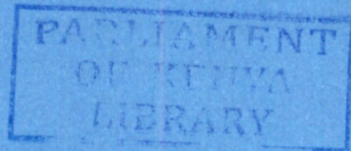


REPUBLIC OF KENYA



*Enhancing Accountability*

# REPORT



OF

**THE AUDITOR-GENERAL**

ON

**TETU ABERDARE WATER AND  
SANITATION COMPANY LIMITED**

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

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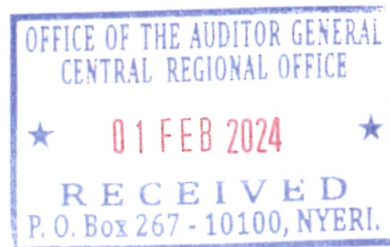


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**TETU ABERDARE WATER AND SANITATION COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2023**

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





**Tetu Aberdare Water & Sanitation Company Limited**  
**Annual Report and Financial Statements for the Year ended June 30, 2023**

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**1. Acronyms and Glossary of Terms**

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board
CPA (K)	Certified Public Accountants of Kenya
CPS	Certified Public Secretaries
CIFA	Certified Investment and Financial Analyst
IHRM	Institute of Human Resource Management
KEWI	Kenya Water Institute
CHRP	Certified Human Resource Practitioner
FKIM	Fellow of Kenya Institute of Management
NG-CDF	National Government Constituency Development Fund
TWWDA	Tana Water Works Development Agency
WSTF	Water Services Trust Fund
CSLG	Conditional Support Liquidity Grant
KTDA	Kenya Tea Development Agency
GIS	Geographical Information System
PAC	Public Accounts Committee
FAT	Finance, Administration and Technical
MAA	Memorandum and Articles of Association
BOD	Board of Directors
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
CPF	County Pension Fund
MDA	Management Discussion and Analysis
NRW	Non- Revenue Water
CSR	Corporate Social Responsibility
IAS	International Accounting Standards
KRA	Kenya Revenue Authority

**Tetu Aberdare Water & Sanitation Company Limited**  
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## **II .Key Entity Information**

### **Background information**

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

### **Principal Activities**

The principal activity of the Company is to provide water and sanitation services to residents of Tetu and parts of Nyeri Central Sub-Counties.

### **Directors**

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

<u>Name</u>	<u>Status</u>	<u>Date Of Appointment</u>
1. Joel Wang'ombe Kariuki	- Chairman	- 21 <sup>st</sup> June 2018
2. Isaac Njoroge Nderitu	- Director	- 2 <sup>nd</sup> August 2021
3. Rev. Peter Ndiritu Macharia	- Director	- 21 <sup>st</sup> June 2018
4. Ruth Wanjiru Mwangi	- Director	- 17 <sup>th</sup> July 2018
5. Pauline Wacuka Ndegwa	- Director	- 1 <sup>st</sup> October 2019
6. Nancy Wanjiru Ngogoyo	- Director	- 24 <sup>th</sup> July 2019
7. Lucy Waguthii Ndung'u	- Director	- 24 <sup>th</sup> July 2019
8. Symon Wambugu Wanjau	- Managing Director	

**Corporate Secretary**

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

**Registered Office**

Kamakwa Nyeri Central Sub-County Water Office  
P.O. Box1089- 10100  
Nyeri.

**Corporate Contacts**

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

**Corporate Bankers**

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

**Independent Auditors**

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

**Principal Legal Advisers**

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

III. The Board of Directors

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

**IV. Management Team**

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

**Tetu Aberdare Water & Sanitation Company Limited**  
**Annual Report and Financial Statements for the Year ended June 30, 2023**

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**V. Chairman's Statement**

The year 2022/2023 was a year with a difference, a year in which we were confronted by many challenges, but emerged more resilient and successful.

The macroeconomic landscape in the year was challenging characterized by depressed economies, disposable incomes in the whole world continued to decline resulting to reduced consumers spending. This greatly constrained our volumes and hindered growth in turnover during the year under review. However, despite the very difficult economic conditions, we are proud of the results we achieved. The Company water billing Increased from Ksh 63,211,898 to Ksh 67,509,912 for the financial year 2021/2022 and 2022/2023 respectively.

The Company also undertook sponsorship of public health projects with Nyeri Hospice. This is targeted for Cancer Patients and focuses on quality of life thereby turning it into an important time of living. The Company was issued with two year operating license by water service Regulatory Board (WASREB) we also contracted foot bridge across river Gura for caving GI pipes funded by County Government of Nyeri at a cos of Ksh 6.9 million .The Company was also funded by Water Trust Fund for construction of lower Aguthi water project at a cost of Ksh 19million.

Our effort to grow and improve as a company would not have been possible without the leadership of our talented Board of Directors, our employees, our customers, Constituency Development Fund (NG-CDF) ,Tetu, Tana Water Works Development Agency, Tetu Sub-County Water Office, Nyeri County Government and other potential development partners also deserve commendation for their hard work and loyalty.

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

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



**JOEL W. KARIUKI**  
**CHAIRMAN -TEAWASCO.**

## **VI. MANAGING DIRECTOR'S REPORT**

### **Water Sector Reforms**

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

### **History and Legal Establishment**

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

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

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

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

### **Infrastructure Development**

For the purpose of improving our service delivery especially for Titie Water Scheme, the company is working closely with County Government of Nyeri, which is constructing a Conventional Water Treatment to improve water quality.

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

In the Financial Year 2022/2023 the Company received funds amounting to Ksh, 6,915,000 from the County Government of Nyeri for reinforcing raw water main along River Gura, Ksh. 17,440,260 from Water Services Trust Fund to construct 8 Km pipeline extension and 300 No. volumetric meters, compensation by KenHA for rerouting the pipeline along Mau Mau road at Ksh.13, 289,141 and Ksh. 13,147,645 from KURRA for re-routing pipeline along Mununga-ini - Muthua-ini road.

### **Future Development Plans**

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

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

### **Project Proposal**

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

### **Staff**

The company has 72 employees. The ultimate goal is to make the Company an enterprising water Organisation.

### **Challenges**

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

The challenges include:

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

**Conclusion**

With the implementation of Vision 2030 strategy and The Constitution of Kenya 2010 and Water Act 2016 there is great demand for clean, safe and adequate water supply in all sectors contributing to economic development. This is a great opportunity for the company to exploit enabling it achieve its objectives and the ever-growing water service demand.

**Gratitude**

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



**S. W. WANJAU**

**MANAGING DIRECTOR**

**Tetu Aberdare Water & Sanitation Company Limited**  
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**VII. Statement of Performance against Predetermined Objectives for FY 2022/2023**

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

<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance Indicator</b>	<b>Activities</b>	<b>Achievements</b>
Metering	100% metering	Increase Revenue	Metering programme Procured customer meters 600 No worth <b>Kshs.1,620,000</b>	100%
Revenue Collection	95% and Above	Meet Obligations when they fall due.	Collection efficiency	93%
Billing	100%	Increase Revenue	Purchase of smart phones for meter reading for efficiency and automating them with GIS.	100 %
Non-Revenue Water	Reduce NRW	To attain the sector Benchmark of below 25%	<ol style="list-style-type: none"> <li>1. Procurement of meters for new water connection and replacing malfunctioning ones.</li> <li>2. Recruitment of NRW Staff.</li> <li>3. Application of GIS in mapping our infrastructure network.</li> <li>4. Training and bench marking with other companies-NYEWASCO</li> </ol>	Attained 35% NRW.
Water Coverage Area	Increase area of water service coverage	To attain 100% coverage	Pipeline Extensions	Attained 91%

**VIII. Corporate Governance Statement**

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

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

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

<b>DATE</b>	<b>MEETING DESCRIPTION</b>	<b>NO. OF MEMBERS</b>
7/7/2022	FULL BOARD MEETING	6
20/07/2022	FULL BOARD MEETING	8
26/07/2022	FAT MEETING	5
27/07/2022	AUDIT MEETING	3
04/08/2022	FULL BOARD MEETING	8
6/9/2022	FAT MEETING	4
15/09/2022	FULL BOARD MEETING	8
12/10/2022	FAT MEETING	4
13/10/2022	AUDIT MEETING	3
26/10/2022	FULL BOARD MEETING	8
11/1/2023	FAT MEETING	4
12/1/2023	AUDIT MEETING	3
26/01/2023	FULL BOARD MEETING	7
11/4/2023	FAT MEETING	3
12/4/2023	AUDIT MEETING	2
27/04/2023	FULL BOARD MEETING	7
18/05/2023	FAT MEETING	3
29/05/2023	FULL BOARD MEETING	7

**Tetu Aberdare Water & Sanitation Company Limited**  
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**Succession planning;**

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

The Company has implemented the BOD charter, which defines the roles of the Board of Directors. The BOD undertakes an annual evaluation of its performance in line with the Corporate Governance guidelines realigning itself to meet its mandate.

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

**Roles and Functions of the BOD**

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

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

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

**Induction and Training**

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

**Conflict of Interest**

During the financial year ended June 30<sup>th</sup>, 2023 all the interests declared by BOD members are registered in the Conflict of Interest register during committee meetings including Full BOD.

**Board Remuneration**

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

**Ethics and Conduct**

The Board of Directors has identified Internal and External stakeholders whereby they agree in policy on how to relate with each other especially in relation to appointing the Directors and monitoring the performance of the Company. All Directors are signatories to the Code of Conduct that guides them in operations.

The Board of Directors is constituted into the following committees:

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

By order of the Board  
For and on its behalf



Date 30/11/2024

**IX. Management Discussion and Analysis (M D&A)**

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

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

**TEAWASCO Billing, Revenue and Debt Position**

<b>Year</b>	<b>Total Billing (Kshs)</b>	<b>Total Revenue collection (Kshs)</b>	<b>Outstanding debts (Kshs)</b>
2018/2019	62,010,225	61,614,995	18,558,220
2019/2020	58,491,846	53,532,527	22,906,131
2020/2021	64,785,843	65,112,620	21,768,669
2021/2022	63,211,898	64,958,137	20,345,306
2022/2023	67,509,912	62,683,965	23,288,470

<b>Year</b>	<b>Registered connections</b>	<b>Active connections</b>	<b>Inactive connections</b>	<b>New water connections</b>
2018/ 2019	15,265	10,969	4,296	535
2019/ 2020	15,800	12,016	3,784	414
2020/2021	16,214	12,300	3,914	586
2021/2022	16,800	11,992	4,808	463
2022/2023	17,263	12,700	4,563	349

**Tetu Aberdare Water & Sanitation Company Limited**  
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**Challenges Faced During the Year**

During the year the company experienced the following challenges during implementation of the Financial Management process;

<b>Area of operation</b>	<b>Challenges</b>	<b>Interventions</b>
Drought	Less Billing and Revenue	<ul style="list-style-type: none"> <li>• Proposal writing has been done to construct dams to preserve water during the rainy season to be used during the dry season.</li> </ul>
Road Construction	Interrupted water supply and increased NRW	<ul style="list-style-type: none"> <li>• Rerouting of all the pipelines from the marked areas of the road construction earlier before the contractors destroy the pipes.</li> <li>• Repairing the destroyed pipes immediately to mitigate water loss.</li> </ul>
Low Economic Power	Less Revenue and an increase in disconnected connections	<ul style="list-style-type: none"> <li>• Engaging in friendly terms of payment of water bills e.g Part-Payment</li> </ul>

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

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

**Tetu Aberdare Water & Sanitation Company Limited**  
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(x)	Evaluation of overall risks	Medium	<ul style="list-style-type: none"> <li>• Set the performance targets</li> </ul>
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**X.Environmental and Sustainability Reporting**

**i. Sustainability Strategy and Profile**

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

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

**ii. Environmental Performance**

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

**iii. Employee Welfare**

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

**iv. Market Place Practices**

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

**v. Corporate Social Responsibility**

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

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



**vi. Community Engagements**

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

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

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

**Tetu Aberdare Water & Sanitation Company Limited**  
**Annual Report and Financial Statements for the Year ended June 30, 2023**

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**XI. Report of the Directors**

The Directors submit their report together with the Un-audited Financial Statements for the year ended June 30, 2023, which show the state of the company's affairs.

**i. Principal Activity**

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

**ii. Results**

The results of the Tetu Aberdare Water and Sanitation Co Limited for the year ended June 30, 2023 are set out on pages 1-5

**iii. Dividends**

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

**iv. Directors**

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

**v. Auditors**

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

By Order of the Board



Richard Gikuhi Kiana  
Company Secretary

Date 30/1/2024

## **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 and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper Accounting records, which disclose with reasonable accuracy the Financial Position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company Financial Statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the Financial Year ended on June 30, 2023. These responsibilities includes;

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

The Directors responsibility for the Company Financial Statements, which have been prepared using appropriate Accounting Policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act 2012, Water Act 2016 and Companies Act 2012.

**Tetu Aberdare Water & Sanitation Company Limited**  
**Annual Report and Financial Statements for the Year ended June 30, 2023**


**Statement of Directors' Responsibilities (Continued)**

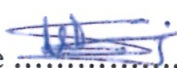
The Directors are of the opinion that the Company's Financial Statements give a true and fair view of the state of Company's transactions during the Financial Year ended June 30, 2023, and of the Company's Financial Position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company Financial Statements as well as the adequacy of the systems of Internal Financial Control.

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

**Approval of the Financial Statements**

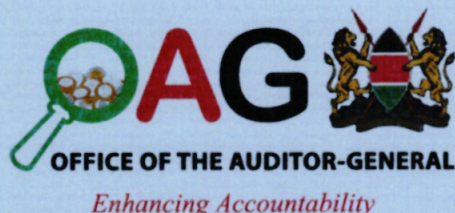
The Company Financial Statements were approved by the Board of Directors on .....<sup>30/11</sup>..... 2024 and signed on its behalf by:

Signature.....  
Name **Joel Kariuki**  
Chairperson of the Board

Signature.....  
Name **Symon Wanjau**  
Managing Director

# REPUBLIC OF KENYA

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

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

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Tetu Aberdare Water and Sanitation Company Ltd set out on pages 1 to 37, which comprise the statement of financial position as at 30 June, 2023 and the statement of profit and other comprehensive

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*Report of the Auditor-General on Tetu Aberdare Water and Sanitation Company Limited for the year ended 30 June, 2023*

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Tetu Aberdare Water and Sanitation Company Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Long Outstanding Disputed Debts**

The statement of financial position reflects an amount of Kshs.23,288,470 in respect to trade receivables as disclosed under Note 16 to the financial statements. However, as per Note 16, there are disputed receivables of Kshs.19,853,586 that have been long outstanding and are therefore unlikely to be recovered.

In the circumstances, the accuracy, recoverability and completeness of the trade receivables balance of Kshs.23,288,470 could not be confirmed.

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

#### **Key Audit Matters**

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

#### **Other Matter**

#### **Unresolved Prior year Matters**

Various prior year audit issues remained unresolved as at 30 June, 2023 and Management has not provided reasons for delay in resolving the prior year audit issues.

## **Other Information**

The Directors are responsible for the other information, which comprises the Chairman's Statement, Report of the Managing Director, Review of the Company's Performance for financial year 2022/2023 against the Predetermined Objectives, Report of the Directors and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Non-Revenue Water**

During the year under review, the Company produced a total of 2,132,678 cubic meters(m<sup>3</sup>) of water, out of which 1,351,056 cubic meters(m<sup>3</sup>) was sold (billed) to customers with a resultant 781,622 cubic meters or 37% being non-revenue water. The non-revenue water of 36.6% is 12% above the allowable loss of 25% set by the Water Services Regulatory board (WASREB) Guidelines.

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

#### **2. Exceeding Industrial Bench Mark on Personnel Expenses**

The statement of profit or loss and other comprehensive income for year ended 30 June, 2023 indicates the Company incurred Kshs.37,750,051 on staff costs out of total operating expenses of Kshs.68,911,736 which translates to 55%. This contravenes WASREB regulations that set the expenditure as a percentage of operation and maintenance costs for a large entity's acceptable level of 30%.

In the circumstances, the excess personnel costs may impact negatively on the Company's profitability and its going concern if measures are not put in place to contain the cost within the acceptable levels.

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

The human resource records maintained by the Company show that as at 30 June, 2023, the Company had seventy-two (72) staff on contractual and permanent and pensionable terms out of which seventy (70) members of the staff or 97% were from the dominant ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

##### **Conclusion**

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

##### **Basis for Conclusion**

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

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

(iii) The Company's financial statements are in agreement with those records and returns.

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

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

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

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

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

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**19 February, 2024**

**Tetu Aberdare Water & Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**XIV. Statement of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2023.**

	NOTES	2022/2023	2021/2022
		KSH	KSH
<b>REVENUE</b>			
Operating Revenue	6	67,509,912	63,211,898
Grant Income	7	2,098,238	1,497,550
Interest Income	9	739,349	351,304
Other Income	8	704,300	936,400
Other Gains and Losses	10	45,982	526,058
<b>TOTAL REVENUE</b>		<b>71,097,781</b>	<b>66,523,210</b>
<b>EXPENSES</b>			
Staff costs	11	37,750,051	36,506,860
General and Operations Expense	12	18,753,509	17,627,556
Board Expenses	13	3,123,408	3,552,256
Maintenance Expenses	14	6,249,116	5,843,546
Depreciation and Amortization Expenses	15	3,035,652	2,042,606
<b>Total Expense</b>		<b>68,911,736</b>	<b>65,572,824</b>
<b>PROFIT BEFORE TAX</b>		<b>2,186,045</b>	<b>950,386</b>
Taxation	30	142,583	51,521
<b>PROFIT AFTER TAX</b>		<b>2,043,462</b>	<b>898,865</b>

Tetu Aberdare Water & Sanitation Company Limited  
Annual Report and Financial Statements for the Year ended June 30, 2023

XV. Statement of Financial Position as at 30 June 2023

ASSETS	NOTES	2022/2023	2021/2022
<b>NON - CURRENT ASSETS</b>		<b>Ksh</b>	<b>Ksh</b>
Property, Plant & Equipment	23	81,447,067	33,685,138
Intangible Asset	24	22,146	27,682
Deferred Tax	30	110,902	53,870
		<b>81,580,115</b>	<b>33,766,690</b>
<b>CURRENT ASSETS</b>			
Inventories	21	7,820,242	7,523,633
Trade Receivables	16	23,288,470	20,144,571
Bank & Cash Balances	17	23,237,876	24,060,621
<b>TOTAL CURRENT ASSETS</b>		<b>54,346,588</b>	<b>51,728,825</b>
<b>TOTAL ASSETS</b>		<b>135,926,703</b>	<b>85,495,515</b>
<b>EQUITY AND LIABILITIES</b>			
Reserves			
Retained Earnings	18	33,578,988	31,535,526
<b>NON-CURRENT LIABILITES</b>			
Deferred Income	22	71,738,952	23,045,142
<b>EQUITY AND LIABILITIES</b>		<b>105,317,940</b>	<b>54,580,668</b>
<b>CURRENT LIABILITIES</b>			
Consumer Deposits	20	15,997,777	15,391,777
Trade Payable	19	14,357,501	15,417,679
Tax Payable	30	253,485	105,391
<b>TOTAL CURRENT LIABILITIES</b>		<b>30,608,763</b>	<b>30,914,847</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>135,926,703</b>	<b>85,495,515</b>

The financial statement were approved by the Board of Directors on 30/06/2024  
and signed on its behalf by:

Managing Director [Signature] Commercial manager [Signature] Chairperson [Signature]

Symon Wanjau

Grace Gathigia  
ICPAK M/NO: 20026

Joel Kariuki

**XVI. Statement of Changes in Equity for the Year Ended 30 June 2023**

	<b>Ordinary Share Capital</b>	<b>Revaluation Reserve</b>	<b>Fair Value</b>	<b>Retained Earnings</b>	<b>Proposed Dividend</b>	<b>Capital Development</b>	<b>Total</b>
<b>2021/2022</b>	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>	<b>Ksh</b>	
<b>As at July 1, 2021</b>	-	-	-	30,636,661			30,636,661
Profit for the Year	-	-	-	898,865			898,865
<b>As at June 30, 2022</b>	-	-	-	<b>31,535,526</b>			<b>31,535,526</b>
<b>2022/2023</b>							
<b>As at July 1, 2022</b>	-	-	-	31,535,526			31,535,526
Profit for the Year	-	-	-	2,043,462			2,043,462
<b>As at June 30, 2023</b>	-	-	-	<b>33,578,988</b>			<b>33,578,988</b>

**XVII. Statement of Cash Flows for the Year Ended 30 June 2023**

	NOTES	2022/2023	2021/2022
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>Kshs</b>	<b>Kshs</b>
Net profit for the Year		2,043,462	898,865
Adjustment Investment Interest Earned		-633,157	- 351,304
Adjustment for depreciation	23	3,030,116	2,035,685
Decrease in Provision for AGM		-45,982	- 383,722
Tax Expense	30	142,583	51,521
Interest earned performance Guarantee		-106,192	-
Investment Interest Earned Performance Guarantee		106,192	-
Interest earned	9	633,157	351,304
Operating surplus before		<b>5,170,179</b>	<b>2,602,349</b>
<b>Working Capital Adjustments</b>			
Increase in Inventory	21	-296,609	- 2,130,109
Increase in Receivables	16	-3,143,899	550,721
Increase in Payables	19	-1,060,178	2,784,158
Deposits	20	606,000	774,000
Grant (Deferred Income)	22	50,792,046	3,000,000
Grant (Deferred Income)	22	-2,098,238	- 888,398
		<b>44,799,122</b>	<b>4,090,372</b>
Net cash generated from operating activities		<b>49,969,301</b>	<b>6,692,721</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of assets	23	-50,792,046	- 5,466,029
		<b>-50,792,046</b>	<b>- 5,466,029</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net increase in cash and cash equivalents		<b>-822,745</b>	<b>1,226,692</b>
Cash and cash equivalents at the beginning of the year		24,060,621	22,833,929
Cash and cash equivalents at the end of the year	17	<b>23,237,876</b>	<b>24,060,621</b>

**XVIII. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30 June 2023**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2022-2023	2022-2023	2022-2023	2022-2023		
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Operating Revenue	68,600,000	-	68,600,000	67,509,912	(1,090,088)	1.6%
Connection fees	600,000	-	600,000	595,500	(4,500)	0.75%
Grants	50,792,046	-	50,792,046	50,792,046	-	-
Finance Income	720,000	-	720,000	737,349	17,349	2.4%
Sale of Jericans	5,000	-	5,000	3,200	(1,800)	
House rent	105,600	-	105,600	105,600	-	-
Deferred income	2,098,238	-	2,098,238	2,098,238	-	-
<b>Total Revenue</b>	<b>122,920,884</b>		<b>122,920,884</b>	<b>121,841,845</b>		
<b>Expenses</b>						
Staff Costs	37,715,000	-	37,715,000	37,750,051	-35,051	-0.09%
Board expense	3,150,000	-	3,150,000	3,123,408	26,592	0.8%
General Operational expense	18,800,000	-	18,800,000	18,753,509	46,491	0.24%
Maintenance	6,400,000	-	6,400,000	6,249,116	150,884	2.3%
Depreciation and amortization	3,077,238	-	3,077,238	3,035,652	41,586	1.3%
<b>Total recurrent expenditure</b>	<b>69,142,238</b>		<b>69,142,238</b>	<b>68,911,736</b>		
<b>Profit/loss after recurrent</b>	<b>53,778,646</b>		<b>53,778,646</b>	<b>52,930,109</b>		
<b>Capital Expenditure</b>						
Grants	50,792,046	-	50,792,046	50,792,046	0	
Others	2,986,600	-	2,986,600	1,777,390	1,209,210	
<b>Total Capital Expenditure</b>	<b>53,778,646</b>		<b>53,778,646</b>	<b>52,569,436</b>		
<b>Total Expenditure</b>	<b>122,920,884</b>		<b>122,920,884</b>	<b>121,481,172</b>		
<b>Profit /loss</b>	<b>0</b>		<b>0</b>	<b>360,673</b>		

## **XIX. Notes to the Financial Statement**

### **1. GENERAL INFORMATION**

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

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The Financial Statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, impaired assets at their estimated recoverable amounts and liabilities at their present value. The preparation of Financial Statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying Tetu Aberdare Water & Sanitation Company Limited accounting policies.

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

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

**Tetu Aberdare Water & Sanitation Company Limited**  
**Annual Report and Financial Statements for the Year ended June 30, 2023**

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

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

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	<p>The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.</p> <p><i>The Company does not issue insurance contracts.</i></p>	Effective for annual periods beginning on or after 1 <sup>st</sup> January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	<p>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.</p> <p><i>The Company was not affected by the change.</i></p>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies.</p> <p><i>No changes have been realised.</i></p>	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.</p>	The amendments are effective for annual periods beginning on or after January 1, 2023.

*(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.*

**Tetu Aberdare Water & Sanitation Company Limited**  
**Annual Report and Financial Statements for the Year ended June 30, 2023**

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

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

Tetu Aberdare Water & Sanitation Company Limited did not early – adopt any new or amended standards in year under review.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

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

IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

**Tetu Aberdare Water & Sanitation Company Limited**  
**Annual Report and Financial Statements for the Year ended June 30, 2023**

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**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

*i. Early adoption of standards*

Tetu Aberdare Water & Sanitation Company Limited did not early – adopt any new or amended standards in year 2022/2023

**4. SUMMARY OF MATERIAL ACCOUNTING POLICY**

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

**a. Revenue Recognition**

Revenue is recognized when earned to Tetu Aberdare Water and Sanitation Co Limited and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of Tetu Aberdare Water and Sanitation Co Limited's activities, net of value-added tax (VAT), where applicable and when specific criteria have been met for each of the Tetu Aberdare Water and Sanitation Co Limited activities as described below.

**SUMMARY OF MATERIAL ACCOUNTING POLICIES**

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

**b. In-Kind Contributions**

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

**c. Property, Plant and Equipment**

Property plant and equipment are stated at cost less the accumulated depreciation charged.

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

**d. Depreciation and Impairment of Property, Plant and Equipment**

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

Depreciation is charged on reducing balance method using the following rates

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Material Accounting Policies**

**i) INVENTORIES**

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

**i) PROFIT**

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

**e. Intangible Assets**

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

**f. Amortization and Impairment of Intangible Assets**

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

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

**g. Investment Property**

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

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

**h. Finance and Operating Leases**

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Summary of Material Accounting Policies

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

#### **i. Inventories**

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

#### **j. Trade and Other Receivables**

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

#### **k. Taxation**

##### **i. Current Income Tax**

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

##### **vi. Current Income Tax (Continued)**

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

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

##### **vii. 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 Material Accounting Policies**

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

**i. Deferred tax (Continued)**

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

**l) Bank and Cash Equivalents**

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

**M. Borrowings**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Material Accounting Policies**

**n. Trade and Other Payables**

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

**o) Retirement Benefit Obligations**

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

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

**p. Provision for Staff Leave Pay**

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

**q. Budget Information**

The original budget for FY 2022-2023 was approved by the Board of Directors on 17<sup>th</sup> May 2022. No subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. No additional appropriations are added to the original budget by Tetu Aberdare Water & Sanitation Company Limited upon receiving the respective approvals in order to conclude the final budget. Accordingly, Tetu Aberdare Water & Sanitation Company Limited did not record additional appropriations.

Tetu Aberdare Water & Sanitation Company Limited budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Material Accounting Policies**

**r. Budget Information (Continued)**

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 5 of these financial statements.

**s. Service concession arrangements**

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

**t. Comparative Figures**

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

**u. Subsequent Events**

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended June 30, 2023. The preparation of Tetu Aberdare Water & Sanitation Company Limited financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**a. Estimates and Assumptions**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**b. Useful lives and residual values**

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

- The condition of the asset based on the assessment of experts employed by Tetu Abdare Water & Sanitation Company Limited
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

**c. Provisions**

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

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

**Tetu Aberdare Water & Sanitation Company Limited**  
**Annual Report and Financial Statements for the Year ended June 30, 2023**

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**6. Operating Revenue**

	2022-2023	2021-2022
	ksh	ksh
Water Sales	67,509,912	63,211,898
<b>Total</b>	<b>67,509,912</b>	<b>63,211,898</b>

**7. Grants Income**

	2022-2023	2021-2022
	Kshs	Kshs
Conditional Support Liquidity Grant	0	609,152
Deferred Income	2,098,238	888,398
<b>Total</b>	<b>2,098,238</b>	<b>1,497,550</b>

**8. Other Income**

	2022-2023	2021-2022
	Kshs	Kshs
Sale of Jericans	3,200	26,200
Rental Income	105,600	105,600
Insurance Compensation	0	17,500
New water Connection Fees	595,500	787,100
<b>Total</b>	<b>704,300</b>	<b>936,400</b>

**9. Finance Income**

	2022-2023	2021-2022
Description	Kshs	Kshs
Interest Income on Savings Account	633,157	351,304
Interest on Performance Guarantee	106,192	-
<b>Total</b>	<b>739,349</b>	<b>351,304</b>

**10. Other Gains and Losses**

	2022-2023	2021-2022
Description	Kshs	Kshs
Decrease in provision for Annual General Meeting	45,982	383,722
Decrease in Provision for Doubtful debts	-	142,336
<b>Total</b>	<b>45,982</b>	<b>526,058</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**11. Staff Costs**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Staff Costs</b>		
Basic Pay	22,561,673	21,425,117
House Allowance	5,733,717	5,585,565
Medical Allowance	364,600	371,333
Gratuity	1,273,677	1,135,886
Commuter Allowance	1,524,000	1,540,533
Pension	1,102,410	1,129,442
NSSF	600,400	119,400
Overtime Allowance	80,175	48,250
Leave Allowance	334,665	331,190
Casual Wages for Operation & Maintenance	2,820,034	2,855,613
Staff Welfare	237,300	192,861
Staff Training	1,117,400	1,771,670
<b>TOTAL</b>	<b>37,750,051</b>	<b>36,506,860</b>
Number of Employees	72	73

**Tetu Aberdare Water & Sanitation Company Limited**  
**Annual Report and Financial Statements for the Year ended June 30, 2023**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12. General and Operations Expenses**

	<b>2022-2023</b>	<b>2021-2022</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Staff Games	-	1,559,970
WASREB	2,700,396	2,536,476
Water Resource Authority	452,656	500,160
License Application	-	348,540
Land, Rent & Rates	246,500	127,100
Fuel & Oil	1,645,384	1,729,667
Catchment, Conservation & Social Responsibility	-	40,000
Insurance	1,049,820	1,933,598
Provision for Doubtful & Bad Debts	460,624	-
Water Chemicals	2,989,480	1,502,780
Production Milk	98,796	102,535
Uniforms & Occupation Safety Health	428,950	538,500
Laundry & Sanitation	137,094	116,476
Cleaning Materials	10,952	47,683
Printing & Stationery	465,767	303,553
Office Expenses	130,672	224,684
Telephone, Internet & Communication	2,197,160	1,797,513
Postage	56,975	64,842
Travelling & Subsistence	555,900	410,630
Electricity	192,980	196,092
Advertisement	190,008	219,240
Newspaper	540	7,080
Computer & Copier Expenses & Maintenance	166,200	118,132
Transport(Public)	32,080	96,090
Security	1,195,000	1,197,000
Strategic Plan Review	1,884,600	170,548
Fire Extinguishers	144,508	-
Professional Fees	83,433	60,000
Provision for AGM	-	650,000

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Membership Subscription	210,100	345,000
Tax Expense	10,560	10,560
Provision For Audit Fee	350,000	350,000
AGM	519,245	-
Provision For Tax	-	300,000
Microwave	9,700	-
Dispenser	10,090	-
Asset Tagging	70,000	-
Financial Charges	57,339	23,107
<b>Total</b>	<b>18,753,509</b>	<b>17,627,556</b>

**13. Board Expenses**

Description	2022-2023	2021-2022
	KShs	KShs
Sitting Allowance	1,655,990	2,125,474
Induction & Training	1,467,418	1,426,782
<b>Total</b>	<b>3,123,408</b>	<b>3,552,256</b>

**14. Maintenance Expenses**

Description	2022-2023	2021-2022
	Kshs	Kshs
Motor Vehicle Repair	710,982	732,640
Cold Water Meters	1,620,000	1,245,000
Ball valve	137,600	351,553
General Repair & Maintenance	219,826	0
Repair of Furniture & Signboards	0	150,800
Loose Tools	82,897	-
Pipes & Fittings	3,434,750	3,340,753
Motor Bike Repair	43,061	22,800
<b>Total</b>	<b>6,249,116</b>	<b>5,843,546</b>

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

**15. Depreciation and Amortization Expenses**

	2022-2023	2021-2022
Description	Kshs	Kshs
Depreciation	3,030,116	2,035,685
Amortisation (Upgrading Quick Water)	5,536	6,921
<b>Total</b>	<b>3,035,652</b>	<b>2,042,606</b>

16. TRADE RECEIVABLES	2022/ 2023	2021/ 2022
Disputed Receivables	19,853,586	19,853,586
Salary Advance	-	20,000
Prepayment (WASPA)	130,000	-
Prepayment (Insurance)	623,054	1,563,785
Prepayment (Telephone)	3,900	40,840
Prepayment (Fuel & Oil)	27,616	176,583
Prepayment (Postage)	7,088	7,088
Deposits (Electricity)	40,419	25,500
Customer Unpaid Bills	24,951,548	20,345,306
	<b>45,637,211</b>	<b>42,032,688</b>
Less Provision	2,495,155	2,034,531
Provision Disputed Receivables	19,853,586	19,853,586
<b>Sub Totals</b>	<b>23,288,470</b>	<b>20,144,571</b>

**17. CASH AND BANK BALANCE**

Current Account	825,979	1,749,050
WSTF Account	1,071,848	1,068,479
Performance Guarantee	1,275,243	1,297,772
Savings Account	14,797,777	135,700
Fixed Account	-	14,365,257
M-pesa Account	15,480	193,849
Fund A/C	540,187	539,687
Development Account (TWWDA)	838,643	837,843
Development Account (Salary)	3,872,719	3,872,984
	<b>23,237,876</b>	<b>24,060,621</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Detailed Analysis of the Cash and Cash Equivalents**

		<b>2022-2023</b>	<b>2021-2022</b>
<b>Financial Institution</b>	<b>Account Number</b>	<b>KShs</b>	<b>KShs</b>
<b>a) Current Account</b>			
Commercial Bank	1101961112	825,797	1,749,050
<b>Sub- Total</b>		<b>825,797</b>	<b>1,749,050</b>
<b>b) On – Call Deposits</b>			
Commercial Banks	1107914752	14,797,777	135,700
<b>Sub- Total</b>		<b>14,797,777</b>	<b>135,700</b>
<b>c) Fixed Deposits Account</b>			
Other Commercial Banks	1107914752	-	14,365,257
<b>Sub- Total</b>		<b>-</b>	<b>14,365,257</b>
<b>d) Others(specify)</b>			
Performance Guarantee	1261562623	1,275,243	1,297,772
Development Account (TWWDA)	1176553038	838,643	837,843
Development Account ( Salary)	1151909904	3,872,719	3,872,984
Fund Account	111754556	540,187	539,687
WSTF Deposit	1297074424	1,071,848	1,068,479
M-Pesa	851675	15,480	193,849
<b>Sub- Total</b>		<b>7,614,120</b>	<b>7,810,614</b>
<b>Grand Total</b>		<b>23,237,694</b>	<b>24,060,621</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**18. RETAINED EARNINGS**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>KSH</b>	<b>KSH</b>
Reserves	31,535,526	30,636,661
Profit for the Period	2,043,462	898,865
<b>Total</b>	<b>33,578,988</b>	<b>31,535,526</b>

**19. TRADE PAYABLES**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>KSH</b>	<b>KSH</b>
Eland Safari Hotel	403,330	507,260
Bromak General Merchants	1,899,850	1,582,495
Silver Spread	164,700	-
Heri General Merchants	-	205,590
Mortadella	-	79,500
Heri General Merchants	-	29,900
Edunt Solutions	-	133,450
Spike Collections	181,950	134,050
Jakir Enterprises	-	71,300
Admark Enterprises	247,000	169,800
Pan African Chemicals	-	958,160
Kel Chemicals	1,767,120	544,620
Ianfra General	-	182,000
Terrenial Investments	-	30,000
Gikuhi Kiana	507,364	421,380
Ianfra General	-	43,000
New Orlands	-	16,500
Naboken Tishbite Enterprise	139,650	64,000
Kingongo Junction	325,406	379,030
Double K Metals	-	82,600
Jawawa Trading Company	332,500	276,700
Kinetics Engineering	1,222,500	29,640
Niwan General Merchants	1,224,897	1,087,490
Urgent Builders	-	696,660
Reeds Security	96,000	96,000

<b>NOTES TO THE FINANCIAL STATEMENTS (Continued)</b>		
Daneem	314,000	
Roel Milk	-	5,762
WASREB	900,396	903,824
WRA	37,721	113,165
Tana Water Works Development Agency	1,619,433	1,819,433
Provision for Audit	350,000	350,000
Provision for AGM	-	650,000
Patmos Solution	188,389	78,089
Customer Satisfaction	850,000	-
Provision for Tax	-	300,000
WASPA	-	105,000
June Salaries	1,585,295	2,737,468
Work Injury Benefit	-	79,195
Annual General Meeting	0	454,618
<b>Total</b>	<b>14,357,501</b>	<b>15,417,679</b>

#### 20. CONSUMER DEPOSITS

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Ksh</b>	<b>Ksh</b>
Bal B/F	15,391,777	14,617,777
Additions	628,500	774,000
Refund	-22,500	-
Bal B/D	<b>15,997,777</b>	<b>15,391,777</b>
Grand Total		

#### 21. INVENTORY

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Ksh</b>	<b>Ksh</b>
Pipes & Water Fittings	6,238,816	7,029,448
Water Chemicals	930,726	494,185
Customer Meters	650,700	-
<b>Total</b>	<b>7,820,242</b>	<b>7,523,633</b>

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<b>22.DEFFERED INCOME</b>		
	<b>2022/2023</b>	<b>2021/2022</b>
	<b>KSH</b>	<b>KSH</b>
Bal B/F	23,045,142	20,933,540
Additions	50,792,046	3,000,000
Amortizations	-2,098,238	- 888,398
Bal C/d	<b>71,738,950</b>	<b>23,045,142</b>

<b>Year 2022/2023</b>				
<b>Item</b>	<b>Depreciation Rate</b>	<b>Amount</b>	<b>Amortisation</b>	<b>Balance</b>
Pipeline Extension	2.50%	2,909,575	72,739	2,836,836
Computer Tables	30%	6,639	1,992	4,647
Plant & Machinery	12.50%	1,160,828	145,104	1,015,725
Motorbikes, Motor Cycles	25%	27,673	6,918	20,755
Meters	12.50%	1,185,524	148,191	1,037,334
Titie WSTF	2.5%	14,733,694	368,342	14,365,352
DWO METERS	12.5%	96,211	12,026	84,185
Titie Treatment Works	2.5%	2,925,000	73,125	2,851,875
KeNHA	2.5%	13,289,141	332,229	12,956,912
County Government	2.5%	6,915,000	172,875	6,742,125
KURRA	2.5%	13,147,645	328,691	12,818,954
WSTF	2.5%	14,649,818	366,245	14,283,573
VAT COMPANY	2.5%	2,790,442	69,761	2,720,681
		<b>73,837,190</b>	<b>2,098,238</b>	<b>71,738,952</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**23a. Property, Plant and Equipment for the Year ended 30 June 2022**

DETAILS	PIPES	TELEPHONE & COMPUTERS	OFFICE FURNITURES & EQUIPMENTS	METERS	MOTOR VEHICLES & CYCLES	TOTAL
Depreciation Rate	2.5%	30.0%	12.5%	12.5%	25.0%	
<b>Opening Bal At Cost 1/7/2021</b>	27,413,907	3,998,935	539,372	19,904,162	10,576,419	<b>62,432,795</b>
Additions	5,254,029		212,000			<b>5,466,029</b>
<b>Closing Bal As At 30/6/2022</b>	<b>32,667,936</b>	<b>3,998,935</b>	<b>751,372</b>	<b>19,904,162</b>	<b>10,576,419</b>	<b>67,898,824</b>
DEPRECIATION						
<b>Opening Bal As 1/7/2021</b>	5,056,207	3,199,019	421,950	14,458,562	9,042,264	<b>32,178,002</b>
Period Charge	690,293	239,975	41,178	680,700	383,539	2,035,685
<b>Total Depreciation</b>	<b>5,746,500</b>	<b>3,438,994</b>	<b>463,128</b>	<b>15,139,262</b>	<b>9,425,803</b>	<b>34,213,687</b>
<b>N B V As At 30/6/2022</b>	<b>26,921,436</b>	<b>559,941</b>	<b>288,244</b>	<b>4,764,900</b>	<b>1,150,616</b>	<b>33,685,137</b>

**23b. Property, Plant and Equipment for the Year ended 30 June 2023**

DETAILS	PIPES	TELEPHONE & COMPUTERS	OFFICE FURNITURES & EQUIPMENTS	METERS	MOTOR VEHICLES & CYCLES	TOTAL
Depreciation Rate	2.5%	30.0%	12.5%	12.5%	25.0%	
<b>Opening Bal At Cost 1/7/2022</b>	32,667,936	3,998,935	751,372	19,904,162	10,576,419	<b>67,898,824</b>
Additions	50,792,046					<b>50,792,046</b>
<b>Closing Bal As At 30/6/2023</b>	<b>83,459,982</b>	<b>3,998,935</b>	<b>751,372</b>	<b>19,904,162</b>	<b>10,576,419</b>	<b>118,690,870</b>
DEPRECIATION						
<b>Opening Bal As 1/7/2022</b>	5,746,500	3,438,994	463,128	15,139,262	9,425,803	<b>34,213,687</b>
Period Charge	1,942,837	167,982	36,031	595,613	287,654	3,030,116
<b>Total Depreciation</b>	<b>7,689,337</b>	<b>3,606,976</b>	<b>499,159</b>	<b>15,734,875</b>	<b>9,713,457</b>	<b>37,243,803</b>
<b>N B V As At 30/6/2023</b>	<b>75,770,645</b>	<b>391,959</b>	<b>252,214</b>	<b>4,169,287</b>	<b>862,962</b>	<b>81,447,067</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Intangible Assets

	2022-2023	2021-2022
	Kshs	Kshs
<b>COST</b>		
At July 1 2022	27,682	34,603
<b>At June 30 2022</b>	<b>27,682</b>	<b>34,603</b>
<b>AMORTISATION</b>		
At July 1 2022		
Charge for the year	5,536	6,921
<b>At June 30 2023</b>	<b>5,536</b>	<b>6,921</b>
<b>NET BOOK VALUE</b>		
At June 30 2023	<b>22,146</b>	<b>27,682</b>

25.) Trade and Other Receivables

	2022-2023	2021-2022
	KShs	KShs
<b>Trade Receivables</b>		
Deposits and Prepayments	832,077	1,833,796
Customer Unpaid Bills	24,951,548	20,345,306
Other Receivables	19,853,586	19,853,586
<b>Gross Trade and Other Receivables</b>	<b>45,637,211</b>	<b>42,032,688</b>
Provision for Bad and Doubtful Receivable	(2,495,155)	(2,034,531)
Provision Disputed Receivables	<b>(19,853,586)</b>	<b>(19,853,586)</b>
<b>Net Trade and Other Receivables</b>	<b>23,288,470</b>	<b>20,144,571</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**26. Trade Receivables Ageing Analysis**

	<b>2022/2023</b>	<b>2021/2022</b>
Less than 30 days	4,310,142	4,606,275.45
Between 30 and 60 days	4,388,919	2,379,540.65
Between 61 and 90 days	4,089,131	1,626,877.00
Between 91 and 120 days	2,326,671	1,124,620.00
Over 120 days	9,836,683	10,607,993.00
<b>Total</b>	<b>24,951,548</b>	<b>20,345,306</b>

**27. Revaluation Reserve**

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

**28. Fair Value Adjustment Reserve**

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

Tetu Aberdare Water & Sanitation Company Limited also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. Tetu Aberdare Water & Sanitation Company Limited obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1080 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund. Employees contribute 7.5% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

**29. Trade and Other Payables**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>ksh</b>	<b>Kshs</b>
Trade Payables	14,357,501	15,417,679
Tax Payable	253,485	105,391
<b>Total</b>	<b>14,610,986</b>	<b>15,523,070</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>30.TAX COMPUTATION FOR THE PERIOD ENDED 30TH JUNE 2023</b>		
		<b>Kshs</b>
Profit before tax		2,186,045
<b>Add</b>		
Depreciation	3,030,116	
provision for doubtful & bad debts	460,624	
Provision Audit fees	350,000	
	<b>3,840,740</b>	3,840,740
<b>Less</b>		
Wear and tear allowance	6,896,532	
Interest income	739,349	
Rent Income	105,600	
Amortization	2,098,238	
	<b>9,839,719</b>	-9,839,719
<b>Taxable income / (Losses)</b>		
Accumulated tax loss b/fwd	0	
<b>Adjusted taxable income/(losses)</b>		<b>-3,812,934</b>
Rental Income	105,600	
Tax paid (house rent)	-10,560	
<b>Income</b>	<b>95,040</b>	
Interest Income	739,349	
Rental income	105,600	
<b>Total</b>	<b>844,949</b>	253,485
Tax thereon @ 30%		
<b>Less</b>		
Withholding tax deducted at source 15%*739,349		110,902
Advance tax		
Installment Taxes		
<b>Tax payable/(Refundable)</b>		<b>142,583</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Other Disclosures**

**31. Related Party Disclosures**

**County Government of Nyeri**

The County Government of Nyeri is the principal shareholder of the Company, holding 100% of the Company's equity interest.

Other related parties include:

- Parent Ministry
- Tana Water Works Development Agency
- WASREB
- Water Resource Authority
- Key Management
- Board of Directors

**32. Financial Risk Management**

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

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

**i) Currency Risk**

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

**ii) Interest Rate Risk**

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

**iii) Price Risk**

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

**iv) Credit Risk**

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

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

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

The amounts presented in the statement of financial position are net of 10% risk allowance estimated by the management based on prior experience and assessment of the current economic environment. The company developed a debt management policy in order to reduce the customer unpaid bills

<b>Credit Risk</b>	<b>Total amount</b>	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
As at 30th June 2022				
Customer Unpaid Bills	20,345,306	9,562,405	10,809,901	19,853,586
<b>Total</b>	<b>20,345,306</b>	<b>9,562,405</b>	<b>10,809,901</b>	<b>19,853,586</b>
<b>Risk Allowance</b>	2,034,531	956,241	1,080,990	19,853,586

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

As at 30th June 2023				
Customer Unpaid Bills	24,951,548	12,475,774	12,475,774	19,853,586
<b>Total</b>	<b>24,951,548</b>	<b>12,475,774</b>	<b>12,475,774</b>	<b>19,853,586</b>
<b>Risk Allowance</b>	2,495,158	1,247,577	1,247,577	19,853,586

**Credit Risk (Continued)**

**i) Liquidity Risk**

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

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

	Less than 1 Month	Between 1-3 Months	Over 5 Months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2022 previous year</b>				
Trade Payables	319,925	1,551,172	12,246,582	14,117,679
Provisions			1,300,000	1,300,000
Deferred Income			23,045,142	23,045,142
<b>Total</b>	<b>319,925</b>	<b>1,551,172</b>	<b>36,591,724</b>	<b>38,462,821</b>
<b>At 30 June 2023 Current year</b>				
Trade Payables	620,850	3,780,430	9,956,221	14,357,501
Provisions	-	-	-	-
Deferred Income			71,738,952	71,738,952
<b>Total</b>	<b>620,850</b>	<b>3,780,430</b>	<b>81,695,173</b>	<b>86,096,453</b>

**33. Incorporation**

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

**34. Events after the Reporting Period**

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

**35. Currency**

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

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame (Period within which you expect the issue to be resolved)
1.	<p><b>Long Outstanding Trade Receivables</b></p> <p>The Statement of Financial Position reflects Trade Receivables balance of Ksh. 20,144,571 as at 30 June, 2022 as disclosed at Note 16 to the Financial Statements. However, the aging analysis provided showed that receivables amounting to Ksh. 10,607,993 which is approximately 53% of the total trade receivables were outstanding for over 120 days as at 30 June, 2022. In addition, the general provision for doubtful debts made of Ksh. 2,034,531 for all the trade receivables may be inadequate to cover the potential non-recoverable amounts.</p> <p>In the circumstances, accuracy and recoverability of the receivables of Ksh. 20,144,571 as at 30 June, 2022 could not be confirmed.</p>	<p>The table below clearly indicates tabulation of the Long Outstanding Trade Receivables analysed according to their age. The 120 days amounts to Ksh. 10,607,993 which is 52.14%, however the total number of connections representing this figure is 4,440 out of which 2,555 are disconnected and 1,885 are active. Therefore, a total of 2,555 connections representing non-performing debts amount to Ksh. 8,435,701 and the Management will seek the approval from the Board of Directors to make a 100% provision for specific non-recoverable debts as per Debt Management Policy Document if the dormant connections are not activated.</p> <p>The performing Debts over 120 days amount to Ksh. 2,172,292. The Company has also reduced customer debts from Ksh. 21,768,669 in 2020/2021 to Ksh. 20,345,306 during the year under review, the reduction represents 6.5%.</p>	Grace Gathigia  Commercial Manager	Not Resolved	



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Other Matter					
1	<p><b>Water Tariffs</b>            According to records presented for audit showed that the Company has been operating and billing customers based on water tariff which expired in 2013/2014 financial year. Although the Management has written to Water Services Regulatory Board (WASREB) for approval of regular tariff adjustment for the period 2016/2017 to 2020/2021, authority has not been granted, and the company continue to bill water consumers using the expired water tariffs.</p>	<p>The Company embarked on the tariff review process in 2019 and negotiated for an agreed tariff in 2022 ready for Public Participation that ought to be arranged during the Year. However due to Covid-19 Pandemic, the Government restricted and banned public gatherings thus rendering the proposed tariff review data obsolete. However, the Company has proposed a revised Regular Tariff Adjustment (RTA) review to the County Government of Nyeri for consideration and a letter of No Objection to the adjustment of the Tariff has already been received from the CECM Water, Irrigation and Climate Change. The adjusted Tariff has been forwarded to WASREB for consideration.</p>	Symon Wanjau Managing Director	Not Resolved	
2	<p><b>Excessive Non-Revenue Water.</b>            During the year under review, the Company produced 2,928,652 cubic meters (M<sup>3</sup>) of water, out of which 1,755,441 m<sup>3</sup> was sold (billed) to consumers.</p>	<p>The Company is working hard to achieve the benchmark of 25%. during the year under Review, we undertook the following measures.</p> <p><b>a. Non-Revenue Unit</b></p>	Joshua N Mumo  Technical Manager	Not resolved	

<p>The balance of 1,173,213m<sup>3</sup> which is approximately 40% of the total volume of water produced represented Non-Revenue Water (NRW). The NRW of 40% was over and above the allowable loss of 25% set by the Water Services Regulatory Board (WASREB) guidelines by 15%.</p>	<p>The company has recruited non – revenue water team to deal with unaccounted for water losses.</p> <p><b>b. Capacity Building</b></p> <p>This program aims to equip all employees with skills and technical knowledge in dealing with non- revenue water</p> <p>Through company’s policy on personal development and achievements, the company has been sponsoring employees in non-revenue water management.</p> <p><b>c. Metering Policy</b></p> <p>This policy deals with activities around customer meter that leads to loss of water. Initially customer meters used to be installed in their compound, this was suspected to have given room for abstraction of water before it is registered by the meter. Relocating customer meters close to the off takes has reduced water loss through abstraction.</p> <p>The policy also gives standard procedures of meter installation that facilitates optimum functionality of the meter.</p> <p><b>d. Ultrasonic Flow Meters</b></p> <p>We received grants of three ultrasonic flow meters from TWWDA, which are crucial in measuring water flow to our distribution lines before being registered in the customer meters.</p>			
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3	<p><b>Staff Ethnic Diversity</b>  Review of the Company's Human Resource records revealed that during the year under review, the Company had a total of seventy (73) employees, out of which seventy (71) or ninety seven percent (97) were from the dominant ethnic community, contrary to provisions of Section 65 (e) of the County Government Act, 2012 which requires County Governments to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.</p>	<p><b>e. GIS Mapping</b>  We are now applying GIS in mapping our infrastructure network.</p> <p>The Company is striving to be compliant with Ethnicity Diversity through placing job vacancies on the Company web and in daily Newspapers for all to access the information.</p> <p>The major contributing factor is that the Company inherited most of its employees from other organisations including National Water Conservation and Pipeline Corporation. Lack of interest from the rest of the communities in applying for the vacancies and high completion from the local communities.</p>	<p>Symon W. Wanjau  Managing Director</p>	<p>Not Resolved</p>
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Managing Director  Chairman of the Board 

Date 30/1/2024 Date 30/1/24