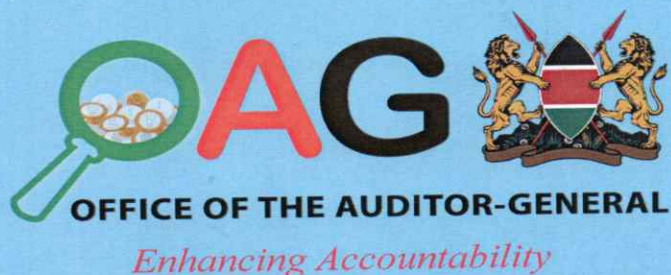


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**NAKURU RURAL WATER AND
SANITATION COMPANY LIMITED**

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



NAKURU RURAL WATER AND SANITATION COMPANY LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022**

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

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i. Key entity information

Background information

Nakuru Rural Water and Sanitation Company (NARUWASCO) was incorporated under Companies Act, Cap 486 of the Laws of Kenya and is fully owned by the County Government of Nakuru responsible for provision of water and sanitation services within the rural parts of Nakuru County covering an approximate service area of 7,000 km². The Company began operations in April 2007 and its core mandate is derived from section 78, 83 & 94 of the Water Act 2016.

NARUWASCO provides water and sewerage services to its customers and intends to provide advisory and technical assistance services in the future. The Company has 29,000 registered customers that includes, households, water kiosks, institutions, markets, and the construction industry. NARUWASCO is governed by Board of Directors (BOD) through various committees and supported by a skilled Core Management Team (CMT), who oversee the day-to-day operations.

Principal Activities

NARUWASCO provides water and sewerage services to its customers.

Vision

“To be the leading water service provider in the country.”

Mission

“To provide adequate quality water and sanitation services in a commercially and environmentally sustainable manner to the delight of our esteemed customers.”

Core Values

- Integrity
- Good corporate governance
- Customer satisfaction
- Professionalism
- Continuous improvement
- Innovation and creativity
- Teamwork
- Commitment to environmental conservation

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Core business/mandate

The Company's core mandate is derived from section 78, 83 & 94 of the Water Act 2016. In addition, the Company's objectives (as provided for in the Memorandum and Articles of Association) define the extent of the Company's core business.

Thus, NARUWASCO's core mandate is as follows:

- i. Provide water services within the area specified in the licence
- ii. Develop county assets for water service provision
- iii. Hold the county or national public water services assets on behalf of the public
- iv. Develop investment plans for rural water service provision

Directors:

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

Mr. Charles Njuru	- Chairman – appointed 17 th June 2020
Ms. Mary Mburu	- Vice-Chairperson – appointed 17 th June 2020
Mr. Muriithi Kiogora	- Member – appointed 1 st February 2021
Mr. Kennedy Momanyi	- Member – exited 1 st February 2022
Mr. Kipng'etich Cherono	- Member – appointed 17 th June 2020
CPA Virginia Kimani	- Member – appointed 14 th April 2020
Mr. Kenneth Mbaria	- Member – appointed 14 th April 2020
Mr. Gabriel Chepkwony	- Member – appointed 14 th April 2020
Mr. Benson Nguyo	- Member – appointed 14 th April 2020
CPA Hussein Mohammed	- Member – appointed 1 st February 2022
FCCA. Reuben K Korir	- Managing Director – appointed 1 st October 2020

Corporate Secretary

CS Gikuhi Kiana
P.O. Box 1271, 10100
Nyeri.

Registered Office/Headquarters/Contacts

NARUWASCO Plaza
P O Box 386 – 20100,
Stanley Mathenge Road off Nakuru - Eldoret Highway
Telephone: (254) 51 2 213 214, 721 344 898,
E-mail: info@naruwasco.co.ke Website: www.naruwasco.co.ke
NAKURU, KENYA

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Corporate Bankers

Kenya Commercial Bank
P.O. Box 18-20100,
NAKURU, KENYA

Family Bank

P.O.Box 4145-20100
NAKURU, KENYA

Post Bank

P.O.Box 4199 -20100
NAKURU, KENYA

Cooperative Bank

P.O.Box 2982
NAKURU, KENYA

Independent Auditors





Auditor General
The Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084 - 00100
NAIROBI, KENYA






Principal Legal Advisers

The County Attorney,
County Government of Nakuru
P O Box 14797 -20100
Nakuru County Commissioner's Office, Club Rd
NAKURU, KENYA



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ii. The board of director

Ref	Directors	Details
1.	 Chairman – Charles Njuru Board Chairperson	<p>DOB: 1958</p> <p>Board Chairman</p> <p>Charles Njuru has a wealth of experience in teaching and management having been a head teacher in various schools. He is an educationist.</p> <p>He represents Molo Sub- County at the Board and currently serves as the Chairman of the Board having previously served as the Chair of Finance and General-purpose committee.</p>
2.	 Mary Mburu	<p>DOB: 00/00/ 1969</p> <p>Ms. Mary M Mburu has a wealth of experience in project management and banking. She serves the Board as the Chair of the Technical committee of the Board. She represents professionals at the Board</p>
3.	 Kenneth Mbaria	<p>DOB: 09/07/1987</p> <p>Kenneth Mbaria is a businessman dealing in real estate. He is currently member of the technical committee of the Board.</p> <p>He represents Gilgil Sub- County at the board. He exited the Board in February 2022 to pursue other interests.</p>
4.	 Kipngetich Cherono (CHRP)	<p>DOB: 31/12 1962</p> <p>Mr. Kipngetich Cherono has a wealth of experience in senior management. He works in Egerton University as an administrator.</p> <p>He currently serves the Board as the chair of the Finance and General-purpose committee. He represents Rongai Sub- County at the Board.</p>





5.	 <p>Gabriel Chepkwony is career manager having served in telecommunication sector. He is currently a Trustee of Teleposta Pension scheme. He is a member of the Audit and Risk Management committee of the board. He represents greater Kuresoi sub-county.</p> <p>DOB: 16/09/1956</p>	
6.	 <p>Benson Nguyo is an accountant by profession and a director in one of the major Sacco. He represents Njoro sub-county and currently member of the Finance and General-Purpose Committee of the Board.</p> <p>DOB: 09/03 1989</p>	
7.	 <p>Mureithi Kiogora is an environmentalist and serves as the chief officer of water in Nakuru County. He represents the County Government of Nakuru in the Board. He is a member of both Technical and Finance and Technical committees of the Board.</p> <p>DOB: 1971</p>	
8.	 <p>Kennedy Ombati is an economist by profession and serves as the Chief Officer economic planning for Nakuru county. He represents the county government of Nakuru at the Board. He served in the Audit and Risk management committee of the Board.</p> <p>DOB: 1984</p>	
9.	 <p>CPA Virginia Kimani is an accountant by profession and currently serves as a finance officer in a major e-payment service provider firm. She currently serves as the Chair of the Audit, Governance and Risk management committee of the Board.</p> <p>DOB: 27/04/1977</p>	

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10.	 CPA Hussein Mohamed	<p>DOB:</p> <p>CPA Hussein Mohamed is an accountant by profession and currently serves as the Chief Officer Economic Planning at the County Government of Nakuru. He represents CEC Finance and Economic Planning at the Board of NARUWASCO. He is a member of the Audit, Governance and Risk Management Committee.</p>
11.	 FCPA Reuben K Korir	<p>DOB: 1969.</p> <p>FCPA Reuben K Korir is an Accountant by profession, with 26 years' experience in the water sector and 5 years working with the Auditor - General. He is currently the MD/CEO.</p>

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Management team

Ref	Management	Details
1.	 <p>FCPA Reuben K Korir BCOM (Accounting), CPA (K)</p>	CEO/MD
2.	 <p>Edward Mwangi BSC(Engineering)</p>	Technical Services Manager
3.	 <p>CPA Benjamin Maundu Bcom (Accounting) CPA (k)</p>	Commercial Manager
4.	 <p>Linda Korir BBM(IT) MBA (HR)</p>	Human Resource and Administration Manager

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5.	 <p>CPA Teresia Ng'ang'a BCom (Accounting) CPA (K)</p>	Finance Manager
6.	 <p>CPA Joseph Mundia Bcom (Finance) CPA (K)</p>	Internal Auditor
7.	 <p>Gilbert Chelule BSc. IT</p>	Snr. IT Systems Administrator

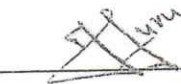
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iv. Chairman's statement

It is my pleasure to present the Annual Report and Financial Statements of Nakuru Rural Water and Sanitation Company Limited (NARUWASCO) for the year ended 30th June 2022. During the year, the company has continued to play its key role in providing water services within its area of jurisdiction as defined and mandated by the Water Act 2016 and the license from Water Services Regulatory Board (WASREB).

The new constitution recognizes access to water as a basic human right to all citizens. In this regard, the Board has put in place measures to ensure that the goal of increasing access to water and sanitation is attained. Accordingly, the company has continued to source and engage partner support, in implementing various programs/projects within its service area aimed at increasing access to water. Among our current main partners are, County Government of Nakuru, WSTF, WASREB, Vitens Evides International (VEI), CRVWWDA.

During the year under review, our revenue performance increased by 15.8 % to Kshs 341,780,190.00 against Kshs 295,054,095.00 for the previous year 2020/2021. This was majorly achieved through enhanced billing and revenue activities and focused NRW management/investments.



Mr. Charles Njuru

Chairman

Date: 16.2.2023

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v. Report of the chief executive officer/MD

The financial year ended 30th June 2022 was the fifteenth year of the company's existence since its establishment in April 2007. During the year under review, below are the company financial highlights:

Income:

- i. Total income for the financial year 2021/2022 amounted to Kshs 341,780,190.00 against Kshs 295,054,095.00 for the previous year 2020/2021. This shows an increase of Kshs 46,726,095.00 (15.8%)

The increment resulted from:

- o intense inspections thus unearthing many illegal connections that were surcharged accordingly.
- o Implementation of disconnection through the system where a customer is automatically penalized upon disconnection.
- o Increased billing and revenue monitoring activities.

- ii. Budgeted income for the year was Kshs 335,720,000.00 hence the company achieved and surpassed the target.

Expenditure:

- i. Total expenditure for the financial year was Kshs 349,466,529.00 against Kshs 314,924,993.00 in the previous year, an increment of Kshs 34,541,536.00
- ii. Budgeted expenditure was Kshs 309,444,922.00.

Surplus/(deficit):

The company realized a deficit of Kshs 7,686,340.00 during the year under review compared to a deficit of Kshs 19,870,893.00 the previous year, a reduction of deficit by Kshs 12,184,553.00.

Assets

The company non-current assets grew by Kshs 297,386,905.00 net of depreciation. This was realized majorly through internal financing, grants from WSTF (CLSG), KeNHA and Water WorX.

Capital Reserves.

The company has been getting a recurrent audit query on going concern due to a negative capital however, this has been gradually improving in the last three

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years. During the current financial year, we achieved a positive capital reserve of Kshs 274,740,001.00 compared to Kshs 11,125,464.00 the previous financial year.

STAFF MATTERS

Capacity building of Staff - trainings

To motivate and build capacity of our staff to be able to face new technological advances in the water sector, we continued training and development programs for staff through sponsorship to attend various courses related to their lines of duty. The total expenditure for the financial year was Kshs 4,259,060.00.

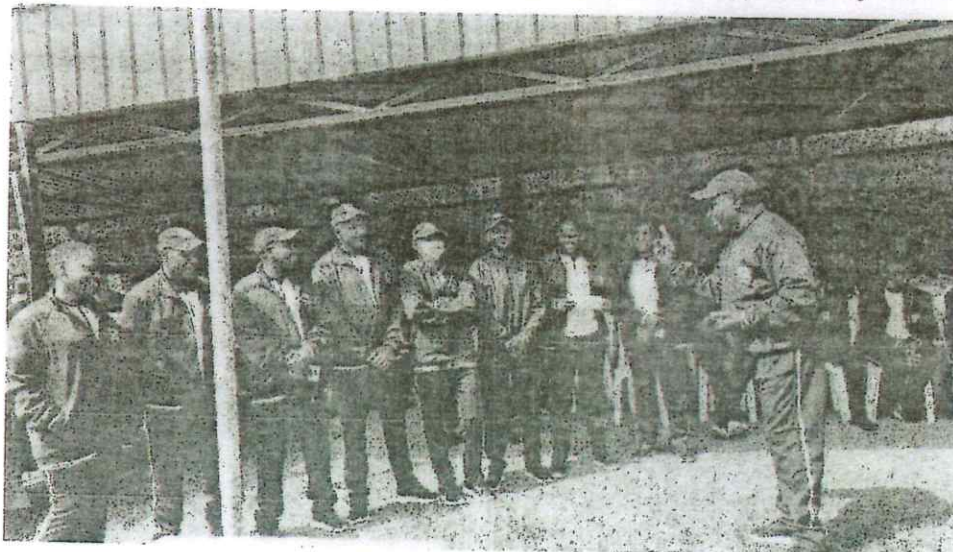
Among the highlights of Staff motivation/Benchmarking/Trainings were:

- During the year, 22 staff members majorly from regions went on a five-day tour of Mombasa and Malindi.
- 10 middle level staff members (All AMs and Section heads) visited Nyeri Water on Benchmarking.
- 3 staff members (MD, TM and NRW) attended training on Field Level Leadership in Addis Ababa Ethiopia that was facilitated by Addis Water and VEI,

WASCO Games:

The company during the year participated in WASCO games held in Kisumu competing in two disciplines namely, Pool Table and Darts. Our pool table team come out second overall.

During the homecoming celebration at Head Office, the team was promised recognition, accordingly an award and recognition policy was developed and approved by the Board.



WASCO Team received at HQ

TRANSPORT

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During the year under review, the company acquired two new vehicles (one single cabin pickup and an SUV as earlier approved by the board).



New single cabin pickup already received and deployed



New SUV (Suzuki Vitara)

CORPORATE AFFAIRS:

i. Board evaluation:

During the year under review, the company trained board members and also members undertake self-evaluation as prescribed in the corporate guidelines.

ii. Stakeholders Conference/Meeting:

As a sector requirement, we held a successful stakeholder meeting with our customers and the public. The engagement was around disseminating information to the customers in addition to receiving complaints and compliments. Our stakeholders pledged to continue supporting the company as it endeavours to provide and expand services to unreached areas and customers.

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WASREB released its Impact 14 report for the period 2020/2021. There was a notable improvement by the company in all the Key Performance Indicators (KPIs). Overall, the company retained position **25 out of 88** water companies in Kenya.

Indicator	Progress on KPIs ¹ overtime			
	2017/2018	2018/2019	2019/2020	2020/2021
Water Coverage (%)	59	62	71	75
Drinking Water Quality (%)	93	95	99	93
Hours of Supply (hrs/day)	11	12	19	18
Non- Revenue Water (%)	58	58	55	54
Metering Ratio (%)	33	60	71	86
Staff Productivity (Staff per 1000 Connections)	11	10	8	6
Personnel expenditure as % of O+M Costs (%)	40	40	52	53
Revenue Collection Efficiency (%)	89	99	98	103
O+M Cost Coverage (%)	99	102	108	113
Governance (%)	N/A	60	73	78
Pro-Poor (%)	N/A	N/A	64	62
Credit Worthiness – Index	N/A	N/A	B	B
Overall WASREB Ranking (Out of 87)	67	42	25	25

BENCHMARKING:

Following our sustained improvement in performance, the company has become a benchmarking destination for other WSPs and institutions within the sector. During the period under review, we received/hosted several WSPs on benchmarking.

- i. Nyeri Water
- ii. Mathira Water
- iii. Chemususu Water
- iv. Lamu Water
- v. Gusii Water

¹ Reference – WASREB Impact Reports

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- vi. Bomet Water
- vii. Kakamega Rural Water
- viii. SIBO Water
- ix. World Vision Kenya

PROJECTS IMPLEMENTATION STATUS

Project Name	Scope of Works	Ward	Status/Remarks
Rongai Kampi Ya moto water supply	<ul style="list-style-type: none"> • Laying of 38 km of pipeline • Rehabilitation of control valve chambers • Repair of tanks • Construction of 2 prepaid water kiosks • Introduced socio connection to the LIA within the project 	Visoi, Soin and Mosop wards	<ul style="list-style-type: none"> - The project was completed in 2020. - The project is now operational.
Kiamunyi water Supply Project	<ul style="list-style-type: none"> • Drilling and equipping of a 32m³/hr borehole to serve Kiamunyi residents • Repair of a 50m³ masonry tank • Laying of 12km transmission pipeline to mercy Njeri tank • Last mile connectivity 	Menengai ward	<ul style="list-style-type: none"> - Laying of 6" HDPE transmission pipeline completed in 2021. - Last mile connectivity on-going (300 H/H connected) - Funding proposal for the larger last mile connectivity submitted to WSTF
Relocation and improvement of 65 km of pipeline along the KeNHA road corridor	<ul style="list-style-type: none"> • Relocation of pipeline along Nakuru-Nairobi highway • Improvement of water network along the corridor 	N/A	Completed and operational

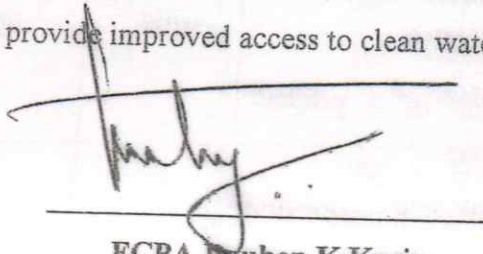
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Covid – 19 Pandemic Challenge

We continued complying with all the government protocols and guidelines during the pandemic period. To sustain company operations, we scaled down on new projects and focus only on essential activities in addition to continuous engagement of our customers through SMS.

Donors/Partners – WaterWorX Project

During the year, we continued implementation of the WWX project (a partnership program with the Netherlands) through VEI. This is a 15-year partnership with the Dutch government and its WSPs under a program called WaterWorX, set to focus majorly on capacity building and network extension to provide improved access to clean water and sanitation services.



FCPA Reuben K Korir

Managing Director

Date: 16/2/2023

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vi. Statement of performance against predetermined objectives for FY 2021/2022

vi. Statement of performance against predetermined objectives

Strategic Pillar/Theme/Issues	Strategic Objective	Key Performance Indicators	Activities	Achievements
Social Equity	Increase access to water and sanitation services	Number of dormant accounts	Increase active accounts	Active connections marginally increased.
		Number of funded proposals	Lobby and solicit for funding from governments and other partners	Received funding from donors (VEL, WaterworX)
Economic Efficiency	Continuously implement financial management controls	Working capital ratio	Adhere to budget and cost controls	Budget adhered to and any changes experienced during the year factored in the reviewed budget.
		Liquidity ratio		
		Acid test ratio		
		Cash ratio		
		Debt ratio		
		Asset to Equity ratio		
	Cost volume profit analysis	Rationalize expenditure	Expenditure within the budget.	
	Ensure financial sustainability	Amount collected	Improve on billing and collection	Billing and collections marginally increased compared to the last financial year.
Amount billed		Reduce arrears		
Total arrears				
Economic Efficiency	Ensure efficient utility management, economic utilization of available water resources	Metering ratio	Increase the Number of consumer meters installed	Improved metering ratio targeting to 100%
		Number of inspections carried out per month	Undertake monthly and quarterly audit and inspections in all regions	Programs on inspections adhered to and reports submitted to the board of directors on quarterly basis.
		Random checks on account connections in all areas	Reduce of Non-revenue water	
	Unearthed illegal connections	Illegal connections unearthed and culprits surcharged accordingly.		
	DMAs created			
	Water balance – real losses			

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		Water balance – commercial losses		Continued Infrastructure renewal and new extensions to open new areas. DMAs continually done.
		Infrastructure rehabilitated		
		Metering – Production meters		
		Metering - DMA meters		
		Response time to leaks and bursts (Hours)	Respond to Reports	Tickets acted upon immediately.
Good Governance	Strengthen institutional capacity	Staff computer/device ratio	Improve staff productivity	Capacity building has continuously been done to staff with a sufficient budget allocation. Staff well sensitized and trained on the ERP and efficient use realized.
		Number of staff with basic IT proficiency		
		Capacity of users to utilize ERP System		
		Systems Up time	Maintain efficiency in service delivery	
Economic Efficiency	Leverage on ICTs and other technologies	Number of Automated production meters	Expand automation of operations and services	All water kiosks automated. Customers are able to communicate through various platforms. E.g. Bill query etc.
		Number of Automated water kiosks	Enhance customer service experience	
		Number of Customer self-service channels (Apps, USSD, Portal)		
		Improved ERP modules	Upgrade existing systems	ERP continually being upgraded to catch up with the emerging trends. All area offices automated.
		IP phones installed in regions and Head Quarters.	Adopt new relevant technologies	
Trained/Motivated Staf	Ensure adequate and competent	Number of skills appraisals for staff and BOD	Identify skills gaps for Staff and BODs	Staff and BOD appraised annually.

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vii. Corporate governance statement

The Board of Directors of the NARUWASCO has the responsibility of enhancing corporate governance practices to bring the level of governance in line with the best practices and International Standards. The essence of good corporate governance practice is to promote and protect stakeholders' interests, among them are Nakuru County Government, CRVWDA, WSTF, WASREB, WRA, development Partners, Communities, and water consumers. The Board of Directors exercise leadership, enterprise, integrity, and judgment in directing the company and acts in its best interest in a transparent, accountable, and responsible way. All the board of directors have been trained on corporate governance and have signed the code of conduct as prescribed by the regulator (WASREB).

To ensure the efficient running of the Board's operations, the company has established three standing Committees which meet and make recommendations to the full Board on issues delegated to them. Each committee of the Board has a charter clearly stating its roles. During the year under review the company had the following Board Committees in place.

- i. Finance and General Purposes Committee,
- ii. Technical Committee,
- iii. Audit, Governance and Risk Management Committee.

To ensure that the board expenses are within the approved budget for 2021/2022 financial year and regulatory levels, a calendar of the Board meetings was developed and adhered to.

Board meetings held during the year:

Board Committee	Meetings held in the year	Members
Full Board & Special	8	All board members
Finance & General Purpose	6	✓ Mr. Kipng'etich Cherono - Chairperson ✓ Mr. Benson Nguyo ✓ Mr. Murithi Kiogora
Audit, Governance & Risk Management	4	✓ CPA Virginia Kimani - Chairperson ✓ Mr. Hussein Mohammed ✓ Mr. Gabriel Chepkwony
Technical Services	4	✓ Ms. Mary Mburu - Chairperson ✓ Mr. Murithi Kiogora

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	human resources	Roles: Shadow employees		Continuous training through annual training plans.
		Training efficiency index	Implement training and development programmes	
		Training hours/employee		
	Promote high levels of employee performance	% Of staff meeting or above target	Implement effective performance management monitoring	HR tools for performance management in place. WASREB target on staff productivity achieved.
		Staff Productivity (Number of staff per 1000 connections)		
		%ge of employees rewarded	Develop and implement an employee reward system.	Reward tool developed and approved.
		Number of policies reviewed or implemented	Provide a conducive and safe working environment	Policies governing company operations are in place and updated regularly.

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	✓ Mr. Hussein Mohammed
--	------------------------

The Board of Directors are paid sitting allowance for every meeting attended as well as accommodation allowance while on Board duty as per Government and regulatory guidelines. The Chairman is paid a monthly honorarium.



Mr. Charles Njuru

Chairman

Date: 16.2.2023

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viii. Management discussion and analysis

NARUWASCO's Operational Framework

The Ministry of Water & Irrigation is responsible for policy formulation to create an enabling environment for efficient operation and growth of the water sector. It sets the strategic direction and provides a long-term vision for all institutions in the sector. Water services is a devolved function hence the county government has a major stake in the company. The power of monitoring and inspection is performed by the county government.

The company's broad mandate is provided for by the Water Act 2016 sections 78, 83 & 94 thus:

- i. provision of water services within the area specified in the license,
- ii. development of county assets for water service provision, and
- iii. to hold the County or National public water services assets on behalf of the public,
- iv. Support the county government in planning and developing measures for the provision of water services to rural areas which are considered not commercially viable for the provision of water services.

To fulfill her mandate, NARUWASCO works closely in partnership with other institutions in the sector. Some of the institutions that partner with NARUWASCO in the water sector include Water Services Regulatory Board (WASREB) that exercises national regulatory powers, Water Resource Authority (WRA) which has the authority to manage the catchment areas and sources of water, Water Sector Trust Fund (WSTF) mobilizes grants and cheap finances for the water companies mainly on pro-poor areas, Water Appeals Board (WAB) with mandate of dispute resolution relating to water issues.

Company Governance and Management Structure

The company is governed by a Board of Directors comprising various stakeholders among Constituency/sub-county representatives and the County Government (shareholder). The Board has two roles: supervisory and advisory roles to the management of NARUWASCO. The top management of NARUWASCO is led by the Managing Director (MD) and supported by senior managers heading specific functions.

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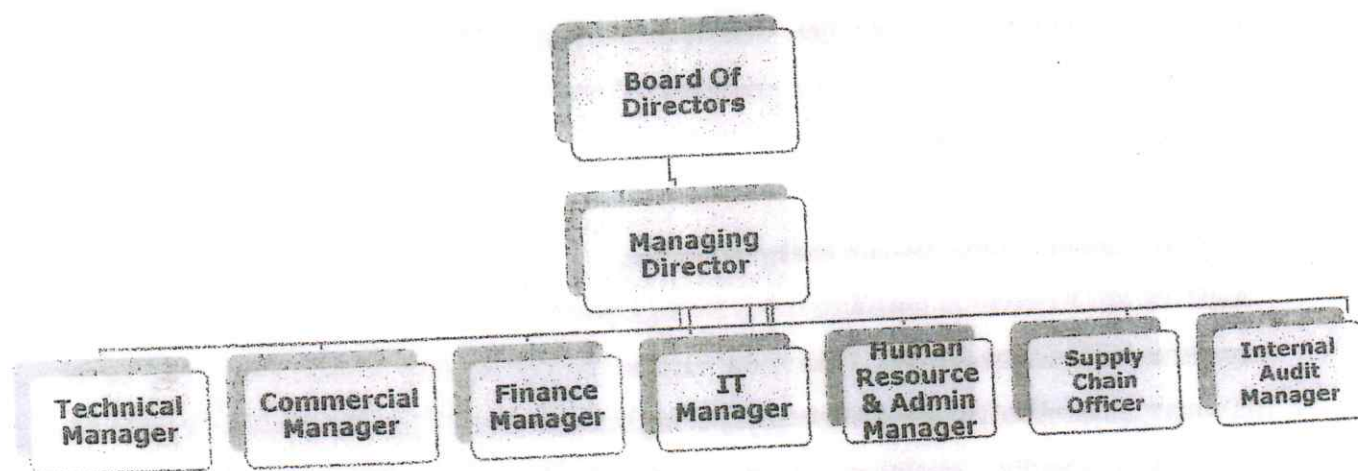


Figure: Company Organization Structure.

Financial strategy

Our financial strategy is to be able to generate sufficient revenues to meet company operational and developmental requirements. Partnership with donors to enable the company to solicit for grants/finances to enable financing for long term sustenance of the infrastructure is also key.

Compliance with statutory requirements

The organization's financial statements have been prepared in accordance with the provisions of the PFM Act and have also complied to public sector accounting standards of Kenya and the approved IFRS templates.

The company is a going concern and have no ongoing or potential court cases that may expose to potential contingent liabilities.

Major Risks Facing the entity.

There is no major risk facing the entity despite the increase in trade and other payables during the financial year. The improved revenue is an indicator that the going concern is not doubtful.

Material arrears in statutory deductions

The main debt in statutory deductions is the pension where there is an agreement between the two parties on how to settle the same. The agreement has henceforth been honored.

Financial and governance issues

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There is no major financial improbity reported by the internal audit, the audit and risk management committee, or any other oversight body during the financial year. Additionally, NARUWASCO does not have any governance issue among the board of directors or the corporate management team.

ix. Environmental and sustainability reporting

NARUWASCO exists to transform lives through provision of portable water to its customers across the defined service area. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering portable water and improving operational excellence for efficiency and effectiveness. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

Management has put in place measures to ensure sustainability of our service provision that meets the highest standards. The company top management has the capacity to take the company to the next level of excellence both financially and operationally. The company has aligned its operations and strategies to the county and national water strategies.

ii) Environmental performance

The company is actively involved in environmental protection activities, we have an annual tree planting event in our calendar. The event involves engaging partners in environmental conservation activities aimed at reversing climate change trends. During the period under review, the company held a tree planting event at Nguso springs.

iii) Employee welfare

Human capital is the key factor in provision of the company services hence the company is keen on employee welfare and that it has passed several policies towards ensuring employees welfare is attended to. During the period under review, among others the company approved a staff welfare fund policy to cushion staff during medical emergencies and bereavement.

The company has ensured compliance to relevant laws on gender ration (NGEC act) and safety at workplace (OSHA). In addition, the company has in place Human resource management tools and manuals that guides promotions, reward systems, and appraisal.

iv) Market place practices-

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a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors.

b) Responsible Supply chain and supplier relations

The company maintains good business practices and treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices.

d) Product stewardship

The company is regulated by WASREB and one of the key performance indicators (KPIs) is on customer relations and service hours. Accordingly, the company strives to better its service provision always.

x. Corporate social responsibility/community engagements

During the year under review, the company engaged in several CSR activities to impact positively on the society. Among the activities was participation in the inaugural Nakuru City Marathon through donation of Kshs 100,000.00.



Staff members led by MD participating in Nakuru City Marathon

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xi. Report of the directors

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

Principal activities

During the year under review, the company continued with its core mandate of water and sanitation services provision.

Results

During the year under review, the company realised total income of **Kshs 341,780,190.00** against **Kshs 295,054,095.00** for the previous year 2020/2021. This shows an increase of **Kshs 46,726,095.00 (15%)**.

Dividends

As provided for in the Water Act 2016, no dividends shall be paid by a WSP until universal coverage is met.

Directors


The members of the Board of Directors who served during the year are shown on page 4 (four) above.

Auditors

The Auditor General is responsible for the statutory audit of NARUWASCO in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Name: **FCPA Reuben K Korir**

Signature 

Corporate Secretary/Secretary to the Board

Date



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STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)


The Directors are of the opinion that the *entity's* financial statements give a true and fair view of the state of NARUWASCO transactions during the financial year ended June 30, 2022, and of the *entity's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for NARUWASCO, which have been relied upon in the preparation of the *entity's* 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 NARUWASCO will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

NARUWASCO's financial statements were approved by the Board on 26th September 2022 and signed on its behalf by:

Signature:

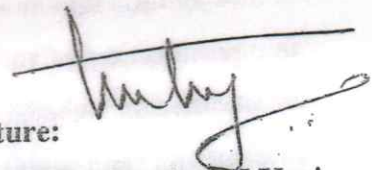


16/2/2023

Name: Charles Njuru

Chairperson of the Board

Signature:



Name: FCPA Reuben K. Korir

Accounting officer

Nakuru Rural Water and Sanitation Company Limited
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xii. Statement of directors' responsibilities

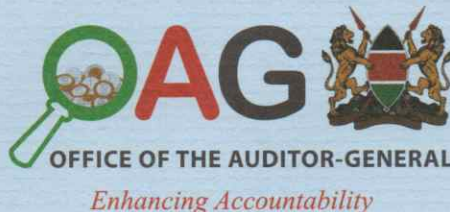
Section 81 of the Public Finance Management Act, 2012 and *section 14 of the State Corporations Act* require the Directors to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The Directors are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The Directors are also responsible for safeguarding the assets of the *entity*.

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

The Directors responsibility for the *entity's* 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 and (the State Corporations Act).

REPUBLIC OF KENYA

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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nakuru Rural Water and Sanitation Company Limited set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2022, statement of profit or loss and other

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

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

Basis for Qualified Opinion

1. Material Uncertainty Relating to Going Concern

The statement of profit and loss and other comprehensive income reflects an operating loss of Kshs.7,686,340 (2020/2021: Kshs.19,870,898) which raised the Company's accumulated losses to Kshs.400,777,590 (2020/2021: Kshs.393,091,250) as at 30 June, 2022. The Company's unfavorable performance and weak financial position denotes the existence of a material uncertainty on its ability to meet its financial obligations as they fall due and operate as a going concern. Therefore, the Company's financial statements have been prepared on the going concern basis on the assumption that the Company will continue to receive financial support from its creditors and the County Government of Nakuru. Management has not disclosed its actions or plans to reverse the unfavorable financial performance and put the Company on the path to profitability.

In the circumstances, the Company's sustainability is heavily dependent on continued support by the County Government of Nakuru, creditors and other stakeholders.

2. Variance in Revenue

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects revenue of Kshs.279,080,161 relating to water sales. However, the billings records reflected an amount of Kshs.307,321,997 resulting to unexplained variance of Kshs.28,241,836.

In the circumstances, the accuracy and completeness of water sales revenue of Kshs.279,080,161 could not be confirmed.

3. Unsupported Board Allowances

The statement of profit or loss and other comprehensive income and as disclosed in Note 28 to the financial statements reflects board expenses of Kshs.4,863,300. However, no supporting documents including attendance and payment schedules were provided for audit.

In the circumstances, the propriety, accuracy and occurrence of the board expenses of Kshs.4,863,300 could not be confirmed.

4. Unconfirmed AfDB Loan

The statement of profit or loss and other comprehensive income and as disclosed in Note 34 to the financial statements reflects provision for African Development Bank (AfDB) of Kshs.7,085,934 relating to loan repayment. As previously reported, records provided for audit indicated that the principal loan balance of Kshs.178,529,739 was disbursed to Rift Valley Water Services Board by the bank to fund development of various infrastructure projects. However, none of the infrastructure assets were handed over to the company and the proportion of the loan it was to pay, therefore, not certain.

In the circumstances, the accuracy and validity of the provision of loan repayment of Kshs.7,085,934 could not be confirmed;

5. Property, Plant and Equipment

The statement of financial position and as disclosed in Note 10a to the financial statements reflects property, plant and equipment balance of Kshs.465,243,361. However, the following anomalies were noted:-

- (i) The balance excludes land of undetermined value on which the Company offices are built and other pieces of land where water assets are domiciled. Further, ownership documents were provided for audit.
- (ii) In addition, the balance includes work in progress of Kshs.290,465,040 relating to relocation of water and sewerage infrastructure along Gilgil weighbridge to Barnabas and Njoro turn off to total Mau Summit at a contract cost of Kshs.314,674,520. Although, the pipeline is in use, the cost has not been capitalized while the inspection and acceptance certificate were not provided for audit. Further, no record(s) of stock of the old line uninstalled were provided for audit.

In the circumstances, the accuracy, valuation and ownership of property, plant and equipment balance of Kshs.465,243,361 could not be confirmed.

6. Unconfirmed Inventories

The statement of financial position and as disclosed in Note 12 to the financial statements reflects inventories balance of Kshs.2,612,759. However, the stock take sheets were not provided for audit.

In the circumstances, the accuracy, and fair valuation of the inventories balance of Kshs.2,612,759 could not be confirmed.

7. Unsupported Grants

The statement of financial position and as disclosed in Note 18 to the financial statements reflects grants balance of Kshs.446,307,853 out of which Kshs.270,784,543 was received during the year under review. However, no supporting documents including acknowledgement receipts and bank statement extracts were provided for audit.

In the circumstances, the accuracy and completeness of the grant amount of Kshs.270,784,543 could not be confirmed.

8. Consumer Deposits

The statement of financial position and as disclosed in Note 19(b) to the financial statements reflects consumer deposits of Kshs.38,558,643. However, the bank statement for the account reflects a balance of Kshs.73,612 resulting to unexplained shortage of Kshs.38,485,031.

In the circumstances, the accuracy and existence of consumer deposits balance of Kshs.38,558,643 could not be confirmed.

9. Variances in Statement of the Cash Flows

The statement of the cash flows reflects a total amount of Kshs.566,456,030 on six (6) items. However, the statement of profit or loss and other comprehensive income/statement of financial position reflects total amount of Kshs.537,493,568 for same items resulting to unreconciled variances as detailed below:

No.	Item	Note	Cash Flow Statement (Kshs)	Profit or Loss/ Financial Position (Kshs)	Variance (Kshs)
1	Operating Revenue	6	291,095,883	279,080,161	12,015,722
2	Production Cost	7	49,278,514	48,169,955	1,108,559
3	Administrative Cost	9(a)	51,979,922	47,890,579	4,089,343
4	Staff Cost	9(b)	162,280,978	150,470,460	11,810,518
5	Contracted Professional Services	21	10,815,213	11,534,413	(719,200)
6	Audit Fees	31	1,005,520	348,000	657,520
	Total		566,456,030	537,493,568	

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.335,720,000 and Kshs. 341,780,189 respectively resulting to a revenue shortfall of Kshs.6,060,189. Similarly, the Management expended Kshs.349,466,529 against an approved budget of Kshs.309,444,922 resulting to an over-expenditure of Kshs.40,021,607 or 13% of the budget. The revenue shortfall and over-expenditure affected the Company's planned activities and may have impacted negatively on service delivery to the public.

No evidence of approval of over-expenditure of Kshs.40,021,607 was provided for audit. This is contrary to Regulation 43(2) of Public Finance Management (County Governments) Regulations, 2015 which states that County Government entities shall execute their approved budgets based in the annual appropriations, and the approved annual cash flow plan with exception of unforeseen and unavoidable spending dealt with through the Contingencies Fund, or supplementary estimates.

Further, the statement reflects an approved total revenue budget of Kshs.335,720,000 against an expenditure budget of Kshs.309,444,922 resulting to a budget surplus of Kshs.26,275,078. This is contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires appropriations of revenue and expenditure to be balanced.

In the circumstances, the Company was in breach of the Law.

2. Unresolved Prior Year Matters

The report for the year ended 30 June, 2021 raised eighteen (18) issues relating to balances reflected in financial statements, lawfulness and effectiveness in use of resources and effectiveness of internal control and risk management. However, appendix 1 on progress on follow up of auditor recommendations reflects only two (2) issues. The progress made by Management in resolving the issues will be confirmed after the matters are deliberated upon by the County Assembly of Nakuru.

Other Information

The Directors are responsible for the other information. The other information comprises the report of Directors as required by the Companies Act,2015, and the statement of director's responsibilities which are obtained prior to the date of this report and the annual report which is expected to be made available after that date.

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

In connection with the audit of the 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 the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the

other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water

Water production records indicated the Company produced 7,729,694 cubic meters (M³) of water during the year under review, out of which only 3,863,333 m³ were billed to customers. The balance of 3,866,360 cubic meters (M³ or approximately 50% of the total production was not billed but was instead denoted as Non-Revenue Water. The NRW was twenty-five (25) percentage points more than the allowable water loss ratio of 25% set in guidelines issued by the Water Services Regulatory Board.

Had, the 3,866,360 cubic meters of NRW been billed the Company would have realized additional revenue totaling Kshs.133,582,773 at its average billing rate of Kshs.69.10 per cubic meter applied in the year under review.

In the circumstances, the NRW was a significant contributor to the Company's unsatisfactory financial performance evidenced by operating losses totaling Kshs.7,686,340 in the year under review and unfavorable financial position that has put it to doubt its going concern status. Management has not indicated the actions taken or plans made to control NRW.

2. Unremitted Statutory Deductions

The statement of financial position and as disclosed under Note 19a to the financial statements reflects trade payables balance of Kshs.189,777,169. Included in this balance is Kshs.50,142,424 relating to unremitted statutory and other deductions. Management did not provide a satisfactory explanation for the failure to remit the deductions to the respective Government Agencies. This is contrary to Section 94(1)(a) of Public Finance Management Act, 2012 which states that a state organ or public entity is in serious material breach of the measure established under the Act if it has failed to make payments as and when due and has defaulted financial obligations for financial reasons.

In the circumstances, failure to remit the statutory and other deductions may result in incremental liabilities as a result of additional fines and penalties and Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters 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 overall governance were not effective.

Basis for Conclusion

1. Lack of Risk Management Policy

Review of the risk management processes indicated that the Company did not have documented risk management and fraud policies. This is contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations 2015 that requires the Accounting Officer shall ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of internal controls and risk management of the Company could not be confirmed.

2. Staff Under-Establishment

The Company's approved staff establishment requires one hundred and eighty-six (186) employees in position. However, review of records revealed that one hundred thirty-eight (138) were in position during the year under review resulting to forty-eight (48) vacant positions. The under-staffing made the Company to continuously engage casual employees to supplement the permanent staff, a situation that negatively affects business operations.

In the circumstances, the effectiveness of human resource management practices 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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on 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. In my opinion, adequate accounting records have been kept by the Nakuru Rural Water and Sanitation Company Limited, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions

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

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

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 April, 2023

Nakuru Rural Water and Sanitation Company Limited
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xiv. Statement of profit or loss and other comprehensive income for the year ended 30 June 2022.

	Notes	2021-2022	2020-2021
		KSH	Kshs
REVENUE	6	279,080,161.00	270,068,821.00
Other incomes:	8(a)	29,267,845.00	33,567,652.95
Grant Income	8(b)	34,018,692.00	
Billing adjustments	8 (b)	(586,508.00)	(8,582,379.00)
Total revenue		341,780,190.00	295,054,094.95
OPERATING EXPENSES			
Production cost	7	48,169,955.00	30,176,408.27
Administrative costs	9.a	47,890,579.00	45,011,750.09
Staff costs	9.b	150,470,460.00	139,530,822.36
Bank Charges	20	254,020.00	231,025.18
Contracted professional services	21	11,534,413.00	12,264,602.93
Hire of Transport, Plant & Machinery	22	747,770.00	812,560.00
Training Expenses	23	4,259,060.00	2,866,233.00
Regulatory fee	24	12,311,624.00	11,798,771.54
Water Users/Permit fees	25	3,956,763.00	4,121,094.50
Honoraria	26	770,000.00	660,000.00
Repairs & Maintenance	27	8,263,668.00	6,930,036.28
Board Expenses	28	4,863,300.00	4,337,800.00
Depreciation	29	41,469,442.00	34,496,963.63
Amortization	30	7,071,541.00	5,113,913.60
Audit fees	31	348,000.00	348,000.00
Minor, Alterations works	32	-	182,788.00
Provision for AFDB LOAN	34	7,085,934.00	7,085,933.61
NSSF 2006/2007	35	-	8,956,290.00
TOTAL EXPENDITURE		349,466,529.00	314,924,992.99
SURPLUS(DEFICIT)		(7,686,340.00)	(19,870,898.04)


Nakuru Rural Water and Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2022

xv. Statement of financial position as at 30 June 2022

ASSETS	Notes	2021-2022	2020-2021
		Kshs	Kshs
Non-Current assets			
Property Plant & Equipment	10. a	465,243,361.00	189,536,953.52
Intangible assets	11	16,878,141.00	14,161,546.40
KRA Vat Refunds	15	4,605,749.00	4,605,749.00
Total Non-current assets		486,727,251.00	208,304,248.92
Current Assets			
Inventories	12	2,612,759.00	696,500.00
Receivables	13	197,595,899.00	180,894,918.90
Deposits (Electricity, License)	14	4,699,000.00	1,196,000.00
Prepayments		0	2,300,000.00
Bank and Cash balances	16	37,034,974.00	20,116,569.57
Current assets		241,942,632.00	205,203,988.47
Total Assets		728,669,883.00	413,508,237.39
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	17(a)	500,000.00	500,000.00
Capital Reserve	17(b)	228,709,738.00	228,709,738.00
Revenue Reserve	17(c)	-400,777,590.00	393,091,249.00
Grants	18	446,307,853.00	175,523,309.49
Capital & Reserves		274,740,001.00	11,125,463.53
Current Liabilities			
Trade Payables	19(a)	189,777,169.00	143,969,001.28
Consumer Deposits	19(b)	38,558,643.00	31,866,642.00
Prepayment income	19(c)	8,830,749.00	8,778,290.58
Accruals (provision for Audit fees)	19(d)	2,738,000.00	3,743,520.00
Total Current Liabilities		239,904,562.00	188,357,453.86
Non-current liabilities			
Central Rift Valley Water Development Authority	19 (e)	214,025,320.00	214,025,320.00
TOTAL EQUITY AND LIABILITIES		728,669,883.00	413,508,237.39

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The financial statements were approved by the Board on *Monday 26th September 2022* and signed on its behalf by:

CEO/MD 

Name: FCPA Reuben K Korir

ICPAK M/NO: 6129



Head of Finance

Name: CPA Terry M Ng'ang'a

ICPAK M/NO: 17256

Chairman of the Board

Charles Njuru

 16/2/2023

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xvi. Statement of changes in equity for the year ended 30 June 2022

	Share	Capital	Reserve	Grant
	Capital	Reserve	Reserve	
As at 1 st July 2021	500,000.00	228,709,738.00	(393,091,250.00)	175,523,310.00
Surplus (Deficit) for the year			(7,686,340.00)	
Grants -Water WorX/WSTF				270,784,543.00
As at 30 th June 2022,	500,000.00	228,709,738.00	(400,777,590.00)	446,307,853.00

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xvi. Statement of changes in equity for the year ended 30 June 2022

	Share	Capital	Reserve	Grant
	Capital	Reserve	Reserve	
As at 1 st July 2021	500,000.00	228,709,738.00	(393,091,250.00)	175,523,310.00
Surplus (Deficit) for the year			(7,686,340.00)	
Grants -Water WorX/WSTF				270,784,543.00
As at 30 th June 2022,	500,000.00	228,709,738.00	(400,777,590.00)	446,307,853.00

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xvii. Statement of cash flows for the year ended 30 June 2022

NAKURU RURAL WATER AND SANITATION CO. LTD			
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2022			
	Notes	Cumulative	Actual Audited
		Current year	prior year
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Operating Revenue	37	291,095,883.00	
Grants	8	34,018,692.00	
Customer Deposits	19	6,344,501.00	
Total Receipts		331,459,076.00	
Payments			
Production cost		49,278,514.00	
Administrative costs		51,979,922.00	
Staff costs		162,280,978.00	
Bank Charges		254,020.00	
Contracted professional services		10,815,213.00	
Hire of Transport, Plant & Machinery		712,970.00	
Training Expenses		4,259,060.00	
Regulatory fee		889,891.00	
Water Users/Permit fees		3,120,779.00	
Honoraria		770,000.00	
Repairs & Maintenance		8,242,488.00	
Board Expenses		4,863,300.00	
Audit fees		1,005,520.00	
Total payments		298,472,655.00	
Net cash generated from/(used in) operating activities		32,986,421.00	31,004,818.84
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed assets acquired	10	(268,974,020.00)	- 67,921,745.12
Intangible assets acquired	11	(9,788,136.00)	- 10,384,180.00

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NET CASH GENERATED FROM INVESTING ACTIVITIES		(278,762,156.00)	- 78,305,925.12
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from KeNHA	18	262,694,139.00	-
Receipts from WSTF	8	-	61,442,242.00
Loan Interest		0	-
NET CASH GENERATED FROM FINANCING ACTIVITIES		262,694,139.00	61,442,242.00
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		16,918,404.00	13,604,897.12
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		20,116,570.00	6,491,768.45
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		37,034,974.00	20,116,569.57

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Statement of comparison of budget and actual amounts for the period ended 30th June 2022

Item Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
INCOME					
Revenue	306,720,000.00		306,720,000.00	279,080,161.00	(27,639,839.00)
Other incomes:	29,000,000		29,000,000.00	63,286,536.00	34,286,536.00
Billing adjustments				(586,508.00)	
Total revenue	335,720,000.00		335,720,000.00	341,780,189.00	6,646,697.00
EXPENSES					
Production cost	49,700,000.00	(2,478,977.78)	47,221,022.22	48,169,954.00	(948,932.00)
Administrative costs	53,280,000.00	(706,000.00)	52,574,000.00	47,890,579.00	4,788,420.00
Staff costs	143,313,048.00	9,564,918.00	152,877,966.00	150,470,459.00	2,407,506.00
Bank Charges	300,000.00	-	300,000.00	254,020.00	45,979.00
Contracted professional services	12,060,000.00	(1,400,000.00)	10,660,000.00	11,534,413.00	(874,413.00)
Hire of Transport, Plant & Machinery	500,000.00	200,000.00	700,000.00	747,770.00	(47,770.00)
Training Expenses	3,000,000.00	1,500,000.00	4,500,000.00	4,259,060.00	240,940.00
Regulatory fee	13,428,800.00	(2,428,800.00)	11,000,000.00	12,311,624.00	(1,311,624.00)
Water Users/Permit fees	5,000,000.00	2,400,000.00	7,400,000.00	3,956,763.00	3,443,236.00
Honoraria	660,000.00	120,000.00	780,000.00	770,000.00	10,000.00
Repairs & Maintenance	8,200,000.00	250,000.00	8,450,000.00	8,263,667.00	186,332.00

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Board Expenses	5,500,000.00	396,000.00	5,896,000.00	4,863,300.00	1,032,700.00
Depreciation				41,469,442.00	
Amortization				7,071,540.00	
Audit fees				348,000.00	
AFDB LOAN	7,085,933.61	-	7,085,933.61	7,085,933.00	
TOTAL EXPENDITURE	302,027,781.61	7,417,140.22	309,444,921.83	349,466,529.00	
SURPLUS (DEFICIT)				(7,686,339.00)	

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xix. Notes to the financial statements

1. General Information

NARUWASCO is established by and derives its authority and accountability from the PFM Act. NARUWASCO is wholly owned by the County Government of Nakuru and is domiciled in Kenya. Its principal activity is provision of water and sanitation services. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying NARUWASCO 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.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of NARUWASCO.

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

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

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

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is

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Title	Description	Effective Date
(issued in May 2020)	asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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Title	Description	Effective Date
2020 as part of the Annual Improvements to IFRS Standards 2018- 2020)	requirements in IAS 41 on fair value measurement with those in other IFRS	

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. Or the following has been assessed to be significant for the company and has been addressed as follows....

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

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Title	Description	Effective Date
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February

2021)

IAS 12 — IAS 12, "Income Taxes" implements a so- The amendments are
Income Taxes called 'comprehensive balance sheet method' effective for annual
of accounting for income taxes which reporting periods
recognizes both the current tax consequences beginning on or after
of transactions and events and the future tax January 1, 2023. Early
consequences of the future recovery or adoption is permitted.
settlement of the carrying amount of an
entity's assets and liabilities. Differences
between the carrying amount and tax base of
assets and liabilities, and carried forward tax
losses and credits, are recognized, with
limited exceptions, as deferred tax liabilities
or deferred tax assets, with the latter also
being subject to a 'probable profits' test.

IAS 8- The amendments, applicable to annual The amendments are
Accounting periods beginning on or after 1st January effective for annual
Policies, 2023, introduce a definition of 'accounting reporting periods
Errors and estimates' and include other amendments to beginning on or after
Estimates IAS 8 to help entities distinguish changes in January 1, 2023. Early
accounting policies from changes in adoption is permitted.
accounting estimates.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements OR The directors have elected to early adopt xxx and they expect xx to be the impact of the adoption of the entity financial statements.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 202

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Nakuru Rural Water and Sanitation Company Limited have not implemented the above amendments since they have no impact on the company statements.

2. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

- | | |
|--|-----------------------|
| i. Buildings | - 4% |
| ii. Plant and machinery | - 12.5 % |
| iii. Motor vehicles, including motor cycles | - 25% years |
| iv. Office equipment, furniture and fittings | - 12.5 % |
| v. Computers and office equipment | are depreciated - 30% |

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

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

e) Intangible assets

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

f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount. Intangible assets are amortized at the rate of 20%.

g) Investment property

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

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

n) Taxation

i) Current income tax

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

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions

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

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

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

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

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings

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rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered by an in-house team and is funded by contributions from the company and its employees. The company also contributes to the statutory National

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National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at the rate of 7.5 % and 15 % per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section xiv of these financial statements.

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

y) Comparative figures

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

z) Subsequent events

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

aa) Incorporation

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

ab) Events After the Reporting Period

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

ac) Currency

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

3. Significant Judgments and Sources of Estimation Uncertainty

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

State all judgements, estimates and assumptions made: e.g.

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

a) Estimates and assumptions.

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

(include provisions applicable for your Organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

4. Contingent Assets and Liabilities

Contingent Assets

	2021-2022	2020-2021
Contingent assets		
Insurance reimbursements	0	0
Assets arising from determination of court cases	0	0
Reimbursable indemnities and guarantees	0	0

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Receivables from other government entities	0	0
Others (Specify)	0	0
Total	0	0

Contingent Liabilities

	2021-2022	2020-2021
	Kshs	Kshs
Contingent liabilities	0	0
Court case NARUWASCO against the entity	0	0
Bank guarantees in favour of subsidiary	0	0
Contingent liabilities arising from contracts including PPPs	0	0
Others (Specify)	0	0
Total	0	0

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

5. Financial Risk Management

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

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

(i) Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by

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the company's management based on prior experience and their assessment of the current economic environment.

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

	Total amount Kshs	Fully performing Kshs	Partly performing not impaired Kshs	Partly performing and impaired Kshs
At 30 June 2022				
Trade Receivables	197,595,898.7	197,595,898.7	197,595,898.7	0
Bank balances	37,034,974.03	37,034,974.03	37,034,974.03	0
Total				
At 30 June 2021 (previous Year)				
Receivables	180,894,918.9	180,894,918.90	180,894,918.90	0
Bank balances	20,116,569.57	20,116,569.57	20,116,569.57	0
Total				

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.

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

ii) Liquidity risk management

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed

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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 Kshs	Between 1-3 months Kshs	Over 3 months Kshs	Total Kshs
At 30 June 2022 current year				
Trade payables	683,006.00	6,216,359.99	2,492,250.00	9,391,615.99
Total	683,006.00	6,216,359.99	2,492,250.00	9,391,615.99

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The company's Department in charge of risk management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices

denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk (Continued)

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022 Current Year			
Financial assets			
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Financial Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021 Previous year			
Financial assets			
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Financial Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Foreign currency sensitivity analysis

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

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

c) Interest rate risk

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

i) Management of interest rate risk

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) Sensitivity analysis

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

iii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

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

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

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At 30 June 2021 Previous FY	0	0	0	0
Financial Assets	0	0	0	0
Quoted equity investments	0	0	0	0
Non- financial Assets	0	0	0	0
Investment property	0	0	0	0
Land and buildings	0	0	0	0
	0	0	0	0

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

Financial instruments not measured at fair value

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

iv) Capital Risk Management

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

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	0	0
Capital reserve	0	0
	0	0
Total funds	0	0
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/(excess cash and cash equivalents)	0	0
Gearing	0	0

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6. Revenue

	2021-2022	2020-2021
	Kshs	Kshs
Revenue	279,080,161.00	270,068,821.00
7. Cost of Sales		
(a). Electricity for Production		
Sub-Total	22,069,131.69	15,146,056.27
(b). Supply for Production (Chemicals)	21,299,993.20	15,030,352.00
Bulk water purchase	4,800,830.00	
Total – Cost of Sales	48,169,954.89	30,176,408.27
8. (a) Other incomes:	2021-2022	2020-2021
Molo Sewer charges	1,010,748.75	945,377.05
Penalties, reconnection & other charges	22,778,595.00	24,651,105.40
Connections	5,021,001.00	4,001,422.50
Water Sale By Tanker	457,500.00	840,300.00
Donated chemicals	-	3,129,448.00
Total other incomes	29,267,844.75	33,567,652.95
(8b) WSTF Grants	34,018,692.00	
(c) Adjustments		
Bill adjustment	(586,508.00)	(8,582,379.00)

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9 (a) Official Entertainment	1,267,809.00	1,693,007.00
Electricity for office	335,905.87	356,187.00
Water conservancy	120,996.00	3,296,888.49
Telephone expenses	2,737,605.09	2,517,475.00
Internet/Data	1,410,785.37	1,210,272.26
Postal and Courier Services	90,220.80	105,448.39
Travelling and operation	24,377,985.29	19,935,000.50
Publishing and Printing Services	243,104.00	313,150.00
Subscriptions	367,135.49	532,091.20
Advertisement and Publicity	687,069.16	313,150.00
Rent and Rates	511,000.00	447,000.00
Staff welfare	4,401,832.93	3,614,327.00
Insurance - motor	666,470.00	284,600.00
Supply of Uniforms	450,758.00	284,600.00
General Office Supplies	1,702,044.00	2,378,393.00
Transport and Operating expenses	8,414,858.20	7,720,160.25
	105,000.00	10,000.00

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Total	47,890,579.20	45,011,750.09
9(b) Staff costs		
Salaries and Allowances	119,351,058.87	118,076,791.50
Wages -Temporary Employees	17,229,850.20	9,623,663.63
Gratuity Provisions	2,587,168.00	2,327,325.00
Pension and Nssf contribution	7,045,900.00	6,316,586.00
Leave pay	2,812,489.00	1,615,697.00
Medical Expenses	1,148,193.81	1,388,859.23
NITA	86,000.00	86,900.00
Benevolent	209,800.00	
Transfer allowances		95,000
Total	150,470,459.88	139,530,822.36

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10.(a) FIXED ASSETS MOVEMENT SCHEDULE								
	FURNITURE & FITTINGS	METER PLANT & EQUIPMENT	BUILDING	MOTOR VEHICLE/CYCLES	OFFICE EQUIPMENT	WIP	TOTAL	
	12.5%	12.5%	4%	25%	30%			
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
COST								
As at 1 July 2021	1,654,325.00	235,938,385.46	4,081,835.76	10,328,918.40	6,841,239.30	21,680,496.74	280,525,200.6	
During the year	715,440.00	39,141,901.98	1,018,739.84	6,100,120.00	1,415,105.00	268,784,543.44	317,175,850.2	
Total cost	2,369,765.00	275,080,287.44	5,100,575.60	16,429,038.40	8,256,344.30	290,465,040.18	597,701,050.9	
LESS DEPRECIATION								
As at 1 July 2021	1,456,330.25	709,388,84.22	354,385.19	12,518,496.20	5,720,151.28	-	90,988,247.14	
During the year	296,220.63	34,385,035.93	204,023.02	4,107,259.60	2,476,903.29	-	41,469,442.4	
Total depreciation	1,752,550.88	105,323,920.15	558,408.21	(196,717.40)	8,197,054.57	290,465,040.18	132,457,689.	
NBV AS AT 30TH JUNE 2022	617,214.13	169,756,367.29	4,542,167.39		59,289.73		465,243,361	

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10. b			
	Cost Ksh	Accumulated Depreciation Ksh	NBV Ksh
Buildings	5,100,575.60	558,408.21	4,542,167.39
Plant and machinery	275,080,287.4 4	105,323,920.15	169,756,367.29
Motor vehicles, including motorcycles	16,429,038.40	16,625,755.80	(196,717.40)
Computers and related equipment	8,256,344.30	8,197,054.57	59,289.73
Office equipment, furniture, and fittings	2,369,765.00	1,752,550.88	617,214.13
WIP	290,465,040.1 8		290,465,040.18
TOTAL			465,243,361.31

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11. Intangible Assets		
	2021/2022	2020/2021
	Kshs	Kshs
COST		
At July 1	25,569,568.00	15,185,388.00
Additions	9,788,135.60	10,384,180.00
Disposals		-
At June 30	35,357,703.60	25,569,568.00
AMORTISATION		
At July 1	11,408,021.60	6,294,108.00
Charge for the year	7,071,540.72	5,113,913.60
Disposals		-
Impairment loss		-
At June 30	18,479,562.32	11,408,021.60
NET BOOK VALUE		
At June 30	16,878,141.28	14,161,546.40
12. INVENTORIES		
CHEMICALS	2021-2022	2020-2021
	Kshs	Kshs
-	517,940.00	201,500.00
ALLUMINIUM	297,540.00	495,000.00
CHLORINE	25,650.00	-
SODA ASH	7,850.00	
Stationery	1,002,764.76	
Motorvehicle repairs	151,580.00	
Water supply	23,689.40	
bulding	42,350.00	
Minor alterations	543,395.00	
Plant equipment	2,612,759.16	696,500.00
Total		
12 a) Reconciliation of Impairment Allowance for Inventories	2021-2022	2020-2021
	Kshs	KShs
Description		

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Recovered during the year		-
Written off during the year		-
At the end of the year		-
13. Trade and Other Receivables		
Trade Receivables	2021-2022	2020-2021
	Kshs	Kshs
DOD	21,874,203.35	
NAWASCO	3,321,520.00	
Other Trade receivables	172,400,175.35	
Total trade receivables (note 15 a)	197,595,898.70	180,894,918.90
Staff receivables (note 15 c)		
Deposits and prepayments	4,699,000.00	1,196,000.00
Prepayments		2,300,000.00
VAT refunds	4,605,749.00	4,605,749.00
Gross trade and other receivables	206,900,647.70	188,996,667.90
Provision for bad and doubtful debts		-
Net trade and other receivables	206,900,647.70	188,996,667.90
13. a	2021-2022	2020/2021
Gross trade receivables	197,595,898.70	180,894,918.90
Provision for doubtful receivables	0	-
Net trade receivables	197,595,898.70	180,894,918.90

As at June 30, the ageing analysis of the gross trade receivables was as follows:

Less than 30 days	23,412,289.17	3,770,653.25
Between 30 and 60 days	11,578,261.85	6,765,566.75
Between 61 and 90 days	9,002,842.25	2,768,081.12
Between 91 and 120 days	7,045,469.65	-408,096.32
Over 120 days	146,557,665.78	167,998,714.20
Total	197,596,528.70	180,894,919.00

13. (b) Reconciliation of Impairment Allowance for Trade Receivables

	2021-2022	2020-2021
Description	Kshs	Kshs
At the beginning of the year		0

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At the end of the year		0
13 (c) Staff Receivables	2021-2022	2020/2021
	Kshs	Kshs
		-
Gross staff loans and advances	0	0
Provision for impairment loss	0	0
Net staff loans		
	0	-
Less: Amounts due within one year	0	0
Amounts due after one year		
14. Deposits	2021-2022	2020-2021
	Kshs	Kshs
	1,196,000.00	1,096,000.00
Bal b/f	3,000.00	100,000.00
Deposits for the year	4,699,000.00	1,196,000.00
Total		
15. KRA VAT Refund	2021-2022	2020-2021
	Kshs	Kshs
	4,605,749.00	4,605,749.00
Bal BF	4,605,749.00	4,605,749.00
Total		
16. Bank and Cash balance	2021/2022	2020/2021
	Kshs	KShs
	0	0
Cash at hand	36,731,705.03	20,116,569.57
Cash at bank	303,269.00	313,255
Mobile money	37,034,974.03	20,116,569
Total		
Detailed analysis of the cash and cash equivalents		2021/2022
	Account number	Kshs
Financial institution		

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KCB Revenue	1108148859	112,166.23
KCB Expenditure	1108149162	-7,603,304.88
KCB Contingency account	1139635891	3,211.55
Family Bank	19000038996	5,514.18
Kenya Post Office Saving Bank	0744130012558	125,790.00
WSTF	1281804193	996.15
KCB KENHA Account	1285173503	27,305,219.70
Co-operative Bank	01141883105201	1,196,146.00
Sub- total		36,731,705.03
b) On - call deposits		
Other Commercial banks		0
Sub- total		0
c) Fixed deposits account		
Other Commercial banks		0
Sub- total		0
d) Staff car loan/ mortgage		
Other Commercial banks		0
Sub- total		0
e) Others(specify)		
Cash in transit		0
cash in hand		0
Mobile money account	716308	303,269.00
Sub- total		303,269.00
Grand total		37,034,974.03
17.(a) Share Capital	2021-2022	2020/2021
	Kshs	Kshs
Authorised:		
5,000 Ordinary shares of Kshs. 100 each	500,000.00	500,000.00
Issued and Fully Paid:		
5,000 ordinary shares of Kshs. 100 each	500,000.00	500,000.00
	2021-2022	2020-2021
	Kshs	Kshs

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(c) Revenue Reserve	2021-2022	2020-2021
	Kshs	Kshs
This item is made up of the following:		
Balance b/f	-393,091,249.96	-373,220,351.92
Profit(Loss)	-7,686,339.56	-19,870,898.04
Total	-400,777,589.53	-393,091,249.96
18.Grants	2021-2022	2020-2021
	Kshs	Kshs
Balance brought forward	175,523,309.49	92,400,570.75
WSTF		61,442,242.00
KeNHA	262,694,139.00	
VEI	2,000,000.00	
Water WorX	6,090,404.44	21,680,496.74
Total	446,307,852.93	175,523,309.49
19. Trade and Other Payables	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables	57,912,421.67	12,865,721.98
Statutory deductions and other deductions	50,142,423.75	68,724,606.02
Kenya power and Lighting CO. Ltd.	0	-
Water Resources Authority	13,760,000.77	12,924,016.50
Wasreb	32,532,654.52	21,110,921.17
AFDB Loan	35,429,669.23	28,343,735.61
19 (a).Total trade payables	189,777,169.94	143,969,001.28
(b).Consumer deposits		
Opening balance	31,866,642.00	
Deposits for the year	6,344,501	
Less deposit refunds	(347,500)	
Consumer deposits	38,558,643.00	31,866,642.00
	8,830,749.14	8,778,290.58

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Total trade and other payables	239,904,561.94	188,357,453.86
(e) Non-Current Liabilities		
Central Rift valley water development authority	214,025,320.00	214,025,320.00
20. Bank charges		
	2021-2022	2020-2021
	Kshs	Kshs
Kcb Revenue account	95,790.00	85,365.00
Kcb Expenditure Account	111,148.00	103,006.00
Kcb Contingency Account	8,790.00	8,673.00
Kcb Deposit Account	8,550.00	7,245.00
Family Bank	22,682.01	26,736.18
WSTF	4,660.00	2,416.00
KENHA	2,400.00	
Total	254,020.01	233,441

21. Contracted professional services		
	2021-2022	2020-2021
	Kshs	Kshs
Security	3,451,047.00	3,846,009.00
Sanitation	45,817.71	44,888.58
Legal services	762,600.00	1,456,676.00
Computer Services	3,450,200.00	4,155,000.00
Consultancy service	3,824,748.30	2,762,029.35
Total	11,534,413.01	12,264,602.93

22. Hire of transport and machinery	2021-2022	2020-2021
	Kshs	Kshs
	747,770.00	812,560.00
Total	747,770.00	812,560.00

23. Training	2021-2022	2020-2021
	Kshs	Kshs

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24. Regulatory fee	2021-2022	2020-2021
	Kshs	Kshs
Regulatory fee	12,311,624.74	11,798,771.54
Total	12,311,624.74	11,798,771.54

25. Water Users/Permit fees	2021-2022	2020-2021
	Kshs	Kshs
Water use fee	3,956,763.27	4,121,094.50
Total	3,956,763.27	4,121,094.50

26. Honoraria and airtime	2021-2022	2020-2021
	Kshs	Kshs
	770,000.00	660,000.00
Total	770,000.00	660,000.00

27. Repairs and Maintenance	2021-2022	2020-2021
	Kshs	Kshs
Maintenance of water supply	6,732,563.71	2,885,275.10
maintenance of building and station	279,430.00	724,187.96
Maintenance of plant & equipment	1,251,673.80	3,320,573.22
Total	8,263,667.51	6,930,036.28

28. Board expenses	2021-2022	2020-2021
	Kshs	Kshs
Sitting Allowance	2,167,000.00	2,498,000.00
Travel and accommodation	1,544,300.00	1,115,000.00
Lunch and Transport	1,083,000.00	724,800.00
Airtime	69,000.00	
Total	4,863,300.00	4,337,800.00

29. Depreciation	2021-2022	2020-2021
	Kshs	Kshs
		206,790

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Meters, plant and Equipment	34,385,035.93	29,492,298
Motorcycles	4,107,259.60	2,582,229
Computers office equipment		
Building	204,023.02	163,273
Total	41,469,442.47	34,496,963.63

30. Amortization	7,071,540.72	11,408,021.60
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31. Audit (Provision of Audit fees)	2021-2022	2020-2021
	Kshs	Kshs
	348,000.00	348,000.00
Total	348,000.00	348,000.00

32. Minor Alteration Works:	2021-2022	2020-2021
	Ksh	
Total	0	182,788.00
33. Loan Interest		
	2021-2022	2020-2021
	Kshs	Kshs
KCB loan interest	-	-
Total	-	-
34. ADB Loan		
	2021-2022	2020-2021
	Kshs	Kshs
	7,085,933.61	7,085,933.61
Total	7,085,933.61	7,085,933.61
35. NSSF 2006/2007		8,956,290.00
36. Prenaids expenses	0	2,300,00.00

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37. Reconciliation of operating profit /loss to cash generated from operations			
		2021-2022	2020-2021
		Kshs	Kshs
Operating profit/(loss)			(19,870,898.04)
Depreciation	29		34,496,963.63
Amortization	30		5,113,913.60
Operating profit/(loss) before working capital changes			19,739,979.18
(Increase)/decrease in inventories			37,900.00
(Increase)/decrease in trade and other receivables			1,697,196.51
Increase/(decrease) in trade and other payables			6,570,787.64
Increase/(decrease) in prepayments			(2,300,000.00)
Increase/(decrease) in electricity deposits			(100,000.00)
Increase/(decrease) in consumer deposits			5,081,500.00
Increase/(decrease) in prepayment income			(70,544.50)
Increase/(decrease) in accruals			348,000.00
Cash generated from/(used in) operations			31,004,818.84
Collections for the year			
Q1		80,418,085.00	
Q2		70,452,600.00	
Q3		73,772,321.00	
Q4		66,452,877.00	
		291,095,883.00	

38. RELATED PARTIES DISCLOSURES

The County Government of Nakuru is the principal shareholder of the NARUWASCO, holding

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Other related parties include:

- i) Central Rift Water Development Authority
- ii) Water Sector regulatory board
- iii) Key management
- iv) Board of directors
- v) Water Sector Trust Fund

Transactions with related parties

	2021-2022	2020-2021
	Kshs	Kshs
a) Grants from the Government		
Grants from WSTF, KeNHA, Water WorX	296,712,831.00	61,442,242
Total	296,712,831.00	61,442,242
b) Key management compensation		
Directors' emoluments	4,863,300.00	4,337,800
Compensation to key management	14,755,918.00	11,388,500
Total	19,619,218.00	15,726,300

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

39. Incorporation

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

40. Events After the Reporting Period

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

41. Currency

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

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xx. Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management responses	Status	Timeframe (To include when you expect the issue to be resolved)
1.0	Errors and Other Discrepancies in the Financial Statements	The budgeted receipts of Kshs 306,800,000 relate to the company generated revenues from water sales excluding any grant funding during the year. At the end of the financial year, we had realized grants amounting to Kshs 91,442,242 which was capitalized accordingly. b. the reported surplus relates to the investments in the PPE	Not resolved	30/9/2022
2.0	Staff costs Note 9(a) to the financial statements shows total staff cost of Kshs. 139,530,822 which varies with the payroll figures totaling to Kshs. 130,841,006.50 by Kshs 8,689,815.86. The management has	The reported staff cost of Kshs 9,132,691 relates to operations and maintenance casuals' expenditure	Not resolved	30/9/2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Timeline (Date when you expect the issue to be resolved)
	such differences, or they have not reconciled the two sets of records. In addition, the expenditure on staff cost of Kshs. 139,530,822 was above the budgeted figure of Kshs. 130,398,131.00. This makes over-expenditure on staff cost of Kshs. 9,132,691 without any supplementary budget.			

Name

Signature

Managing Director

Date.....

Handwritten signature: Andrew K. Kariuki
Handwritten date: 16/2/2023

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Appendix II: Projects Implemented By The Company

Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	1	KeNHA	12 Months	262,694,139.00	Yes	Yes
2	2	Water work	12 months	25,660,557.78	Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Source of funds
1	Pipeline relocation	314,674,519.50	262,694,139.00	83%	262,694,139.00	262,694,139.00	KeNHA
2	Rongai waterproject	25,660,557.78	25,660,557.78	100	25,660,557.78	25,660,557.78	Water work

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Appendix III- Inter-Entity Confirmation Letter
The company did not transfer money to any entity.

Appendix IV: Reporting of Climate Relevant Expenditures
The company did not have any climate relevance expenditure.

Appendix V: Disaster Expenditure Reporting Template
The company did not have any disaster expenditure.

Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/D onor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized					Others must be specific	Trans durin
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables			
Kenya National Highway Authority	01.01.2021	Development	139,516,680.0	0	139,516,680.0	0	0	0	0	
Kenya National Highway Authority	27.05.2022	Development	123,177,459.00	0	123,177,459.00	0	0	0	0	
Water Sector Trust Fund	14.12.2021	Recurrent	34,018,692.00 296,712,831.00	34,018,692.00 34,018,692.00	0 262,694,139.00	0 0	0 0	0 0	0 0	
Total										