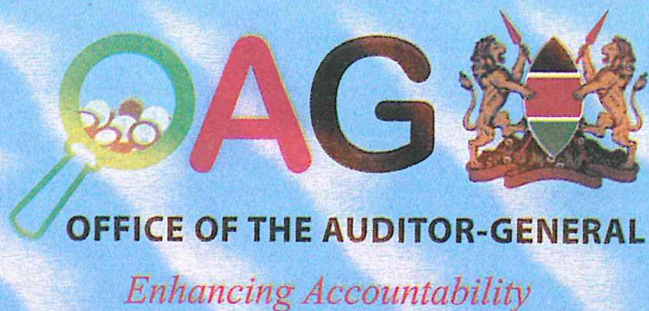


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**NYERI WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2024**



NYERI WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2024

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, 2024

(Leave this page blank)

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Table of Contents	Page
1. Acronyms and Glossary of Terms	ii
2. Key Entity Information	ii
3. The Board of Directors	ix
4. Management Team	xiii
5. Chairman's Statement	xvi
6. Report of the Managing Director	xviii
7. Statement of Performance Against Predetermined Objectives for FY 2023/2024.....	xxi
8. Corporate Governance Statement.....	xxix
9. Management Discussion and Analysis	xxxiii
10. Environmental and Sustainability Reporting	xxxvii
11. Report of the Directors	xl
12. Statement of Directors' Responsibilities	xxiii
13. Report of the Independent Auditors	xliv
14. Statement of Profit or Loss & Comprehensive Income for The Year Ended 30 June 2024.	1
15. Statement of Financial Position as at 30 June 2024.....	2
16. Statement of Changes in Equity for The Year Ended 30 June 2024	4
17. Statement of Cash Flows for The Year Ended 30 June 2024	5
18. Statement of Comparison of Budget & Actuals for The Period Ended 30 June 2024.....	6
19. Notes to the Financial Statements.....	9
20. Appendices	47

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

1. Acronyms and Glossary of Terms

CGN	County of Government of Nyeri
ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
NRW	Non-Revenue Water
NYEWASCON	Nyeri Water and Sanitation Company Ltd.
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
SDG	Sustainable Development Goal
WASREB	Water Services Regulatory Board
WSTF	Water Sector Trust Fund
LIA	Low Income Areas

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 and WASREB's Corporate Governance Standards. 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 quality water, sanitation and allied services through application of innovative, sustainable and customer centric processes"

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Key Result Area	Strategic Objective	Strategies
	b. To increase collection of revenue	<ul style="list-style-type: none"> i. Enhance Billing infrastructure and process ii. Enhance accuracy and timely meter reading iii. Compliance with debt management policy and procedures iv. Enhance debt collection
	c. To improve capital based financing	<ul style="list-style-type: none"> i. Invest on financially viable projects ii. Enhance resource mobilization
	d. To ensure prudent utilization of resources	<ul style="list-style-type: none"> i. Develop work plans ii. Increase efficiency in operations and maintenance of water distribution iii. Reduce NRW to less than 15% iv. Cost leadership management v. Reduce cost of water production vi. Adopt best budgeting practices vii. Ensure sound accounting and reporting practices viii. Adhere to timely regulatory and statutory obligations
3. Service Delivery	a. Enhance water Distribution and Sanitation Network/infrastructure	<ul style="list-style-type: none"> i. Expand water distribution network ii. Expand sewer Networks iii. Monitor and implement quality of water and waste water standards
	b. Raise Customer satisfaction to at least 80% in service delivery	<ul style="list-style-type: none"> i. Improve customer satisfaction ii. Adopt a customer centric culture among all employees iii. Increase corporate visibility
	c. Adopt appropriate Technology in service delivery.	<ul style="list-style-type: none"> i. Automation of water treatment operations ii. Adopt state of the art technology in operations along the water connections and distribution network
4. Low Income Area (LIA) Residents	a. Enhance provision of water and sanitation service delivery among LIA residents and other consumers	<ul style="list-style-type: none"> i. Develop an operational strategy for pro-poor potential areas ii. Improve service availability in LIA iii. Increase visibility for LIA iv. Explore avenues of active and mutually beneficial collaborations

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Core Values

Core Value	Conceptual Meaning	Strategic Implication
Customer Centric	Putting customer first and at the core of the business	Customers will feel appreciated and paves way for greater business
Professionalism	Reliability, Competence, Dependability and Respect	Effectiveness and efficiency in service delivery
Innovativeness	Ability to challenge industry norms and provide solutions	An innovative environment full of creativity leading to superior processes and products
Teamwork	Harnessing contribution of every partner	Employees will appreciate each other's significant role in the overall success of the company
Integrity	Guided by sound moral and ethical principles	This will lead to customer trust and pave way for greater engagement and increased business
Responsiveness	Providing value within acceptable time	This will lead to effectiveness and efficiency in service delivery
Result Oriented	Focus on outcomes	It will lead to greater productivity and attention to detail hence enhancing quality.

Key Result Areas:

The main thrust in 2021/22 – 2026/27 Strategic Plan was in the realization of the following key result areas

Key Result Area	Strategic Objective	Strategies
1. Corporate Governance	a. Maintain sound Governance	<ul style="list-style-type: none"> i. Support Board Capacity Building Initiatives ii. Strengthen Corporate Governance iii. Strengthen Tools for Corporate Governance
	b. Enhance business continuity and performance at NYEWASCO	<ul style="list-style-type: none"> i. Institutionalize a Pandemic/ Disaster Management Framework ii. Engage in corporate Resource Mobilization iii. Align NYEWASCO policies and procedures to Relevant Laws and Regulations iv. Oversight the implementation of Strategic Plan
2. Financial Sustainability	a. To enhance revenue generation	<ul style="list-style-type: none"> i. Enhance Revenue Streams ii. Increase customer base for water and sanitation

Nyeri Water and Sanitation Company Limited

Annual Report and Financial Statements for the year ended June 30, 2024

Key Result Area	Strategic Objective	Strategies
5. Human Resource Capacity's	a. To increase staff productivity	<ul style="list-style-type: none"> i. Realign human capital to business operations ii. Enhance the work environment iii. Institutionalize performance management iv. Inculcate positive institutional culture
	b. To improve human capital development	<ul style="list-style-type: none"> i. Attract and retain competent staff ii. Enhance competence of staff iii. Determine staff establishment iv. Enhance learning and growth of staff
6. Environmental Awareness and Sustainability	a. Engender Environmental awareness Initiatives among stakeholders	<ul style="list-style-type: none"> i. Conserve the catchment area ii. Efficient operation and maintenance of sewage treatment works iii. Sustain quality Laboratory Operations iv. Carry out sensitization initiatives among stakeholders
	b. Engage in environmental sustainability initiatives with stakeholders	<ul style="list-style-type: none"> i. Support Environmental Conservation
7. Partnerships and Collaborations	a. Build and strengthen partnerships and Collaborations with Key stakeholders	<ul style="list-style-type: none"> i. Map out stakeholders and the potential engagement strategy for each ii. Ensure compliance to stakeholder requirements for potential partners iii. Expand the scope of effective partnerships among stakeholders
	b. Harness opportunities with stakeholders through partnerships and collaborations	<ul style="list-style-type: none"> i. Develop a strategy on harnessing new and existing opportunities with partners ii. Implement Memoranda of Understanding (MOUs) with stakeholders (partners)

Directors

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

S/no.	Name	Particulars	Date Appointed
1.	Gathogo Mwangi	Chairman, Board of Directors effective 28 th July 2023	May 2021 (Re - appointed on 24 th June 2024)
2.	Hannah N. Kamau	Member	July 2022
3.	Mary W. Mutonyi	Member	May 2019 (Re-appointed on 31 st May 2023)
4.	Paul M. Wambugu	Office of the Governor Representative- County Government of Nyeri	May 2018
5.	Charles K. Mwaniki	Member	June 2021
6.	Bernard K. Kiama	Chief Officer, Department of Water Irrigation, Environment & Climate Change Services, County Government of Nyeri	April 2023
7.	Esther N. Ndirangu	Member	July 2023
8.	Catherine W. Nzioki	National Treasury Representative	Appointed on 28 th March 2024
9.	Angela N. Maina	Member	June 2024
10.	Patrick M. Stom	National Treasury Representative	April 2018 (Term ended on 28 th March 2024)
11.	Patrick K. Munuhe	Member	Term ended on 24 th June 2024


Company Secretary



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

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Company Headquarters

P.O. Box 1520 - 10100

NYERI

Off Kenyatta Road, Next to Nyeri Fire Station

Corporate Contacts

Tel: 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

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

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





3. The Board of Directors

Ref	Directors	Details
1.	<p>Gathogo Mwangi – Chairman – Board of Directors</p> 	<p>Born in 1974 and was appointed in May 2021 as an Independent director representing Professionals. (Re -appointed on 24th June 2024).</p> <p>He is a holder of Bachelor degree in Business Management (Finance and Banking), Certified Public Accountants of Kenya CPA (K), Post Graduate Diploma in Insurance (AIIK). He has over 27 years' experience in accounting and in the insurance sector.</p>
2.	<p>Patrick K. Munuhe – Former Immediate Chairman –</p> 	<p>Born in 1965 and was appointed in April 2018 and re-appointed in June 2022 as an Independent director representing farmers' organizations.</p> <p>He is a teacher by profession with over 30 years experience. 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 has over</p> <p>His term as BOD member ended on 24th June 2024.</p>
3.	<p>Mary W. Mutonyi - Chairperson, Finance Administration & Strategy 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). Her experience spans over 37 years in teaching, civil service, management and as board member in various organisations</p> <p>She was re- appointed as BOD member on 31st May 2023.</p>




Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

4.	<p>Charles M. Kariuki - Chairperson Audit Risk & Governance 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> <p>He holds over 30 years' experience in entrepreneurship.</p>
5.	<p>Eng. Hannah Kamau - Chairperson Technical Committee</p> 	<p>Born in 1980 and was appointed in July 2022 as an Independent director representing Institutional Consumers.</p> <p>She holds a Bsc in Civil Engineering (Hons) UON, Post graduate diploma in Project Management (DeKUT). Continuing Masters of Science in Project Management She has over 15 years' experience as an engineer in both structural and water services engineering.</p> <p>A registered Professional Engineer with Engineers Board of Kenya and a fellow of the Institution of Engineers of Kenya (IEK).</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, 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>

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024




7.	<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 holds a degree in B. Ed Biology and Chemistry.</p> <p>He is currently the Chief Officer for Water, Irrigation, Environment & Climate Change.</p>
8.	<p>Esther N. Ndirangu</p> 	<p>Born in 1967 and was appointed on 28th July 2023 as an Independent Director representing the Registered Women Organisations.</p> <p>She holds a degree in Bachelor of Education from Kenyatta University and Continuing Masters of Leadership and Governance.</p> <p>She has over 9 years' experience in teaching, entrepreneurship and as a board member of various institutions.</p>
9.	<p>Catherine W. Nzioki</p> 	<p>Born in 1986 and appointed on 28th March 2024 as a director representing the Cabinet Secretary, National Treasury.</p> <p>She holds Bachelor of Economics and Finance, member of Institute of Certified Investment and Financial Analysts (ICIFA). A Certificate in Financing County Government Capital Projects.</p>
10.	<p>Angela N. Maina</p> 	<p>Born in 1982 and was appointed on 24th June 2024 as an Independent Director representing the Special Interest Groups, Minorities and Youth.</p> <p>She is an Advocate of High Court and holds Postgraduate Diploma in Law from Kenya School of Law & A Bachelor of Law (LLB) from University of Nairobi.</p> <p>She has 9 years post admission experience in both civil and criminal litigation, conveyancing & commercial law practices.</p>

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

11.	<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.</p> <p>His term ended on 24th March 2024.</p>
12.	<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. His contract was renewed on 11th June 2024.</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>
13.	<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>

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024




4. Management Team

Ref	Management	Details
1.	Eng. Peter Kahuthu 	Managing Director / CEO B.Sc. Civil Engineering Reg. EBK, MIEK First appointment on 11 th July 2016 and current position appointed on 11 th June, 2021. His contract was renewed on 11 th June 2024. In Charge of the overall business strategy and direction in the Company. Serves as the CEO and secretary to the Board of Directors.
2.	James N. Ngunjiri 	Chief Manager, Technical Services B. Tech. Civil Engineering First appointment on 11 th July 2016 as the Chief Water & Sewerage Engineer. His contract as the Chief Manager Technical Services commenced on 1 st September 2021 and was renewed effective 1 st September 2024. In charge of Technical Directorate including Production & Climate Change, Quality Assurance, Distribution, Non-Revenue Water, Sanitation, Design & Construction and Electromechanical.
3.	CPA Francis K. Kiura 	Chief Manager, Commercial Services MBA Strategic Management, BBIT, BEd (Sc) CPA(K), CS(K), CCP(K) Appointed on 1 st July 2019. In charge of the Commercial Services directorate, including: Commercial Services, Customer Service/ Experience, Pro-Poor Services and Business, Development & Marketing. Exited from the Company on 31st May 2024.

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

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 Directorate including: Finance & Accounts, Human Resource & Administration, Corporate Planning & Strategy, Security & Investigations and ICT.
5.	Keziah N. Nyambura 	Manager, Legal Services LLB, Dip Law Appointed on 1 st July 2019. Her contract was renewed on 1 st July 2022. In Charge of the Legal Department. Handles both litigation and conveyancing matters of the Company.
6.	CPA Beatrice W. Muigai 	Manager, Audit Risk and Compliance MBA, BSC, CPA(K), CIA Appointed on 3 rd June 2024. In Charge of the Company's Audit, Risk & Compliance Department.
7.	John K. Wamathai 	Senior Officer Billing & Debt Collection BA of Arts, CPA section 3 First appointment on 18 th October 2021. In charge of the Commercial Services directorate, including: Commercial Services, Customer Service/Experience, Pro-Poor Services, Communication and Business, Development & Marketing on acting capacity since 1 st June 2024.

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

8.	Andrew W. Karani 	Supply Chain Officer I BA in Purchasing and supplies Management, MKISM No. 65995 First appointment in 1997 and to head Supply Chain Department since 1 st January 2024.
9.	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. Exited the Company on 31st October 2023.
10.	Joan W. Ndanyu 	Manager, Supply Chain MSC, BBM, MKISM Appointed on 1 st March, 2022 In Charge of the Company's Supply Chain Department. Exited the Company on 31st October 2023.

5.Chairman’s Statement

On behalf of the Board of Directors, it is my great privilege to present the Annual Report and Financial Statements of Nyeri Water and Sanitation Company Limited (“NYEWASCO”) for the Financial Year ended 30th June, 2024. This report reflects a pivotal year in our journey towards realizing NYEWASCO’s vision: “To be a World Class Water and Sanitation Services Provider.” The year marked notable progress in advancing our 2021/22 – 2026/27 Strategic Plan, demonstrating our unwavering commitment to elevating service delivery and operational excellence.

Guided by our reviewed and approved Strategic Plan, we prioritized initiatives that have laid a solid foundation for future success. The achievements of the year under review serve as evidence of the transformative steps we have taken as we work toward realizing our vision. It is with great pride that I highlight these achievements and their significance to the future of NYEWASCO.

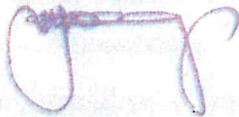
Our ambition remains clear: to continue leading the sector through exemplary management practices, minimizing Non-Revenue Water (NRW), enhancing customer service, and ensuring prudent project management, particularly in Operations and Maintenance. Despite the challenges faced, our commitment to minimizing water losses across our pipeline network resulted in an impressive NRW level of 15.44% – surpassing the regulatory benchmark of 20% and improving on the 17.30% recorded in FY 2022/23.

The Board has taken deliberate steps to fortify our governance framework, continuously reviewing and refining our policies while developing new ones aimed at mitigating risks that could hinder our progress. With our exceptional track record, a highly knowledgeable and skilled workforce, and a strong brand identity, I am confident that NYEWASCO is well-positioned to maintain its stature as a world-class leader in water and sanitation services.

We take immense pride in the recognition we have garnered. NYEWASCO maintained its leading performance culture, with the Water Services Regulatory Board (WASREB) ranking us as the second top water utility in Kenya in its Impact Issue No. 16 of 2024. In addition, we proudly received three out of the seven performance awards, and NYEWASCO was further recognized by ESAWAS as the best-performing utility in the Eastern and Southern African region. Our key accolades include:

1. Top Utility in Non-Revenue Water (NRW) Management
2. Top Utility in the Tana Region
3. Top Utility in Pro-Poor Services

These achievements are a testament to the unwavering dedication of our Board, Management, and the entire NYEWASCO team. With the continued support of our Shareholders and stakeholders, we will remain steadfast in strengthening internal controls, reinforcing our Enterprise Risk Management framework, and fostering a culture of integrity and excellence. Together, we will strive for the highest ethical standards, ensuring that NYEWASCO continues to deliver world-class service for the benefit of our customers and the communities we serve.



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 2024. 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 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 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.

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 Covid - 19 pandemic coupled with recent drought.

Operational Performance

In the course of the year under review, we connected 2,114 and 875 new customers to our water and sewer network respectively a marginal increase from the previous FY, growing the overall customer base to 53,592 connections mainly driven by property subdivision within the service area. 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 100%. The access to sewerage services has risen to 32.70% compared to 34.1% 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

Nyeri Water and Sanitation Company Limited

Annual Report and Financial Statements for the year ended June 30, 2024

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 and through feedback channels. 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 increased by Kshs 22.8 Million, coupled with an increase in grants of Kshs 10.2 Million. Other income declined with Kshs 11.3 Million and finance income decreased in Kshs 2.5 Million. This led to a total revenue increase by Kshs. 19.2 Million from Kshs. 663 Million reported in the previous year to Kshs. 682 Million in the current year. Economic challenges and fluctuations in the market have had an impact on and increased our operating costs.

Net Surplus

The surplus before tax decreased to Kshs. 121,699 from Kshs. 5.7 million reported in the previous period. This was occasioned by 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, enhancement of efficiency in the Company operations and processes, streamlining internal processes to improve customer experience and stakeholder confidence. We sustained our connectivity drive by completing the Last Mile Connectivity of the Sewer Projects to further entrench our market presence. Further, to ensure we sustain good water quality, Nyeri Water and Sanitation Company testing and calibration laboratories are among the first laboratories to have undergone the stringent assessment and successfully transited to the new ISO/IEC 17025: 2017 Standard accreditation in Kenya. This gives an increased confidence on the accuracy and reliability of the results issued from the laboratories.

I am confident that we have the appropriate support, 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 2023/2024

In the year under review, the Company continued implementing the strategic plan 2021/22-2026/27 which was launched in May 2021 and underwent mid-term review in 2024. 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 third year of implementation, it was noted that the strategic objectives were on course and the performance averaged 88%.

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 sewer coverage lags behind compared to water extension however NYEWASCO in collaboration with WSTF has embarked on a project to upscale basic sanitation in informal settlement. 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 contacting job analysis and Human Resources needs assessment as well as establishing proper organizational structure that fits the operations and mandate of NYEWASCO. Capacity building equips staffs of NYEWASCO with skills and knowledge in diverse areas including job performance, professionalism, and implementation of 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 engagement policy, increase the scope of

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

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	<p>Conducting a Board Orientation / Training.</p> <p>Conduct regular Board meetings.</p> <p>Reinforce Review Structures of Corporate Governance.</p> <p>Conduct Board Self Evaluations</p>	<p>The induction of new members was done.</p> <p>Training done.</p> <p>All planned activities were carried out as planned.</p> <p>Resource Mobilization is in progress.</p> <p>Board Self Evaluations to be conducted Q2 FY 2024/25.</p>
Pillar 2: Financial Health	To Strengthen Financial Health of NYEWASCO	<p>Company Cost Management and Profitability</p> <p>Ability to meet all Company obligations as and when they fall due</p> <p>Make regular remittances to the National Treasury for the KfW Loan</p> <p>Ensure attractiveness and ability to meet conditions for grant funding</p>	<p>Implement cost Management practices</p> <p>Ensure increased revenue stream</p> <p>Regularly set aside funds for the KfW Loan and other obligations</p> <p>Ensure efficient operations to low the cost of doing business</p>	<p>Achievement of 110.09% in revenue collections.</p> <p>Accounts receivables continued to decrease due to the efforts put in place.</p> <p>Accounts payables also decreased.</p>

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

			Ensure compliance with donor 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 maintained the 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.
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 Management implemented and resolved the staff leave Management reducing the days to compliance levels.

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

			fully implemented.	
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 / Memorandum of Understanding	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

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Strategic plan performance review of the 7 key result areas

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, Resource Mobilization Processes are ongoing.	95%
Objective 2: To Strengthen Financial Health of NYEWASCO	Most of the activities under this have been achieved. Revenue Collection: 110.09% achieved against a target of 97%, Increased customer base for water and sanitation water connections 89.15% achieved and 139.33% of sewer connection targets achieved in the year. NRW is at 15.47% % against a target of <12% by Year 5. Accounts receivable and accounts payable both decreased.	87%
Objective 3: Strengthen Service Delivery through Employment of Appropriate Technology	Most of the activities planned for this year were carried out in the course of the year and the others are continuous. Some of the activities under improvement of the operations along the water connections and distribution network were in progress and others were postponed to later years.	84%
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.	75%
Objective 5: Strengthen Institutional Human Resource Capacity	Most of the activities under this strategic objective were done.	97%
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.	80%
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.	100%

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 Farmers 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.

Board Committee & Full Board Meetings and Key Activities

S/No.	Item	No. of Meetings FY 2023-2024
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 Training	1 (October 2023)
8.	Stakeholders Forum	3 rd June, 2024
9.	AGM	24 th June, 2024

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) 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. 5.7 Million to Kshs. 121,699 represents a significant change in business performance. Rising operating costs, such as increased electricity costs, material prices, labour costs, and administrative expenses have 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 2113 and 741 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.

Key Projects Implemented

S/No	Project Name	Year	Project cost (Kshs)
1.	Partitioning of the installed container into offices.	2023/24	858,908.16
2.	Renovation works for Whispers park Ablution block	2023/24	180,818
3.	Construction of Tetu Pump house	2023/24	1,386,377.96
4.	WSTF/UBSUP 2 nd Call	2023/24	7,263,415.00
5.	Ihururu water extension project	2023/24	1,373,971
6.	Nyeri Hill Phase 1B	2023/24	4,348,972.00
7.	Activation of Highway pipeline	2023/24	250,000.00
8.	Upgrading of KCC-Chaka water mainline	2023/24	1,681,170.00
9.	Baraka Estate last mile connectivity	2023/24	12,995,524.68
10.	Relocation Of Water Service Mains Road 2 Iriga-Muthuaini (Phase III)	2023/24	5,871,175
11.	Upgrades and Extensions for both water and Sanitation infrastructure	Continuous	21,868,120
12.	Conservation/Tree planting/growing	Continuous	2,920,324-

Future developments

- (i) Upgrade water transmission mains from Hill Farm- King'ong'o- Kabiruini Nyeri
- (ii) Upgrade Nyeri- Gatung'ang'a Main Water Transmission Line
- (iii) Upgrade water transmission mains from King'ong'o- Kiganjo
- (iv) Exploration of alternative water intake and treatment location
- (v) Augmenting Kamakwa Water Treatment Plant
- (vi) Acquire and install sewer flashing unit
- (vii) Acquire exhauster truck
- (viii) Acquire a tipper truck
- (ix) Extend water to Karicheni-Baraka-Tagwa
- (x) Extend water to Mweiga-Gikomo/Kiawara
- (xi) Construct 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 (Valid up to 2032)
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.	Vandalism	Repeated vandalism of the manhole covers and other Company installations by persons looking for scrap metal to sell.	<ul style="list-style-type: none"> • Sensitization drives for the general public. • Use of Nyumba Kumi initiative including area chiefs. • Engaging police to take action on perpetrators. • Adoption of appropriate technology in place of steel rebar to achieve the required concrete strength.
3.	Credit risk	The company has long outstanding debts and is in the process of recovering them.	<ul style="list-style-type: none"> • To present irrecoverable debts to the board for further direction. • Payment agreements entered into with active customers with balances. • Reminders sent to customers for payment of debts.
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 0.4 M trees by 2026 in support of the governments 15B trees drive to be achieved by 2032. Further the Company ensured adherence to NEMA standards on waste water treatment and controlled the discharge to the environment.

iii) Employee Welfare

Nyeri Water and Sanitation Company is an equal opportunity employer and through the year, has encouraged ALL to apply for positions available. During the year, the Company offered opportunities for upskilling and capacity building to the staff in form of training opportunities and competitively promoted staff within the Company. The Company has also complied with

the provisions and requirements of the Occupational, Safety and Health Act of 2007 by creating a safe work environment.

Internship

The Company successfully implemented the third cohort of the interns during the FY 2023/24. A total of 21 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. Supported drought mitigation fund appeal
2. Assisted field Marshal Dedan Kimathi 66th commemoration with a water connection to supply water during the event.
3. County Government of Nyeri, department of health on Male Medical Camp
4. 35 staff joined the Institute of Engineers of Kenya in tree growing activity
5. Participated in the County Government of Nyeri Department of Health Services during the World Mental Day and donated bottled water
6. Packaged 2000 pieces of bottled water during Mzee Anthony Hiuhi funeral
7. Participation in the Nyeri Hospice Charity Walk 2023
8. Christmas Donations for Nyeri Hospice in December 2023
9. ASK Central Kenya Branch Harvest Festival
10. National Council for Persons with disability; sign language celebrations
11. Nyeri County Mountain to Mountain Ultra-Marathon 3rd edition.
12. Participated in Community shapers social network Visit to Thunguma children home
13. Christmas donation to Consolata Mathari Hospital -provision of toiletries, sanitary and cleaning items in December 2023.
14. 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
15. WASH intervention for provision of handwashing facilities in four schools, that is St. Luke Githwariga and Nyakinyua Primary School
16. County Government of Nyeri – Department of Water, Environment and Climate Change tree growing initiative.
17. World Environmental Day support event at Wambugu farm and planted Fruit tree seedlings
18. Supported County Government of Nyeri, Department of Health Services for the Male Medical Camp
19. Staff sponsored to participate in Mater heart run – Nyeri and Nairobi chapters
20. Supported County Government of Nyeri – Annual Tourism and Cultural Festivals
21. Supported Madaraka day celebrations with bottled water.

- 22. Supported the Pines Charity Initiative; tree growing initiative at Wangari Mathai Cultural
- 23. Supported the TVET Convention – Kenya Youth Initiative held on 15th June 2024 at the Nyeri National Polytechnic.

11. Report of the Directors

The Directors submit their report together with the Financial Statements for the year ended June 30, 2024 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. 121,699 as shown by the results for the year.

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 ix to xii. In accordance with the Board Regulations of the Nyeri Water and Sanitation Company Limited's Articles of Association, Mr Patrick Munuhe retired by rotation where Ms. Mary Mutonyi was re - appointed on 31st May 2023 and Mr. Gathogo Mwangi was re - appointed on 24th June 2024 while Mr. Patrick Munuhe was replaced by Angela N. Maina on 24th June 2024. Mr. Patrick Munuhe term ended in June 2024.

Consequently Mr. Patrick Stom Representative of the National Treasury was replaced with Ms. Catherine W. Nzioki on 28th March 2024.

v) Auditors

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

By Order of the Board

Name FCS Richard K. Gikuhi

Signature.....

Richard K. Gikuhi



Date.....

26.09.2024

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, 2024. 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, 2024, and of Nyeri Water and Sanitation Company Limited financial

Nyeri Water and Sanitation Company Limited

Annual Report and Financial Statements for the year ended June 30, 2024

maintained for the Company, which have been relied upon in the preparation of the Company financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Financial Statements

The Company Financial Statements were approved by the Board on 2nd September 2024 and signed on its behalf by:

Signature:.....

Signature

Name

Name.....

Chairperson of the Board

Managing Director

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NYERI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 50, which comprise of the statement of statement

of profit and loss and other comprehensive income, statement financial position, financial assets and liabilities as at 30 June, 2024, and the statement of, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nyeri Water and Sanitation Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Long Outstanding Receivables

The financial statement reflects Kshs.279,385,982 in respect of gross trade and other receivables balance as at 30 June, 2024 as disclosed in Note 23. However, the following anomalies were noted.

- i. The amount includes trade receivables of Kshs.274,829,259 (including provision for doubtful receivables) out of which Kshs.189,984,140 have been outstanding for more than 180 days as reported under the aged debtor's analysis provided for the audit. The long outstanding balance may affect the liquidity and going concern of the entity.
- ii. Accounts with total balance of Kshs.22,165,178 are still active but have outstanding debts of more than 180 days.
- iii. The Company may lose receivables amounting to Kshs.59,370,284 which are recorded as doubtful receivables for terminated accounts.

In the circumstances, the validity, accuracy, completeness and recoverability of the Kshs.274,829,259 amount of trade receivables could not be confirmed.

1.1 Long Outstanding Payables

The financial statements reflects Kshs.202,100,215 in respect of current liabilities as disclosed in Note 32. Included in the amount is an outstanding amount of Kshs.80,006,192 that remained unsettled for over a year comprising payables of Kshs.22,744,570 aged 1-2 years, Kshs.2,000,000 aged 2-3 years and Kshs.55,258,622 aged over three (3) years. The accumulated debts may expose the Company to unnecessary litigation.

In the circumstances, this could be an indication of disputes that have hindered the settlement of the payables and the Company may be exposed to cashflow problems if it is made to settle the payables.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Issues

The progress on follow-up on Auditor's recommendations section of the financial statements reflects that the issues raised in previous year's audit report remain unresolved as at 30 June, 2024. No satisfactory explanation was provided for the delay in resolving the issues.

In the circumstances, the audit issues remained unresolved.

Other Information

Conclusion

The Management is responsible for the Other Information set out on page ii to xxiii which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Statement of Performance Against Predetermined Objectives Report of the Managing Director, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities as outlined in the financial statements.

The Other Information does not include the financial statements and my audit report thereon.

The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on the Company financial statements, my responsibility is to read the Other Information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. Based on the audit procedures performed and the matters described in my Basis for Qualified Opinion, I confirm that Other Information is not materially inconsistent with the financial statements.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Non-Compliance with the Water Services Regulatory Board (WASREB) Regulations on Personnel Costs

The statement of profit or loss and other comprehensive income reflects Kshs.295,966,375 in respect of staff costs as disclosed in Note 10 to the financial statements. This surpasses the 30% or Kshs.230,102,652 benchmark set by WASREB corporate governance 2018 when compared to the total operating expenses of Kshs.690,307,956 by Kshs.65,853,723.

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

2.0 Failure to Comply with the National Cohesion and Integration Act

Analysis of the bio data provided for audit review revealed that the staff composition was skewed towards the dominant community. Out of staff population of 243, 238 or 97% of employees were from the local ethnic group. Further, during the year (also included in the 243 employees) the Company recruited twenty-four (24) employees out of which twenty-one (21) or 88% were from the dominant Ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which stipulates that no

public establishment should employ more than one-third of its staff from the same ethnic community’

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

3.0 Irregular Award of Contracts Reserved for the Disadvantaged Groups to Ineligible Suppliers Under Access to Government Procurement Opportunities (AGPO)

The report on Preference and Reservation Contracts Awards to Youth, Women and Persons with Disability (PWD) for the period July, 2023 to June, 2024 indicated that out of a procurement plan of Kshs.488,209,915.82, only Kshs.162,903,900.02 worth of contracts was undertaken. Analysis of the report revealed that, only contracts worth Kshs.14,682,201.75 were awarded to the marginalized groups forming 9% against the 30% that is required by law. Further the awarded contracts to the marginalized groups worth Kshs.14,682,201.75 could not be confirmed since the AGPO registration certificate numbers were not indicated in the analysis. The award of contracts to ineligible suppliers/contractors robbed less privileged groups an opportunity to do business with the Company.

In the circumstances, Management did not adhere to procurement guidelines.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Failure to Recruit and Fill Critical Positions in the Staff Establishment

Analysis of the staff establishment provided for audit revealed that, the position of commercial manager and Supply Chain Manager were vacant and were yet to be filled as at the time of audit. These are critical managerial positions that could jeopardize the operations of the company.

In the circumstances, the effectiveness of the staff management system in place could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages xl to xliii is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report has been properly prepared in accordance with the Companies Act, 2015.

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Directors

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

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

comply 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 January, 2025

Nyeri Water and Sanitation Company Limited.
Annual Report and Financial Statements for the year ended June 30, 2024

14. Statement of Profit or Loss & Other Comprehensive Income for The Year Ended 30 June 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
Revenue			
Operating Revenue	6	641,813,053	618,999,120
Grants Income	7	29,227,744	18,929,141
Other Income	8	3,211,475	14,563,942
Finance income	9	7,926,730	10,463,068
Total Revenue		682,179,002	662,955,271
Expenses			
Staff Costs	10	295,966,375	268,328,266
General and Operations expenses	11	219,300,506	205,220,871
Board Expenses	12	11,865,803	11,509,592
Maintenance Expenses	13	76,939,505	77,887,479
Depreciation and Amortization expenses	14	74,681,853	83,217,024
Finance Costs	15	11,553,914	11,034,094
Total Expenses		690,307,956	657,197,326
(Loss) Before Taxation and exceptional items		(8,128,954)	
Over provision of tax in prior years written back	16	8,250,654	-
Profit/(Loss) Before Taxation		121,699	5,757,945
Income Tax Expense/	16	36,510	1,727,384
Profit/(Loss) After Taxation		85,189	4,030,561
Earnings Per Share – Basic And Diluted	17	0.02	1.07

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 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant, and equipment	19	1,145,487,660	1,185,998,257
Intangible assets	20	16,316,874	23,310,620
Total Non-Current Assets		1,161,804,534	1,209,308,877
Current Assets			
Fixed Interest Investments	21	100,000,000	100,000,000
Inventories	22	24,684,801	30,984,027
Trade and other receivables	23	220,015,698	271,803,368
VAT Recoverable	24	45,506,293	45,506,293
Short-term deposits	25	28,107,173	28,841,813
Bank and cash balances	26	35,660,878	21,263,512
Total Current Assets		453,974,843	498,399,013
Total Assets		1,615,779,377	1,707,707,890
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	27	75,000,000	75,000,000
Retained earnings	28	686,895,564	686,810,375
Capital and Reserves		761,895,564	761,810,375
Non-Current Liabilities			
Borrowings	29	356,280,667	406,172,564
Capital Grant/Deferred Income	30	125,709,681	147,745,924
Total Non-Current Liabilities		481,990,348	553,918,488
Current Liabilities			
Borrowings	29	50,417,076	50,417,076
Provisions for Leave Pay	31	6,618,092	5,941,325
Trade and other payables	32	202,100,215	212,784,339
Refundable Deposits and Prepayments	33	112,721,572	110,240,661
Taxation	34	36,510	12,595,623
Total Current Liabilities		371,893,465	391,979,024
TOTAL EQUITY AND LIABILITIES		1,615,779,377	1,707,707,890

The Financial Statements were approved by the Board on 2nd September 2024 and signed on its behalf by:



Eng. Peter G. Kahuthu

Managing Director

24th September, 2024

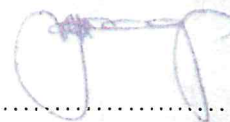


CPA Rose W Gitahi

Chief Manager, Finance
and Corporate Services

ICPAK M/No: 12491

24th September, 2024



CPA Gathogo Mwangi

Chairman of the Board

24th September, 2024

16. Statement of Changes in Equity for The Year Ended 30 June 2024

	Ordinary share capital	Retained earnings	Capital/Development Grants/Fund	Total
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
As at July 1, 2023	75,000,000	686,810,375	147,745,924	909,556,299
Development Grants received during the year				
Prior-year adjustment				
Transfer of depreciation/ amortization from capital fund to retained earnings			(22,036,244)	(22,036,244)
Prior-year adjustment				
Total Comprehensive Income		85,189		85,189
As at June 30, 2024	75,000,000	686,895,564	125,709,680	887,605,245

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

17. Statement of Cash Flows for The Year Ended 30 June 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
Cash Generated from/(Used in) Operations			
Surplus before taxation		121,699	5,757,945
Adjustments for:			
Over provision of tax in prior years written back	16	(8,250,654)	
Depreciation	19	74,681,853	83,217,024
Prior year Depreciation Adjustment	19		(797,966)
Amortization of Grant	7	(22,036,244)	(18,929,142)
Prior year Capital Grant Adjustment	16-SOCE		(456,268)
Provisions for Leave Pay	11	676,767	
Operating profit before changes in Working Capital		45,193,421	68,791,563
Changes in Working Capital			
Inventories	22	6,299,226	5,379,520
Trade and other receivables	23	51,787,670	(8,860,935)
Trade and other Payables	32	(10,684,124)	(45,780,761)
Customer deposits	33	2,480,911	5,275,594
Cash generated from operations		95,077,104	24,804,981
Income Tax Paid	17	(4,344,969)	(2,297,288)
Net cash generated from operations		90,732,153	22,507,693
Cash Flows From Investing Activities			
Purchase of fixed assets	19	(27,177,511)	(39,491,094)
Prior year Fixed Asset Additions Adjustment	19	-	(22,724)
Net cash generated from/(used in) investing activities		(27,177,511)	(39,513,818)
Cash Flows From Financing Activities			
Grants from the Government	7	-	12,996,215
OBA Loan Capital Repayment			(5,790,062)
KFW Loan Capital Repaid	29	(49,891,897)	(51,782,538)
KFW Loan Interest accrued but capitalized	29 (b)		3,055,860
Net cash generated from/(Used in) financing activities		(49,891,897)	(41,520,525)
Net increase/(decrease) in cash and cash equivalents		13,662,727	(58,526,650)
At the start of the year 1st July		150,105,324	208,631,974
Cash and cash equivalents	21,25,26	163,768,051	150,105,324

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024

	Original budget	Adjustments	Final budget	Actual on a comparable basis	Performance difference	% of utilization
	2023-2024	2023-2024	2023-2024	2023-2024		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operating Revenue	788,470,223	(70,470,223)	718,000,000	641,703,053	(76,186,947)	89%
Grants Income	41,286,335	(15,312,500)	25,973,835	29,227,744	3,253,909	113%
Other Income	10,500,000	(5,500,000)	5,000,000	3,321,475	(1,788,525)	66%
Finance income		6,382,167	6,382,167	7,926,730	1,544,563	124%
Total Budget Revenue Estimates	840,256,558	(84,900,556)	755,356,002	682,179,002	(73,177,000)	90%
Expenses						
Staff Costs	311,934,142	(5,600,000)	306,334,142	295,966,375	(10,367,767)	97%
Board Expenses	12,000,000	-	12,000,000	11,865,803	(134,197)	99%
General and Operations expenses	312,005,741	(67,412,000)	244,593,741	219,300,506	30,393,858	90%
Maintenance Expenses	93,675,355	(3,400,000)	90,275,355	76,939,505	(69,022,942)	85%
Depreciation	87,490,081	-	87,490,081	74,681,853	(12,808,228)	85%
Finance Costs	18,470,000	(4,470,000)	14,000,000	11,553,914	(2,446,086)	83%
Total Recurrent Expenditure	835,575,319	(80,882,000)	754,693,319	690,307,956	(64,385,362)	91%
Profit or Loss before adjustment	4,681,238	(4,018,556)	662,682	(8,128,955)	(8,791,637)	
Over provision of tax in prior years written back				8,250,654		
Profit or Loss before tax				121,699		
Capital Expenditure- Internal Funds	94,035,000	(39,563,600)	54,471,400	36,712,398	(17,759,002)	67%
Capital Expenditure- Grants	197,000,000	(35,000,000)	162,000,000	12,996,215	(149,003,785)	8%
Total Budget Exp. Estimates	1,126,610,319	(155,445,600)	971,164,719	740,016,569	(231,148,149)	76%

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
	2023-2024	2023-2024			
	Kshs	Kshs	Kshs	%	
Revenue					
Operating Revenue	718,000,000	641,703,053	(76,186,947)	89%	The anticipated growth in connections was negatively affected by a slow down on extension projects
Grants Income	25,973,835	29,227,744	3,253,909	113%	The Kenya pooled water fund grant in kind was fully amortised because the project would not proceed as anticipated.
Other Income	5,000,000	3,321,475	(1,788,525)	66%	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.
Finance income	6,382,167	7,926,730	1,544,563	124%	Increase in interest rate of treasury bills and KFW Loan deposits.
Expenses					
Maintenance Expenses	90,275,355	76,939,505	(69,022,942)	85%	The Company issued cost cutting measures during the year due to cash flow constraints.
Depreciation	87,490,081	74,681,853	(12,808,228)	85%	The anticipated infrastructural networks was negatively affected by reduced cash flows.
Finance Costs	14,000,000	11,553,914	(2,446,086)	83%	The Company had provided for AOD interest which did not materialize.
Capital Expenditure- Internal Funds	54,471,400	36,712,398	(17,759,002)	67%	The anticipated infrastructural networks was negatively affected by reduced cash flows.
Capital Expenditure- Grants	162,000,000	12,996,215	(149,003,785)	8%	The Company did not receive funds for AOD from WSTF

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

Budget Notes: Explanation of changes between original and final budget

	Original budget 2023-2024	Adjustments 2023-2024	Final budget 2023-2024	Remarks
Incomes				
Operating Revenue	788,470,223	(70,470,223)	718,000,000	There was anticipated growth in connections due to the AOD project
Grants Income	41,286,335	(15,312,500)	25,973,835	Reduced due to delay of the AOD project & County Government grant which could not be amortised in the FY
Other Income	10,500,000	(5,500,000)	5,000,000	Marketing services were reduced due to budgetary constraints
Finance income		6,382,167	6,382,167	Investment in Treasury Bills during the year
Expenses				
Staff Costs	311,934,142	(5,600,000)	306,334,142	Housing levy had previously been budgeted at 3%, reduction of gratuity due to of resignation of senior management staff and overtime cost
General and Operations Expenses	312,005,741	(67,412,000)	244,593,741	The Company reviewed downwards the abstraction levy due to the court case relating to the pending proposed increment of abstraction fees by Water Resources Authority (WRA) from 0.05% to 5%. hence the reduction. Further, the Company deliberately reduced on operating expenditure due to the prevailing economic downturn in the Country.
Maintenance Expenses	93,675,355	(3,400,000)	90,275,355	Adjusted to cater for reduced infrastructural maintenance and ground maintenance costs due to lack of a service provider.
Finance Costs	18,470,000	(4,470,000)	14,000,000	Reduced due to delay of the AOD project hence reduce interest cost.
Capital Expenditure- Internal Funds	94,035,000	(39,563,600)	54,471,400	Due to cash flow constraints the Company reviewed the capex budget and moved the budget items to the next financial period.
Capital Expenditure- Grants	197,000,000	(35,000,000)	162,000,000	Reduced due to cancellation County Government grant for Hohwe Tank

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 and effective in the year ended 30 June 2024.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period <i>This amendment had no effect on NYEWASCO's financial statements for the year ended June 2024</i>	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. <i>This amendment had no effect on NYEWASCO's financial statements for the year ended June 2024</i>	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

ii. *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. No revaluation was carried out in the year.

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:

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

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. No impairment of assets was carried out in the year.

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. No impairment of assets was carried out in the year.

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. No impairment of assets was carried out in the year. 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) 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.

i) 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.

j) Trade and other receivables

Trade and other receivables are recognized at fair value 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 using the Simplified Provision Matrix Approach as per IFRS 9. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Accounting Policies

k) Taxation

i) Current income tax

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

l) 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.

m) Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Accounting Policies

n) Trade and other payables

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

o) 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 2,160 per employee per month.

p) 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.

q) Budget information

The original budget for FY 2023-24 was approved by the Board of Directors on 31st May 2023. 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 reduced appropriations of Kshs 155,445,600 on the 2023-2024 budget following the Board of Directors approval on 1st March 2024. 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 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.

r) 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.

s) Comparative figures

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

t) 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, 2024

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Nyeri Water and Sanitation Company Limited financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

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.

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Operating Revenue

	2023-2024	2022-2023
	Kshs	Kshs
Water sales	471,078,812	446,663,609
Sewerage Services	121,162,747	119,783,429
Billing for other services	49,571,494	52,552,082
Total	641,813,053	618,999,120

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

7. Grants Income

	2023-2024	2022-2023
	Kshs	Kshs
Recurrent/operational grants from other agencies	7,191,500	-
Capital grants amortized	15,786,300	18,929,141
In Kind contribution/ donations from other agencies	6,249,944	
Total	29,227,744	18,929,141

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

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

Grants from the Government

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	Insert Current FY KShs
Water Sector Trust Fund	7,191,500	-	-	7,191,500	7,191,500
Total	7,191,500	-	-	7,191,500	7,191,500

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

	2023-2024	2022-2023
	Kshs	Kshs
Rental income	928,500	885,293
Miscellaneous income	2,282,975	13,526,649
Insurance Compensation		152,000
Total	3,211,475	14,563,942

9. Finance Income

	2023-2024	2022-2023
Description	Kshs	Kshs
Interest income from treasury bills	6,573,630	7,641,500
Interest from commercial banks and financial institutions	1,019,767	2,821,568
Interest Receivable- Consolidated Bank Deposits	333,333	-
Total	7,926,730	10,463,068

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

10. Staff Costs

	2023-2024	2022-2023
Description	Kshs	Kshs
Gross Salary and Allowances	244,500,077	231,796,329
Casual workers' Wages	535,321	334,349
Employer's contributions to social security schemes	4,248,110	1,542,280
Employer's contributions to pension scheme	18,313,716	18,688,347
Gratuity	18,089,326	6,111,919
Staff welfare	822,781	1,277,511
Leave pay	8,941,659	8,577,531
Other Allowances (Overtime Allowance)	515,385	-
Total	295,966,375	268,328,266
The average number of employees during the year		
Management	5	7
Permanent employees	91	88
Contracted employees	147	133
Total	243	228

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. General and Operations Expenses

	2023-2024	2022-2023
Description	Kshs	Kshs
Transport Refunds	527,210	286,015
Chemicals	16,614,771	15,541,794
Re-agents/Lab. Apparatus	1,497,860	2,916,070
Uniforms & PPE,s	1,599,869	4,811,227
Branded & Promotional Materials	443,520	359,670
Diesel for Generator	298,396	348,967
Clean Materials	2,016,188	1,902,984
Phones for operations	-	2,050
Electricity for Operations	43,831,096	40,630,294
Tel & Communication	5,396,070	4,721,845
Postage/SMS/Billing	4,015,605	3,630,439
Laundry	10,570	10,250
Samples Analysis -	962,204	1,014,484
Security	12,993,799	11,444,627
Investigations	33,424	208,568
Entertainment vote-	234,224	5,600
Catering	3,372,745	5,049,342
Water & Sanitation Charges	1,236,731	2,332,700
Disludging of Lagoons	-	239,850
Customer Sensitization/ Marketing Events	297,125	102,253
Recruitments	1,360,349	205,262
Task force allowances	619,286	895,000
Printing & Stationery	1,135,219	2,385,363
I.S.O 9001-2015	-	1,926,960
Advert & PR	1,113,105	1,783,854
Subscription	818,042	917,005
Accreditation ISO/IEC 17025	1,775,565	2,969,754
Periodicals	145,080	109,202
Group Life Assurance cover	2,137,864	2,027,675
Bank Charges	2,253,491	1,379,221
Water Abstraction Levies	3,729,272	2,985,415
Audit Fees	600,000	500,000
Licence Charges	860,425	580,767
Consultancy and Related Costs	3,913,691	723,865
Business Travel & Foreign expenses	6,270,321	6,940,973

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

Claims	55,566	812,612
Staff Team Building	-	3,703,975
Sports	13,645,281	1,100,459
Occupational Health & Safety	370,930	867,529
A.S.K Show	1,506,326	1,514,850
Water Resources Management Authority	160,000	-
NITA Levies	199,700	139,250
Gift Vouchers	3,805,000	
Legal Fees	639,666	73,250
Social Responsibility Fund-	771,173	928,025
Environmental Protection	2,769,899	2,218,597
Training & Workshops	10,414,735	10,563,054
N.E.M.A Payments	210,000	210,000
KEBS Payments-	400,000	400,000
Market / Customer Satisfaction Survey	514,024	1,057,320
Bad & Doubtful debts	921,276	9,292,158
Regulatory fees	23,021,187	25,714,700
Strategic Planning	4,465,340	-
Young Water Professionals	260,866	45,800
Resource Centre	5,109	
General Insurance	3,487,664	2,458,188
Medical insurance schemes	25,822,009	18,260,200
Provisions for Leave pay	676,767	1,832,230
Admin expenses UBSUP II	655,987	
Corporate Functions & Celebrations	2,408,885	2,139,331
Total General & Operations Expenses	219,300,506	205,220,871

12. Board Expenses

Description	2023-2024	2022-2023
	Kshs	Kshs
Chairman Honoraria	800,000	964,200
Sitting allowances	7,412,525	3,701,573
Induction and Training	1,913,000	1,867,384
Travel and accommodation	1,646,458	4,101,609
Other allowances	93,820	874,826
Total Board Expenses	11,865,803	11,509,592

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Maintenance Expenses

	2023-2024	2022-2023
Description	Kshs	Kshs
Plant and Equipment	3,236,448	6,356,884
Buildings	2,644,919	2,696,001
Infrastructural networks	25,373,158	32,812,364
Grounds	1,938,073	3,024,175
Motor vehicles	14,593,212	13,517,427
Software	5,398,356	418,864
Furniture	252,654	235,750
Water Meter maintenance costs	16,939,754	18,826,013
UBSUP II	6,562,931	-
Total Maintenance Expenses	76,939,505	77,887,479

14. Depreciation and Amortization Expenses

	2023-2024	2022-2023
Description	Kshs	Kshs
Property, plant, and equipment	67,688,907	73,226,844
Intangible assets	6,992,946	9,990,180
Total Depreciation and Amortization	74,681,853	83,217,024

15. Finance Costs

	2023-2024	2022-2023
Description	Kshs	Kshs
Interest expense on loans - KFW	11,553,914	10,923,699
Interest expense on loans - OBA		110,395
Total	11,553,914	11,034,094

The interest relates to the KFW.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Income Tax Expense/(Credit)

	2023-2024	2022-2023
Description	Kshs	Kshs
Balance as at July,1	12,595,623	13,165,527
Charge for the year	36,510	1,727,384
Payment During the Year	(4,344,969)	(2,297,288)
Under/(over) provision in prior year/s written back	(8,250,654)	
Balance as at 30th June	36,510	12,595,623

17. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs. 85,189 (Kshs. 4,030,561 in 2022-2023) by the average number of ordinary shares in issue during the year of 3,750,000 (2022-2023: 3,750,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

18. 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, 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Property, Plant and Equipment (Consolidated)

	Freehold Land Kshs.	Buildings Kshs.	Plant & Machinery Kshs.	Furniture & Equipment Kshs.	Motor Vehicles/Cycles Kshs.	Computers & Typewriters Kshs.	Computers Software & Enhancement Kshs.	Work in Progress	Total Kshs.
COST									
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 adjustments	(1)	151	1	22,573		2			22,774
Additions for the Year	-	-	10,575,394	1,052,121	-	2,638,720	17,946,800	7,278,058	39,491,093
Transfer during the year	-	-	-	-	-	-	-	-	0
Disposal	-	-	-	-	-	-	-	-	0
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	2,195,957,830
DEPRECIATION									
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 adjustments	-	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
COST									
At 1st July 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	2,195,957,830
Additions for the Year	-	-	6,069,535	635,700	975,000	1,107,500	-	25,773,053	34,560,788
WIP provisions Reversals							(800)		(800)
Correction of Cost								(26,301,413)	(7,382,477)
Transfers during the year	-	14,161,627	4,037,309	-	-	720,000		-	-
Disposal	-	-	-	-	-	-	-	-	-
At 30th June 2024	24,702,109	143,221,719	1,782,389,996	42,753,337	49,233,967	82,850,187	39,880,000	58,104,027	2,223,135,341
DEPRECIATION									
At 1st July 2023	-	38,305,934	796,368,905	28,956,467	36,226,171	70,221,297	16,570,180	-	986,648,954
Charge for the year	-	2,348,411	56,706,109	1,724,609	3,251,949	3,657,830	6,992,946		74,681,854
Disposal	-	-	-	-	-	-	-	-	-
At 30th June 2024	-	40,654,345	853,075,014	30,681,076	39,478,120	73,879,127	23,563,126	-	1,061,330,807
Net book value as at June 2024	24,702,109	102,567,374	929,314,982	12,072,261	9,755,847	8,971,060	16,316,874	58,104,027	1,161,804,534
Net book value as at June 2023	24,702,109	90,754,158	975,914,247	13,161,170	12,032,796	10,801,390	23,310,620	58,632,387	1,209,308,877

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

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

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.

19 (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	143,221,719	40,654,345	102,567,374
Plant and machinery	1,782,389,996	853,075,014	929,314,982
Office equipment, furniture, and fittings	42,753,337	30,681,076	12,072,261
Motor vehicles, including motorcycles	49,233,967	39,478,120	9,755,847
Computers and related equipment	82,850,187	73,879,127	8,971,060
Computers Software & Enhancements	39,880,000	23,563,126	16,316,874
Work in Progress	58,104,027	-	58,104,027
Total	2,223,135,341	1,061,330,807	1,161,804,534

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.

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Intangible Assets

	2023-2024	2022-2023
	Kshs	Kshs
COST		
At July 1	39,880,800	21,934,000
Additions		17,946,800
Disposals		-
Prior Year Adjustment (Correction of cost)	(800)	
At June 30	39,880,000	39,880,800
AMORTISATION		
At July 1	16,570,180	6,580,000
Charge for the year	6,992,946	9,990,180
Disposals		
At June 30	23,563,126	16,570,180
NET BOOK VALUE		
At June 30	16,316,874	23,310,420

Intangible assets include various computer software used by the Company.

21. Fixed Interest Investments (T-Bills)

	2023-2024	2022-2023
	Kshs	Kshs
Central Bank of Kenya (Treasury Bills Maturing on 9 th August 2024)	100,000,000	100,000,000
Total	100,000,000	100,000,000

The movement in investment during the year is as follows:

Details	2023-2024	2022-2023
	Kshs	Kshs
Balance at 1 July	100,000,000	147,200,000
Prior year adjustment	-	-
Additions / (Reductions) during the year	-	(47,200,000)
Balance at 30 June	100,000,000	100,000,000

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Inventories

	2023-2024	2022-2023
	Kshs	Kshs
Pipes and fittings	17,678,797	21,778,126
Chemicals	1,999,673	2,743,069
Stationery	439,401	334,873
Clothing and Uniforms	-	1,976
Cleaning Materials	16,450	-
Hardware and Tools	1,083,674	1,445,892
Water Meters	3,466,807	4,680,091
Less: Impairment of Stocks	-	-
Total	24,684,801	30,984,027

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

23. Trade and Other Receivables

	2023-2024	2022-2023
	Kshs	Kshs
Trade receivables (note (23a))	274,829,259	328,855,212
Deposits and prepayments	2,013,581	592,695
Staff receivables (note 23 (c))	-	-
Other receivables	2,543,143	804,469
Gross trade and other receivables	279,385,982	330,252,376
Provision for bad and doubtful receivable(note (23b))	(59,370,284)	(58,449,008)
Net trade and other receivables	220,015,698	271,803,368

23 (a) Trade Receivables

	2023-2024	2022-2023
	Kshs	Kshs
Gross trade receivables	274,829,259	328,855,212
Less Provision for doubtful receivables	(59,370,284)	(58,449,008)
Net trade receivables	215,458,975	270,406,204
As of June 30, 2024, the aging analysis of the gross trade receivables was as follows:		
Less than 30 days	21,965,586	18,846,030
Between 30 and 60 days	19,536,772	20,468,249
Between 61 and 90 days	15,045,894	15,862,711
Between 91 and 120 days	10,859,740	14,282,403

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

Between 121 and 150 days	8,535,045	12,260,000
Between 151 and 180 days	8,902,083	15,845,294
Over 180 days	189,984,140	231,290,525
Total	274,829,259	328,855,212

23 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2023-2024	2022-2023
	Kshs	Kshs
At the beginning of the year	58,449,008	49,156,850
Additional provisions during the year	921,276	9,292,158
At the end of the year	59,370,284	58,449,008

23 (c) Staff Receivables

Description	2023-2024	2022-2023
	Kshs	Kshs
Gross staff loans and advances	2,192,141	1,576,800
Provision for impairment loss	-	-
Net staff Advances	2,192,141	1,576,800
Less: Amounts due within one year	(2,192,141)	(1,576,800)
Amounts due after one year	-	-

23 (d) Other Receivables

	2023-2024	2022-2023
	Kshs	Kshs
Other Receivables	2,543,143	804,469
Total Other Receivables	2,543,143	804,469
As of June 30, 2024, the aging analysis of the other receivables was as follows:		
Less than 30 days	693,767	78,000
Between 30 and 60 days	64,172	87,672
Between 61 and 90 days		
Between 91 and 120 days		
Between 121 and 150 days		
Between 151 and 180 days		
Over 180 days	1,785,204	638,797
Total	2,543,143	804,469

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

24 VAT Recoverable

Description	2023-2024	2022-2023
	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 for the year 2015 to 2018.

25 Short-Term Deposits

	2023-2024	2022-2023
Description	Kshs	Kshs
Consolidated Bank Loan Deposit Account	22,000,000	10,000,000
National Bank-Performance Guarantee	6,107,173	5,845,598
National Bank- Baraka Chaka		12,996,215
Total	28,107,173	28,841,813

The average effective interest rate on the short term deposits as at June 30, 2024 was 9% (2022-2023: 8%).

26. Bank and Cash Balances

	2023-2024	2022-2023
	Kshs	Kshs
Cash at bank	34,741,850	19,168,796
Mobile money account	919,028	2,094,716
Total	35,660,878	21,263,512

Detailed analysis of the cash and bank balances

		2023-2024	2022-2023
Financial institution	Account number	Kshs	Kshs
Current account			
Commercial banks			
ABSA Operation Account	030301198124	1,456,120	910,366
National Bank collection A/C	0102004319800/7700039275	15,545,196	3,261,412
National Bank Deposit account	0102004319801/7700039283	793,930	4,766,261
National Bank (Customer bills payment)	0102004319812/7700039291	188,087	125,439
National Bank UBSUP II (Witemere)	0102004319813/7700039305	2,074,041	-

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

		2023-2024	2022-2023
Financial institution	Account number	Kshs	Kshs
National Bank UBSUP(Witemere)	0102004319804	-	59
NBK (Conditional Liquidity Grant)	0102004319811	-	489,549
KCB Salaries Account	1183066996	298,097	2,548,742
Co-op Bank Collection account	01148667897100	12,686,776	5,655,661
Equity Collection Account	0110261003593	1,001,617	620,696
Family Bank Collection account	055000043395	688,164	320,212
Eco Bank Collection Account	6652000567	9,822	470,398
Sub- total		34,741,850	19,168,796
Mobile money account			-
M-Pesa - Payment Account	333915	2,194	767,520
Mpesa Deposit Refund Payments	3039827	431,258	
M-Pesa - Collection Account	968800	479,022	1,322,597
M-Pesa - ATM	4084733	6,554	4,599
Sub- total		919,028	2,094,716
Grand total		35,660,878	21,263,512

27. Ordinary Share Capital

	2023-2024	2022-2023
	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.

28. 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 June 2024 the retained earnings amounted to Kshs. 686,895,564 and Kshs. 686,810,375 (2022/ 23) as indicated in the Statement of Changes in Equity (SOCE).

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

29. Borrowings

Description	2023-2024	2022-2023
	Kshs	Kshs
a) Domestic Borrowings		
Balance at beginning of the year	456,589,640	514,162,240
Repayments during the year- KfW Loan	49,891,897	51,782,538
Repayments during the year- OBA Loan		5,790,062
Balance at end of the year	406,697,743	456,589,640

The analysis of domestic borrowings are as follows:

Description	2023-2024	2022-2023
	Kshs	Kshs
KFW Loan Repayment 1 st Sep	30,880,459	31,510,672
KFW Loan Repayment 28 th Feb	30,565,352	31,195,565
Less Interest Charged for the Year	(11,553,914)	(10,923,699)
Repayments during the year- KfW Loan principal	49,891,897	51,782,538

Description	2023-2024	2022-2023
	Kshs	Kshs
Current Obligation-KFW Loan	50,417,076	50,417,076
Long-term Obligation	356,280,667	406,172,564
Total	406,697,743	456,589,640

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.

29(b) KFW Interest Accrued but Capitalised

Description	2022-2023
	Kshs
KFW Interest Accrued but Capitalised	3,055,860
Total	3,055,860

The amount relates to the interest accrued for the fourth quarter (April, May & June 2023) of the financial year which had not been paid.

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

30. Capital Grants/Deferred Income

Description	2023-2024	2022-2023
	Kshs	Kshs
National/County government	21,320,736	22,513,012
International funders	104,388,945	125,232,912
Public contributions and donations	-	-
Total capital grants/deferred income	125,709,681	147,745,924

The deferred income movement is as follows:

	County Government	Other Government Agencies	Public contributions and donations	Total
Balance brought forward	22,513,012	125,232,912	-	147,745,924
Additions			-	-
Transfers to Capital fund			-	-
Transfers to income statement	(1,192,276)	(20,843,967)	-	(22,036,243)
Other transfers			-	-
Balance carried forward	21,320,736	104,388,945	-	125,709,681

31. Provisions

Description	Provision for Leave Pay	Bonus Provision	Gratuity provisions	Bad Debts Provision	Total
	Kshs	Kshs	KShs	Kshs	Kshs
Balance at the beginning of the year	5,941,325	-	-	58,449,008	64,390,333
Additional Provisions	676,767			921,276	1,598,043
Balance at the end of the year	6,618,092			59,370,284	65,988,376

Provisions details

Description	2023-2024	2022-2023
	Kshs	Kshs
Current Portion of Provisions	6,618,092	5,941,325
Long-term portion of Provisions	59,370,284	58,449,008
Total	65,988,376	64,390,333

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

32 Trade and Other Payables

	2023-2024	2022-2023
	Kshs	Kshs
Trade payables	22,932,621	36,399,611
Accrued expenses	41,416,901	34,176,916
Employee payables	15,472,612	11,980,327
Other payables	122,278,081	130,227,485
Total	202,100,215	212,784,339

Aging Analysis for Trade and other Payables

	2023-2024	% of the total	2022-2023	% of the total
Under one year	122,097,023	60%	114,854,091	53.9 %
1-2 years	22,744,570	11%	33,206,913	15.7%
2-3 years	2,000,000	1%	429,675	0.2%
Over 3 years	55,258,622	27%	64,293,660	30 %
Total	202,100,215		212,784,339	

33 Refundable Deposits and Prepayments

	2023-2024	2022-2023
	Kshs	Kshs
Customer deposits	111,636,602	110,240,661
Others -Interest Prepayment from CBK T-bills	1,084,970	-
Total	112,721,572	110,240,661

33 (a) Customer Deposits

	2023-2024	2022-2023
	Kshs	Kshs
Opening Balance	110,240,661	104,965,067
Add: deposits received during the year	21,935,951	19,902,117
Less: Refunded deposits during the year	(9,763,157)	(10,103,560)
Less: Used to settle water bills during the year	(10,776,853)	(4,522,963)
Closing balance	111,636,602	110,240,661

Aging Analysis for Refundable Deposits and Prepayments

	2023-2024	% of the total	2022-2023	% of the total
Under one year	17,717,336	16%	12,463,173	11%
1-2 years	12,711,372	11%	11,219,604	10%
2-3 years	9,452,787	8%	6,831,991	6%
Over 3 years	72,840,077	65%	79,725,894	72%
Total	112,721,572		110,240,661	

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

34 Taxation

	2023-2024	2022-2023
	Kshs	Kshs
At beginning of the year	12,595,623	13,165,527
Income tax charge for the year	36,510	1,727,384
Income tax paid during the year	(4,344,969)	(2,297,288)
Prior Year- Over Provision	(8,250,654)	
At end of the year	36,510	12,595,623

35 Notes to The Statement of Cash Flows

	2023-2024	2022-2023
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	121,699	5,757,945
Over provision of tax in prior years written back	(8,250,654)	
Depreciation	74,681,853	83,217,024
Prior year Depreciation Adjustment		(797,966)
Amortization of Grant	(22,036,244)	(18,929,142)
Prior year Capital Grant Adjustment		(456,268)
Provision for Leave Pay	676,767	
Operating profit before changes in Working Capital	45,193,421	68,791,563
(Increase)/ decrease in inventories	6,299,226	5,379,520
(Increase)/ decrease in trade and other receivables	51,787,670	(8,860,935)
Increase/(decrease) in trade and other payables	(10,684,124)	(45,780,761)
Increase/(decrease) in Consumer deposits	2,480,911	5,275,594
Cash generated from/(used in) operations	95,077,104	24,804,981
(b) Analysis of changes in loans		
Balance at beginning of the year	456,589,640	514,162,240
Repayments during the year	(49,891,897)	(57,572,600)
Balance at end of the year	406,697,743	456,589,640
(c) Analysis of cash and cash equivalents		
Fixed interest Investments (T-Bills) (Note 21)	100,000,000	100,000,000
Short term deposits (Note 25)	28,107,173	28,841,813
Bank and Cash balances (Note 26)	35,660,878	21,263,512
Balance at end of the year	163,768,051	150,105,324

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

Other Disclosures

36 Water Inventory

	2023-2024	2022-2023
	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.

During the year the Company billed Kshs. 19,938,300 as refuse fees on behalf of the County Government of Nyeri.

Other related parties include:

- The County Department in charge of Water
- Tana Water Works Agency
- Water Services Regulatory Board
- Water Resources Authority
- Key Management Compensation
- Water Sector Trust Fund

Transactions with related parties

	2023-2024	2022-2023
	Kshs	Kshs
a) Sales to related parties		
Water & Sanitation sales to Government Agencies	86,823,785	98,883,679
Interest income from Government Commercial Banks	1,019,767	2,821,588
Interest income from T-bills	6,573,630	7,641,500
Total	94,417,182	109,346,767
b) Purchases from related parties		
Abstraction Levy from Government service providers - WRA	3,729,272	2,985,415
Consultancy Fees paid to Government agencies	2,549,600	
Training and conference fees paid to Government agencies	580,010	2,346,035

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

	2023-2024	2022-2023
	Kshs	Kshs
Bank charges paid to Government Commercial banks	1,980,174	1,379,221
Total	8,839,056	6,710,671
b) Grants from the Government		
Grants from National Government Agencies	7,191,500	-
Grants from County Government		12,996,215
Total	7,191,500	12,996,215
c) Key Management Compensation		
Directors' Emoluments	11,865,803	11,509,592
Compensation to Key Management	25,512,940	27,222,331
Total	37,378,743	38,731,923

38 Capital Commitments

Capital commitments at the year-end have been provided for in these financial statements under other accruals.

39 Contingent Assets and Liabilities

Contingent Liabilities

	2023-2024	2022-2023
	Kshs	Kshs
Contingent liabilities		
Court case against the entity	3,328,957	3,429,932
VAT Tax Dispute	35,384,476	35,384,476
Total	38,713,433	38,814,408

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 Chief Magistrates court civil case no 61 of 2019 Robert Wanjohi Mathenge vs NYEWASCO - Kshs. 3,278,000.
- ii. Nyeri CMCC no 30 of 2023 Charles Ngatia Wangechi vs NYEWASCO - Kshs. 50,957
- iii. Tax appeal no. 197 of 2015 NYEWASCO vs Commissioner of Domestic Taxes- Kshs 35,384,476.

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

40 Financial Risk Management

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

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

(i) Credit risk

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

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

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2024				
Trade Receivables	274,829,259	56,548,252	158,910,723	59,370,284
Other Receivables	2,543,143	2,543,143		
VAT Recoverable	45,506,293		45,506,293	
Deposits and prepayments	2,013,581	2,013,581		
Investments	100,000,000	100,000,000		
Bank balances	63,768,051	63,768,051		
Total				
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

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.

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

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 2024 current year				
Trade Payables	14,026,349	8,412,403	493,869	22,932,621
Accrued expenses	22,322,470	2,255,617	16,838,814	41,416,901
Current portion of borrowings		50,417,076		50,417,076
Provisions of Leave Pay		6,618,092		6,618,092
Total	14,026,349	65,447,571	493,869	79,967,789
At 30 June 2023 previous year				
Trade Payables	36,399,611	34,176,916	-	70,576,527
Current portion of borrowings	-	50,417,076	-	50,417,076
Provisions of Leave Pay		5,941,325	-	5,941,325
Total	36,399,611	90,535,317	-	126,934,928

(iii) Market risk

The Directors have 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

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

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. All purchases of goods and services have been done in 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.

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. 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.

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

	Amount	Change	Change
	Kshs	%	Kshs
At 30 June 2024			
Interest Income	7,926,730	1	79,267
Interest Expense	11,553,914	1	115,539
Total Effect on SOCI			±36,272
Interest Income	7,926,730	5	396,335
Interest Expense	11,553,914	5	577,695
Total Effect on SOCI			±181,360
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

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 36,272 (2022/23: Kshs 5,710). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 181,360 (2022/23 – Kshs 28,551).

i) 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:

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

- 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.

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:

	2023-2024	2022-2023
	Kshs	Kshs
Retained earnings	686,895,564	686,873,545
Capital reserve	75,000,000	75,000,000
Total funds	761,895,564	761,873,545
Total borrowings	406,697,743	456,589,640
Less: cash and bank balances	63,768,051	21,263,512
Net debt/(excess cash and cash equivalents)	470,465,794	477,853,152
Gearing	62%	63%

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

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
Annual Report and Financial Statements for the Year Ended June 30, 2024
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. 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>The Company reviewed the Debt Management Policy to capture a debt write off process as per PFM act 2012, Public Finance Management (County Governments) Regulations, 2015 and IFRS 9 on provision of bad debts and debt write off.</p> <p>In line with the reviewed Debt management policy, the Company put together a Rapid Response Initiative (RRI) team in September 2023 to analyse the outstanding debts as the first step towards debt follow up and subsequent debt write off where appropriate. The exercise started with classification of debts in terms of account type, account status, age, contact details and amount as presented to the Audit team. The team then prioritized the terminated accounts and classified them appropriately for further investigation and follow up. This process continues and is set to be completed by June 2024.</p> <p>Further, the Company implemented an ERP system in November 2021 which supports debt management practices by enforcing capturing of all identification and contact</p>	Resolved	

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

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)
		<p>details at the point of onboarding a customer, providing a debt aging report, does not allow for termination of any accounts with balance and also enables tracing of all accounts with similar identification details for ease of debt follow up.</p> <p>The Company is in communication with KRA on settling the amount owed to the Company. The amount relates to VAT claims when water was zero rated and the Company was allowed to claim input tax from Kenya Revenue Authority.</p>	Not Resolved	31 st December 2024
2	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
3	Exceeding Benchmark on Personnel Expenses.	The Management recognize the importance of adhering to regulatory guidelines and the potential impact of excess personnel costs on the Company's profitability and sustainability of services. We take this matter seriously, and we are committed to implementing corrective measures to bring the personnel costs within the acceptable threshold.	Not resolved	30.06.2026

Nyati Water and Sewerage Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

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)
		<p>The personnel costs are in comparison with the operating and maintenance (O&M) expenditure. The Company is still grappling with the effects of Covid-19 that has seen a reduction in revenues and consequently the operating and maintenance (O&M) expenditure. However, the Company intends to take measures such as:</p> <ol style="list-style-type: none"> 1. Enhancing revenues by reviewing and increasing our revenue streams. These revenues will be utilized on operations and maintenance expenditure thus lowering the % of staff costs/ operations and maintenance expenditure. 2. Thorough review of our personnel costs, analysing the components that contribute to the current percentage and identifying areas where cost containment measures can be implemented. 3. Implement targeted cost containment measures to ensure that personnel costs align with the WASREB guidelines. This may involve optimizing staffing levels, renegotiating contracts, or exploring other cost-effective strategies. <p>The Management continues exploring means of enhancing revenue to address this matter fully. A new tariff may be implemented in July 2025 upon approval.</p>		

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

Name Dr. Peter A. Kariuki

Signature 
Managing Director

Date 28/06/2024

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024
Appendix II: Projects Implemented by The Company

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 and upgrading of 300 toilets in Witemere and Ruringu Muslim Area.	001	Water Sector Trust Fund (WSTF)	9 Months	7,263,415	YES	YES

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1 Construction and upgrading of 300 toilets in Witemere and Ruringu Muslim Area.	7,191,500	7,191,500	71%	7,263,415	7,191,500	Water Services Trust Fund (WSTF)

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the Year Ended June 30, 2024

Appendix III: Reporting of Climate Relevant Expenditures

Company - Nyeri Water and Sanitation Company Limited
 Tel number +254 734732481, 0714430000
 Email - info@nyewasco.co.ke
 Name of CEO/MD - Eng. Peter G. Kahuthu

Name and contact details of contact person (in case of any clarifications) James Ngunjiri +254 721333256

Project Name	Project Description	Project Objectives	Project Activities	Project Expenditure (KES)				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	493,804	1,381,225	433,108	461,762	Internal	Chania River Users Association, Equity Bank and County Government of Nyeri.

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

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/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive Income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
WSTF	30 th May 2024, 11 th January 2024	Development	7,191,500	7,191,500					7,191,500
Total			7,191,500	7,191,500					7,191,500

