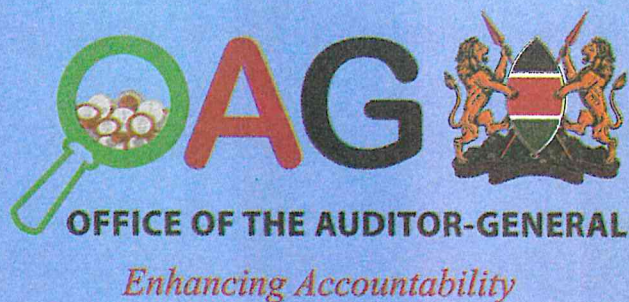


REPUBLIC OF KENYA



**REPORT
OF
THE AUDITOR-GENERAL
ON**

**NYERI WATER AND SANITATION COMPANY
LIMITED**

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



NYERI WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023

**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, 2023

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1. Acronyms and Glossary of Terms

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board

2. 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 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"

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Core Values

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

Core Strategic Objectives:

The main thrust in 2021/22 – 2026/27 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.	Hannah N. Kamau	Member	July 2022
4.	Mary W. Mutonyi	Member	May 2019 (Re-appointed on 31 st May 2023)
5.	Paul M. Wambugu	Rep' Office of the Governor	May 2018
6.	Veronica W. Maina	Member	May 2019 (Term ended on 31 st May 2023)
7.	Pauline W. Ndegwa	Chief Officer, Department of Water Irrigation and Climate Change	October 2019 (Term Cessation on 12 th April 2023)
8.	Gathogo Mwangi	Member	May 2021
9.	Charles K. Mwaniki	Member	June 2021
10.	Bernard K. Kiama	Chief Officer, Department of Water Irrigation, Environment & Climate Change Services, CGN	April 2023

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Company Secretary

FCS Richard K. Gikuihi
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 30084 GPO 00100

NAIROBI, KENYA

Principal Legal Advisers

The County Attorney,




County Government of Nyeri,

P.O. Box 1112 - 10100,




NYERI, KENYA

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3. The Board of Directors

Ref	Directors	Details
1.	<p>Patrick K. Munuhe - Chairman - Board of Directors</p> 	<p>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</p> <p>He is serving the second term as Chairman.</p>
2.	<p>Mary W. Mutonyi - Chairperson, Audit Risk and Governance Committee</p> 	<p>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).</p> <p>She is also a director representing women at the Kenya National Chamber of Commerce and Industry Nyeri Chapter.</p>
3.	<p>Gathogo Mwangi - Chairperson Finance Administration & Strategy Committee</p> 	<p>Born in 1974 and was appointed in May 2021 as an Independent director representing Professionals.</p> <p>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).</p>

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4.	<p>Charles M. Kariuki - Chairperson Technical Committee</p> 	<p>Born in 1958 and was appointed in June 2021 as an Independent director representing Resident Associations.</p> <p>He is a holder of Bachelor degree of Science (BSC) and a postgraduate Diploma in Education (PGDE).</p>
5.	<p>Patrick M. Stom</p> 	<p>Born in 1981 and was appointed in April 2018 as a director representing the Cabinet Secretary, National Treasury.</p> <p>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).</p>
6.	<p>Paul M. Wambugu</p> 	<p>Born in 1967 and was appointed in May 2018 as a director representing the Office of the Governor of the County Government of Nyeri.</p> <p>He holds a Bachelor of Arts Degree from Kenyatta University and post graduate Diploma in Marketing from Chartered Institute of Marketing.</p>




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7.	<p>Pauline W. Ndegwa</p> 	<p>Born in 1979 and was appointed in October 2019 as a Director representing the County Government of Nyeri.</p> <p>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. Her term ended in April 2023.</p>
8.	<p>Veronica W. Maina</p> 	<p>Born in 1952 and was appointed in May 2019 as an Independent director representing women under Special Interests Group.</p> <p>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. Her term ended in May 2023.</p>
9.	<p>Bernard K. Kariuki</p> 	<p>Born in 1982 and was appointed in April 2023 as a Director representing the Department of Water Services, County Government of Nyeri.</p> <p>He is a holds a degree in B. Ed Biology and Chemistry. He is currently the Chief Officer for Water, Irrigation, Environment & Climate Change.</p>
10.	<p>Eng. Hannah Kamau</p> 	<p>Born in 1980 and was appointed in July 2022 as an Independent director representing Institutional Consumers.</p> <p>A registered Professional Engineer with Engineers Board of Kenya and a corporate member of IEK. Currently she is the Head of Projects at Dedan Kimathi University of Technology.</p> <p>She holds a Bsc in Civil Engineering and a Post graduate diploma in Project Management (DeKUT). She has over 15 years' experience as an engineer in both structural and water services engineering.</p>

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11.	<p>Eng. Peter G. Kahuthu</p> 	<p>Managing Director / CEO</p> <p>B.Sc. Civil Engineering, Reg. EBK, MIEK</p> <p>Appointed on 11th June 2021.</p> <p>In Charge of the overall business strategy and direction of the Company. Serves as the CEO and Secretary to the Board of Directors.</p>
12.	<p>FCS Richard K. Gikuhi</p> 	<p>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.</p> <p>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.</p>

4. Management Team

Ref	Management	Details
1.	<p>Eng. Peter Kahuthu</p> 	<p>Managing Director / CEO B.Sc. Civil Engineering Reg. EBK, MIEK</p> <p>Appointed on 11th June, 2021.</p> <p>In Charge of the overall business strategy and direction in the Company. Serves as the CEO and secretary to the Board of Directors</p>
2.	<p>James N. Ngunjiri</p> 	<p>Chief Manager, Technical Services B. Tech. Civil Engineering</p> <p>Appointed on 11th July 2016.</p> <p>In charge of Technical Division including Production & Climate Change, Quality Assurance, Distribution, Non-Revenue Water, Sanitation, Design & Construction and Electromechanical.</p>
3.	<p>CPA Francis K. Kiura</p> 	<p>Chief Manager, Commercial Services</p> <p>MBA Strategic Management, BBIT, BEd (Sc) CPA(K), CS(K), CCP(K)</p> <p>Appointed on 1st July 2019.</p> <p>In charge of the Commercial Services division, including: Commercial Services, Customer Service/ Experience, Pro-Poor Services and Business, Development & Marketing.</p>

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4.	CPA Rose Gitahi 	Chief Manager, Finance & Corporate Services MBA, BBA, CPA(K) Appointed on 1 st February, 2023 In charge of the Finance and Corporate Services Division including: Finance & Accounts, Human Resource & Administration, Security & Investigations and ICT.
5.	Keziah N. Nyambura 	Manager, Legal Services LLB, Dip Law Appointed on 1 st July 2019. In Charge of the Legal Department. Handles both litigation and conveyancing matters of the Company.
6.	CPA Felix K. Githae 	Manager, Audit Risk and Compliance MBA, BSC, CPA(K), CIA Appointed on 1 st February 2022. In Charge of the Company's Audit, Risk & Compliance Department.
7.	Joan W. Ndanyu 	Manager, Supply Chain MSC, BBM, MKISM Appointed on 1 st March, 2022 In Charge of the Company's Supply Chain Department.

5. Chairman's Statement

On behalf of the Board of Directors, I am honoured to present the Annual Report and Financial Statements of Nyeri Water and Sanitation Company Limited ("NYEWASCO") for the Financial Year ended 30th June, 2023. 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.

Our ambition is to continue leading the Sector on best management approaches to reduce Non-Revenue Water levels, enhance customer service and prudent project management including Operations and Maintenance. Aware of the challenges facing the Company, we continued to ensure minimum water losses 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 evidenced by our leadership 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 15th year consecutively in the Impact Issue No.15 of 2023. In addition to this,

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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 the very large category;
3. Top utility in Tana region; and
4. Top utility in Non-Revenue Water (NRW) Management

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



CPA GATHOGO MWANGI
CHAIRMAN
BOARD OF DIRECTORS - NYEWASCO

6. Report of the Managing Director

I am pleased to present a review of NYEWASCO's key operational performance for the year ended 30th June 2023. 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 overall economic slowdown as the economy gradually recovers from the effects of the devastating Covid - 19 pandemic coupled with the effects of the political environment, this being an electioneering year thus straining of Cash flow projections.

Operational Performance

In the course of the year, we connected 2134 and 713 new customers to our water and sewer network respectively, growing the overall customer base by 5.9% to 51,836 connections mainly driven by continued benefits of 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 34.1% 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 recommendations from 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 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 operating revenue grew by reduced by Kshs 2 Million. This was coupled with a decline in grants of Kshs 32.7 Million due to reduction of grant funds. Other income

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increased with Kshs 13 Million. This led to a total revenue decline by Kshs. 23 Million from Kshs. 686 Million reported in the previous year to Kshs. 663 Million in the current year. Economic challenges and fluctuations in the market have had an impact on consumer purchasing power leading to a decline in billings.

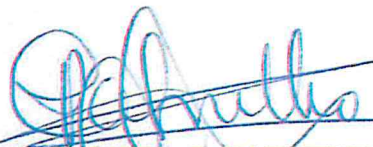
Net Surplus

The surplus before tax decreased to Kshs. 5.7 million from Kshs. 47 million reported in the previous period. This was occasioned by a decrease in revenues which were high in the previous period due to the liquidity support grant received from the WSTF the previous year. Further, there has been rising operating costs, such as increased material prices, administrative costs coupled with an increase in staff costs.

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 transitioned 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

7. Statement of Performance Against Predetermined Objectives for FY 2022/2023

In the year under review, the Company continued implementing the strategic plan 2021-2026 which was launched in May 2021. The Board approved the five-year strategic plan which was to align the Company to the changing business environment and meet the needs of customers and other stakeholders as envisaged. It is expected that the strategic plan 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 year, which is the second year of implementation, it was noted that the strategic objectives were achieved and the performance achieved was 91%.

The Seven Strategic pillars are explained as follows:

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.

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 97 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.

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.

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 low income 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.

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 conducting 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 the Strategic Plan.

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.

Partnerships and Collaborations

Water is regarded as a global priority. SDG 6 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

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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.
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	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.

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			and funder requirements	
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 Resource Capacity	Effective staff recruitment Staff Training Capacity building and staff motivation	Conduct effective staff recruitment Ensure staff training needs are assessed and addressed Ensure staff motivation and capacity building initiatives are	The Company carried out a timely negotiation and implementation of CBA. The Management implemented and resolved the staff leave Management reducing the days to

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			fully implemented	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

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 but a test disaster recovery plan was not done.	95%
Objective 2: To Strengthen Financial Health of NYEWASCO	Most of the activities under this have been achieved. Revenue collection: 9% achieved against a target of 97%, Increased customer base for water and sanitation water connections 77% achieved and 126.4% of sewer connection targets achieved in the year. NRW is at 16.8% against a target of <12% by Year 5. Accounts receivable	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	90%
Objective 4: Enhance Provision of Water and Sanitation Delivery Among Pro-Poor and Other Consumers	Most projects in the LIAs are in the planning phase and several proposals were done for support of the activities during the year. The Pro-Poor Strategic Plan is in place. The social connection policy has not yet been implemented.	90%
Objective 5: Strengthen Institutional Human Resource Capacity	Most of the activities under this strategic objective were done but a NYEWASCO Centre of Knowledge Management was not established.	90%
Objective 6: Engender Environmental Consciousness and Initiatives among Stakeholders	Most of the strategies under this objective were achieved. Several tree growing activities were carried out during the year.	95%
Objective 7: Build and Strengthen Partnership and Collaborations among Stakeholders	Most of the activities under this objective were achieved by the end of the financial year.	95%

8. 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

B) 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.

C) 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.

D) 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

E) 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.

F) 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.

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Board Committee & Full Board Meetings and Key Activities

S/No.	Item	No. of Meetings FY 2022-2023
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.	Stakeholders Forum	12th May, 2023
9.	AGM	31 st May, 2023

G) 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.

H) Delegation

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

I) 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.

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The Company continued implementing the recommendations during the last performance evaluation exercise. A review has been planned to take place during the FY 2023/24.

J) 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.

- i) To be aware of the Company's operating environment and promote safety and soundness of the Company.
- ii) To be diligent in undertaking his/her duties and avoid conflict of interest.
- iii) To understand his/her oversight role and exercise independent judgement in decision making.
- iv) To devote adequate time and attention to discharge his/her duties and responsibilities effectively.
- v) To contribute actively to the functions of the board and be able to provide sound and objective advice.
- vi) Adopting and reviewing a strategic plan for the Company.
- vii) Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed and sustained.
- viii) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks.
- ix) Succession planning, including appointing, training, fixing the remuneration of and where appropriate, replacing senior Management of the Company.
- x) Developing and implementing an investor relations programme or shareholder communications policy for the Company; and
- xi) 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.
- xii) Approval of the annual budget and procurement plan

9. Management Discussion and Analysis

Business Performance

The decrease in surplus before tax from Kshs. 47 Million to Kshs. 5.7 Million represents a significant change in business performance. The decline in revenue was major factor contributing to the decrease in profitability. Rising operating costs, such as increased

electricity costs, material prices, labour costs, and administrative expenses have equally led to the decline in profitability. Changes in the broader economic environment affecting the Kenyan economy at large has adversely affected business performance, leading to a decrease in surplus before tax.

Operational Performance

In the course of the year, we connected 2134 and 713 new customers to our water and sewer network respectively, growing the overall customer base by 5.9% to 51,836 connections mainly driven by continued benefits of 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 34.1% 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 recommendations from 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

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

Key Projects Implemented

S/No	Project Name	Year	Project cost (Kshs)
1.	Zone 7 Sewer Extension Kamuyu Subzone	2022/23	2,038,026.76
2.	National Police College Customer Meter Separation Project	2022/23	2,421,834.12
3.	Redesign and relocation of 90m Long sewerline Opposite Othaya Junction	2022/23	607,759.47
4.	Relocation of Water Main Line B Along Misha - Gatitu Road	2022/23	5,871,175.00
5.	Ngangarithi slaughter house sewer extension	2022/23	1,120,000
6.	Ciaraini/Penjiru road sewer Extension	2022/23	797,336.10
7.	Relocation Of Water Service Mains Along Misha-Gatitu Road (Phase II) & Road 2 Iriga-Muthuaini (Phase III)	2022/23	9,517,201.87
8.	Upgrades and Extensions for both water and Sanitation infrastructure	Continuous	-
9.	Conservation/Tree planting/growing	Continuous	-

Future developments

- (i) Expand water distribution network at Hill Farm- King'ong'o- Kabiruini 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

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- (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

Compliance

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

1. The Company is ISO 9001:2015 certified.
2. KENAS Accreditation ISO/IEC 17025: 2017
3. NEMA Compliant
4. OHS certificate
5. Licensed by WASREB
6. Compliant to Water Act 2016
7. 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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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.

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3.	Deep-rooted trees	Deep-rooted trees have been puncturing the intake main lines causing water supply interruptions.	<ul style="list-style-type: none">• 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.	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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.

10. 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 the financial year under review. 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-19 pandemic saw the Company continue to offer quality water and sanitation services to the consumers during and after the pandemic.

ii) Environmental performance

Annually, the Company conducts several initiatives on environmental and catchment area conservation. During the year, over 20,000 seedlings were processed for transplanting to the service area from the Company's tree nursery established the previous year. A total of 43,100 tree seedlings were planted and continuous monitoring put in place to ensure growth as the Company aims at planting 1M trees by 2026 in support of the governments 15B trees drive to be achieved by 2032. 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

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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.

Internship

The Company successfully implemented the second cohort of the interns during the FY 2022/23. A total of 47 interns 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 outlines 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 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 toll-free 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

Through Corporate Social Responsibility (CSR) and community engagements, the Company demonstrates its commitment to addressing social, environmental, and ethical concerns beyond its core business operations. These initiatives have been crucial for building a positive brand image, fostering stakeholder relationships, and contributing to sustainable development. Here are key aspects and examples of CSR and community engagement activities in the year:

1. Participated in celebrations of International Literacy Day- Sub County Adult & Continuing Education Officer
2. Payment of water bill for A/C 34210 following a leakage an appeal made by an elderly and partially blind customer with no reliable source of income.
3. NYEWASCO paid CSR Water points bills paid during the period
4. Participated in the County Government of Nyeri Department of Health Services during the World Mental Day on 10th October 2022 donation of 200 pieces of 500 ml bottled water
5. Participation in the Nyeri Hospice Charity Walk 2022
6. Christmas Donations for Nyeri Hospice
7. Participated in the hunger stricken families initiative support
8. Christmas donation to Consolata Mathari Hospital -provision of toiletries, sanitary and cleaning items in December 2022.
9. Christmas donation of toiletries, sanitary and cleaning items to the Ministry of Interior and Coordination of National Government- Kenya Prisons Service- King'ong'o Maximum Prison, Kenya Red Cross
10. WASH intervention for provision of handwashing facilities in four schools, that is Riamukurwe, Ngangarithi, St. Luke Githwariga and Tetu Boys Primary School
11. Supported drought mitigation fund appeal with food stuff and cash donations
12. Participated in the field Marshal Dedan Kimathi 66th commemoration with a water connection to supply water during the event on 17th February 2023.
13. Supported County Government of Nyeri, Department of Health Services for the Male Medical Camp
14. Mater heart run - Nyeri and Nairobi chapters
15. The Pines Charity Initiative; tree growing initiative at Wangari Mathai Cultural Centre
16. Supported Nyeri MCA Hon. Wanjiku Wachira; world menstrual hygiene day- pads drive.

11. Report of the Directors

The Directors submit their report together with the Financial Statements for the year ended June 30, 2023 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. 5.7 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. Mrs Veronica Maina term ended in May 2023.

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.

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Annual Report and Financial Statements for the year ended June 30, 2023

By Order of the Board

Name..... FCS RICHARD K. GIKUHI

Signature..... *Richard K. Gikhi*



Date..... 24/01/2024

Company Secretary/Secretary to the Board

12. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of 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, 2023. 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.

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, 2023, and of Nyeri Water and Sanitation Company Limited financial position as at that date. The Directors further confirm the completeness of the

Nyeri Water and Sanitation Company Limited

Annual Report and Financial Statements for the year ended June 30, 2023.

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 1st September 2023 and signed on its behalf by:

Signature:..... Signature

Name CPA GATHOGO MWANGI.....

Chairperson of the Board

Name MR. PETER G. KATHUTTU.....

Managing Director

13. Report of the Independent Auditors

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NYERI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

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 57, which comprise the statement of financial position as at 30 June, 2023 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of 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 Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Long Outstanding Trade and Other Receivables

Note 24 to the financial statements reflects Kshs.271,803,368 in respect of trade and other receivables as at 30 June, 2023. The balance includes receivables amounting to Kshs.241,305,447 which have been outstanding for more than 180 days according to aged debtors' analysis provided for audit review. Further, trade receivables with a total balance of Kshs.86,325,573 have been terminated out of which receivables with accumulated balance of Kshs.43,938,709 have no contact information including telephone numbers and postal address for follow up and recovery.

In addition, included in the trade receivables balance is Kshs.45,506,293 being VAT recoverable from Kenya Revenue Authority dating back to 10 years. This amount may be unrecoverable if action is not taken promptly to have the refunds settled.

In the circumstances, the recoverability, accuracy and completeness of trade and other receivables balance of Kshs.241,305,447 as at 30 June, 2023 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, Statement of Performance Against Predetermined Objectives, Report of the Directors, Corporate Governance Statement, Management Discussion and Analysis 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. Staff Ethnicity Diversity

Review of the staff records revealed that the Nyeri Water and Sanitation Company Limited had a total of two hundred and twenty-seven (227) employees as at 30 June, 2023. However, two hundred and twenty-two (222) or 98% of the total employees comprised of staff from one dominant ethnic community. This is contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and 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.

2. Exceeding Industrial Benchmark on Personnel Expenses

Note 11 to the financial statements reflects Kshs.268,328,266 in respect of staff costs for the year ended 30 June, 2023. However, the expenditure represents 41% of the total operating expenditure of Kshs.657,197,326, which 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 control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 February, 2024

Nyeri Water and Sanitation Company Limited.
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Profit or Loss & Other Comprehensive Income for The Year Ended 30 June 2023.

	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue			
Operating Revenue	6	618,999,120	621,236,198
Grants Income	7	18,929,141	51,663,943
Other Income	8	14,563,942	1,328,949
Finance income	9	10,463,068	10,632,090
Other gains/(losses)	10	-	1,228,131
Total Revenue		662,955,271	686,089,311
Expenses			
Staff Costs	11	268,328,266	244,636,910
General and Operations expenses	12	205,220,871	187,450,189
Board Expenses	13	11,509,592	12,833,353
Maintenance Expenses	14	77,887,479	89,424,326
Depreciation and Amortization expenses	15	83,217,024	86,965,978
Finance Costs	16	11,034,094	17,658,181
Total Expenses		657,197,326	638,968,937
Profit/(Loss) Before Taxation		5,757,945	47,120,374
Income Tax Expense/(Credit)	17	1,727,384	8,456,582
Profit/(Loss) After Taxation		4,030,561	38,663,792
Earnings Per Share – Basic And Diluted	18	1.07	10.31

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Disclosure on Reclassification.

In the FY 2022/2023, the Public Sector Accounting Standard Board changed the financial reporting format of the Water Sector reporting template. The Company adopted reporting template and reclassified comparative prior year amounts to the new reporting template as per required by IAS 1.41.

The following comparative amounts in revenue and expenditures in the FY 2021/22 were affected:

	Note	2021-2022 Reclassified	2021-2022 Before reclassification	Difference	Explanation
		Kshs	Kshs		
Revenue					
Operating Revenue	6	621,236,198	573,090,910	48,145,288	Included in the Operating Revenue in FY 2022/23 is billing for other services which includes amount for Other Water Income amounting to Kshs. 46,253,187, Other Sewer Income Kshs. 1,892,101. This was previously reported under other income in the FY 2022/23
Other Income	8	1,328,949	49,474,237	(48,145,288)	
Expenses					
General and Operations expenses	12	187,450,189	197,056,222	(9,606,033)	Included in the Maintenance Expenses in FY 2022/23 is Meters for Replacement amounting to Kshs. 9,606,033. This was previously reported in the General Operations Expenses in the FY 2022/23
Maintenance Expenses	14	89,424,326	79,818,293	9,606,033	

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Financial Position as at 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant, and equipment	20	1,185,998,257	1,231,985,589
Intangible assets	21	23,310,620	20,228,499
Total Non-Current Assets		1,209,308,877	1,252,214,088
Current Assets			
Fixed Interest Investments	22	100,000,000	147,200,000
Inventories	23	30,984,027	36,363,546
Trade and other receivables	24	271,803,368	262,942,430
Tax Recoverable	24(d)	45,506,293	45,506,293
Short-term deposits	26	28,841,813	14,595,882
Bank and cash balances	27	21,263,512	46,836,093
Total Current Assets		498,399,013	553,444,243
Total Assets		1,707,707,890	1,805,658,331
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	28	75,000,000	75,000,000
Retained earnings	29	686,810,375	681,566,184
Capital and Reserves		761,810,375	756,566,184
Non-Current Liabilities			
Borrowings	30	406,172,564	457,955,101
Capital Grant	37(d)	147,745,924	154,125,119
Total Non-Current Liabilities		553,918,488	612,080,220
Current Liabilities			
Borrowings	30	50,417,076	56,207,139
Provisions	31	5,941,325	4,109,094
Trade and other payables	32	212,784,339	258,565,100
Refundable Deposits and Prepayments	33	110,240,661	104,965,067
Taxation	34	12,595,623	13,165,527
Total Current Liabilities		391,979,024	437,011,927
TOTAL EQUITY AND LIABILITIES		1,707,707,890	1,805,658,331

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

The Financial Statements were approved by the Board on 1st September 2023 and signed on its behalf by:



Eng. Peter G. Kahuthu
Managing Director
24th January, 2024



CPA Rose W Gitahi
Chief Manager, Finance
and Corporate Services
ICPAK M/No: 12491
24th January, 2024



CPA Gathogo Mwangi
Chairman of the Board
24th January, 2024

16. Statement of Changes in Equity for The Year Ended 30 June 2023

	Ordinary share capital	Retained earnings	Capital/Development Grants/Fund	Total
At July 1, 2021	75,000,000	644,882,841	175,753,660	895,636,501
Total Comprehensive Income	-	38,663,792	-	38,663,762
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)
As at June 30, 2022	75,000,000	681,566,184	154,135,119	910,691,303
As at July 1, 2022	75,000,000	681,566,184	154,135,119	910,691,303
Development Grants received during the year	-	-	12,996,215	12,996,215
Prior-year adjustment	-	1,213,630	-	1,213,630
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	(18,929,142)	(18,929,142)
Prior-year adjustment	-	-	(456,267.55)	(456,267.55)
Total Comprehensive Income	-	4,030,561	-	4,030,561
As at June 30, 2023	75,000,000	686,810,375	147,745,924	909,556,299

The prior year adjustment in the year 2022/23 of Kshs 1,213,630 relates to an error in the Retained Earnings amount which should have been Kshs. 682,777,814 and Capital Grants which should have been Kshs. 153,668,851 as at 30th June 2022.

The prior year adjustment in the year 2021/22 of Kshs 1,980,449 relates to a misstatement of the Treasury Bills amount which should have been Kshs 142,000,000.

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

17. Statement of Cash Flows for The Year Ended 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash Generated from/(Used in) Operations			
Surplus before taxation		5,757,945	47,120,374
Adjustments for:			
Depreciation	15	83,217,024	86,965,978
Prior year Depreciation Adjustment	15	(797,966)	-
Amortization of Grant	7	(18,929,142)	(51,663,943)
Prior year Capital Grant Adjustment	16	(456,268)	
Operating profit before changes in Working Capital		68,791,563	82,422,409
Changes in Working Capital			
Inventories	23	5,379,520	(13,857,209)
Trade and other receivables	24	(8,860,935)	(18,561,593)
Customer deposits	33	5,275,594	11,667,897
Trade and other Payables	32	(45,780,761)	70,304,928
Cash generated from operations		24,804,981	131,976,432
Income Tax Paid	17	(2,297,288)	(2,929,399)
Net cash generated from operations		22,507,693	129,047,033
Cash Flows From Investing Activities			
Purchase of fixed assets	20	(39,491,094)	(102,446,393)
Prior year Fixed Asset Additions Adjustment	15	(22,724)	-
Net cash generated from/(used in) investing activities		(39,513,818)	(102,446,393)
Cash Flows From Financing Activities			
Grants from the Government	7	12,996,215	30,035,402
KFW Loan Interest accrued but capitalized	30 (b)	3,055,860	4,201,423
OBA Loan Capital Repayment	30	(5,790,062)	(72,130,850)
KFW Loan Capital Repaid	30	(51,782,538)	(55,526,372)
Net cash generated from/(Used in) financing activities		(41,520,525)	(93,420,397)
Net increase/(decrease) in cash and cash equivalents		(58,526,650)	(66,819,758)
Cash and cash equivalents:			
At the start of the year 1 st July 2022	35(c)	208,631,974	275,451,732
At the end of the year 30 th June 2023	35(c)	150,105,324	208,631,974

verifier : Sanjiv Kumar any ited
Annual Report and Financial Statements for the year ended June 30, 2023

18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023

	Original budget	Adjustments	Final Budget	Actual on a comparable basis	Performance difference	% of utilization
	2022-2023 Kshs	2022-2023 Kshs	2022-2023 Kshs	2022-2023 Kshs	Kshs	%
Revenue						
Operating Revenue	680,000,000	-	680,000,000	566,447,039	(113,552,961)	83%
Grants Income	18,929,141	-	18,929,141	18,929,141	-	100%
Other Income	113,000,000	-	113,000,000	67,116,022	(45,883,978)	59%
Finance income						
Other gains/(losses)						
Total Revenue	811,929,141	-	811,929,141	652,492,203.11	159,436,937.89	80%
Expenses						
Staff Costs	269,068,260	5,100,000	274,168,260	268,328,266	(5,839,994)	98%
Board Expenses	12,000,000	-	12,000,000	11,509,592	(490,409)	96%
General and Operations expenses	200,865,000	66,714,000	267,579,000	205,220,871	(62,358,129)	77%
Maintenance Expenses	169,781,000	(37,310,000)	132,471,000	77,887,479	(54,583,521)	59%
Depreciation		83,126,784	83,126,784	83,217,024	83,126,784	100%
Finance Costs	22,400,000	(8,250,000)	14,150,000	11,034,094	(3,115,906)	78%
Total Recurrent Expenditure	757,241,044	56,872,784	700,368,260	657,197,326	(43,261,175)	94%
Profit or Loss	54,688,097	6,002,500	60,690,597	5,757,945	(54,842,412)	10%
Capital Expenditure- Internal Funds	144,850,000	(58,000,000)	86,850,000	39,491,094	(47,358,906)	45%
Capital Expenditure- Grants	99,000,000	(51,003,785)	47,996,215	12,996,215	(35,000,000)	27%
Total Expenditure	1,001,091,044	(165,876,569)	835,214,475	709,594,394	(125,620,081)	85%

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2023

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	2022-2023	2022-2023			
	Kshs	Kshs	Kshs	%	
Operating Revenue	680,000,000	566,447,039	(113,552,961)	83%	The anticipated growth in connections was negatively affected by a slow down on extension projects and the expected Tariff Indexation rate was reduced to 4 % and implemented a month late since the approval was communicated in July 2022.
Other Income	113,000,000	67,116,022	(45,883,978)	59%	The expected growth in alternative services could not be realised due to lack hampered development of supporting infrastructure as a result of cash flow constraints.
Expenses					
General and Operations expenses	267,579,000	205,220,871	(62,358,129)	77%	The Company issued cost cutting measures during the year due to cash flow constraints.
Maintenance Expenses	132,471,000	77,887,479	(54,583,521)	59%	The Company issued cost cutting measures during the year due to cash flow constraints.
Finance Costs	14,150,000	11,034,094	(3,115,906)	78%	The Company had provided for AOD interest which did not materialize.

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2023

Budget Notes: Explanation of changes between original and final budget

	Original budget 2022-2023	Adjustments 2022-2023	Final budget 2022-2023	Remarks
Expenses				
Staff Costs	269,068,260	5,100,000	274,168,260	This was due to the new government regulations on NHIF and also overtime to staff which had not been catered for in the original budget.
General and Operations Expenses	200,865,000	66,714,000	267,579,000	The Company reviewed the budget based on the proposed increment of abstraction fees by Water Resources Authority (WRA) from 0.05% to 5%.
Maintenance Expenses	169,781,000	(37,310,000)	132,471,000	Adjusted to cater for reduced infrastructural maintenance, repairs of pumps and scrappers, building maintenance at Kangemi Treatment Plant.
Finance Costs	22,400,000	(8,250,000)	14,150,000	This was reduced since the Company had cleared the OBA loan that matured in September 2022.
Capital Expenditure- General Fund	144,850,000	(58,000,000)	86,850,000	Due to cash flow constraints the Company reviewed the capex budget and moved the budget items to the next financial period.
Capital Expenditure- Grants	99,000,000	(51,003,785)	47,996,215	The Company expected to receive grants to cater for the Baraka-Chaka Water Project, UBSUP II and a staff bus for County Government of Nyeri. The Company after various engagement on implementation of Baraka Chaka it was resolved that Tana Water will implement the project and hence a review on the amount of grants.

19. 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 sanitation services to the people of Nyeri sub county and its environs. In the previous 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 2023*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. <i>NYEWASCO does not issue insurance contracts.</i>	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 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. <i>This amendment had no effect on NYEWASCO's financial statements for the year ended June 2023.</i>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued	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.

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2023

Title	Description	Effective Date
in February 2021)	<i>(This amendment had no effect on NYEWASCO's financial statements for the year ended June 2023.</i>	
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. <i>This amendment had no effect on NYEWASCO's financial statements for the year ended June 2023.</i>	The amendments are effective for annual periods beginning on or after January 1, 2023.

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

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

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020,	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2023

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

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on 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 2022/2023.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of 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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of 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	Years	Rates
Freehold Land	NIL	NIL
Leasehold Land	NIL	NIL
Buildings and civil works	50	2.0%
Infrastructure works	40	2.5%
Plant and machinery	8	12.5%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	3	30%
Office equipment, furniture and fittings	8	12.5%
Intangible Assets	3	30%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment may be reviewed annually for impairment and accounted for in line with the provisions in the standard.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of 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 reducing balance 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 reducing balance basis over the estimated useful life of the intangible asset. All intangible assets may be 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 de-recognition 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 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 bonds are measured at amortized cost or at fair value through profit or loss or at fair value through other comprehensive income (FVOCI). The Treasury Bills held by Nyeri Water and Sanitation Company Limited are measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Accounting Policies

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.

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. A report on losses and write offs is disclosed on page xxx of this report.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of 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 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 reassessed 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 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 Accounting Policies

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The Company 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 1080 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 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 2022-2023 was approved by the Board of Directors on 8th June 2022. 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 Kshs 23 million on the 2022-2023 budget following the Board of Directors 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. Adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Note 18 of these financial statements.

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, 2023.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. 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.

Nyeri Water and Sanitation Company Limited
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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.

Provisions for bad debts are calculated using the Simplified Provision Matrix Approach on its Trade Receivables as per IFRS 9. This allows for recognition of lifetime expected losses without the need to identify significant increases in credit risk.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Water sales	446,663,609	448,429,338
Sewerage Services	119,783,429	124,661,572
Billing for other services	52,552,082	48,145,288
Total	618,999,120	621,236,198

Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, water analysis samples etc.

7. Grants Income

	2022-2023	2021-2022
	Kshs	Kshs
Operational grants from Government entities	-	30,035,402
Capital grants amortized	18,929,141	21,628,541
Total	18,929,141	51,663,943

[Detailed analysis of grants received in the current year from the Government in the table below:]

b) Grants from the Government

Name of the Entity sending the grant	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	2022-2023 KShs
County Government of Nyeri (Baraka Chaka)	12,996,215	-	12,996,215
Total	12,996,215	-	12,996,215

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

	2022-2023	2021-2022
	Kshs	Kshs
Rental income	885,293	926,000
Miscellaneous income (specify)	13,526,649	402,949
Insurance Compensation	152,000	-
Total	14,563,942	1,328,949

9. Finance Income

	2022-2023	2021-2022
Description	Kshs	Kshs
Interest income from treasury bills	7,641,500	9,578,024
Interest from commercial banks and financial institutions	2,821,568	1,054,066
Total	10,463,068	10,632,090

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

10. Other Gains and Losses

	2022-2023	2021-2022
Description	Kshs	Kshs
Gain on sale of fixed assets	-	1,228,131
Total	-	1,228,131

11. Staff Costs

	2022-2023	2021-2022
Description	Kshs	Kshs
Gross Salary and Allowances	231,796,329	214,477,393
Casual workers' Wages	334,349	714,475
Employer's contributions to social security schemes	1,542,280	364,450
Employer's contributions to pension scheme	18,688,347	16,676,668
Staff welfare	1,277,511	1,177,210
Leave and Gratuity	14,689,450	11,226,714

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Other Allowances	-	-
Total	268,328,266	244,636,910
The average number of employees during the year		
Management	7	6
Permanent employees	133	96
Contracted employees	88	136
Total	228	238

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

12. General and Operations Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Transport Refunds	286,015	389,706
Chemicals	15,541,794	12,434,057
Re-agents/Lab.Apparatus	2,916,070	580,127
Uniforms & PPE,s	4,811,227	2,131,524
Branded & Promotional Materials	359,670	-
Diesel for Generator	348,967	259,957
Lubs etc	-	20,433
Clean Mat	1,902,984	1,837,452
Phones for operations	2,050	-
Electricity for Operations	40,630,294	29,869,399
Tel & Comm	4,721,845	4,439,164
Postage/SMS/Billing	3,630,439	885,407
Laundry	10,250	3,800
Samples Analysis -	1,014,484	663,951
Security	11,444,627	10,314,903
Investigations	208,568	14,860
Entertainment vote-	5,600	1,214,830
Catering	5,049,342	5,235,393
Water & Sanitation Charges	2,332,700	1,284,344
Disludging of Lagoons-	239,850	-
Customer Sensitization/ Marketing Events	102,253	-
Recruitments	205,262	3,374,044
Task force allowances	895,000	-
Printing & Stationery	2,385,363	-
I.S.O 9001-2015	1,926,960	-
Tarrif Study	-	250,277
Advert & PR	1,783,854	3,374,044
Subscription	917,005	778,143
Accreditation ISO/IEC 17025-	2,969,754	2,356,261
Periodicals	109,202	115,400
Donations	-	70,000
Group Life Assurance cover-	2,027,675	3,861,945
Bank Charges	1,379,221	1,458,994
Water Abstraction Levies-	2,985,415	4,980,572
Audit Fees	500,000	600,000
Licence Charges-	580,767	1,791,000

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Prof Fees	723,865	1,156,220
Bus.Travel & Foreign expenses	6,940,973	8,380,000
Claims	812,612	187,759
Staff Team Building- Functions & Celebrations	3,703,975	2,399,086
Sports-	-	2,961,900
Occupational H. SO.H.S -	1,100,459	6,072,764
H.I.V. Management	867,529	40,000
A.S.K Show -	-	120,612
Water Resources M.Authority-	1,514,850	800,000
NITA Levies	-	10,000
Legal Fees	139,250	169,240
Social Responsibility Fund-	73,250	466,200
Environmental Protection	928,025	2,021,259
Workshops/ Seminars-	2,218,597	2,000,432
N.E.M.A Payments	10,563,054	11,151,329
KEBS Payments-	210,000	220,000
Market /Customer Satisfaction Survey	400,000	400,000
Bad & Doubtful debts	1,057,320	-
Regulatory fees	9,292,158	7,216,152
Strategic Planning	25,714,700	23,973,668
Young Water Professionals	-	300,000
Consultancy Services	45,800	50,300
Medical insurance schemes	-	990,000
Provisions for Leave pay	20,718,388	17,390,832
Corporate Functions & Celebrations	1,832,230	1,420,551
Total General & Operations Expenses	2,139,331	2,961,900
	205,220,871	187,450,189

13. Board Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Chairman Honoraria	964,200	560,000
Sitting allowances	3,701,573	5,010,000
Induction and Training	1,867,384	877,500
Travel and accommodation	4,101,609	5,874,618
Other allowances	874,826	511,235
Total Board Expenses	11,509,592	12,833,353

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Income Tax Expense/(Credit)

	2022-2023	2021-2022
Description	Kshs	Kshs
Balance as at July,1	13,165,527	7,638,344
Charge for the year	1,727,384	8,456,582
Payment During the Year	(2,297,288)	(2,929,399)
Balance as at 30th June	12,595,623	<u>13,165,527</u>

18. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs. 4,030,561 (Kshs. 38,663,792 in 2021-2022) 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
Annual Report and Financial Statements for the Year Ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Maintenance Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Plant and Equipment	6,356,884	17,055,738
Buildings	2,696,001	4,292,436
Infrastructural networks	32,812,364	45,392,255
Grounds	3,024,175	4,208,630
Motor vehicles	13,517,427	5,598,560
Software	418,864	3,270,674
Furniture	235,750	-
Water Meter maintenance costs	18,826,013	9,606,033
Maintenance of access roads	-	-
Total Maintenance Expenses	77,887,479	89,424,326

15. Depreciation and Amortization Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Property, plant, and equipment	73,226,844	78,296,622
Intangible assets	9,990,180	8,669,356
Investment property carried at cost (IAS 40)*		
Total Depreciation and Amortization	83,217,024	86,965,978

16. Finance Costs

	2022-2023	2021-2022
Description	Kshs	Kshs
Interest expense on loans - KFW	10,923,699	13,129,449
Interest expense on loans - OBA	110,395	4,528,732
Total	11,034,094	17,658,181

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

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 related to Water Services Trust Fund (Output Based Aid) at an annual rate of 14% for sewer infrastructural extension works.

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

20. Property, Plant and Equipment (Consolidated)

	Freehold Land	Buildings	Plant & Machinery	Furniture & Equipment	Motor Vehicles & Cycles	Computers & Typewriters	Computers Software & Enhancements	Work in Progress	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		Kshs.
COST									
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	5,023,164	21,934,000	41,634,840	102,446,393
Transfer during the year	-	-	-	-	-	-	-	-	-
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	78,383,965	21,934,000	51,354,329	2,156,444,013
At 1st July 2022	24,702,110	129,059,941	1,761,707,759	41,042,943	48,258,967	78,383,965	21,934,000	51,354,329	2,156,444,013
Prior Year Adjustment	(1)	151	1	22,573	-	2	-	-	22,724
Additions for the Year	-	-	10,575,394	1,052,121	-	2,638,720	17,946,800	7,278,058	39,491,094
Transfer during the year	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-
At 30th June 2023	24,702,109	129,060,092	1,772,283,152	42,117,637	48,258,967	81,022,687	39,880,800	58,632,387	2,195,957,831
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	4,132,393	6,580,000	-	86,965,978
Disposal	-	-	-	-	(4,254,831)	-	-	-	(4,254,831)
At 30th June 2022	-	36,192,067	734,644,999	26,313,113	32,215,238	68,284,509	6,580,000	-	904,229,926
At 1st July 2022	-	36,192,067	734,644,999	26,313,113	32,215,238	68,284,509	6,580,000	-	904,229,926
Prior year (over)/under State	-	2	306,227	670,610	1	(1,774,836)	-	-	(797,996)
Charge for the year	-	2,113,865	61,417,679	1,972,744	4,010,932	3,711,624	9,990,180	-	83,217,024
Disposal	-	-	-	-	-	-	-	-	-
At 30th June 2023	-	38,305,934	796,368,905	28,956,467	36,226,171	70,221,297	16,570,180	-	986,648,954
NET BOOK VALUE									
At 30th June 2023	24,702,109	90,754,158	975,914,248	13,161,170	12,032,796	10,801,390	23,310,620	58,632,387	1,209,308,877
At 30th June 2022	24,702,109	92,867,874	1,027,062,761	14,729,830	16,043,729	10,099,456	15,354,000	51,354,329	1,252,214,087

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

Prior Year Adjustments arose from the reconciliations between the schedules and the Trial Balance.

Nyeri Water and Sanitation Company Limited
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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 Summary

Freehold land, buildings and other assets are stated on historical cost, the amounts are as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	24,702,109	-	24,702,109
Buildings	129,060,092	38,305,937	90,754,155
Plant and machinery	1,772,283,152	796,368,905	975,914,247
Office equipment, furniture, and fittings	42,117,637	28,956,467	13,161,170
Motor vehicles, including motorcycles	48,258,967	36,226,171	12,032,796
Computers and related equipment	81,022,687	70,221,297	10,801,390
Computers Software & Enhancements	39,880,800	16,570,180	23,310,620
Work in Progress	58,632,387	-	58,632,387
Total	2,195,957,831	986,648,957	1,209,308,877

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.

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Between 121 and 150 days	14,298,132	260,986,058
Between 151 and 180 days	15,698,849	
Over 180 days	241,305,447	
Total	375,758,669	357,605,573

24 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	49,156,850	41,940,698
Additional provisions during the year	9,292,158	7,216,152
At the end of the year	58,449,008	49,156,850

24 (c) Staff Receivables

Description	2022-2023	2021-2022
	Kshs	Kshs
Gross staff loans and advances	1,576,800	2,152,600
Provision for impairment loss	-	-
Net staff Advances	1,576,800	2,152,600
Less: Amounts due within one year	(1,576,800)	(2,055,156)
Amounts due after one year	-	97,044

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

24 (d) VAT Recoverable

Description	2022-2023	2021-2022
	Kshs	Kshs
VAT Recoverable	45,506,293	45,506,293

The amount relates to VAT claims when water was zero rated and the Company was allowed to claim input tax from Kenya Revenue Authority.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Tax Recoverable

Description	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year (note 17)	-	-
Under/(over) provision in prior year/s (note 17)	-	-
Income tax paid during the year	-	-
At end of the year	-	-

26. Short-Term Deposits

	2022-2023	2021-2022
Description	Kshs	Kshs
Consolidated Bank Loan Deposit Account	10,000,000	9,000,000
National Bank-Performance Guarantee	5,845,598	5,595,882
National Bank- Baraka Chaka	12,996,215	-
Total	28,841,813	14,595,882

The average effective interest rate on the short term deposits as at June 30, 2023 was 8% (2021-2022: 8%).

27. Bank and Cash Balances

	2022-2023	2021-2022
	Kshs	Kshs
Cash at bank	19,168,796	44,653,538
Cash in hand	-	-
Mobile money account	2,094,716	2,182,555
Total	21,263,512	46,836,093

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Detailed analysis of the cash and bank balances

		2022-2023	2021-2022
Financial institution	Account number	Kshs	Kshs
Current account			
Commercial banks			
ABSA Operation Account	030301198124	910,366	5,053,169
National Bank collection account	0102004319800	3,261,412	1,087,987
National Bank Deposit account	0102004319801	4,766,261	14,642,651
National Bank UBSUP(Witemere) account	0102004319804	59	59
National Bank (Customer bills payment acc.	0102004319812	125,439	415,342
KCB Salaries Account	1183066996	2,548,742	1,794,253
Co-op Bank Escrow account/Call Deposit	01150667897100	-	286,461
Co-op Bank Collection account	01148667897100	5,655,661	2,255,464
Co-op Bank Loan deposit/Non-Check Off Settlement A/C	019J9667897100	-	3,259,883
Co-op Bank Collateral account	01246667897100	-	-
Equity Collection Account	0110261003593	620,696	740,793
Family Bank Collection account	055000043395	320,212	1,163,255
Eco Bank Collection Account	6652000567	470,398	355,203
NBK (Conditional Liquidity Grant account)	0102004319811	489,549	13,599,018
Sub- total		19,168,796	44,653,538
On - call deposits			
Commercial banks		-	-
Others		-	-
Sub- total		-	-
Fixed deposits account			
Other Commercial banks			
Others		-	-
Sub- total		-	-
Sub- total		-	-
Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
Mobile money account			
M-Pesa - Payment Account	333915	767,520	985,571
M-Pesa - Collection Account	968800	1,322,597	1,196,984
M-Pesa - ATM		4,599	-
Sub- total		2,094,716	2,182,555
Grand total		21,263,512	46,836,093

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Ordinary Share Capital

	2022-2023	2021-2022
	Kshs	Kshs
Authorized:		
3,750,000 ordinary shares of Kshs.20 par value each	75,000,000	75,000,000
Issued and fully paid:		
3,750,000 ordinary shares of Kshs.20 par value each	75,000,000	75,000,000

Nyeri Water and Sanitation Company Limited share capital comprises of 3,750,000 paid up ordinary shares at Kshs.20 each.

29. Retained Earnings

The retained earnings are not available for distribution to the Nyeri Water and Sanitation Company Limited shareholders and are utilised to finance Nyeri Water and Sanitation Company Limited business activities. This financial year ended 2023 the retained earnings amounted to Kshs. 686,810,375 and Kshs. 681,566,184 (2021/22) as indicated in the Statement of Changes in Equity (SOCE).

30. Borrowings

Description	2022-2023	2021-2022
	Kshs	Kshs
a) Domestic Borrowings		
Balance at beginning of the year	514,162,240	637,130,308
Domestic borrowings during the year	-	-
Repayments during the year- KfW Loan	51,782,538	55,526,372
Repayments during the year- OBA Loan	5,790,062	72,130,850
Balance at end of the year	456,589,640	514,162,240

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

The analysis of domestic borrowings are as follows:

	2022-2023	2021-2022
	Kshs	Kshs
Domestic Borrowings		
Kenya Shilling loan from Treasury	456,589,640	508,372,177
Kenya Shilling loan from Co-operative Bank	-	5,790,063
Total balance at end of the year	456,589,640	514,162,240

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Obligation-KFW Loan	50,417,076	50,417,076
Current Obligation- OBA Loan	-	5,790,063
Long-term Obligation	406,172,564	457,955,101
Total	456,589,640	514,162,240

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 relating to Water Services Trust Fund (Output Based Aid) at an annual rate of 14% for sewer infrastructural extension work was cleared in the month of September 2022.

30 (b) KfW Loan Interest Accrued but Capitalised

Description	2022-2023	2021-2022
	Kshs	Kshs
KFW Loan Interest Accrued but Capitalized	3,055,860	4,201,423

The amount relates to the interest accrued for the fourth quarter (March, April, May & June 2023) of the financial year which had not been paid. The amount will be payable during loan repayment period in the month of September 2023.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. Provisions

Description	Leave Provision	Bonus Provision	Gratuity provisions	Other Provisions	Total
	Kshs	Kshs	KShs	Kshs	Kshs
Balance at the beginning of the year	4,109,095	-	-	49,156,850	53,265,945
Additional Provisions	1,832,230	-	-	9,292,158	11,124,388
Balance at the end of the year	5,941,325	-	-	58,449,008	64,390,333

Provisions details

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Portion of Provisions	5,941,325	4,109,095
Long-term portion of Provisions	58,449,008	49,156,850
Total	64,390,333	53,265,945

32. Trade and Other Payables

	2022-2023	2021-2022
	Kshs	Kshs
Trade payables	36,399,611	46,905,322
Accrued expenses	34,176,916	45,493,931
Employee payables	11,980,327	5,009,867
Other payables	130,227,485	161,155,980
Total	212,784,339	258,565,100

Aging Analysis for Trade and other Payables

	2022-23	% of the total	2021-22	% of the total
Under one year	114,854,091	53.9 %	129,061,466	50%
1-2 years	33,206,913	15.7%	6,312,211	2.4%
2-3 years	429,675	0.2%	1,573,867	0.01%
Over 3 years	64,293,660	30 %	121,617,556	47.05%
Total	212,784,339		258,565,100	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. Customer Deposits

	2022-2023	2021-2022
	Kshs	Kshs
Opening Balance	104,965,067	93,297,171
Add: deposits received during the year	19,902,117	21,347,922
Less: Refunded deposits during the year	(10,103,560)	(6,986,013)
Less: Used to settle water bills during the year	(4,522,963)	(2,694,013)
Closing balance	110,240,661	104,965,067

34. Taxation

	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	13,165,527	7,638,344
Income tax charge for the year	1,727,384	8,456,582
Income tax paid during the year	(2,297,288)	(2,929,399)
At end of the year	12,595,623	13,165,527

35. Notes to The Statement of Cash Flows

	2022-2023	2021-2022
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	5,757,945	47,120,374
Depreciation	83,217,024	86,965,978
Prior year Depreciation Adjustment	(797,966)	-
Amortization of Grant	(18,929,142)	(51,663,943)
Prior year Capital Grant Adjustment	(456,268)	-
Operating profit before changes in Working Capital	68,791,563	82,422,409
(Increase)/ decrease in inventories	5,379,520	(13,857,209)
(Increase)/ decrease in trade and other receivables	(8,860,935)	(18,561,593)
Increase/(decrease) in trade and other payables	(45,780,761)	70,304,928
Increase/(decrease) in Consumer deposits	5,275,594	11,667,897
Cash generated from/(used in) operations	24,804,981	131,976,432
(b) Analysis of changes in loans		
Balance at beginning of the year	514,162,240	637,130,308
Repayments during the year	(57,572,600)	(122,968,068)

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	2022-2023	2021-2022
	Kshs	Kshs
Balance at end of the year	456,589,640	514,162,240
(c) Analysis of cash and cash equivalents		
Fixed interest Investments (T-Bills) (Note 22)	100,000,000	147,200,000
Short term deposits (Note 26)	28,841,813	14,595,882
Bank and Cash balances (Note 27)	21,263,512	46,836,093
Balance at end of the year	150,105,324	208,631,975

Other Disclosures

36. Water Inventory

	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	1,410,392	1,410,392
At end of the year	1,410,392	1,410,392
Difference to Statement of Comprehensive Income	-	-

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. 16,033,650 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

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

23. Inventories

	2022-2023	2021-2022
	Kshs	Kshs
Pipes and fittings	21,778,126	29,044,729
Chemicals	2,743,069	2,540,129
Stationery	334,873	391,188
Clothing and Uniforms	1,976	7,375
Cleaning Materials	-	-
Hardware and Tools	1,445,892	1,651,809
Water Meters	4,680,091	2,728,315
Less: Impairment of Stocks	-	-
Total	30,984,027	36,363,545

The Company uses the moving average method to value its inventories. The Company did not impair its inventory.

24. Trade and Other Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Trade receivables (note 24a)	328,855,212	308,850,980
Deposits and prepayments	592,695	1,051,041
Staff receivables (note 24 (c))	-	97,044
Other receivables	804,469	2,100,215
Gross trade and other receivables	330,252,376	312,099,280
Provision for bad and doubtful receivables	(58,449,008)	(49,156,850)
Net trade and other receivables	271,803,368	262,942,430

24 (a) Trade Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross trade receivables	328,855,212	308,850,980
Less Provision for doubtful receivables	-58,449,008	49,156,850
Net trade receivables	270,406,204	259,694,130
As of June 30, 2023, the aging analysis of the gross trade and other receivables was as follows:		
Less than 30 days	49,802,329	39,265,563
Between 30 and 60 days	22,033,634	23,891,699
Between 61 and 90 days	17,870,976	18,530,811
Between 91 and 120 days	14,749,302	14,931,442

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Intangible Assets

	2022-2023	2021-2022
	Kshs	Kshs
COST		
At July 1	21,934,000	14,610,510
Additions	17,946,800	25,882,164
Disposals	-	-
At June 30	39,880,800	40,492,674
AMORTISATION		
At July 1	6,580,000	11,594,819
Charge for the year	9,990,180	8,669,356
Disposals	-	-
At June 30	16,570,180	20,264,175
NET BOOK VALUE		
At June 30	23,310,420	20,228,499

Intangible assets include various computer software used by the Company.

22. Fixed Interest Investments (T-Bills)

	2022-2023	2021-2022
	Kshs	Kshs
Central Bank of Kenya (Treasury Bills Maturing in December 2023)	100,000,000	147,200,000
Total	100,000,000	147,200,000

The movement in investment during the year is as follows:

Details	2022-2023	2021-2022
	Kshs	Kshs
Balance at 1 July	147,200,000	143,980,449
Prior year adjustment	-	(1,980,449)
Additions / (Reductions) during the year	(47,200,000)	5,200,000
Balance at 30 June	100,000,000	147,200,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Transactions with related parties

	2022-2023	2021-2022
	Kshs	Kshs
a) Sales to related parties		
Water & Sanitation sales to Government Agencies	98,883,679	101,204,468
Interest income from Government Commercial Banks	2,821,588	1,054,065
Interest income from T-bills	7,641,500	9,578,024
Total	109,346,767	111,836,557
b) Purchases from related parties		
Purchase of water from Government service providers - WRA	2,985,415	4,980,572
Training and conference fees paid to Government agencies	2,346,035	1,124,605
Bank charges paid to Government Commercial banks	1,379,221	1,458,994
Total	6,710,671	7,564,171
b) Grants from the Government		
Grants from National Government Agencies	-	30,035,402
Grants from County Government	12,996,215	-
Total	12,996,215	30,035,402
c) Key Management compensation		
Directors' emoluments	11,509,592	12,833,353
Compensation to key Management	27,222,331	30,603,192
Total	38,731,923	43,436,545

d) Capital Grant

	2022-2023	2021-2022
	Kshs	Kshs
Balance as at 1 st July	154,135,119	175,763,660
Prior-year adjustment	(456,268)	-
Additional Grants During the Year	12,996,215	30,035,402
Less: Amortization During the Year	(18,929,142)	(51,663,943)
Balance at 30th June	147,745,924	154,135,119

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. Capital Commitments

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

39. Contingent Assets and Liabilities

Contingent Liabilities

	2022-2023	2021-2022
	Kshs	Kshs
Contingent liabilities		
Court case against the entity	3,429,932	3,288,469
VAT Tax Dispute	35,384,476	35,384,476
Total	38,814,408	38,672,945

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. In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize. Court cases against the entity are as detailed below;

- I. Nyeri ELC Appeal No. 21 of 2020 formerly Nyeri CMCC 21 of 2019 claiming damages of Kshs. 3,278,000
- II. Nyeri CMCC No. 3 of 2018 - pending payment of costs Kshs. 100,975
- III. Nyeri CMCC no. 30 of 2023 - Counter claim by the Company of Kshs. 50,957 (filed April of 2023)

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 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.

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 2023				
Trade Receivables	328,850,941	46,763,558	223,638,375	58,449,008
Other Receivables	46,903,457	3,034,500	-	-
Investments	100,000,000	100,000,000	-	-
Bank balances	50,105,325	50,105,325	-	-
Total	525,859,723	199,903,383	223,638,375	58,449,008
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

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NOTES TO THE FINANCIAL STATEMENTS (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 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.

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 2023 current year				
Trade Payables	36,399,611	34,176,916	-	70,576,527
Current portion of borrowings	-	50,417,076	-	50,417,076
Provisions		5,941,325	-	5,941,325
Total	36,399,611	90,535,317	-	126,934,928
At 30 June 2022 previous 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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(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.

Nyeri Water and Sanitation Company Limited Manager in charge of risk Management is responsible for the development of detailed risk Management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to Nyeri Water and Sanitation Company Limited exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

Nyeri Water and Sanitation Company Limited does not have transactional currency risk exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency.

b) Interest rate risk

Interest rate risk is the risk that Nyeri Water and Sanitation Company Limited financial condition may be adversely affected as a result of changes in interest rate levels. Nyeri Water and Sanitation Company Limited interest rate risk arises from bank deposits, investments in government securities and loans. This exposes the Company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on Nyeri Water and Sanitation Company Limited deposits, investments and loans.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Management of interest rate risk

To manage the interest rate risk, Management has endeavoured to bank with institutions that offer favourable interest rates. It also negotiated for a fixed rate of interest on the KFW loan as well as taken short term loans on AOD. This way, interest rate fluctuations are minimal.

ii) Sensitivity analysis

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

	Amount	Change	Change
	Kshs	%	Kshs
At 30 June 2023			
Interest Income	10,463,068	1	104,630
Interest Expense	11,034,094	1	110,340
Total Effect on SOCI			±5,710
Interest Income	10,463,068	5	523,153
Interest Expense	11,034,094	5	551,705
Total Effect on SOCI			±28,551
At 30 June 2022			
Interest Income	10,632,090	1	106,320
Interest Expense	17,658,181	1	176,581
Total Effect on SOCI			±70,261
Interest Income	10,632,090	5	531,605
Interest Expense	17,658,181	5	882,909
Total Effect on SOCI			±351,304

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Sensitivity analysis (Continued)

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 5,710 (2022: Kshs 70,261). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 28,551 (2022 - Kshs 351,304)

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

Treasury Bills held by Nyeri Water and Sanitation Company Limited are measured at fair value.

Financial instruments not measured at fair value

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Capital Risk Management

The objective of Nyeri Water and Sanitation Company Limited capital risk Management is to safeguard the Board's ability to continue as a going concern. Nyeri Water and Sanitation Company Limited capital structure comprises of the following funds:

	2022-2023	2021-2022
	Kshs	Kshs
Retained earnings	686,873,545	681,566,184
Capital reserve	75,000,000	75,000,000
Total funds	761,873,545	756,566,184
Total borrowings	456,589,640	514,162,240
Less: cash and bank balances	21,263,512	47,595,091
Net debt/(excess cash and cash equivalents)	477,853,152	466,567,149
Gearing	63%	61%

41. Incorporation

Nyeri Water and Sanitation Company Limited is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

42. Events after the Reporting Period

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

43. Currency

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

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

20. Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

No. on the External Audit Report	Issue/ Observation from the Auditor	Management Comments	(Resolved/Not Resolved)	(Put a date when you expect the issue to be resolved)
1.	Long outstanding Trade and Other Receivables.	<p>a. Aging analysis has now been done.</p> <p>b. The Company is now using the Simplified approach using a provision matrix as per IFRS 9 as the basis for provisioning.</p> <p>c. There is continual classification of receivables as collectable or non-collectable for ease of Management.</p> <p>d. A credit control unit was created and charged with the responsibility of day to day debt Management starting their day every morning by checking the debt status, monitoring daily debt movement/progress and contacting customers eliminating the need for a debt collection call center</p> <p>e. The Company is also analyzing the debts to identify those that may require following up</p>	Resolved	Done

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No. on the External Audit Report	Issue/ Observation from the Auditor	Management Comments	(Resolved/Not Resolved)	(Put a date when you expect the issue to be resolved)
		through legal processes as well as those that may qualify to be written off.		
2.	Long outstanding Trade and Other Payables.	Aging analysis has now been done.	Resolved	Done
3.	Un-authorised Refuse and Conservancy Fees Collection.	The Company collects refuse fees on behalf of the County Government of Nyeri (the shareholder) and remits the billed amounts per month to the County Government. The Company is in consultation with the County Government of Nyeri to formalize this arrangement.	Not resolved	30.06.2024
4.	Non-compliance with Law on Staff Ethnicity Diversity.	The Company has offered equal opportunity to all Kenyans through a competitive process of advertising for vacancies nationally as evidenced in the job vacancies adverts. However, the Company has noted very minimal participation by candidates from other regions. The Management is committed to encouraging ethnic diversity in all recruitment processes.	Not resolved	Continuous
5.	Exceeding Benchmark on Personnel Expenses.	There is gradual progress to achieve the ideal. The Company is recovering from the effects of Covid 19. The Management continues exploring means of enhancing revenue to address this matter fully.	Not resolved	30.06.2025

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Name Edith A. Kariuki

Signature..... 

Managing Director

Date..... 24/01/2024

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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	15,674,935	95	19,300,000	19,934,489	Water Services Trust Fund (WSTF)

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Appendix III: 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	-				Chania River Users Association, Akorino Religious Group, APA Insurance, Old Mutual and CGN

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Appendix IV: Recording of Transfers from Other Government Entities

Name of the County/MDA/ Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Dev elopment/Oth ers	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	
County Govt of Nyeri	8 th May 2023	Development	12,996,215	-		12,996,215			
Total									