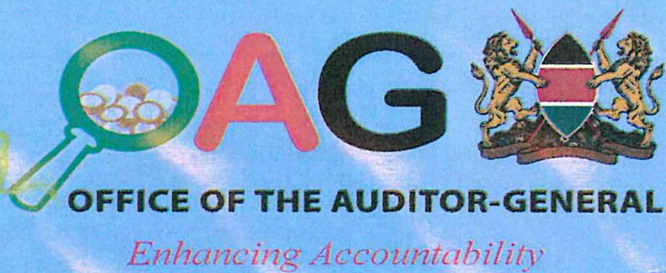


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**NYERI WATER AND SANITATION
COMPANY LIMITED**

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



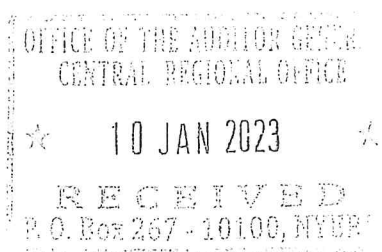
NYERI WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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



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

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I. Key Entity Information

Background information

The Nyeri Water and Sanitation Company Limited was established as a limited liability company under the Company's Act Cap 486 on 23rd September 1997. At the County level, the company is represented by the County Executive Member responsible for water and sanitation, who together with the Board of Directors are responsible for the general policy and strategic direction of the Company. The Board of Directors is appointed in accordance with the Water Act 2016. Nyeri Water and Sanitation Company Limited is domiciled in Kenya and provides Water and Sanitation services in Nyeri Town Sub county and surrounding areas.

Principal Activities

The principal activity of the Nyeri Water and Sanitation Company Limited is to provide potable water, sanitation and allied services to the residents of Nyeri Town sub-county and its environs.

Vision:

“To be a world class water and sanitation services provider”

Mission:

“To provide reliable, quality water, sanitation and allied services at environmentally and economically sustainable levels through application of innovative processes and appropriate technology to the delight of our customers and other stakeholders”

Core Values

Customer Centric, Professionalism, Innovativeness, Teamwork, Integrity, Responsiveness and Result Oriented.

Core Strategic Objectives:

The main thrust in 2021 - 2026 Strategic Plan was in the realization of the following seven strategic objectives:

- i) Ensure the company is driven by the principles & practices of good governance that can withstand the test of time.
- ii) Ensure that the company is financially viable.
- iii) Advance and automate operations and services for enhancement of service delivery.
- iv) Provide water and sanitation services in an efficient, effective, affordable and sustainable manner to LIA residents and other consumers.
- v) Attract, develop and maintain adequate, qualified and competent staff.
- vi) Invest in environmental consciousness among stakeholders ultimately sustaining water quality and pollution control management.
- vii) Invest in growing partners and collaborate with appropriate government and private sector to achieve the company's vision.

Directors

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

S/no.	Name	Particulars	Date Appointed
1.	Patrick K. Munuhe	Chairman	April 2018 (Re – appointed on 27 th June 2022)
2.	Patrick M. Stom	National Treasury Representative	April 2018
3.	Angela W. Kimaru	Member	April 2018 (Term ended on 27 th June 2022)
4.	Mary W. Mutonyi	Member	May 2019
5.	Paul M. Wambugu	Rep' Office of the Governor	May 2018
6.	Veronica W. Maina	Member	May 2019
7.	Pauline W. Ndegwa	Chief Officer, Department of Water Irrigation and Climate Change	October 2019
8.	Gathogo Mwangi	Member	May 2021
9.	Charles K. Mwaniki	Member	June 2021

Corporate Secretary

FCS Richard K. Gikuhi
P.O. Box 1271-10100
NYERI

Company Headquarters

P.O. Box 1520 - 10100
NYERI
Off Kenyatta Road, Next to Nyeri Fire Station

Corporate Contacts

Tel: 061-2034548, 0734,732481, 0800721095
Nyeri, Kenya
Email: info@nyewasco.co.ke
Website: www.nyewasco.co.ke

Corporate Bankers

1. Central Bank of Kenya
P.O. Box 60000 00200
NAIROBI, KENYA
2. ABSA Bank
P.O Box 239-10100
NYERI.
3. National Bank of Kenya Limited
P.O Box 1629-10100
NYERI.
4. Consolidated Bank
P.O Box 935-10100
NYERI.
5. Equity Bank
P.O Box 2064-10100
NYERI.
6. KCB Bank Limited
Nyeri Branch
P.O Box 215- 10100
NYERI.

7. Co-operative Bank of Kenya Ltd.
Nyeri Branch
P.O. Box 1032-10100
NYERI
8. Eco bank Kenya Limited
P.O. Box 926-10100
NYERI.
9. Family Bank of Kenya
P.O. Box 163 10100
NYERI.

Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

NAIROBI, KENYA

Principal Legal Advisers

The County Attorney,

County Government of Nyeri,

P.O. Box 1112 – 10100,

NYERI, KENYA

II. The Board of Directors

Ref	Directors	Details
1.	Patrick K. Munuhe – Chairman – Board of Directors 	Born in 1965 and was appointed in April 2018 and re-appointed in June 2022 as an Independent director representing farmers’ organizations. He is a teacher by profession. He holds a Master’s degree in Educational Leadership Management and a Bachelor’s degree in Education. He also has a Diploma in Education Management He is serving the second term as Chairman.
2.	Mary W. Mutonyi - Chairperson, Audit Risk and Governance Committee 	Born in 1962 and was appointed in May 2019 as an Independent director representing the Business Community. She is a holder of Bachelor of Commerce and a Master’s in Business Administration (Entrepreneurship). She is also a director representing women at the Kenya National Chamber of Commerce and Industry Nyeri Chapter.
3.	Gathogo Mwangi – Chairperson Finance Administration & Strategy Committee 	Born in 1974 and was appointed in May 2021 as an Independent director representing Professionals. He is a holder of Bachelor degree in Business Management (Finance and Banking), Certified Public Accountants of Kenya CPA (K), Diploma in Insurance (AIK) and Accounting Technicians Certificate (KATC).
4.	Charles M. Kariuki – Chairperson Technical Committee 	Born in 1958 and was appointed in June 2021 as an Independent director representing Resident Associations. He is a holder of Bachelor degree of Science (BSC) and a postgraduate Diploma in Education (PGDE).

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5.	Patrick M. Stom 	Born in 1981 and was appointed in April 2018 as a director representing the Cabinet Secretary, National Treasury. He holds a Master of Science in Finance, a Bachelor's degree in Business Administration (Accounting option), Certified Public Accountants of Kenya, and Certified Securities and Investment Analysts Part II. He is a member of the Institute of Certified Public Accountant of Kenya (ICPAK).
6.	Paul M. Wambugu 	Born in 1967 and was appointed in May 2018 as a director representing the Office of the Governor, County Government of Nyeri. He holds a Bachelor of Arts Degree from Kenyatta University and post graduate Diploma in Marketing from Chartered Institute of Marketing.
7.	Pauline W. Ndegwa 	Born in 1979 and was appointed in October 2019 as a Director representing the Department of Water and Irrigation Services, County Government of Nyeri. She is a holder of a degree in BA, Cultural Studies She is currently the Chief Officer of the Department of Water, Irrigation, Environment & Climate Change.
8.	Veronica W. Maina 	Born in 1952 and was appointed in May 2019 as an Independent director representing women under Special Interests Group. She is an approved teacher 1 with over 20 years of experience in the teaching profession. She is also the director appointed to represent Pro-Poor interests at the Board level.

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9.	Angela W. Kimaru 	Born in 1973 and was appointed in April 2018 as an Independent director representing Institutional Consumers. She is a professionally trained teacher with a Master of Education degree and a Bachelor of Education degree. She has over twenty years' experience. Her term ended on 27th June, 2022.
10.	Eng. Peter G. Kahuthu 	Managing Director / CEO B.Sc. Civil Engineering Reg. EBK, MIEK Appointed on 11th June 2021. In Charge of the overall business strategy and direction of the company. Serves as the CEO and Secretary to the Board of Directors
11.	FCS Richard K. Gikuhi 	He is the Company Secretary and holds a Master's Degree in Business Administration and Certified Secretary with a wide range of experience in Corporate Governance and Management of over forty years. He is a fellow of the Institute of Certified Secretaries of Kenya, an accredited Governance Auditor and a member of the Kenya Institute of Management.

III. Management Team

Ref	Management	Details
1.	Eng. Peter Kahuthu 	Managing Director / CEO B.Sc. Civil Engineering Reg. EBK, MIEK Appointed on 11th June, 2021. In Charge of the overall business strategy and direction in the company. Serves as the CEO and secretary to the Board of Directors
2.	James N. Ngunjiri 	Chief Manager, Technical Services B.Sc. Civil Engineering In charge of Technical Division, Operations and Maintenance of the Water distribution systems including the Electromechanical unit, NRW, Water Operations, Sanitation services, Design & Construction and Quality Assurance
3.	CPA David N. Ndumo 	Chief Manager, Corporate Services MBA, BBM, CPA(K) In Charge of the Corporate Division, supervising the Finance, Human Resource, Administration, ICT and Procurement departments. His term ended on 31st March, 2022.
4.	CPA Francis K. Kiura 	Chief Manager, Commercial Services and Strategy MBA, BBIT, Bed, CPA(K), CS(K) In charge of the Commercial Services and Strategy division, including: Meter reading, Billing, Debt Collection, New Connections, Business Development, Marketing and Customer Care. Also domiciled in the division is Corporate Planning, Strategy and Pro-Poor Services

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5.	Keziah N. Nyambura 	Manager, Legal Services LLB, Dip Law In Charge of the Legal Department within the Directorate. Handled both litigation and conveyancing matters of the Company.
6.	CPA Felix K. Githae 	Manager, Internal Audit MBA, BSC, CPA(K), CIA In Charge of the Company's Internal Audit department within the Directorate.
7.	Joan W. Ndanyu 	Manager, Procurement MSC, BBM, MKISM In Charge of the Company's Procurement Department within the Directorate.
8.	CHRP Joyce W. Munira 	Senior Officer, Human Resource & Administration MBA, BHRM, CHRP In Charge of overall coordination and management of Human Resource and Administration functions within Corporate Division.
9.	FCS Richard K. Gikuhi 	He is the Company Secretary and has Master's degree in Business Administration and Certified Public Secretary with a wide range of experience in Corporate Governance and Management of over forty years. He is a fellow of the Institute of Certified Public Secretaries of Kenya and a member of the Kenya Institute of Management.

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customers, stakeholders and the general public. This gives alternative modes of communication which guarantees efficiency in dissemination of information both internally and externally.

Business Performance

During the year, our total revenue grew by Kshs. 41M from Kshs. 645M reported in the previous year to Kshs. 686M mainly due to an increase in water billings as a result of increased connections and implementation of cost recovery tariff

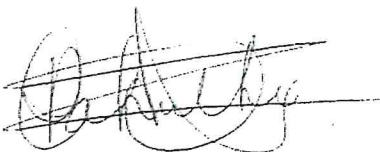
Net Surplus

The surplus before tax decreased to Kshs. 47 million from Kshs. 145.6 million reported in the previous period. This was mainly due the liquidity support grant received from the WSTF the previous year.

Our Commitment

As a matter of priority, the Management team is focusing on provision of quality water supply and sanitation services by upgrading our water distribution network and streamlining internal processes to improve customer experience and stakeholder confidence. We sustained our connectivity drive by completing the Last Mile Connectivity of the Sewer Projects to further entrench our market presence. Further, to ensure we sustain good water quality, Nyeri Water and Sanitation Company testing and calibration laboratories are among the first laboratories to have undergone the stringent assessment and successfully transited to the new ISO/IEC 17025: 2017 Standard accreditation in Kenya. This gives an increased confidence on the accuracy and reliability of the results issued from the laboratories.

I am confident that we have the capacity, right initiatives and strategies in place to enable us realize our business goals.



Eng. Peter. G. Kahuthu
Managing Director, NYEWASCO
22nd December, 2022

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

Alignment of Strategy

In the year under review, the revised strategic plan 2021-2026 was implemented on 1st July 2022. The Board revised the Five Year Strategic Plan to align our Company to the changing business environment and meet the needs of customers and other stakeholders as envisaged. It is expected that the new strategy will provide an adjusted roadmap which will guide the company's operations through the current Strategic Planning period, 2021-2026. The strategic plan was revised to strengthen the commercial aspects of our business, entrench a competitive mind-set in our operations, develop a more customer centric culture and align our risk framework to the strategy. In addition, the revised strategic plan will safeguard our interests and support the Company's growth strategy and objectives in a competitive water distribution and sanitation services environment in line with Water Act 2016 and the United Nations, Sustainable Development Goal number six. During a review of the implementation of the strategic Plan for the first year, it was noted that the strategic objectives were achieved and the performance achieved was 91%.

The Seven Strategic pillars are explained as follows:

1. Corporate Governance

Corporate Governance is concerned with the establishment of an appropriate legal, economic and organizational environment that would facilitate and allow business enterprises to grow, thrive and survive as institutions for maximizing shareholder value while being conscious of and providing for the well-being of all other stakeholders and society. Governance thus, is concerned with the processes, systems, practices and procedures that govern institutions. This also relates to the manner in which rules and regulations are applied and followed, the relationships that these rules and regulations determine or create, and the nature of those relationships. Essentially, governance addresses the leadership role in the institutional or organizational framework.

2. Financial Health

Financial resources are key in driving NYEWASCO from one point to the other in the business environment. Proper management and utilization of financial resources will enable NYEWASCO to thrive even in harsh economic conditions. Financial allocation and budgeting are important business activities that seek to place the organization in an economically stable position. Issues that concern NYEWASCO in regard to financial sustainability include unstable foreign exchange rates, inflation, unstable interest rates, and multiple taxation regimes among others. Unstable economic conditions affect the way NYEWASCO handle business operations including purchase and acquisition of goods and services, increasing wage bill, client concentration risk and others. The company has sound financial management policies, enjoys goodwill from development partners, bills accurately and collects around 95 percent of all billing. This has positioned the company in proper financial health so much that it is able to meet its financial obligations as and when they fall due. Conversely, the company lacks funds to expand sewer reticulation system among other needs.

3. Service Delivery

Service delivery and customer satisfaction remains the core business of NYEWASCO. The company serves a community composed of clients who are increasingly becoming well informed, have preferences and tastes, clearly understand their rights, and always want their voices heard. It remains difficult for NYEWASCO to make milestones forward without critically addressing issues surrounding service delivery and customer satisfaction.

Some of the issues affecting the way NYEWASCO does her business include; vandalism of water accessories, uncontrolled informal settlements, demographical changes, low uptake of technology by customers, and increased activism among others. NYEWASCO seeks to address these issues by deliberately embracing new technology such as social media, automation of services, and speed of service as well as striving to offer high quality services and products. The company also seeks to map out client concentration risk in order to address emerging divergent customer issues.

4. LIA residents and other Consumers

Water coverage is a widespread challenge and dependable statistics indicate that water coverage lags behind compared to sewer extension. Although NYEWASCO has had notable expansion of water coverage, a fair proportion of her population appears unreached. Partially, this is because of social or economic inequalities. In order to ensure access to water and sanitation services in these areas, NYEWASCO will make investments in these areas in this strategic plan. This comprehensive strategy includes; development of an operational and inclusive tariff that increases water and sanitation inclusion in pro poor areas, undertaking NRW management, expanding water connection, expanding sanitation access, sensitization programs, review customer experiences, expand linkages and partnerships with pro-poor areas focus, and enhance management information systems for pro-poor. In addition, deliberate effort will be made to enhance business process for pro-poor, implement the company's social connection policy, and monitor service provision levels in LIAs.

5. Human Resource Capacity

NYEWASCO endeavours to strategically address issues relating to institutional capacity development by embracing the culture of innovation and continuous learning, talent management, and putting in place succession planning system among others. It becomes strategically important for NYEWASCO to position itself by making sure there is in place business continuity and disaster recovery plan as well as mitigating high management staff turnover. NYEWASCO will seek to build capacity in her employees through training, coaching and staff development. This will be achieved through contacting job analysis and Human Resources needs assessment as well as establishing proper organizational structure that fits the operations and mandate of NYEWASCO. Capacity building equips staffs of NYEWASCO with skills and knowledge in diverse areas including job performance, professionalism, and implementation of strategic Plan.

6. Environmental Consciousness among stakeholders

Sustainable consumption is a global interest. While water is regarded as a natural resource, its access is a global challenge for a significant population, notwithstanding that it is required by every life. It is projected that the global demand for water will grow by >20% by 2050 and more scarcity experienced in urban areas. On the other hand, there are limited water supplies and these are said to suffer increasing pressure from poor management, growing pollution, degraded watersheds and climate change. AU agenda 2030 foresees adequate contribution towards making Africa water secure. In order to contribute towards reversing the effects of degradation, NYEWASCO will as a strategic priority invest in environmental consciousness among stakeholders and in particular, sustain water quality and pollution control management, sustain efficient operation and maintenance of sewerage treatment, observe compliance with ISO/IEC/17025 accreditations, sensitize stakeholders, enhance in environmental conservation, collaborate and lobby for alternative water reservoirs, and progressively adopt green procurement practices.

7. Partnerships and Collaborations

Water is regarded as a global priority. SDG6 foresees water and sanitation as key to a sustainable future. The targets of Vision 2030 include achievement of universal and equitable access to safe and affordable drinking water for all and achievement of access to adequate and equitable sanitation and hygiene for all. This ambitious agenda cannot be implemented if efforts towards their attainment are not cohesive and organized. As such, NYEWASCO views that it is through healthy partnerships and collaborations that investments and progressive efforts can be made towards achievement of the water and sanitation agenda. This sector has many partners and players; local, national and international. NYEWASCO will invest in growing partners and collaborate with appropriate entities (government and private sector) to achieve the vision “a world class water and sanitation services provider”. Along this, NYEWASCO will develop a stakeholder engagement policy, increase the scope of collaborations and partnerships, review stakeholders’ interest annually and comply/ honour her obligations.

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Corporate Governance	Maintain Sound Governance of NYEWASCO	Board Orientation, capacity building, aligning the organization to relevant regulations and efficient operations	Conducting a Board Orientation / Training Conduct regular Board meetings Reinforce Review Structures of Corporate Governance	The induction of new members was done. Training done. All planned activities were carried out as plans safe for review of the disaster recovery plan and resource mobilization.

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Strategic plan performance review of the 7 strategic objectives

Strategic Objective	Comments on implementation	Percentage Score in Implementation
Objective 1: To Maintain Sound Governance of NYEWASCO	Most of the activities under this have been achieved, others are continuous. Reviewing and test Disaster Recovery Plan and expansion of resource mobilization which will be done in year 2.	90%
Objective 2: To Strengthen Financial Health of NYEWASCO	Most of the activities under this have been achieved. Revenue collection target 99.7% achieved against a target of 97%, Increased customer base for water and sanitation water connections 91.5% achieved and 134% of sewer connection targets achieved in the year. NRW is at 17.3% against a target of <12% by Year 5. Accounts receivable and accounts payable increased.	85%
Objective 3: Strengthen Service Delivery through Employment of Appropriate Technology	Most of the activities planned for this year were carried out in the course of the year and the others are continuous. Some of the activities under improvement of the operations along the water connections and distribution network were in progress and others were postponed to later years.	90%
Objective 4: Enhance Provision of Water and Sanitation Delivery Among Pro-Poor and Other Consumers	Under this the Pro-Poor Strategic Plan was planned at a cost of Shs. 3M to be carried out in year 1 but it is still pending – it will be done in Year 2 since it was planned to be done after the policies are completed. The activities under improvement of information management in the LIAs is in progress under the ERP implementation.	90%
Objective 5: Strengthen Institutional Human Resource Capacity	Most of the activities under this strategic objective were completed but NYEWASCO Centre of Knowledge Management is pending due to constraints in cash flows. This will be considered in year 2 of the Strategic Plan Implementation.	90%
Objective 6: Engender Environmental Consciousness and Initiatives among Stakeholders	Most of the strategies under this objective are in place and on course.	95%
Objective 7: Build and Strengthen Partnership and Collaborations among Stakeholders	Under this, most of the activities have been completed and others are continuous. However, a Stakeholder engagement strategy and stakeholder analysis are pending and will be considered in year 2 of the strategic plan implementation.	95%

VII. Corporate Governance Statement

A) Board Charter

The Company has developed a Board Charter setting out the role, composition and responsibilities of the Board of Directors (“the Board”) of Nyeri Water and Sanitation Company Limited. The conduct of the Board is also governed by the Water Act 2016, Companies Act, 2015 and the Leadership and Integrity Act of 2012 and the Public Officers Ethics Act. The Charter is reviewed at the Board’s 1st meeting of each financial year where necessary

1.0 Authority

The Board of Directors (“Board”) is responsible for the proper stewardship of the Company. The Board’s mandate is to ensure the maximization of shareholders’ value and safeguarding the stakeholders’ interests including securing sustainable long-term financial results and increasing shareholder value, with proper social and environmental considerations. The Board collectively has sound and sufficient knowledge and expertise to enable effective governance and oversight.

2.0 Composition

The Board consists of nine members, excluding the Managing Director who is the secretary and the representative of Tana Water Works Development Agency CEO who may attend on invitation.

Members are:- One director representing the National Treasury, one director representing the Department of Water, Irrigation and Climate Change Nyeri County, One member representing the Office of the Governor Nyeri County, One members representing Framers Associations, One member representing Institutional Consumers, One member representing professional bodies, One members representing women’s organisations, One member representing the Business Community and One member representing residents associations.

3.0 Term of Office

The tenure of an independent director is a cumulative of maximum of Six (6) years. One third of the Board members other than those from the County Government and National Treasury, retire from office by rotation every year starting from the third year after appointment. In the year under review two directors representing business community and institutional consumers respectively retired and were replaced in accordance to the Memorandum and Articles of Association.

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Pillar 2: Financial Health	To Strengthen Financial Health of NYEWASCO	Company Cost Management and Profitability Ability to meet all company obligations as and when they fall due Make regular remittances to the National Treasury for the KfW Loan Ensure attractiveness and ability to meet conditions for grant funding	Implement cost management practices Ensure increased revenue stream Regularly set aside funds for the KfW Loan and other obligations Ensure efficient operations to low the cost of doing business Ensure compliance with donor and funder requirements	Achievement of 99.7% in revenue collections. Accounts receivables continued to accumulate due to the backlog experience during the pandemic consequently there was increase in accounts payables.
Pillar 3 Service Delivery	Strengthen Service Delivery through Employment of Appropriate Technology	Business process automation and reducing customer waiting time for services	Adopt and deploy business automations, improve business systems and service delivery	The company adopted an ERP system which has ensured use of CRM to handle customer complaints faster, thus improving service delivery.
Pillar 4: LIA residents and other Consumers	Enhance Provision of Water and Sanitation Service Delivery Among LIA residents and Other Consumers	Increased visibility for LIAs. Increased water and sewer extensions.	Undertake NRW Management in LIAs. Improve Service Availability in LIAs through extensions.	The company carried out Corporate Social responsibility initiatives in the LIAs. Service improved via various sensitizations carried out in the LIAs. Enhanced MIS
Pillar 5 Human Resource Capacity	Strengthen Institutional Human	Effective staff recruitment Staff Training	Conduct effective staff recruitment	The company carried out a timely negotiation and

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	Resource Capacity	Capacity building and staff motivation	Ensure staff training needs are assessed and addressed Ensure staff motivation and capacity building initiatives are fully implemented	implementation of CBA. The management implemented and resolved the staff leave management reducing the days to compliance levels.
Pillar 6 Environmental Consciousness among stakeholders	Engender Environmental consciousness and Initiatives among stakeholders	Accreditation reports.	Improve water quality and pollution control management. Efficient operation and maintenance of sewage treatment works Sustain quality Laboratory Operations	The company has achieved Continuous conformity to the ISO/IEC 17025:2017 Accreditation requirements
Pillar 7 Partnerships and Collaborations	Build and strengthen partnerships and Collaborations with Key stakeholders	Compliance reports Partnerships/ Collaborations / MoU's	Train, Innovate and adopt green procurement in the business. Develop and implement a Stakeholder engagement strategy.	The company had ensured compliance to stakeholder requirements, statutory compliances and Carried out stakeholder analysis biennially

4.0 Board Remuneration

The Board's remuneration is dependent upon the Company's financial ability to pay as per the approved annual budget and the requirements of the corporate governance guidelines by the Water Services Regulatory Board and the guidelines of remuneration and benefits by the Salaries and Remuneration Commission.

5.0 Members and Attendance to meetings and Board Committees

All members endeavour to attend the Board meetings on invitation. The Chairperson is elected among the members and must come from the independent Board members. The Managing Director or his designate is the secretary of the Board.

The quorum for the meeting is at least two thirds of the members of the Board. In the absence of the Chairperson and while quorum of two thirds is respected, a temporary chair is elected to conduct the meeting.

The Board exercised its oversight function through three committees that reported to the full board on a quarterly basis. The Committees that operated during the year were:

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

The membership to the committees was drawn from the Board of Directors and the committees were chaired by independent directors.

Board Committee & Full Board Meetings and key activities

S/No.	Item	No. of Meetings FY 2021-2022
1.	Finance and Strategy Committee	4
2.	Audit, Risk and Governance	4
3.	Technical Committee	4
4.	Inaugural Full Board	1
5.	Special Full Board	2
6.	Full Board	4
7.	Board induction	1
8.	Board Evaluation	1
9.	Stakeholders Forum	8 th June, 2022
10.	AGM	27 th June, 2022

6.0 Procedure at meetings

The business of the Board is conducted in accordance with the roles and responsibilities of the Board or any other applicable Government Circular or guideline. Decisions of the Board are taken by consensus or where it is not agreeable, the decision is supported by a majority of votes cast at a meeting which a quorum is present.

7.0 Delegation

The Board delegates some of its roles and responsibilities in adherence to the Memorandum and Articles of Association.

8.0 Performance Evaluation

The Board carried out a Board self-evaluation exercise within the period under review in December 2021, the Board undertook the process to ensure that all the functions and businesses of the Board are being dealt with in an efficient and effective manner.

The assessment process included time of meetings, length of meetings, attendance at meetings, location of meetings (suitability), content of meetings, results of recommendations on matters discussed, achievements, satisfaction rating of members and meeting management. Guidelines of the Water Services Regulatory Board will be adhered to.

9.0 Roles and Responsibilities

The Board has the following major responsibilities which facilitate the discharge of the Board's stewardship in the pursuit of the best interest of the Company.

- 1) To be aware of the Company's operating environment and promote safety and soundness of the Company.
- 2) To be diligent in undertaking his/her duties and avoid conflict of interest.
- 3) To understand his/her oversight role and exercise independent judgement in decision making.
- 4) To devote adequate time and attention to discharge his/her duties and responsibilities effectively.
- 5) To contribute actively to the functions of the board and be able to provide sound and objective advice.
- 6) Adopting and reviewing a strategic plan for the Company.
- 7) Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed and sustained.
- 8) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks.
- 9) Succession planning, including appointing, training, fixing the remuneration of and where appropriate, replacing senior management of the Company.
- 10) Developing and implementing an investor relations programme or shareholder communications policy for the Company; and
- 11) Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- 12) Approval of the annual budget and procurement plan.

Compliance

NYEWASCO has maintained accreditation, certification and compliance with or through the following:

- (i) The company is ISO 9001:2015 certified.
- (ii) KENAS Accreditation ISO/IEC 17025: 2017
- (iii) NEMA Compliant
- (iv) OHS certificate
- (v) Licensed by WASREB
- (vi) Compliant to Water Act 2016
- (vii) WASREB Corporate Governance Guidelines for the Water services sector

Risks and their mitigation

No	Risk	Description	Mitigation
1.	Climate Change	General warming trend. Rainfall patterns have changed, with the long rainy season becoming shorter and dryer.	• The planned construction of a reservoir dam upstream in liaison with TWWDA. • Reforestation. • Adoption of Green Energy
2.	Physical Security breaches	Due to the upcoming elections, all critical installations are at risk of bio bioterrorism attacks as well as deliberate sabotage of essential services.	• Having armed guards at Kamakwa and Kangemi Water Works as well as the head office. • General awareness of the working surroundings. • Re introduction of the biometric access to the facilities.
3.	Deep-rooted trees	Deep-rooted trees have been puncturing the intake main lines causing water supply interruptions.	• Community mobilization for deliberate efforts to cut down those trees and plant less destructive trees.
4.	Power Failure/Interruptions.	Failure to supply water in the high-level areas which require pumping while also disrupting the water supply.	• Purchase stand-by generators and solar. • Installation of hydropower generation at Kamakwa Water Treatment plant.
5.	Environmental degradation	Human activities such cutting of trees which may affect our source of water	• Aggressive tree planting in our water catchment areas. 1M trees to be planted between year 21/22-25/26. • Community education on tree planting initiatives.

IX. Environmental and Sustainability Reporting

i) Sustainability strategy and profile -

The company has remained committed in engaging in activities that are sustainable to ensure dependence by the future generations on current resources. Some of the key activities include:

Responsible utilization of the available resource i.e. water: the company ensures the abstraction for the river is optimal and wastage during transmission, treatment and distribution is to the minimum. This is so demonstrated by the annual NRW management performance of below 20% for 2021/22 financial year. Effluent from the company's sewerage treatment plants is discharged back to the environment after undergoing treatment processes to meet the required standards

Conservation activities through tree growing both internally and through partnerships has been accelerated in the last 2 years.

Enabling political environment despite the biting Covid pandemic saw the company continue to offer quality water and sanitation services to the consumers.

ii) Environmental performance

Annually, the company conducts several initiatives on environmental and catchment area conservation. During the year, a tree nursery was established where over 20,000 seedlings were processed for transplanting to the service area. Further the company ensured adherence to NEMA protocols on waste water processing and controlled the discharge to the environment.

iii) Employee welfare

Nyeri Water and Sanitation Company is an equal opportunity employer and through the year, has encouraged ALL to apply for positions available. During the year, the company offered opportunities for upskilling and capacity building to the staff in form of training opportunities and competitively promoted staff within the company. The company has also complied with the provisions and requirements of the Occupational, Safety and Health Act of 2007 by creating a safe work environment. The Management also converted 20 No. of 2 years' employees to regular employment terms and 112 No. of short term contract employees to two years' contract. Timely negotiation and implementation of CBA was also achieved during the financial year.

IV. Chairman's Statement

On behalf of the Board of Directors, I am honoured to present the Annual Report and Financial Statements of the Nyeri Water and Sanitation Company Limited ("NYEWASCO") for the Financial Year ended 30th June, 2022. During the year under review, NYEWASCO continued with its transformation journey towards the achievement of its vision "To be a World Class Water and Sanitation Services Provider". This marks a significant milestone towards the achievement of our 2021/22 – 2025/26 Strategic Plan. In line with our Strategic Plan, the year under review saw us focus on activities aimed at advancing the organization and laying the foundation for the realization of our Vision. My statement focuses on these activities and their impacts on NYEWASCO's future.

The year under review was particularly challenging to the Company with the advent of the corona virus (COVID -19) pandemic worldwide that strained all sectors. As a result of the pandemic and measures to curb it, including regular hand washing and heightened sanitation awareness coupled with a steadily growing population, there was increased demand for our services by potential and existing customers within and outside our area of service.

Our ambition is to continue leading the Sector on best management approaches to reduce Non Revenue Water levels, enhance customer service, and project management including Operations and Maintenance. Aware of the challenges facing the Company, we continued to ensure minimum water loses within our water pipeline network and as a result closed the period with a Non-Revenue Water level of 17.30% which is below 20% as required by our regulatory guidelines.

The Board continuously reviewed the existing policies and developed new policy documents for implementation by the Management to address the various risks identified which may restrain achievement of the desired goals. Taking advantage of our performance record by leading in the water services sector, knowledgeable workforce, strong brand and heritage, I am confident that we are in the process of transforming NYEWASCO into a world class water and sanitation services provider. Just like in the previous years, we are humbled and delighted to report that the Company's performance culture in the sector continued to be maintained and the Water Services Regulatory Board (WASREB) rating placed the Company as the top ranked water utility in Kenya for the 14th year consecutively in the Impact Issue No.14 of 2022. In addition to this, the company scooped four out of the seven awards considered on the key performance indicators as well as the best overall performance: -

1. Top performing utility (overall)
2. Top utility in Non-Revenue Water (NRW) management
3. Top utility in the very large category
4. Top utility in Tana region
5. Best utility in Pro Poor Water Services

The Board and Management, with the support of the Shareholder, will continue to work together to strengthen the Company's internal controls and enterprise risk management, promote a culture of integrity and strive for highest ethical business standards for improved service delivery.



Patrick K. Munuhe

Chairman, Board of Directors – NYEWASCO

22nd December, 2022

V. Report of the Managing Director

I am pleased to present a review of NYEWASCO's key operational performance for the year ended 30th June 2022. The review also highlights our strategic priorities in the short and medium-term focusing on improving service delivery to customers and ensuring sustainable business growth. Our role as a water service provider utility in Nyeri County is critical considering that water and sanitation services are an enabler and key drivers for economic and social development. In this regard, the Company made remarkable progress in the quest to enhance our water distribution network coverage and improve reliability of both water supply and sanitation services to the customers.

Projects prioritized during the financial year included water extension and sewer system expansion including network upgrade projects. As a major step towards the entrenchment of a customer centric-culture, we continued to enhance our customer service unit and successfully rolled out the customer outreach programme for the completed sewer extension projects. Towards this, the Company deployed its technical and support staff to meet with the potential customers in the new areas to be served by the new project.

Despite our desire to sustain connectivity drive by further extensions and connection of customers to other unserved areas beyond our official area of service, improve system reliability and complete key projects, our operational performance during the year was affected by an unfavourable operating environment mainly caused by the effects of the devastating Covid – 19 pandemic thus straining of Cash flow projections.

Operational Performance

In the course of the year, we connected 2519 and 706 new customers to our water and sewer network respectively, growing the overall customer base by 9.2% to 48,705 connections mainly driven by the successful completion of the OBA sewer extension project. This was largely achieved through a sustained customer outreach programme for new areas and brand loyalty by the residents living within the company's service area. As a result, access to water stands at 98%. The access to sewerage services has risen to 33.1% compared to 33.5% from the previous year. The connectivity drive is premised on our strategic goal to secure the water distribution and provide clean and affordable water to every household within the area served by the company and support the country's goal of providing water to all Kenyans which is an important ingredient for socio-economic transformation and development.

In the period, the company also executed projects involving extensions and upgrade of both water and sewer network. Similarly, customers are central to our business sustainability. Customer satisfaction is a key driver in fostering brand loyalty which leads to business growth and long-term viability.

The company continued implementation of the Customer Satisfaction Survey carried on earlier in collaboration with Dedan Kimathi University of Technology. In addition, we also maintained a close partnership with our revenue collection agents. In today's diverse and highly dynamic business environment, it has become vital to tailor our communication and engagement programmes to effectively address the varied stakeholder needs. In this regard, we sustained mutually beneficial and strategic stakeholder interactions throughout the year. These included participatory meetings and forums with customers, investors, business partners, stakeholder institutions and both the County and National government ministries and institutions. We have enhanced our Corporate Communication and PR section to ensure that various communication platforms and channels are readily accessible to our

VIII. Management Discussion and Analysis

Business Performance

During the year, our total revenue grew by Kshs. 41M from Kshs. 645M reported in the previous year to Kshs. 686M mainly due to an increase in water billings as a result of increased connections and implementation of cost recovery tariff

The surplus before tax decreased to Kshs. 47 million from Kshs. 145.6 million reported in the previous period. This was mainly due the liquidity support grant received from the WSTF the previous year.

Operational performance

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Key projects Implemented

S/No	Project Name	Year	Project cost (Kshs)
1.	Extension of Kamakwa Chemical Mixing and Dosing Room	2021/22	7,107,388.90
2.	Construction of pump house and generator room in Mathari twin tank and Mt. Kenya	2021/22	7,558,571.02
3.	Construction of pressed steel 250,000 liters capacity elevated tank at Tetu	2021/22	11,373,695.60
4.	Construction of 1million liters capacity tank at Nyeri Hill and laying of pipes	2021/22	19,000,000.00
5.	Nyeri Water Sewerage Project (Phase I & II) through Output Based Aid (OBA) by WSTF	2018/19/20	252,000,000
6.	Sanitation blocks at Witemere through UBSUP/WSTF	2019/20	5,300,000
7.	Upgrades and Extensions for both water and Sanitation infrastructure	Continuous	-
8.	Conservation/Tree planting/growing	Continuous	-

Future developments

- (i) Expand water distribution network at Hill Farm- King'ong'o- Kabiruni Nyeri
- (ii) Expand water distribution network at Nyeri- Gatung'ang'a Main Water Transmission Line Upgrade
- (iii) Expand water distribution network at King'ong'o- Kiganjo Main Water Transmission Upgrade
- (iv) Exploration of alternative water intake and treatment location
- (v) Upgrading Kamakwa Water Treatment Plant
- (vi) Acquire and install sewer flashing unit
- (vii) Acquire waste water truck
- (viii) Acquire a tipper truck
- (ix) Extend water to Karicheni-Baraka-Tagwa
- (x) Extend water to Mweiga-Gikomo/Kiawara
- (xi) Install Kamatongu Hill Water Distribution Tank
- (xii) Extend sanitation to Chaka Town
- (xiii) Extend sanitation to Kiamwathi/Skuta/ Gatitu
- (xiv) Extend sanitation to Mweiga Township
- (xv) Extend sanitation to Kangemi Breweries area
- (xvi) Extend sanitation to Lower Kamakwa

Internship

The company successfully implemented the first cohort of the Interns during the FY 2021/22. A total of 47no inters were deployed across the company's several departments. The recruitment was competitive and the process was able to bring on board diversity in terms of gender, county of origin, education level, ethnicity among other factors. At the end of the programme the interns were evaluated and all of them issued with the relevant certificates.

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice

The company's products pricing, service area and service offering and general operations are regulated by the Water services regulatory board. It is the company's policy to provide to potential customers' relevant information only.

b) Responsible Supply chain and supplier relations

The company maintains her quarterly registration of suppliers and advertises her open tenders regularly. Supplier payments are made on a first in first out basis.

c) Responsible marketing and advertisement

The company maintain ethical marketing practices by employing qualified marketers as well as outsourcing marketing activities to vetted entities that maintain ethical practices.

d) Product stewardship

Nyeri Water and Sanitation Company Limited maintains a customer feedback system through the tollfree line, Customers WhatsApp group, Twitter and the face book page where customer complaints and concerns are addressed regularly and timeously.

v) Corporate Social Responsibility / Community Engagements
Interventions for COVID – 19 (Corona Virus Disease) Pandemic

The company undertook various intervention measures to prevent the spread of the disease by adopting the Government directives and guidelines issues from time to time. Some of the critical activities and measures taken included the following: -

- a) Installation of 67No. hand washing points through stand pipes in all the key public places i.e. Market centres, hospitals and dispensaries, bus parks and company entry points in all the facilities.
- b) Installation of 2No. 1,000 litres tank at Kihuyo dispensary and new location of Chaka Market. The two tanks were donated to the Company by Taifa Sacco.
- c) Waiver of payment of water bills for Witemere Low Income Areas for an initial period of 30 days starting 18th March 2020. The bill paid for the first 30 days amounted to Kshs. 98,164.28. The period has been extended for another 60 days up to 30th June 2020. The Bills will be fully settled by the company through the CSR Budget. In addition, the County Commissioner paid Kshs. 6,000 for the Water ATM in March and a further Kshs. 20,000 was donated by Canopy Insurance Brokers and the management loaded the amount to the ATM to ensure continuous supply through the ATM Machine.
- d) Provision of hand sanitizer's and hand wash Soap at the head office and in all the works stations. These were acquired through: -

No.	Source	Items	Quantity
1.	NYEWASCO	Sanitizers	24.5 Litres in April and 20 Litres in May
2.	County Govt of Nyeri	Sanitizers	14.25 Litres
3.	WASPA	Hand wash and Soap	30 Litres

- e) Disconnection of Water Accounts in arrears was suspended and reconnection of disconnected accounts was being undertaken on request.
- f) During the FA 2021/2022, the department visited a group of residents in Kiawara area-one of the Company LIAs where a fire incident had occurred and made recommendations to the management. Through this the company delivered 108 blankets and 54 mattresses to the beneficiaries. This exercise has helped the company achieve its pro-poor policy in positively impacting the societies within the Company's service area.
- g) During their site visits within the year 2021/2022, they identified three customers who needed the company's support to help settle their outstanding water bills. The team made recommendations to the CSR committee to help settle the outstanding water bills. The recommendations were approved and the bills were settled under the CSR budget.
- h) Two water tanks were delivered during the year 2021/2022 to two schools that serve kids from the company's LIAs', i.e. St. Luke Githwariga Primary and D.E.B Muslim Primary Schools. This will help water harvesting and also promote hygiene.

X. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of Nyeri Water and Sanitation Company Limited affairs.

i) Principal activities

The principal activities of the company are the provision of water and sanitation services within the area of the Nyeri Sub-County and its environs.

ii) Results

During the year, the company made a surplus before tax of Kshs. 47.1 M as shown by the results for the year set out on page 1.

iii) Dividends

The Directors do not recommend the payment dividends as all earnings are applied to the payment of the KFW Loan through the National Treasury. Any surplus would be reinvested back to upgrade the infrastructure in line with the sector guidelines.

iv) Directors

The members of the Board of Directors who served during the year are shown on page viii to x. In accordance with the Board Regulations of the Nyeri Water and Sanitation Company Limited's Articles of Association, Mr Patrick Munuhe and Ms. Angela Kimaru retired by rotation where Mr. Patrick Munuhe was re – appointed on 27th June 2022 while Ms. Angela Kimaru was replaced by Eng. Hannah Njeri Kamau on 27th July 2022.

v) Auditors

The Auditor General is responsible for the statutory audit of the Nyeri Water and Sanitation Company Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Name.....FCS RICHARD K. GIKUHI

Signature..........

Date.....22 DECEMBER 2022.....

Corporate Secretary/Secretary to the Board

XI. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of Nyeri Water and Sanitation Company Limited, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

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

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

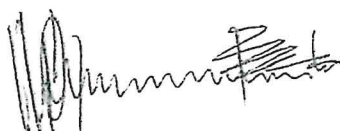
Statement of Directors' Responsibilities (Continued)

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

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

Approval of the financial statements

The company financial statements were approved by the Board on 2nd September 2022 and signed on its behalf by:

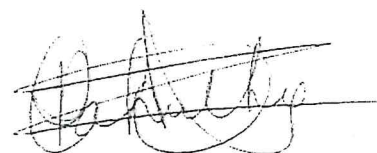


Signature:.....

PATRICK K. MUNUHE

Name

Chairperson of the Board



Signature

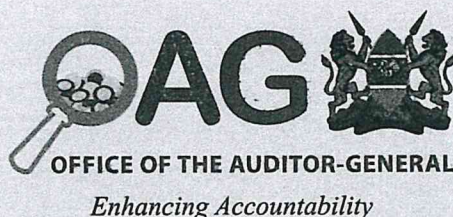
ENG. PETER G. KAHUTHU

Name.....

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 NYERI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nyeri Water and Sanitation Company Limited set out on pages 1 to 52, which comprise of the statement of financial

position as at 30 June, 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Long Outstanding Trade and Other Receivables

Note 24 to the financial statements reflects Kshs.308,448,723 in respect of trade and other receivables as at 30 June, 2022 out of which Kshs.1,051,041, Kshs.45,506,293 and Kshs.2,197,259 are in respect of deposits and prepayments, VAT recoverable and other receivables of respectively. However, the detailed aging analysis for the balances were not provided for audit verification.

In addition, a provision for doubtful debts of Kshs.49,156,850 was made for the financial year under review. However, the basis of the provision was not explained nor disclosed. Further, the trade and other receivables balance includes a balance of Kshs.129,046,748 which relates to long outstanding receivables which are neither terminated nor disconnected customers whose recoverability is in doubt.

In the circumstances, the validity, recoverability, accuracy and completeness of trade receivables balance of Kshs.308,448,723 as at 30 June, 2022 could not be confirmed.

2. Long Outstanding Trade and Other Payables

Note 32 to the financial statements reflects Kshs.258,565,100 in respect of trade and other payables as at 30 June, 2022. Included in this balance are revenue received in advance of Kshs.10,882,352 and other payables of Kshs.33,670,939. However, the balances were not supported with a detailed aging analysis.

In the circumstances, the validity and accuracy of the trade and other payables balance of Kshs.258,565,100 as at 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nyeri Water and Sanitation Company

Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other 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 2021/2022 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. Un-authorized Refuse and Conservancy Fees Collection

Review of revenue streams revealed that the Company collected Kshs.17,335,350 as refuse and conservancy fees on behalf of Nyeri County Government. However, Management did not provide the agreements between the two entities or appointment letter of the Company as an agency to collect the fees on behalf of the County Government of Nyeri.

In the circumstances, the nature of the engagement for the collection of refuse and conservancy fees could not be confirmed.

2. Non Compliance with Law on Staff Ethnicity Diversity

Review of the staff records revealed that the Company had a total of two hundred and thirty-eight (238) employees as at 30 June, 2022. However, two hundred and thirty-one (231) or 97% of the total employees comprised of staff from one dominant ethnic community. This is contrary to Section 7(2) of the National Cohesion and Intergreation Act, 2008 which requires that no public establishment shall have more than one third of its staff from the same ethnic community.

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

3. Exceeding Industrial Benchmark on Personnel Expenses

Note 11 to the financial statements reflects Kshs.244,636,910 in respect of staff costs for the year ended 30 June, 2022. However, the expenditure represents 38% of the total operating expenditure of Kshs.638,968,937. However, this is higher than the recommended ratio of 35% prescribed by the Water Services Regulatory Board (WASREB). Corporate Governance Guidelines, 2018 Section 3.9(10) which states that, when fixing remuneration of the staff, the total expenditure for each financial year must not exceed the benchmarks set for the services sector nationally, so that personnel cost as share of operations and maintenance cost shall be contained within the 35%.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal controls, risk management and governance were operating

effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015 and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal controls, risk management and 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 financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 June, 2023

Nyeri Water and Sanitation Company Limited.

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

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

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue			
Operating Revenue	6	573,090,910	489,582,840
Grants Income	7	51,663,943	119,524,836
Other Income	8	49,474,237	25,688,634
Finance income	9	10,632,090	10,665,913
Other gains/(losses)	10	1,228,131	-
Total Revenue		686,089,311	645,462,223
Expenses			
Staff Costs	11	244,636,910	185,834,700
General and Operations expenses	12	197,056,222	143,923,984
Board Expenses	13	12,833,353	6,803,877
Maintenance Expenses	14	79,818,293	46,608,071
Depreciation and Amortization expenses	15	86,965,978	84,101,354
Finance Costs	16	17,658,181	32,559,393
Total Expenses		638,968,937	499,831,379
Profit/(Loss) Before Taxation		47,120,374	145,630,844
Income Tax Expense/(Credit)	17	8,456,582	6,564,000
Profit/(Loss) After Taxation		38,663,792	139,066,844
Earnings Per Share – Basic And Diluted	18	10.31	37.08

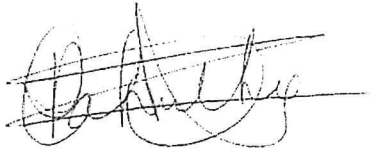
Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

XIV. Statement of Financial Position as at 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant, and equipment	20	1,231,985,589	1,233,790,152
Intangible assets	21	20,228,499	3,015,691
Total Non-Current Assets		1,252,214,088	1,236,805,843
Current Assets			
Fixed Interest Investments	22	147,200,000	143,980,449
Inventories	23	36,363,546	22,506,337
Trade and other receivables	24	308,448,723	289,887,130
Short-term deposits	26	14,595,882	55,377,693
Bank and cash balances	27	46,836,093	76,093,589
Total Current Assets		553,444,243	587,845,198
Total Assets		1,805,658,331	1,824,651,041
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	28	75,000,000	75,000,000
Capital Grant	37(d)	154,125,119	175,753,660
Retained earnings	29	681,566,184	644,882,841
Capital and Reserves		910,691,303	895,636,501
Non-Current Liabilities			
Borrowings	30	457,955,101	586,713,232
Total Non-Current Liabilities		457,955,101	586,713,232
Current Liabilities			
Borrowings	30	56,207,139	50,417,076
Provisions	31	4,109,094	2,688,545
Trade and other payables	32	258,565,100	188,260,172
Customer Deposits	33	104,965,067	93,297,171
Taxation	34	13,165,527	7,638,344
Total Current Liabilities		437,011,927	342,301,307
TOTAL EQUITY AND LIABILITIES		1,805,658,331	1,824,651,041

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

The financial statements were approved by the Board on 2nd September 2022 and signed on its behalf by:



.....
Eng. Peter G. Kahuthu
Managing Director



.....
CPA Francis K. Kiura
Chief Manager, Commercial
Services
ICPAK M/No:25240



.....
Patrick K. Munuhe
Chairman of the Board

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

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

	Ordinary share capital	Retained earnings	Capital/Development Grants/Fund	Total
At July 1, 2020	75,000,000	505,815,997	97,325,763	678,141,760
Total Comprehensive Income	-	139,066,844	-	139,066,844
Development Grants received during the year	-	-	197,952,733	197,952,733
Transfer of depreciation/amortization from capital fund to retained earnings			(119,524,836)	(119,524,836)
As at June 30, 2021	75,000,000	644,882,841	175,753,660	895,636,501
As at July 1, 2021	75,000,000	644,882,841	175,753,660	895,636,501
Development Grants received during the year	-	-	30,035,402	30,035,402
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	(51,663,943)	(51,663,943)
Prior year – treasury bills interest adjustment	-	(1,980,449)	-	(1,980,449)
Total Comprehensive Income	-	38,663,792	-	38,663,762
As at June 30, 2022	75,000,000	681,566,184	154,125,119	910,691,303

The prior year adjustment of Kshs 1,980,449 relates to a misstatement of the Treasury Bills amount which should have been Kshs 142,000,000.

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

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash Generated from/(Used in) Operations			
Surplus before taxation		47,120,374	145,630,844
Adjustments for:			
Depreciation	15	86,965,978	84,101,354
Amortization of Grant	7	(51,663,943)	(119,524,83)
Interest income	9	(10,632,088)	(10,665,913)
loan interest Charge	16	17,658,181	32,559,393
Operating profit before changes in Working Capital		89,448,499	132,100,842
Changes in Working Capital			
Inventories	23	(13,857,209)	(9,375,520)
Trade and other receivables	24	(18,561,593)	(51,939,732)
Customer deposits	33	11,667,897	6,586,328
Trade and other Payables	32	70,304,928	14,872,629
Cash generated from operations		139,002,522	92,244,547
Income Tax Paid	17	(2,929,399)	(1,057,636)
Net cash generated from operations		136,073,123	91,186,911
Cash Flows From Investing Activities			
Interest received	9	10,632,088	10,665,913
KFW Interest Charged	16	(13,129,449)	(14,389,873)
OBA Interest Charged	16	(4,528,732)	(18,169,520)
Purchase of fixed assets	20	(102,446,393)	(58,754,034)
Net cash generated from/(used in) investing activities		(109,472,484)	(80,647,514)
Cash Flows From Financing Activities			
Proceeds from Grants	7	30,035,402	197,952,733
KFW Loan Interest Accrued but Capitalized	32	4,201,423	4,564,420
OBA Loan Capital Repayment	30	(72,130,850)	(107,598,402)
KFW Loan Capital Repaid	30	(55,526,372)	(55,458,782)
Net cash generated from/(Used in) financing activities		(93,420,397)	39,459,969
Net increase/(decrease) in cash and cash equivalents		(66,819,758)	49,999,366
Cash and cash equivalents:			
At the start of the year 01 st July	35(c)	275,451,732	225,452,366
At the end of the year 30th June	35(c)	208,631,974	275,451,732

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

	Original budget 2021-2022	Adjustmen ts 2021-2022	Final budget 2021-2022	Actual on a comparable basis 2021-2022	Performance difference	% of utilization
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operating Revenue	687,400,000	-	687,400,000	573,090,910	-114,309,090	83
Grants Income	125,000,000	-	125,000,000	51,663,943	-73,336,057	41
Other Income	72,000,000	-	72,000,000	49,474,237	-22,525,763	69
Finance income	10,632,090	-	10,632,090	10,632,090	0	100
Other gains/(losses)	-	-	-	1,228,131	1,228,131	100
Total Revenue	895,032,090	-	895,032,090	686,089,311	-208,942,779	77
Expenses						
Staff Costs	238,107,540	20,000,000	258,107,540	244,636,910	13,470,630	95
General and Operations expenses	314,920,120	-28,100,000	286,820,120	197,056,222	89,763,898	69
Board Expenses	8,400,000	3,600,000	12,000,000	12,833,353	-833,353	107
Maintenance Expenses	84,355,000	-	84,355,000	79,818,293	4,536,707	95
Depreciation and Amortization e	-	-	-	86,965,978	-86,965,978	100
Finance Costs	24,000,000	-5,000,000	19,000,000	17,658,181	1,341,819	93
Total Expenses	669,782,660	-9,500,000	660,282,660	638,968,937	21,313,723	97
Profit or Loss	225,249,430	9,500,000	234,749,430	47,120,374	-187,629,056	20
Capital Expenditure	214,999,111	-13,500,000	201,499,111	102,446,393	99,052,718	51
Total Expenditure	884,781,771	-23,000,000	861,781,771	741,415,330	120,366,441	86

Budget notes: explanation of differences between actual and budgeted amounts (10% over/ under)

	Final budget	Actual on a comparable basis	Performance difference	% of utilization	Remarks
Revenue	2021-2022	2021-2022			
	Kshs	Kshs	Kshs	%	
Operating Revenue	687,400,000	573,090,910	(114,309,090)	83	Due to adjustments to new tariff settings in November 2021. The anticipated level of sales was not achieved due to the effects of the COVID-19 Pandemic.
Other Income	72,000,000	49,474,237	(22,525,763)	69	The budgeted level of sales of alternative services was not achieved especially due to the tight school calendar thus denying the opportunities for educational visits.
Total Revenue	759,400,000	686,089,311	(73,310,689)	90	This could be mainly attributed to the largescale adverse effects of COVID-19 pandemic.
Expenses					
General and Operations expenses	299,920,120	197,056,222	102,863,898	66	Management adopted deliberate cost reduction approaches so as to align to the constrained cash flows attributed to economic slowdown due to COVID-19 Pandemic.
Finance Costs	19,000,000	17,658,181	1,341,819	93	Budgeted Finance costs decreased as a result of faster payment of the OBA loan borrowed from Cooperative bank.
Capital Expenditure	201,499,111	102,446,393	99,052,718	51	Budget Absorption not achieved due to constrained cash flows and reduced grants.

Nyeri water and Sanitation Company Limited
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Budget Notes: Explanation of changes between original and final budget

	Original budget	Adjustments	Final budget	Remarks
	2021-2022	2021-2022	2021-2022	
Expenses				
Staff Costs	238,107,540	20,000,000	258,107,540	Revised to take care of CBA implementation.
General and Operations expenses	314,920,120	(15,000,000)	299,920,120	Revised estimates for actual implementation, based on usage and/or to be catered for by other votes.
Board Expenses	8,400,000	3,600,000	12,000,000	Adjusted in line with WASREB guidelines.

XVIII. Notes to the Financial Statements

1. General Information

Nyeri Water and Sanitation Company Limited was established as a limited liability company on 23rd September 1997 in compliance with the water act of 2016. The Company is wholly owned by the County Government of Nyeri. Its main mandate is to provide high quality water and sewerage to the people of Nyeri sub county and its environs. During the year, Nyeri Water and Sanitation Company Limited mandate was changed from offering Sewerage Services to the wider Sanitation Services.

2. Statement of Compliance and Basis of Preparation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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

Title	Description	Effective Date
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on Nyeri Water and Sanitation Company Limited financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

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Title	Description	Effective Date
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on Nyeri Water and Sanitation Company Limited financial statements.

iii. Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Rates
Freehold Land	NIL
Leasehold Land	NIL
Buildings and civil works	2.0%
Infrastructure works	2.5%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%
Intangible Assets	30%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

e) Intangible assets

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

f) Amortization and impairment of intangible assets

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

g) Investment property

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position. Nyeri water and Sanitation Company Limited does not have Right of Use Assets.

i) Fixed interest investments (Bonds/Bills)

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

j) Quoted investments

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

n) Taxation

i) Current income tax

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

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

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

o) Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

p) Borrowing costs

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

q) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from August 2002. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. Nyeri Water and Sanitation Company Limited obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs 200 per employee per month.

u) Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 21st May 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of 23 million on the 2021-2022 budget following the governing body's approval. Nyeri Water and 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. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section XVII of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Nyeri Water and 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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. Nyeri Water and Sanitation Company Limited based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 31.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Operating Revenue

	2021-2022	2020-2021
	Kshs	Kshs
Water sales	448,429,338	360,538,565
Sewerage Services	124,661,572	129,044,275
Total	573,090,910	489,582,840

7. Grants Income

	2021-2022	2020-2021
	Kshs	Kshs
Operational grants from Government entities	30,035,402	94,565,015
Capital grants amortized	21,628,541	24,559,821
Total	51,663,943	119,524,836

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Rental income	926,000	873,000
Other water Income	46,656,136	24,263,836
Other Sewer Income	1,892,101	551,798
Total	49,474,237	25,688,634

9. Finance Income

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest income from treasury bills	9,578,024	9,895,904
Interest from commercial banks and financial institutions	1,054,066	770,009
Total	10,632,090	10,665,913

The interest relates to treasury bills invested at Central Bank of Kenya, KFW Loan deposits and WASREB performance guarantee deposit.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Other Gains and Losses

	2021-2022	2020-2021
Description	Kshs	Kshs
Gain on sale of fixed assets	1,228,131	-
Total	1,228,131	-

11. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Salary and Allowances	214,477,393	160,718,961
Casual workers' Wages	714,475	25,120
Employer's contributions to social security schemes	364,450	241,800
Employer's contributions to pension scheme	16,676,668	13,830,024
Staff welfare	1,177,210	1,658,912
Leave and Gratuity	11,226,714	9,359,883
Total	244,636,910	185,834,700
The average number of employees during the year		
Management	6	5
Permanent employees	96	97
Contracted employees	<u>136</u>	<u>126</u>
Total	<u>238</u>	<u>228</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. General and Operations Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Training, Workshops & Education Tours	11,151,329	5,981,858
Environmental Protection & Social R.	4,021,691	3,071,518
Vehicle Fuel & Maintenance	3,772,159	3,511,736
Transport	389,706	219,570
Uniforms, Laundry & Cleaning Materials	3,165,975	4,178,827
Electricity	29,869,399	26,774,317
Tel. & Postage	5,324,571	5,076,473
Insurance	21,252,777	16,923,971
Security	10,314,903	10,234,332
Audit Fees, Statutory levies & Proff. Fees	1,925,460	1,407,220
Stationery & Printing	2,210,845	1,669,424
I.S.O 9001 2015	1,233,450	-
Water & Sewerage Charges	1,284,344	659,348
Catering & Entertainment	6,463,565	2,517,252
Donations & Subscriptions	848,143	608,751
Advert. & P. Relations	3,374,044	3,184,793
Business Travel & Allowances	8,380,000	3,458,328
Water Abstraction	4,980,572	3,851,011
A.S.K Show & Functions	3,761,900	2,087,004
Periodicals	115,400	65,693
Provision for Expected Credit Losses	7,216,152	-
Sports, OHS & H.I.V Mgt & Resource	6,233,376	2,727,285
Staff Leave Days	1,420,551	(308,241)
Long Service Award	-	391,750
Tariff Study	250,277	2,139,808
NEMA & KEBS & WRMA	630,000	615,000
Disludging, Investigations & Fitness C	14,860	140,938
Sample Analysis	663,951	1,034,537
Office Furniture Repairs	193,338	-
Licence Charges	1,791,000	303,660
Claims	187,759	20,000
Consultancy services	990,000	-
Staff team building	2,399,086	-
Legal Fees	466,200	3,796,927

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Young Water Professionals	50,300	442,200
Strategic Planning	300,000	3,953,119
Bank Charges	1,458,994	517,124
Regulatory Fees	23,973,668	20,677,032
Chemicals	12,434,057	9,223,781
Re Agents and Apparatus	580,127	1,197,854
Meters for Replacement	9,606,033	-
Accreditation ISO 17025	2,356,261	1,569,784
Total	197,056,222	143,923,984

13. Board Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Chairman Honoraria	560,000	296,896
Sitting allowances	5,010,000	2,656,159
Induction and Training	877,500	465,225
Travel and accommodation	5,874,618	3,114,555
Other allowances	511,235	271,042
Total Board Expenses	12,833,353	6,803,877

14. Maintenance Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Plant and Equipment	17,055,738	7,913,492
Buildings	4,292,436	3,225,610
Infrastructural networks	45,392,255	24,628,178
Grounds	4,208,630	3,460,067
Motor vehicles	5,598,560	4,118,387
Software	3,270,674	3,262,337
Total Maintenance Expenses	79,818,293	46,608,071

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Depreciation and Amortization Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant, and equipment	78,296,622	82,808,915
Intangible assets	8,669,356	1,292,439
Total Depreciation and Amortization	86,965,978	84,101,354

16. Finance costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest expense on loans – KFW	13,129,449	14,389,873
Interest expense on loans – OBA	4,528,732	18,169,520
Total	17,658,181	32,559,393

The interest relates to the KFW and Output-Based Aid Loans.

17. Income Tax Expense/(Credit)

	2021-2022	2020-2021
Description	Kshs	Kshs
Balance as at July,1 2021	7,638,344	2,131,980
Charge for the year	8,456,582	6,564,000
Payment During the Year	(2,929,399)	(1,057,636)
Balance as at 30th June 2022	<u>13,165,527</u>	<u>7,638,344</u>

18. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs. 38,663,792 (2021-2022 (Kshs.139,066,844 in 2020-2021) by the average number of ordinary shares in issue during the year of 3,750,000 (2021-2022: 3,750,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

19. Dividend Per Share

The Board of Directors do not propose to pay out any dividends

Nyeri Water and Sanitation Company Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Property, Plant and Equipment

	Freehold Land	Buildings	Plant & Machinery	Furniture & Equipment	Motor Vehicles/Cycles	Computers, Software & Typewriters	Work in Progress	Total
COST	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		Kshs.
At 1st July 2020	24,702,110	126,225,306	1,697,707,143	35,062,803	44,953,427	70,636,881	282,917	1,999,570,587
Additions for the Year	-	655,213	39,902,411	2,935,918	3,100,000	2,723,920	9,436,572	58,754,034
At 30th June 2021	24,702,110	126,880,519	1,737,609,554	37,998,721	48,053,427	73,360,801	9,719,489	2,058,324,621
DEPRECIATION								
At 1st July 2020	-	31,858,070	597,391,254	22,238,871	25,478,404	60,450,826	-	737,417,425
Charge for the year	-	2,170,280	70,616,047	1,969,981	5,643,756	3,701,290	-	84,101,354
At 30th June 2021	-	34,028,350	668,007,301	24,208,852	31,122,160	64,152,116	-	821,518,779
NET BOOK VALUE	-	-	-	-	-	-	-	-
At 30th June 2021	24,702,110	92,852,169	1,069,602,253	13,789,869	16,931,267	9,208,685	9,719,489	1,236,805,842
COST	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		Kshs.
At 1st July 2021	24,702,110	126,880,519	1,737,609,554	37,998,721	48,053,427	73,360,801	9,719,489	2,058,324,621
Additions for the Year	-	2,179,422	24,098,205	3,044,222	4,532,540	26,957,164	41,634,840	102,446,393
Disposal	-	-	-	-	(4,327,000)	-	-	(4,327,000)
At 30th June 2022	24,702,110	129,059,941	1,761,707,759	41,042,943	48,258,967	100,317,965	51,354,329	2,156,444,013
DEPRECIATION								
At 1st July 2021	-	34,028,350	668,007,301	24,208,852	31,122,160	64,152,116	-	821,518,779
Charge for the year	-	2,163,717	66,637,698	2,104,261	5,347,909	10,712,393	-	86,965,978
Disposal	-	-	-	-	(4,254,831)	-	-	(4,254,831)
At 30th June 2022	-	36,192,067	734,644,998	26,313,114	32,215,238	74,864,508	-	904,229,925
NET BOOK VALUE								
At 30th June 2022	24,702,110	92,867,873	1,027,062,761	14,729,829	16,043,729	25,453,456	51,354,329	1,252,214,088

Capital work in progress relates to various water and sewer projects at various stages of completion.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

Land and buildings, when found necessary, are revalued to ensure the carrying amount equals the fair value of the assets. During the year under consideration, no valuation was done. Land and Buildings are carried at historical cost.

20 (b) Property, Plant, and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	24,702,110	-	24,702,110
Buildings	129,059,941	36,192,067	92,867,874
Plant and machinery	1,761,707,759	734,644,998	1,027,062,761
Office equipment, furniture, and fittings	41,042,943	26,313,114	14,729,829
Motor vehicles, including motorcycles	48,258,967	32,215,238	16,043,729
Computers and related equipment	59,825,291	54,600,333	5,224,958
Work in Progress	51,354,329	-	51,354,329
Total	2,115,951,340	883,965,750	1,231,985,590

Nyeri Water and Sanitation Company's Property plant and Equipment does not include assets that are fully depreciated since it employs reducing balance method of depreciation which cannot fully depreciate an asset.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Intangible Assets

	2021-2022	2020-2021
	Kshs	Kshs
COST		
At July 1	14,610,510	14,610,510
Additions	25,882,164	-
Disposals	-	-
At June 30	40,492,674	14,610,510
AMORTISATION		
At July 1	11,594,819	10,302,380
Charge for the year	8,669,356	1,292,439
Disposals	-	-
At June 30	20,264,175	11,594,819
NET BOOK VALUE		
At June 30	20,228,499	3,015,691

Intangible assets include various computer software used in the company.

22. Fixed Interest Investments (T-Bills)

	2021-2022	2020-2021
	Kshs	Kshs
Central Bank of Kenya (Treasury Bills Maturing in December 2022)	147,200,000	143,980,449
Total	147,200,000	143,980,449

The movement in investment during the year is as follows:

Details	2021-2022	2020-2021
	Kshs	Kshs
Balance at 1 July 2021	143,980,449	143,980,449
Prior year adjustment	(1,980,449)	-
Additions during the year	5,200,000	-
Balance at 30 June 2022	147,200,000	143,980,449

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Inventories

	2021-2022	2020-2021
	Kshs	Kshs
Pipes and fittings	31,773,044	20,441,050
Chemicals	2,540,129	1,049,170
Stationery	391,188	268,339
Clothing and Uniforms	7,375	-
Cleaning Materials	-	1,418
Hardware and Tools	1,651,809	746,360
Total	<u>36,363,545</u>	<u>22,506,337</u>

The company uses the moving average method to value its inventories.

24. Trade and Other Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Trade receivables (note (24a))	308,850,980	280,987,872
Deposits and prepayments	1,051,041	1,748,330
VAT recoverable	45,506,293	45,506,293
Other receivables	2,197,259	3,585,333
Gross trade and other receivables	357,605,573	331,827,828
Provision for bad and doubtful receivables	(49,156,850)	(41,940,698)
Net trade and other receivables	308,448,723	289,887,130

24 (a) Trade Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	308,850,980	280,987,872
Less Provision for doubtful receivables	49,156,850	41,940,698
Net trade receivables	259,694,130	239,047,174
As of June 30, 2022, the aging analysis of the gross trade and other receivables was as follows:		
Less than 30 days	39,265,563	37,283,242
Between 30 and 60 days	23,891,699	19,601,218
Between 61 and 90 days	18,530,811	17,595,284
Between 91 and 120 days	14,931,442	14,177,629
Over 120 days	260,986,058	192,330,500
Total	357,605,573	280,987,872

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	41,940,698	41,940,698
Additional provisions during the year	7,216,152	-
At the end of the year	49,156,850	41,940,698

24 (c) Staff Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross advances	97,044	39,332
Less: Amounts due within one year	97,044	39,332

The amount relates to Salary, Phone, and Laptop advances which are recoverable within one year.

25. Tax Recoverable

	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	45,506,293	45,506,293
At end of the year	45,506,293	45,506,293

The amount of Kshs.45.5M relates to VAT Claims lodged with Kenya Revenue Authority when water was zero-rated for VAT.

26. Short-Term Deposits

	2021-2022	2020-2021
Description	Kshs	Kshs
Consolidated Bank Loan Deposit Account	9,000,000	49,965,815
National Bank-Performance Guarantee	5,595,882	5,411,878
Total	14,595,882	55,377,693

The average effective interest rate on the short term deposits as at June 30, 2022 was 8.0 % (2020-2021: 7.6 %).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Obligation-KFW Loan	50,417,076	50,417,076
Current Obligation- OBA Loan	5,790,063	-
Long-term Obligation	457,955,101	586,713,232
Total	514,162,240	637,130,308

The treasury amount relates to a loan acquired from KFW, of the Federal Republic of Germany through the assistance of the Government of Kenya in the year 2004 at an annual rate of 2.5% for the rehabilitation and extension of Water and Sewerage services. The Co-operative bank loan relates to Water Services Trust Fund (Output Based Aid) at an annual rate of 14% for sewer infrastructural extension works.

31. Provisions

Description	Leave Provision	Other Provisions	Total
	Kshs	Kshs	Kshs
Balance at the beginning of the year	2,688,544	41,940,698	44,629,242
Additional Provisions	1,420,551	7,516,152	8,636,703
Balance at the end of the year	4,109,095	49,156,850	53,265,945

Provisions details

Description	2021-2022	2020-2019
	Kshs	Kshs
Current Portion of Provisions	4,109,095	2,688,544
Long-term portion of Provisions	49,156,850	41,940,698
Total	53,265,945	44,629,242

Nyeri Water and 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. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by ICEA Lion Pension Fund. Employees contribute 12% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. Trade and Other Payables

	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	46,905,322	19,290,227
County Government of Nyeri Lease fee	55,258,622	55,258,622
Tana Water Works Board Administration fee	66,353,934	66,353,933
Accrued expenses	45,493,931	30,997,817
Revenue received in advance	10,882,352	8,543,166
Other payables	33,670,939	7,816,407
Total	258,565,100	188,260,172

33. Customer Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Opening Balance	93,297,171	86,710,843
Add: deposits received during the year	21,347,922	16,353,000
Less: Refunded deposits during the year	6,986,013	5,088,595
Less: Used to settle water bills during the year	2,694,013	4,678,078
Closing balance	104,965,067	93,297,171

34. Taxation

	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	7,638,344	2,131,980
Income tax charge for the year	8,456,582	6,564,000
Income tax paid during the year	(2,929,399)	(1,057,636)
At end of the year	13,165,527	7,638,344

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. Notes to The Statement of Cash Flows

	2021-2022	2020-2021
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	47,120,374	145,630,844
Depreciation	78,316,622	82,808,915
Amortization	8,669,356	1,292,439
Operating profit/(loss) before working capital changes	134,106,352	229,732,198
(Increase)/decrease in inventories	(13,857,209)	(9,433,236)
(Increase)/decrease in trade and other receivables	(18,561,593)	(51,939,732)
Increase/(decrease) in trade and other payables	70,304,928	14,872,629
Increase/(decrease) in Consumer deposits	11,667,897	6,586,328
Cash generated from/(used in) operations	183,660,375	189,818,187
(b) Analysis of changes in loans		
Balance at beginning of the year	637,130,308	795,565,928
Repayments during the year	(127,657,222)	(163,057,184)
Accrued interest	4,201,423	4,621,564
Balance at end of the year	513,674,509	637,130,308
(c) Analysis of cash and cash equivalents		
Short term deposits (Note 27C)	161,795,882	199,358,142
Cash at bank	45,850,522	75,638,426
Cash in hand	985,571	455,163
Balance at end of the year	208,631,975	275,451,732

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021-2022	2020-2021
	Kshs	Kshs
(d) Analysis of interest paid		
Interest on loans	17,658,181	32,559,393
Interest paid	17,658,181	32,559,393

Other Disclosures

36. Water Inventory

Opening stock as at 1st July 2021 – Ksh. 1,410, 392
Closing stock at at 30th June 2022 – Ksh. 1,410.392
Difference – to P&L - 0

37. Related Party Disclosures

County Government of Nyeri

The County Government of Nyeri is the principal shareholder of the Company, holding 100% of Nyeri Water and Sanitation Company Limited equity interest. The County of Government of Nyeri has provided full guarantees to all long-term lenders of the Company, both domestic and external. During the year the company billed Kshs. 17.3 M refuse fees on behalf of the County Government of Nyeri.

Other related parties include:

- The County Department in charge of Water
- Tana Waterworks Agency
- Water Services Regulatory Board
- Water Resources Authority
- Water Sector Trust Fund
- Key management
- Board of Directors
- Water Services Providers Association

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Transactions with related parties

	2021-2022	2020-2021
	Kshs	Kshs
a) Sales to related parties		
Water & Sanitation sales to Government Agencies	101,204,468	79,020,818
Interest income from Government Commercial Banks	1,054,065	770,008
Interest income from T-bills	9,578,024	9,895,904
Total	111,836,557	89,686,730
b) Purchases from related parties		
Purchase of water from Government service providers - WRA	4,980,572	3,851,011
Training and conference fees paid to Government agencies	1,124,605	1,236,000
Bank charges paid to Government Commercial banks	1,458,994	517,124
Total	7,564,171	5,604,135
b) Grants from the Government		
Grants from National Government Agencies	30,035,402	197,952,733
Total	30,035,402	197,952,733
c) Key management compensation		
Directors' emoluments	12,833,353	6,803,877
Compensation to key management	30,603,192	26,418,151
Total	43,436,545	33,222,028

d) Capital Grant

	2021-2022	2020-2021
	Kshs	Kshs
Balance at 1st July	175,763,660	97,325,763
Additional Grants During the Year	30,035,402	197,952,733
Less: Amortization During the Year	(51,663,943)	(119,524,836)
	=	=
Balance at 30th June	<u>154,135,119</u>	<u>175,753,660</u>

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38. Capital Commitments

Capital commitments pending at the year-end were all provided for under accruals.

39. Contingent Assets and Liabilities

Contingent Liabilities

	2021-2022	2020-2021
	Kshs	Kshs
Contingent liabilities		
Court case against the entity	3,288,469	88,628,300
VAT Tax Dispute	35,384,476	35,384,476
Total	38,672,945	124,012,776

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The court cases relate to Civil Suit No. 61 of 2019 and Constitution Petition No. 5 of 2019. The Vat Tax Dispute relates to an assessment of VAT on sewerage charges which is currently at Alternative Dispute Resolution at the Kenya Revenue Authority.

40. Financial Risk Management

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

Nyeri Water and Sanitation Company Limited financial risk management objectives and policies are detailed below:

(i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial

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position are net of allowances for doubtful receivables, estimated by Nyeri Water and Sanitation Company Limited management based on prior experience and their assessment of the current economic environment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2022				
Trade Receivables	308,133,851	59,908,962	172,660,972	75,563,917
Other Receivables	48,712,724	48,712,724	-	-
Investments	147,200,000	147,200,000	-	-
Bank balances	62,190,972	62,190,972	-	-
Total	566,237,547	318,012,658	172,660,972	75,563,917
At 30 June 2021				
Trade Receivables	239,047,174	56,884,460	163,713,610	60,389,802
Other Receivables	50,839,956	50,839,956	-	-
Investments	143,980,449	143,980,449	-	-
Bank balances	131,471,283	131,471,283	-	-
Total	565,338,862	383,176,148	163,713,610	60,389,802

Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due from The County Government of Nyeri, Central Government ministries and related entities.

The board of directors sets Nyeri Water and Sanitation Company Limited credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with Nyeri Water and Sanitation Company Limited directors, who have built an appropriate liquidity risk management framework for the

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management of Nyeri Water and Sanitation Company Limited short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022 current year				
Trade payables	46,905,322	45,493,931	-	92,399,253
Current portion of borrowings	-	50,417,076	-	50,417,076
Provisions	-	4,109,095	49,156,850	53,265,945
Total	46,905,322	100,020,102	49,156,850	196,082,274
At 30 June 2021 previous year				
Trade payables	-	72,332,946	121,612,556	193,945,502
Current portion of borrowings	128,337,989	-	-	128,337,989
Provisions	44,629,242	-	-	44,629,242
Total	172,967,231	72,332,946	121,612,556	366,912,733

(iii) Market risk

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

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

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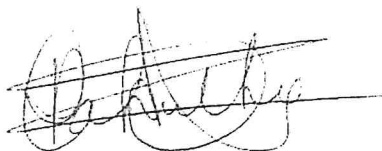
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		and the latter reinstatement of the tax rates in January 2021 after COVID 19 reliefs. As at June 2021 there were 31 staff members who were affected, however in June 2022 they had reduced to 14 staff members. All the staff members have complied as at November 2022.		
6.	Non-Compliance with Water Services Regulatory Board Regulations on Personnel Costs	The Management efforts in managing personnel costs in line with WASREB'Ss provisions yielded some progress towards meeting the statutory ratios. This resulted in a ratio of 37% in the financial year 2020/21 as compared to 38.6% in the Financial Year 2019/20. This was a notable improvement considering this was the same period the country was ravaged by the Covid - 19 pandemic. This situation led to a reduction in revenues, reduction in operations, and O&M expenses as well. The management continues exploring means of	Not Resolved	June 2024 as per WASREB licence conditions.

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		enhancing revenue to address this matter fully. As per WASREB licence conditions, the company should be at 34% on this measure by end of 2021/22 working towards achieving the ideal.		

ENG. PETER G. KAHUTHU

Name



Signature.....

Managing Director

22ND DECEMBER 2022

Date.....

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Appendix II: Projects Implemented by The Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Construction of 1000m3 Ground Level High Tensile Steel Water Tank at Nyeri Hill	001	Water Sector Trust Fund (WSTF)	4 Months	19,300,000	YES	YES

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Construction of 1000m3 Ground Level High Tensile Steel Water Tank at Nyeri Hill	16,498,935	6,384,386	95	19,300,000	19,934,489	Water Services Trust Fund (WSTF)

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Appendix III- Inter-Entity Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary entity]

[Insert Address]

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

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

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

Head of Accountants department of beneficiary entity:

Name Sign Date

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Appendix IV: Reporting of Climate Relevant Expenditures

Company - Nyeri Water and Sanitation Company Limited
 Tel number +254(061)2034617
 Email - info@nyewasco.co.ke
 Name of CEO/MD – ENG. Peter Kahuthu

Name and contact details of contact person (in case of any clarifications) Francis Kiura +254(061)2034617 Ext 117

Project Name	Project Description	Project Objectives	Project Activities	Source Of Funds				Implementing Partners
				Q1	Q2	Q3	Q4	
Tree Growing	Planting and taking care of trees until they grow	Conservation of the catchment areas.	Seed sowing in the nursery beds. Planting trees Watering trees	-	388,278	270,476	1,341,678	Chania River Users Association

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Appendix V: Disaster Expenditure Reporting Template (N/A FOR YEAR 2021/2022)

Date:

Entity

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

Attach forms from each transferring Government entity.)

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Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Do nor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Deve lopment/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receiva bles	Others - must be specific	
Water Services Trust Fund	14/12/2021	Direct Payment	30,035,402	10,735,402	19,300,000	-	-	-	-
Total	N/a	N/a	30,035,402	10,735,402	19,300,000	-	-	-	-