit review indicated that the Company had ten (10) Board Members, contrary to Section 3.4.1 (2) of WASREB guidelines which limits the number of Board Members to seven (7).

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

5.0 Payables Not Taken as the First Charge

The statements of profit or loss and other comprehensive income reflects Kshs.63,967,076 in respect to trade and other payables which as disclosed in Note 42 to the financial statements includes Kshs.20,462,395 in respect of trade payables. The trade payables include an amount of Kshs.14,578,917 which has been outstanding for more than three months contrary to Treasury Circular No.7/2021 which requires Accounting Officers to ensure that all payments emanating from the previous periods are treated as

the first charge against the current financial year budgetary allocation before entering new commitments.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Unauthorized Spending of Customer Deposits

The statement of financial position reflects an amount of Kshs.31,819,679 in respect to customer deposits. However, the deposit bank statements provided for audit review reflected a balance of Kshs.4,762,903 as at 30 June, 2022 resulting to a variance of Kshs.27,056,776. The variance constitutes money spent by the Management without authority from the Company's Board of Directors and which had not been refunded to the customer deposits account as at 30 June, 2022. Further, as previously reported, the Water Company had no documented policy or guidelines on borrowings or spending from customers' deposits account.

In the circumstances, the ability of the Company to refund the water deposits to the consumers could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

- (iii) The Company's statement of financial position and statement of profit or loss and other comprehensive income agree with books of account

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 the requirements of the Companies Act, 2015 and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal controls, risk management and overall 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 the Management is aware of the intention to liquidate the Company or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the 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 as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 March, 2023

Nyahururu Water and Sanitation Company Ltd.

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

XIV. 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	220,626,984	229,705,235
Grants Income	7	28,257,228	46,157,263
Other Income	8	22,314,376	21,331,938
Finance income	9	0	60,188
Other gains/(losses)	10	0	0
Total Revenue		271,198,588	297,254,624
Expenses			
Staff Costs	11	136,367,139	124,783,740
General and Operations expenses	12	94,574,883	100,566,186
Board Expenses	13	6,042,259	6,670,230
Maintenance Expenses	14	14,880,221	16,541,361
Depreciation and Amortization expenses	15	7,446,495	6,904,576
Finance Costs	16	49,408	253,327
Total Expenses		259,360,405	255,719,420
Profit/(Loss) Before Taxation		11,838,183	41,535,204
Income Tax Expense/(Credit)	17	0	0
Profit/(Loss) After Taxation		11,838,183	41,535,204
Earnings Per Share – Basic And Diluted	18	0	0
Dividend per share	19	0	0
Other Comprehensive Income			
Profit/ (Loss) After Taxation		11,838,183	41,535,204
Surplus Or Deficit On Revaluation Of PPE		0	0
Re-Measurement Of Net Defined Benefit Liability		0	0
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI		0	0
Total Comprehensive Income For The Year		11,838,183	41,535,204

Explanation of variances:

- Operating revenue reduced by Ksh 8M due to loss of bulk supply billing to Nyandarua water company after they got their own source

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

- b) Annual income (turn-over) reduced due to reduction in grant income which was Ksh 28,257,228 in the year 2021-2022 as compared to 46,157,263 in 2020-2021
- c) Personnel costs increased due to increase in gross pay by Ksh 8.2M and gratuity by Ksh 3M after the recruitment of management staff in March 2021.
- d) Administrative costs have been combined with operating expenses and are now referred to as General and Operating expenses.
- e) General and operating expenses reduced due to a reduction of credits applied from Ksh 20.5M to Ksh 2.5M. However, this benefit was gobbled up by increase in item costs due to inflation.
- f) Board Expenses reduced due to a reduced number of directors from 9 to 7.
- g) Depreciation increased due to increase in assets.
- h) Total expenses increased from Ksh 255M to Ksh 259M due to inflation that contributed to rise in item costs

XV. Statement Of Financial Position As at 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	20	175,534,348	164,143,644
Intangible assets	21	0	0
Investment property	22	0	0
Right- of -use assets	23	0	0
Biological Assets	24	0	0
Fixed interest investments	25	0	0
Quoted investments	26	0	0
Unquoted investments	27	0	0
Total Non-Current Assets		175,534,348	164,143,644
Current Assets			

Nyahururu Water and Sanitation Company Ltd.

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Inventories	28	9,944,667	10,582,166
Trade and other receivable	29	51,069,006	49,191,219
Tax recoverable	30	0	0
Short-term deposits	31	0	0
Bank and cash balances	32	24,875,858	13,591,894
Total Non-Current Assets		85,889,531	73,365,279
TOTAL ASSETS		261,423,879	237,508,923
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	33	100,000	100,000
Revaluation reserve	34	0	0
Capital reserve	35	165,109,998	165,109,998
Revenue reserve	36	427,126	(11,411,057)
Capital and Reserves		165,637,124	153,798,941
Non-Current Liabilities			
Deferred tax liability	37	0	0
Borrowings	38	0	0
Lease Liability	39	0	0
Provisions	40	0	0
Retirement Benefits	41	0	0
Total Non-Current Liabilities		0	0
Current Liabilities			
Borrowings	38	0	0
Lease Liability	39	0	0
Provisions	40	0	0
Retirement benefit obligations	41	0	0
Trade and other payables	42	63,967,076	53,096,320
Customer Deposits	43	31,819,679	30,613,662
Deferred Income	44	0	0
Dividends payable	45	0	0
Taxation	46	0	0
Total Current Liabilities		95,786,755	83,709,982
TOTAL EQUITY AND LIABILITIES		261,423,879	237,508,923

- b) Trade and other receivables increased due to a reduction in collection efficiency that saw the trade receivables increase
- c) Cash and cash equivalents increased due to Ksh 15M held in the Conditional Liquidity Grant Support account for uncompleted capital works in Kinamba water project
- d) Trade and other payables increased due to increase in unpaid suppliers and accrued fees and levies as a result of a drop in revenue.

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

		
.....		
Name PETER K. MWANGI	Name ESTHER MUTHURI	Name
Managing Director	Head of Finance	Chairman of the Board

ICPAK M/No: 7062

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

	Notes	Ordinary share capital	Capital reserves	Revenue reserves	Proposed dividends	Revaluation reserve	Total
As at July 1, 2020		100,000	123,316,742	(52,946,261)	0	0	70,470,481
New capital issued		-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-
Capital/Development grants received during the year		-	41,793,256	-	-	-	41,793,256
Profit for the year		-	-	41,535,204	-	-	41,535,204
Proposed final dividends		-	-	(-)	-	-	-
As at June 30, 2021		100,000	165,109,998	(11,411,057)	0	0	153,798,941
As at July 1, 2021		100,000	165,109,998	(11,411,057)	0	0	153,798,941
Issue of new share capital		-	-	-	-	-	0
Revaluation gain		-	-	-	-	-	0
Capital/Development grants received during the year		-	-	-	-	-	0
Profit for the year		-	-	11,838,183	-	-	11,838,183
Proposed final dividends		-	-	-	-	-	0
At June 30, 2022		100,000	165,109,998	424,126	0	0	165,637,124

Nyahururu Water and Sanitation Company Ltd
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XVII. Statement Of Cash Flows for The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash Flows From Operating Activities			
Net profit before tax		11,838,183	41,535,204
<i>Adjustments to reconcile Net income to Net cash</i>		0	0
Add Back: Depreciation		7,446,495	6,904,576
Net Cash From/(Used In) Operating Activities		19,284,678	48,439,780
Changes in Working Capital			
(Increase)/decrease in inventories		637,499	(869,474)
(Increase)/decrease in trade and other receivables		(1,877,788)	(382,954)
Increase/(decrease) in trade payables		8,591,188	(20,006,181)
Increase/(decrease) in Fees and Levies		4,007,030	(5,470,512)
Increase/(decrease) in payroll liabilities		(1,727,460)	(2,062,662)
Increase/(decrease) in customer deposits		1,206,017	3,209,516
Net Changes in Working Capital		10,836,486	(25,582,267)
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(18,837,200)	(16,144,377)
Proceeds From Disposal Of PPE		0	0
Net Cash From/(Used In) Investing Activities		(18,837,200)	(16,144,377)
Cash Flows from Financing Activities			
Proceeds From Borrowings	35	0	0
Repayment Of Borrowings	35	0	0
Dividends Paid	41	0	0
Net Cash From/(Used In) Financing Activities		0	0
Increase/(Decrease) In Cash And Cash Equivalents		11,283,964	6,713,137
Cash And Cash Equivalents At Beginning Of Year		13,591,894	6,878,757
Effects Of Foreign Exchanges Rate Fluctuations		0	0
Cash And Cash Equivalents At End Of The Year		24,875,858	13,591,894

VIII. 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	Percentage utilization
	2021-2022	2021-2022	2021-2022	2021-2022		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operating Revenue	292,058,467	(21,396,891)	270,661,576	220,626,984	(50,034,592)	82%
Other Income	24,592,980	(2,352,372)	22,240,608	22,314,376	73,768	100%
Grants	46,000,000	(17,742,772)	28,257,228	28,257,228	-	100%
Solar Project	0	34,000,000	34,000,000	0	(34,000,000)	0%
Kinamba Project	0	45,000,000	45,000,000	0	(60,000,000)	0%
Commercial loan	25,000,000	0	25,000,000	0	(25,000,000)	0%
Conservancy	7,800,004	0	7,800,004	0	(7,800,004)	0%
Total Revenue	440,451,451	(7,492,035)	432,959,416	271,198,588	(161,760,828)	63%
Expenses						
Staff Costs	142,109,374	1,254,906	143,364,280	136,367,137	(6,997,143)	95%
Board Expenses	5,800,000	0	5,800,000	6,042,259	242,259	104%
General and operations Expenses	98,598,275	5,078,880	101,880,129	94,574,883	(7,305,246)	93%
Maintenance	19,642,996	(3,766,515)	15,876,481	14,880,221	(996,260)	94%
Depreciation and amortization	5,400,000	0	5,400,000	7,446,495	2,046,495	138%
Finance costs	50,000	0	50,000	49,408	(592)	99%
Total Recurrent Expenditure	271,600,645	(210,436)	272,370,890	259,360,403	(13,010,487)	95%
Capital Expenditure	99,192,953	42,418,267	141,611,220	18,837,200	(122,774,020)	13%
Accrued Liabilities	22,336,123	(3,314,783)	19,021,340	4,578,200	(14,443,140)	24%
Total Expenditure	393,129,721	37,551,999	433,003,450	282,775,805	(150,227,645)	65%

EXPLANATORY NOTES ON BUDGET OVER/UNDER RUNS

The following is an explanation on the differences between the actual and budgeted amounts of over or under 10% from the statement of comparison of budget and actual above;

- a) **Budget Adjustments/ Revisions;** during the year, changes were made to the original budget in order to cope with several emerging issues. These adjustments involved the following;
 - i. A downward revision of the estimated revenue from water charges by **Kshs 23.7M** resulting from the company's inability to do planned line extensions necessary for additional water sales to the new customers.
 - ii. Reallocation of several budget votes to critical areas. The budget lines affected by the reallocation include; Staff costs, General and Operational expenses and Maintenance costs. This was necessitated by rising inflation and fuel costs that contributed to rapid increase in item prices.
- b) **Revenue under run;** the revised revenue estimates from internal sources were **Kshs 292,902,184**. The company managed to generate own revenue of **Kshs 242,941,360** resulting in an under run of **Kshs 49,960,824**. This under run was caused by the company's inability to install planned line extension projects necessary for increased connectivity required to achieve the projected revenues. However, the company received both financial and in-kind assistance that helped in bridging the revenue under-run:
 - i. A conditional liquidity support grant facility of **Kshs 28,257,228** from the Water Sector Trust Fund.
- c) **Budget over expenditure;** the overall budget was underspent by **Ksh 13,010,487**. However, two budget lines were overspent as follows;
 - i. **Board expenses;** the company overspent on board expenses by **Ksh 242,259** due to a pre-AGM board meeting that was not factored in the budget.
 - ii. **Depreciation;** the company overspent on Depreciation by **Ksh 2,046,495** due to under estimation of depreciation charge on assets.

XIX. Notes To the Financial Statements

1. General Information

Nyahururu Water and Sanitation Company Ltd is established by and derives its authority and accountability from the Water Act 2016 and the Companies Act 2015. The Company is wholly owned by the Laikipia County Government and is domiciled in Kenya. The Company's principal activity is provision of clean water and sanitation services.

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *Note 5*.

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

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

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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Freehold Land	-	0%
Leasehold Land	-	0%
Buildings and civil works	-	10%
Infrastructure works	-	2.5%
Plant and machinery	-	25%
Motor vehicles, including motor cycles	-	25%
Computers and related equipment	-	30%
Office equipment, furniture and fittings	-	12.5%

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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) Investment property

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

n) Taxation

i) Current income tax

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

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

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

o) Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

p) Borrowing costs

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

q) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The Company does not operate a defined contribution scheme for the full-time employees. The company however contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month. The company also has a pension scheme with Local Authorities Pension Fund (Lapfund) for employees under permanent and pensionable terms and a gratuity scheme with County Pension Fund (CPF) for management staff engaged under fixed term contracts.

u) Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 8th May 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the board of directors. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, supplementary to the 2021-2022 budget were duly approved by the board on 27th September 2021 and 21st Jan 2022 respectively. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of 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 Comprehensive income has been presented under section XIV of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

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

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

The applicable provision for the company is the provision for bad debts. Management estimates this provision as the higher of outstanding debts over 3 years or 10% of the gross receivables and the provision is recognized in the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

	2021-2022	2020-2021
	Kshs	Kshs
Water sales	158,180,666	162,123,445
Sewerage Services	53,784,018	59,543,240
Meter Charges	8,662,300	8,038,550
Total	220,626,984	229,705,235

7. Grants Income

	2021-2022	2020-2021
	Kshs	Kshs
Operational grants from Government entities	0	0
Recurrent/operational grants from other agencies	28,257,228	38,730,194
Capital grants amortized	0	0
Donations from County Governments	0	0
In Kind contribution/donations from other agencies	0	7,427,069
Total	28,257,228	46,157,263

Detailed analysis of the grants received from the Government is tabulate below:

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2020-2021 KShs
Water Sector Trust Fund (CLSG)	28,257,228	0	0	28,257,228	38,730,194
Total	28,257,228	0	0	28,257,228	38,730,194

(Note: For capital/development grants the amount recognized in the statement of comprehensive income should be the depreciation/amortisation equivalents for assets that have been acquired using such capital/development grant as per IAS 20).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Exhauster charges	952,600	1,550,100
Exhauster license	385,000	457,500
Private exhausters emptying	395,300	0
Late payment penalty	0	8,075,720
Reconnection fees	10,563,800	0
Mileage charges	1,465,280	2,401,590
Miscellaneous	757,167	1,017,638
Penalties (illegal water use)	899,244	313,021
Commission on conservancy	175,390	151,391
Rental income	606,000	440,000
Sewer connection fees	163,190	293,382
Sewer inspection	29,250	43,500
Sewer unblocking	31,800	52,800
Toilet income	617,410	1,414,692
Water connection fees	2,823,500	3,477,554
Water sale (bowser)	2,307,695	1,643,050
Insurance compensation	141,750	0
Total	22,314,376	21,331,938

Other income comprises of income generated from services such as reconnection fees, exhauster services, sewer and water connection fees etc.

9. Finance Income

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest income from treasury bonds	0	0
Interest income from treasury bills	0	0
Interest from receivables	0	0
Interest from commercial banks and financial institutions	0	60,188
Interest on staff loans	0	0
Dividends	0	0
Total	0	60,188

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10. Other Gains and Losses

	2021-2022	2020-2021
Description	Kshs	Kshs
Foreign exchange gains / (losses)	0	0
Loss/gain on disposal on sale of investments	0	0
Gain on sale of fixed assets	0	0
Fair value gain/loss on biological Assets	0	0
Fair value gain or losses on revaluation of investment property	0	0
Revaluation losses on inventory	0	0
Unrealized foreign exchange gains/(losses)	0	0
Total	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Salary and Allowances (permanent/contract staff)	116,412,141	108,162,014
Casual workers' Wages	1,360,951	2,479,974
Medical insurance schemes	6,436,869	5,236,541
Employer's contributions to social security schemes	376,000	373,800
National Industrial Training Institute Levy	91,560	46,500
National Water Pension Scheme (Employers)	397,343	435,851
Local Authorities Provident Fund (Employers)	4,391,607	4,037,116
County Pension Fund (CPF)- Gratuity	5,908,261	0
Gratuity	120,407	2,914,384
Staff welfare-Retirees payout	200,000	411,560
Staff welfare-Christmas bonus	672,000	686,000
Total	136,367,139	124,783,740
The average number of employees during the year		
Permanent employees – Management	9	9
Permanent employees – Unionisable	72	77
Corporate Management Team (Contract)	4	4
Temporary and contracted employees	71	66
Total	155	156

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. General and Operations Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Chemicals	13,381,734	16,939,184
Electricity	22,119,378	19,712,298
Fuel, oil, lubricants, and gases	4,376,602	4,707,923
Advertising & Publicity	498,197	413,402
Audit Fee	580,000	580,000
Abstraction fees	3,452,444	1,758,504
Effluent Discharge fees	90,195	88,186
WASREB Levy (4%)	9,711,982	9,201,615
Bank charges	263,755	156,910
Credit applied to customers	2,517,920	20,535,149
Cleaning Materials & Services	1,510,003	1,340,071
Catchment Conservation	25,900	0
Donations/CSR	92,000	292,712
Disconnection materials	112,240	145,225
Mobile Phone Cards	647,060	722,850
Telephone	28,365	31,253
Functions, workshops & seminars	515,877	198,880
Internet charges	476,434	436,523
Licenses & permits	2,541,400	1,553,900
Membership & Subscriptions	530,100	720,435
Newspapers & Periodicals	103,247	54,893
Office Water & Lighting	870,357	1,400,160
Other Expenses (staff welfare)	632,913	336,448
Postage and Courier	1,047,600	750,410
Printing and Stationery	2,212,369	1,208,468
Consultancy Fees	1,192,577	2,363,888
Legal Fees	1,265,740	121,800
Rent and Rates	2,487,680	2,491,680
Security services	5,729,650	5,979,240
Sports and Recreation	3,908,886	0
Staff Tea & Official Catering	2,157,380	1,522,085
Staff training and development	1,386,550	756,800
Transport	654,820	489,410

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Uniform and protective clothing	1,439,962	126,200
Lunch Allowance	1,342,550	794,375
Night out Allowance	3,556,420	1,968,045
General Insurance	963,008	649,270
Claims and compensation	0	0
Research and Development	0	0
Increase in provision for doubtful debts	151,590	17,994
Total	94,574,885	100,566,186

13. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Chairman Honoraria	0	0
Full board sitting allowances	1,320,000	1,800,000
Committee sitting allowances	760,000	820,000
AGM expenses	291,000	0
Medical Insurance	0	0
Induction and Training	1,187,000	0
Sports and Recreation	622,000	0
Other functions & workshops	223,642	2,478,450
Tax on allowances	1,638,617	1,571,780
Total Board Expenses	6,042,259	6,670,230

14. Maintenance Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Equipment repairs	1,199,229	1,198,140
Buildings	971,605	855,071
Water network	8,794,627	10,812,036
Sewer network	18,440	246,800
Electric repairs	366,028	784,130
Motor vehicles	1,670,441	1,868,771
Software	1,308,000	0
Computer repairs	64,700	196,598
Pumps and generators	487,151	579,815
Total Maintenance Expenses	14,880,221	16,541,361

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Depreciation and Amortization Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant, and equipment	7,446,495	6,904,576
Right of Use Assets	0	0
Intangible assets	0	0
Investment property carried at cost	0	0
Total Depreciation and Amortization	7,446,495	6,904,576

16. Finance costs

Description	2021-2022	2020-2021
	Kshs	Kshs36
Interest expense on loans	0	0
Interest expense on bank overdrafts	0	0
Interest on lease liabilities	0	0
Interest expense on water bowser loan	49,408	253,327
Total	49,408	253,327

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Income Tax Expense/(Credit)

Current taxation

	2021-2022	2020-2021
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	0	0
Current tax: prior year under/(over) provision	0	0
Current year deferred tax charge	0	0
Prior year under-provision for deferred tax	0	0
Total	0	0

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

	2021-2022	2020-2021
	Kshs	Kshs
Profit or (Loss) as per Accounts	11,838,183	41,535,204
Add Back:		
Depreciation	7,446,495	6,904,576
Prior year Adjustment	-	-
Less:		
Capital Allowances (Wear & Tear)	(7,446,495)	(6,904,576)
Disallowable Expenses	0	0
Adjusted Taxable Profit/(Loss)	11,838,183	41,535,204
Profit or (Loss) B/F	(11,411,057)	(52,946,261)
Profit or (Loss) C/F	427,126	(11,411,057)
Corporation Tax Payable @ 30%	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year under review. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

19. Dividend Per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). During the year ended 30th June 2022, the shareholders did not propose payment of dividends.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Property, Plant and Equipment

2020-2021	Water & Sewer Infrastructure	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Computers & related equipment	Tools & Equipment	Buildings & civil works	Plant and machinery including generators & pumps	Freehold land	Total
ANNUAL RATES	2.5%	25%	12.5%	30%	33.3%	0	25%		
COST/ VALUATION									
At 1 July 2020	136,761,924	7,788,720	5,715,828	20,316,990	4,879,626	20,000	2,634,538	0	178,117,626
Additions	55,660,148	377,000	147,850	1,525,485	177,150	0	50,000	0	57,937,633
At 30 June 2021	192,422,072	8,165,720	5,863,678	21,842,475	5,056,776	20,000	2,684,538	0	236,055,259
DEPRECIATION									
At 1 July 2020	32,665,638	7,031,465	3,601,867	15,626,648	4,277,823	0	1,803,599	0	65,007,040
Charge for the period	3,993,912	283,564	282,726	1,864,748	259,391	0	220,235	0	6,904,576
At 30 June 2021	36,659,550	7,315,029	3,884,593	17,491,396	4,537,214	0	2,023,834	0	71,911,616
NET BOOK VALUE									
At 1 st July 2020	104,096,286	757,255	2,113,961	4,690,342	601,803	20,000	830,939		113,110,586
At 30 June 2021	155,762,523	850,691	1,979,085	4,351,079	519,562	20,000	660,704		164,143,644

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2021-2022	Water & Sewer Infrastructure	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Computers & related equipment	Tools & Equipment	Buildings & civil works	Plant and machinery including generators & pumps	Freehold land	Total
ANNUAL RATES	2.5%	25%	12.5%	30%	33.3%	10%	25%		
COST OR VALUATION									
At July 1, 2021	192,422,072	8,165,720	5,863,678	21,842,475	5,056,776	20,000	2,684,538	0	236,055,259
Additions	14,065,508	314,000	181,960	1,063,290	1,518,222	1,694,220	0	0	18,837,200
Transfers	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At June 30, 2022	206,487,580	8,479,720	6,045,638	22,905,765	6,574,998	1,714,220	2,684,538	0	254,892,459
DEPRECIATION									
At July 1, 2021	36,659,550	7,315,029	3,884,593	17,491,396	4,537,214	0	2,023,834	0	71,911,616
Charge For the Year	4,245,701	291,173	270,131	1,624,310	678,582	171,422	165,176	0	7,446,495
Impairment Loss	0	0	0	0	0	0	0	0	0
Eliminated On Disposal	0	0	0	0	0	0	0	0	0
At June 30, 2022	40,905,251	7,606,202	4,154,724	19,115,706	5,215,796	171,422	2,189,010	0	79,358,111
NET BOOK VALUE									
At July 1, 2021	155,762,522	850,691	1,979,085	4,351,079	519,562	20,000	660,704	0	164,143,643
At June 30, 2022	165,582,329	873,518	1,890,914	3,790,059	1,359,202	1,542,798	495,528	0	175,534,348

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 (a). Asset additions at cost

Assets acquired during the year under review include the following;

- i) Assets purchased through internally generated funds worth **Kshs 11,800,728.**
- ii) Water extension pipelines worth **Kshs 7,036,472** funded through Conditional Liquidity Support Grant

20 (b). Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line 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:

Freehold Land	Nil
Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal. 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 recognized so that the asset is written down immediately to its estimated recoverable amount.

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

		Normal
		Annual
	Cost or	Depreciation
	Valuation	Charge
Plant and machinery	0	0
Motor vehicles, including motor cycles	0	0
Computers and related equipment	0	0
Office equipment, furniture and fittings	0	0
Total	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Intangible Assets

	2021-2022	2020-2021
	Kshs	Kshs
COST		
At July 1	0	0
Additions	0	0
Disposals	(0)	(0)
At June 30	<u>0</u>	<u>0</u>
AMORTISATION		
At July 1	0	0
Charge for the year	0	0
Disposals	(0)	(0)
Impairment loss	(0)	(0)
At June 30	<u>0</u>	<u>0</u>
NET BOOK VALUE		
At June 30	0	0

22. Investment Property

	2021-2022	2020-2021
	Kshs	Kshs
Opening valuation	0	0
Movements during the year		
Additions	0	0
Disposals	(0)	(0)
Fair value gains/(losses)	0	0
Closing valuation	0	0
DEPRECIATION (IF AT COST)		
At July 1	0	0
Charge for the year	0	0
Disposals	(0)	(0)
Impairment loss	(0)	(0)
At June 30	<u>0</u>	<u>0</u>
NET BOOK VALUE		
At June 30	0	0

The company did not have investment property during the year

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Right-of-use assets

	Buildings	Plant	Equipment	Total
	Kshs	Kshs	Kshs	Kshs
Cost				
As at 1 July 2020	0	0	0	0
Additions	0	0	0	0
As at 30 June 2021	0	0	0	0
Additions	0	0	0	0
As at 30 June 2022	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Accumulated Depreciation				
As at 1 July 2020	0	0	0	0
Charge for the year	0	0	0	0
As at 30 June 2021	0	0	0	0
Charge for the year	0	0	0	0
As at 30 June 2022	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Carrying Amount				
As at 30 June 2021	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
As at 30 June 2022	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

24. Biological Assets

	2021-2022	2020-2021
	Kshs	Kshs
Cattle	0	0
Trees	0	0
Others (Specify)	0	0
Total	<u>0</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Fixed Interest Investments (Bonds)

	2021-2022	2020-2021
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Bond	0	0
AB Corporate Bond (give details)	0	0
CD Corporate Bond (give details)	0	0
Total	<u>0</u>	<u>0</u>

[The movement in investment during the year is as follows:]

Details	2021-2022	2020-2021
	Kshs	Kshs
Balance at 1 July	0	0
Additions during the year	0	0
Interest accrued during the year	0	0
Investment maturities during the year	0	0
Balance at 30 June	<u>0</u>	<u>0</u>

26. Quoted Investments

	2021-2022	2020-2021
	Kshs	Kshs
Opening valuation	0	0
Movements during the year		
Additions	0	0
Disposals	(0)	(0)
Fair value gains/(losses)	0	0
Closing valuation	<u>0</u>	<u>0</u>

The company did not invest in quoted investments during the year.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Name of entity where investment is held	No of shares			Nominal value of shares/purchase price	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	No	No	No	Shs	Shs	Shs
Entity A	0	0	0	0	0	0
Entity B	0	0	0	0	0	0
Entity C	0	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

27. Unquoted Investments

	2021-2022	2020-2021
	Kshs	Kshs
COST		
At July 1	0	0
Additions	0	0
Fair value gains/(losses)	0	0
Disposals	(0)	(0)
At June 30	0	0
IMPAIRMENT		
At July 1	0	0
Disposals	(0)	(0)
Impairment loss in the year	(0)	(0)
At June 30	0	0
NET BOOK VALUE	0	0

The company did not invest in unquoted investments during the year.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Name of entity where investment is held	No of shares			Nominal value of shares/ purchase price	Value of shares less impairment	Value of shares less impairment
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No	Shs	Current year	Prior year
					Shs	Shs
Entity A	0	0	0	0	0	0
Entity B	0	0	0	0	0	0
Entity C	0	0	0	0	0	0
Entity D	0	0	0	0	0	0
	0	0	0	0	0	0

28. Inventories

	2021-2022	2020-2021
	Kshs	Kshs
Cleaning Materials	59,456	43,410
Chemicals & Laboratory items	763,050	763,050
Pipes, fittings and Accessories	5,150,364	5,192,423
Staff Tea Items	13,405	36,201
Stationery	478,419	1,085,298
Water meters	3,479,973	3,461,784
Less: Impairment of stocks	(0)	(0)
Total	9,944,667	10,582,166

Inventory comprises various stock items held for use during normal company operations such as repair/maintenance activities.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 a) Reconciliation of Impairment Allowance for Inventories

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	0	0
Additional provisions during the year	0	0
Recovered during the year	(0)	(0)
Written off during the year	(0)	(0)
At the end of the year	0	0

29.) Trade and Other Receivables

	2021-2022	2020-2021
	KShs	KShs
Trade receivables (note (29a))	55,701,111	54,185,214
Deposits and prepayments	938,007	424,526
VAT recoverable	0	0
Staff receivables (note 29 (c))	0	0
Other receivables	0	0
Gross trade and other receivables	56,639,118	54,609,740
Provision for bad and doubtful receivable	(5,570,111)	(5,418,521)
Net trade and other receivables	51,069,007	49,191,219

29 (a) Trade Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	55,701,111	54,185,214
Provision for doubtful receivable b/f	(5,418,521)	(5,400,527)
Increase in provision for doubtful receivable	(151,590)	(17,994)
Total provision for doubtful receivable	(5,570,111)	(5,418,521)
Net Trade Receivables	50,131,000	48,766,693
at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	16,113,383	17,366,290
Between 30 and 60 days	4,313,786	3,268,291
Between 61 and 90 days	2,278,026	2,566,429
Between 91 and 120 days	5,161,094	4,463,794
Over 120 days	27,834,822	26,520,410
Total	55,701,111	54,185,214

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29 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	0	0
Additional provisions during the year	0	0
Recovered during the year	(0)	(0)
Written off during the year	(0)	(0)
At the end of the year	0	0

29 (c) Staff and other Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross staff loans and advances	0	0
Provision for impairment loss	(0)	(0)
Advances recovered	(0)	(0)
Net staff loans	0	0
Deposits and Prepayments		
Insurance	16,750	33,087
Office Rent	30,000	14,000
Others (Fuel Debit Card)	278,982	214,197
With holding VAT	612,275	163,242
Sub Total	938,007	424,526
Grand Total	938,007	424,526

[Provide short appropriate explanations as necessary]

30. Tax Recoverable

	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	0	0
Income tax charge for the year (note 16)	0	0
Under/(over) provision in prior year/s (note 16)	0	0
Income tax paid during the year	(0)	(0)
At end of the year	0	0

[Provide short appropriate explanations as necessary]

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31. Short Term Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Commercial banks		
Cooperative Bank of Kenya	0	0
Kenya Commercial Bank	0	0
Barclays Bank of Kenya	0	0
Others (specify)	0	0
	0	0

The company did not have short term deposits during the year under review.

32. Bank and Cash Balances

	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	24,390,905	13,242,372
Cash in hand	35,820	56,858
Mobile money account	449,133	292,664
	24,875,858	13,591,894

32(b). Detailed analysis of the cash and cash equivalents

		2021-2022	2020-2021
Financial institution	Account number	KShs	KShs
a) Current account			
Cooperative bank	01120037721500	2,296,395	1,899,238
Equity bank,	0160264259445	339,805	238,229
Family bank	023000028400	284,626	614,529
Post bank	0744130014862	57,094	1,880,620
Sub- total		2,977,920	4,632,616
b) On - call deposits			
Equity bank (Customer Deposits)	0160293799872	4,762,903	3,897,560
Family Bank (Reserve Account)	023000039073	0	1,089,887
Family Bank (UPC 8 th call project)	023000042457	1,000,000	0
Sub- total		5,762,903	4,987,447
c) Fixed deposits account			
Cooperative bank	02003772150	0	0
Sub- total		0	0

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		2021-2022	2020-2021
Financial institution	Account number	KShs	KShs
d) Others(specify)			
CLSG (Equity)	0160280465854	15,650,082	3,622,309
Cash in hand (Petty cash)		35,820	56,858
M-Pesa account		449,133	292,664
Sub- total		16,135,035	3,971,831
Grand total		24,875,858	13,591,894

33. Ordinary Share Capital

	2021-2022	2020-2021
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of Kshs 20 par value each	100,000	100,000
Issued and fully paid:		
5,000 ordinary shares of Kshs 20 par value each	100,000	100,000

34. Revaluation Reserve

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

35. Fair Value Adjustment Reserve

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

36. Retained Earnings

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. Deferred Tax Liability

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

	2021-2022	2020-2021
	Kshs	Kshs
Accelerated capital allowances	0	0
Unrealised exchange gains/(losses)	0	0
Revaluation surplus	0	0
Tax losses carried forward	(0)	(0)
Provisions for liabilities and charges	(0)	(0)
Net deferred tax liability	0	0

The movement on the deferred tax account is as follows:

	2021-2022	2020-2021
	Kshs	Kshs
Balance at beginning of the year	0	0
Credit to revaluation reserve	(0)	(0)
Under provision in prior year	0	0
Income statement charge/(credit)	0	0
Balance at end of the year	0	0

38. Borrowings

Description	2021-2022	2020-2021
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	0	0
External borrowings during the year	0	0
Repayments of during the year	(0)	(0)
Balance at end of the year	0	0
b) Domestic Borrowings		
Balance at beginning of the year	0	0
Domestic borrowings during the year	0	0
Repayments during the year	(0)	(0)
Balance at end of the year	0	0
C) Total Balance at end of the period c = a+b	0	0

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

	2021-2022	2020-2021
	KShs	KShs
External Borrowings		
Dollar denominated loan	0	0
Sterling Pound denominated loan	0	0
Euro denominated loan	0	0
Domestic Borrowings	0	0
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
Total balance at end of the year	0	0

Description	2021-2022	2020-2021
	KShs	KShs
Short term borrowings (current portion)	0	0
Long term borrowings	0	0
Total	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

39. Lease Liability

Description	2021-2022	2020-2021
	KShs	KShs
At the start of the year	0	0
Discount interest on lease liability	0	0
Paid during the year	(0)	(0)
At end of the year	0	0

	2021-2022	2020-2021
Maturity analysis	Kshs	Kshs
Year 1	0	0
Year 2	0	0
Year 3	0	0
Year 4	0	0
Year 5	0	0
On wards	0	0
	<u>0</u>	<u>0</u>
Less: unearned interest	(0)	(0)
	<u>0</u>	<u>0</u>
Analysed as:		
Non-Current	0	0
Current	0	0

40. Provisions

Description	Leave Provision	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	0	0	0	0	0
Additional Provisions	0	0	0	0	0
Provision utilised	(0)	(0)	(0)	(0)	(0)
Change due to discount and time value for money	0	0	0	0	0
Balance at the end of the year	0	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provisions details

Description	2021-2022	2020-2019
	Kshs	Kshs
Current Portion of Provisions	0	0
Long-term portion of Provisions	0	0
Total	0	0

41. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	0	0	0	0	0
Non-current benefit obligation	0	0	0	0	0
Total employee benefits obligation	0	0	0	0	0

Retirement benefit Asset/ Liability

The company does not operate a defined benefit scheme for full-time employees. Employees are however entitled to join a registered retirement benefit scheme of their choice. The company and its employees contribute to the Local Authority Provident Fund and National Water Pension Scheme. Employees contribute 7.5% while the employer contributes 12.5% of basic salary for LAP Fund. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Ksh 200 per employee per month.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

42. Trade and Other Payables

	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	20,462,395	11,871,207
Sub Total	20,462,395	11,871,207
Fees and Levies		
Office of Auditor General	1,800,000	3,380,000
WASREB	8,111,017	6,989,234
Water Resource Authority (WRA)	247,695	705,056
County Government of Laikipia (Conservancy)	6,846,758	1,924,150
Northern Water Works Agency (Lease Fees)	8,480,983	8,480,983
Sub Total	25,486,453	21,479,423
Payroll Liabilities		
Local Authorities Provident Fund	13,319,058	15,021,393
Other payroll payables	4,699,170	4,724,297
Sub Total	18,018,228	19,745,690
Total Trade and Other Payables	63,967,076	53,096,320
	=====	=====

43. Customer Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Opening Balance	30,613,662	27,404,146
Add: deposits received during the year	5,521,900	5,190,554
Less: Refunded deposits during the year	(4,315,883)	(1,981,038)
Closing balance	31,819,679	30,613,662

Customer deposits constitute monies paid by customers to cushion the company against non-payment of outstanding bills. The deposit is refundable upon formal request of termination of services by the customers and upon clearance of any outstanding bills

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. Deferred Income

Description	2021-2022	2020-2021
	KShs	KShs
National/County government	0	0
International funders	0	0
Public contributions and donations	0	0
Total deferred income	0	0

45. Dividends Payable

No dividends were payable to ordinary shareholders during the year

46. Revenue Reserves

Details	2020/2021	2020/2021
	Kshs	Kshs
Balance b/f	(11,411,057)	(52,946,261)
Prior Year Adjustment	0	0
Net Profit for the period	11,838,183	41,535,204
Total Revenue Reserves	427,127	(11,411,057)

Revenue reserves comprise of accumulated deficits and surpluses over the years.

47. Capital Reserves

Details	2020/2021	2019/2020
	Kshs	Kshs
Balance b/f	165,109,998	123,316,742
Assets handed over by shareholder (CGL)	0	0
Boreholes and facilities handed over by KENHA	0	41,793,256
Total Capital Reserves	165,109,998	165,109,998

Capital reserves comprise of assets handed over by the Municipal Council at inception of the company, assets developed by the principal shareholder (County Government of Laikipia) and assets developed by other stakeholders and handed over to the company for use in service delivery.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

48. Notes to The Statement of Cash Flows

	2021-2022	2020-2021
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	11,838,	41,535,204
Depreciation	7,446,495	6,904,576
Amortisation	0	0
(Gain)/loss on disposal of property, plant and equipment	0	0
Operating profit/(loss) before working capital changes	19,284,677	48,439,780
(Increase)/decrease in inventories	637,499	(869,474)
(Increase)/decrease in trade and other receivables	(1,877,788)	(382,954)
Increase/(decrease) in trade payables	8,591,188	(20,006,181)
Increase/(decrease) in fees and levies	4,007,030	(5,470,512)
Increase/(decrease) in payroll liabilities	(1,727,460)	(2,062,662)
Increase/(decrease) in customer deposits	1,206,017	3,209,516
Cash generated from/(used in) operations	10,836,486	(25,582,267)
(b) Analysis of cashflows from investing activities		
Purchase of property plant and equipment	(18,837,200)	(16,144,377)
Cash generated from investing activities	(18,837,200)	(16,144,377)
Balance at beginning of the year	13,591,894	6,878,757
(c) Analysis of cash and cash equivalents		
Short term deposits	0	0
Cash at bank	24,840,038	13,535,036
Cash in hand	35,820	56,858
Balance at end of the year	24,875,858	13,591,894

	2021-2022	2020-2021
	Kshs	Kshs
(d) Analysis of interest paid		

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	2021-2022	2020-2021
	Kshs	Kshs
Interest on loans	0	0
Interest on bank overdraft	0	0
Interest on lease liabilities	0	0
Interest on loans capitalized	0	0
Balance at beginning of the year	0	0
Balance at end of the year (note 35(b))	(0)	(0)
Interest paid	0	0
(e) Analysis of dividend paid		
Balance at beginning of the year	0	0
2019 dividends paid	0	0
2020 dividends paid	0	0
2021 interim dividends paid	0	0
Balance at end of the year	(0)	(0)
Dividend paid	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other Disclosures

49. Related Party Disclosures

County Government of Laikipia

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

Other related parties include:

- The County Department in charge of Water and Environment
- County Government of Laikipia
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

Transactions with related parties

	2021-2022	2020-2021
	Kshs	Kshs
a) Sales to related parties		
Water sales (Bowser) to County Govt. agencies	424,300	1,855,600
Exhauster services to County Govt. agencies	360,900	832,000
Water bills for County Govt. installations	559,107	1,768,925
Interest income from Govt Commercial Banks	0	0
Interest income from T-bills and Bonds	0	0
Total	1,344,307	4,456,525
b) Purchases from related parties		
Purchase of water from govt service providers	0	0
Rent expenses paid to govt agencies	0	0
Training and conference fees paid to govt. agencies	0	0
Bank charges paid to Govt Commercial banks	0	0
Interest expense to investments by other govt. entities	0	0
Total	0	0
b) Grants from the Government		

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	2021-2022	2020-2021
	Kshs	Kshs
Grants from National Govt Agencies	28,257,228	38,730,194
Grants from County Government	0	0
Donations in kind	0	7,427,069
Total	28,257,228	46,157,263
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	0	0
Payments for goods and services for Laikipia County	0	0
Total	0	0
d) Key management compensation		
Directors' emoluments	5,751,259	6,670,230
Compensation to key management	14,243,766	12,636,238
Total	19,995,025	19,306,468

50. Capital Commitments

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

	2021-2022	2020-2021
	Kshs	Kshs
Amounts authorized and contracted for	0	0
Amounts authorized but not contracted for	0	0
Less: Amounts included in Work in progress	(0)	(0)
	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

51. Contingent Assets and Liabilities

Contingent Assets

	2021-2022	2020-2021
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	0	0
Assets arising from determination of court cases	0	0
Reimbursable indemnities and guarantees	0	0
Receivables from other government entities	0	0
Others (Specify)	0	0
Total	0	0

Contingent Liabilities

	2021-2022	2020-2021
	Kshs	Kshs
Performance guarantee (WASREB)	0	2,300,000
WASREB Non-Compliance Penalty	1,980,000	0
Nakuru ELRC Court case no 63 of 2019 against the entity	1,197,012	600,000
Bank guarantees in favour of subsidiary	0	0
Contingent liabilities arising from contracts including PPPs	0	0
Total	3,177,012	2,900,000

The legal claim against the company relates to a claim of payment for accrued leave days totalling to 62 days and PAYE remission to KRA for the former Managing Director.

52. Financial Risk Management

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk

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

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

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

		Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2022					
Trade Receivables		55,701,111	22,296,178	27,834,822	5,570,111
Other Receivables		938,007	938,007	0	0
Investments		0	0	0	0
Bank balances		24,875,858	24,875,858	0	0
Total		81,514,976	48,110,043	27,834,822	5,570,111
At 30 June 2021 (previous Year)					
Receivables		54,185,214	22,246,283	26,520,410	5,418,521
Other Receivables		0	0	0	0
Investments		0	0	0	0
Bank balances		13,582,899	13,582,899	0	0
Total		67,768,113	35,829,182	26,520,410	5,418,521

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022 current year				
Trade payables	9,587,947	1,618,564	9,255,884	20,462,395
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Fees and Levies payable	1,199,718	1,362,740	25,514,195	28,076,653
Employee benefit obligation	704,904	0	12,614,155	13,319,059
Total	11,492,569	2,981,304	47,384,234	61,858,107
At 30 June 2021 previous year				
Trade payables	7,321,026	982,757	3,567,424	11,871,207
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Fees and Levies payable	999,776	0	20,479,647	21,479,423
Employee benefit obligation	596,866	0	14,424,527	15,021,393
Total	8,917,668	982,757	38,471,598	48,372,023

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk (Continued)

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022 Current Year			
Financial assets			
Investments	0	0	0
Cash	24,875,858	0	24,875,858
Debtors	50,131,000	0	50,131,000
Financial Liabilities			
Trade and other payables	66,557,275	0	66,557,275
Borrowings	0	0	0
Net Financial asset/(liability)	8,449,583	0	8,449,583

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021 Previous year			
Financial assets			
Investments	0	0	0
Cash	13,591,894	0	13,591,894
Debtors	48,766,693	0	48,766,693
Financial Liabilities			
Trade and other payables	53,096,320	0	53,096,320
Borrowings	0	0	0
Net foreign currency asset/(liability)	9,262,267	0	9,262,267

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2022 Current FY			
Euro	10%	0	0
USD	10%	0	0
2021 Previous FY			
Euro	10%	0	0
USD	10%	0	0

c) Interest rate risk

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

i) Management of interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) Sensitivity analysis

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

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

At 30 June 2022 Current FY	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	0	0	0
Land and buildings	0	0	0	0
	0	0	0	0
At 30 June 2021 Previous FY				
Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	0	0	0
Land and buildings	0	0	0	0
	0	0	0	0

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

Financial instruments not measured at fair value

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Capital Risk Management

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

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	427,538	(10,375,222)
Capital reserve	165,109,998	123,316,742
Total funds	165,537,536	112,941,520
Trade and other payables	66,557,275	53,096,320
Water deposits	31,819,679	30,613,662
Less: cash and bank balances	(24,875,858)	(13,582,899)
Net debt/ (excess cash and cash equivalents)	73,501,096	70,127,083
Gearing	44%	62%

53. Incorporation

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

54. Events After the Reporting Period

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

55. Currency

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

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XX. 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)
Customer Deposits	No policy to guide borrowing from customer deposits account. Variance noted between customer deposits book vs bank balances.	Policy developed but awaiting approval by the board. Deposits account build- up being done gradually to bridge the difference between the book and bank balances	Not Resolved	5 years
Property, Plant and Equipment	Lack of ownership records for (4) motor vehicles granted by Northern Water Services Board.	Process of transferring ownership and acquiring ownership records has been initiated.	Not Resolved	1 year
Long Outstanding Payables	Payables of regulatory levy, abstraction fees, County Govt fees	The company has negotiated and agreed to settlement agreements with the various agencies in order to clear the outstanding fees and levies	Not Resolved	3 years

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	and Northern Water Works lease fees.			
Unauthorized Over Expenditure	The company incurred expenditure above the approved budget.	Management commits to; Strictly observe approved budget ceilings at all times. Use supplementary budgets to incorporate unbudgeted for items.	Not Resolved	
Non- Revenue Water	High (NRW) non-revenue water level of 39.4% exceeding allowable loss of 25%.	Management continues to apply new strategies to curb the losses by adopting new technologies for detecting losses and improving on commercial efficiency	Not Resolved	3 Years
Staff Ethnic Diversity	The company has not achieved the requirement for at least 30% of staff to be from minority communities.	Management continues to progressively work towards ensuring that at least 30% of vacant positions at entry level are filled by candidates from the not-dominant communities.	Not Resolved	5 years
Non-Compliance with Industrial Benchmark on Personnel Costs	The company's 55% ratio of personnel costs to total operating expenses exceeds	Management intends to progressively reduce this ratio to the recommended level. Currently the ration of	Not Resolved	5 years

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	the 30% sector benchmark	personnel costs to Operating expenses is 53%.		
Appointment of Board Member (s)	The company had 10 board members contrary to WASREB guidelines that limits the number to 7 members.	The board membership has been aligned to the requirements of the WASREB Guidelines on Corporate Governance	Resolved	
Corporate Governance	The company had reappointed a board member after serving the maximum six years.	The appointment was made by the shareholders and ratified in the AGM.	Not Resolved	

Name **PETER K. MWANGI**

Signature **Li**

Managing Director

Date **15/12/2022**

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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)
Kinamba Elevated Steel Tank	CLSG Programme	Water Sector Trust Fund	18 th Feb. 2022 to 30 th August 2022	Yes	Yes	Yes
Kinamba Borehole Drilling and Development	CLSG Programme	Water Sector Trust Fund	18 th Feb. 2022 to 30 th August 2022	Yes	Yes	Yes
Kinamba Borehole Equipping	CLSG Programme	Water Sector Trust Fund	18 th Feb. 2022 to 30 th August 2022	Yes	Yes	Yes
Construction of rising main and fencing of Tank sites at Kinamba town	CLSG Programme	Water Sector Trust Fund	18 th Feb. 2022 to 30 th August 2022	Yes	Yes	Yes
Karuga HDPE Line Extension	CLSG Programme	Water Sector Trust Fund	18 th Feb. 2022 to 30 th August 2022	Yes	Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Kinamba Elevated Steel Tank (108M ³)	4,969,208	-	80%	4,969,208	-	WSTF
2	Kinamba Borehole Drilling and Development	2,815,320	-	20%	2,815,320	-	WSTF

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4	Construction of rising main and fencing of Tank sites at Kinamba town	3,599,666	-	75%	3,599,666	-	WSTF
5	Karuga shopping Centre HDPE Pipe Line Extension	2,000,000	-	85%	2,000,002	-	WSTF

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Appendix III- Inter-Entity Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary entity]

[Insert Address]

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 th June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022				Amount Received by [beneficiary entity] (KShs) as at 30 th June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

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

Head of Accountants department of beneficiary entity:

Name Sign Date

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Appendix IV: Reporting of Climate Relevant Expenditures

Name of the Organization

Telephone Number

Email Address

Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications)

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

Appendix V: Disaster Expenditure Reporting Template

Date:

Entity:

Period to which this report refers (FY)	Year			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

(Attach forms from each transferring Government entity.)

Appendix VI: 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	
Ministry/County department of Water	Xxx	Recurrent	xxx	Xxx	Xxx	xxx	xxx	xxx	xxx
Ministry/County Department of water.	Xxx	Development	Xxx	Xxx	Xxx	xxx	xxx	xxx	xxx
USAID	Xxx	Donor Fund	Xxx	Xxx	Xxx	xxx	xxx	xxx	xxx
name of Development partner/County department etc.	Xxx	Direct Payment	xxx	Xxx	Xxx	xxx	xxx	xxx	xxx
			xxx	Xxx	Xxx	xxx	xxx	xxx	xxx
Total			xxx	Xxx	Xxx	xxx	xxx	xxx	xxx