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ON

**NAIVASHA WATER AND SANITATION
COMPANY LIMITED**

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



NAIVASHA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

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

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1. Acronyms and Glossary of Terms

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>NAIVAWASCO</i>	<i>Naivasha Water and Sanitation Company Limited</i>
<i>WSTF</i>	<i>Water Sector Trust Fund</i>
<i>VEI</i>	<i>Vitens Evides International</i>
<i>WSUP</i>	<i>Water and Sanitation for the Urban Poor</i>
<i>CRVWWDA</i>	<i>Central Rift Valley Water Works Development Agency</i>
<i>WRA</i>	<i>Water Resources Authority</i>
<i>KENHA</i>	<i>Kenya National Highways Authority</i>
<i>NRW</i>	<i>Non-Revenue Water</i>
<i>NSSF</i>	<i>National Social Security Fund</i>
<i>FY</i>	<i>Financial Year</i>

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2. Key Entity Information

Background information

The Naivasha Water and Sanitation Company Limited (NAIVAWASCO) was established by the Water Act 2016 of Parliament on the 13th September, 2016. At County level, NAIVAWASCO is represented by the County Executive Member responsible for Water, Environment, Energy and Natural Resources, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. NAIVAWASCO is domiciled in Kenya.

Principal Activities

The principal activities of NAIVAWASCO are;

- a) Abstraction, treatment and distribution of water
- b) Collection, transmission, treatment and disposal of sewage to the prescribed service and quality
- c) Maintenance and repair of assets for water and sanitation
- d) Establishing connections to expand service area coverage

Vision

To realise a reliable high-quality water and distribution and sanitation services accessible within a reasonable distance

Mission

To continuously provide adequate high quality water, affordable, accessible and sustainable water and sanitation services that exceed the needs and expectations of customers using contemporary technology.

Directors

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

1.	Johnson Karanja	Chairman	- Appointed in 2020
2.	Everlyne Kakai	Member	- Appointed in 2023
3.	Johnson Njuguna	Member	- Appointed in 2023
4.	Pius Langat	Member	- Appointed in 2022
5.	Tabitha Kamau	Member	- Appointed in 2021
6.	Mark Kariuki	Member	- Appointed in 2020
7.	Joyce Lairumbe	Member	- Appointed in 2020
8.	CPA Muchinah Gitau	Member	- Left in 2022
9.	Eng. Jane Muriu	Member	- Left in 2022

Company Secretary

CPS Gikuhi Kiana
P.O. Box 1271-10100
Nyeri, Kenya

Registered Office

Water Works Office
Kenyatta Avenue
P.O. Box 321-20117
Naivasha, Kenya

Corporate Contacts

Telephone: (254) 705877770
E-mail: info@naivashawater.co.ke
Website: www.naivashawater.co.ke

Corporate Bankers

1. Kenya Commercial Bank
P.O Box 130-20117
Naivasha Branch, Kenya

2. Co-operative Bank of Kenya
P.O Box 1180-20117
Naivasha Branch, Kenya

3. Family Bank
P.O Box 1614-20117
Naivasha Branch, Kenya

4. Kenya Post Office Savings Bank
P.O Box 4199-20117
Naivasha Branch, Kenya

Independent Auditor





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

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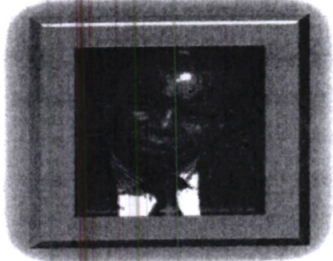


Principal Legal Advisers

The Attorney General
State Law Office, Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya


3. The Board of Directors

 <p>Johnson Karanja</p>	<p>Mr Johnson Karanja was born on 18th December 1974 and serves as the Board Chairman. He holds a degree of bachelor of Science from Egerton University. He has vast experience in business administration. He represents the professional organizations in the board.</p>
 <p>Everlyne Kakai</p>	<p>Mrs Everlyne Kakai was born on 7th May 1972. She is the Chief Officer Economic Planning in the County Government of Nakuru and currently serves as a member in the Audit and Governance Committee and Finance and Administration Committee of the Board.</p>
 <p>Johnson Njuguna</p>	<p>Mr Johnson Njuguna was born on 14th June 1964 and currently is the County Director of Water in the County Government of Nakuru. He holds a bachelor's degree in Civil Engineering. He was appointed to the board on January 2023 and serves in the Technical Committee.</p>
 <p>Pius Langat</p>	<p>Mr. Pius Langat was born on 15th August 1948 and holds a higher national diploma in Automobile Engineering. He currently serves as the Chairperson of the Technical Committee.</p>



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 <p>Tabitha Kamau</p>	<p>Tabitha Wangari Kamau was born on 20th October 1966. She has a bachelor of Arts in Counselling Psychology and Professional Qualification as an Associate Counsellor. She currently serves as the Chairperson of the Finance and Administration Committee.</p>
 <p>Mark Kariuki</p>	<p>He was born on 2nd November 1953 and represents Commercial Consumers in the board. He currently serves as the Chairperson of the Audit and Governance Committee and a member in the Finance and Administration Committee.</p>
 <p>Joyce Lairumbe</p>	<p>Joyce Lairumbe was born on 27th November 1977. She holds a certificate in community health and represents special interest groups (women, people living with disability, youths and marginalized communities) in the board. She serves as a member in the Technical Committee and Audit and Governance Committee.</p>
 <p>CPS Gikuhi Kiana</p>	<p>CPS Gikuhi is the company secretary. He is a member of the Fellow of institute of Certified Public Secretaries of Kenya (FCPSK), Member of Kenya Institute of Management (MKIM), Member of Audit Risk and Governance Committee -KIM having pursued an MBA (Strategic Management) from Moi University. He has a rich employment record in various institutions within the country and thus a vast experience in company secretarial duties. He joined the company in 2015.</p>

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	<p>Eng. Nahashon Wahome was born on 09th April 1987. He has been the Managing Director since July 2018 having joined the company in November 2014 and serves as the secretary to the board. He has a BSc. In Water Engineering and currently pursuing MSc. Soil and Water Engineering. He is a registered member of Institute of Engineers Technologists (IET) and has a wide experience in project management.</p>
<p>Eng. Nahashon Wahome</p>	

4. Key Management Team

	<p>Eng. Nahashon Wahome was born on 09th April 1987. He has been the Managing Director since July 2018 having joined the company in November 2014 and serves as the secretary to the board. He has a BSc. In Water Engineering and currently pursuing MSc. Soil and Water Engineering. He is a registered member of Institute of Engineers Technologists (IET) and has a wide experience in project management.</p>
<p>Eng. Nahashon Wahome</p>	
	<p>CPA Winnie Karanja is the Finance Manager having joined the company in June 2019 and serves as the secretary to the Finance and Administration Board Committee. She has a bachelor's degree in Finance and Masters in Business Administration. She is a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK). Currently pursuing Association of Chartered Certified Accountants (ACCA)</p>
<p>CPA Winnie Karanja</p>	

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Felix Mwarema

Mr Felix Mwarema joined the company in June 2019 and has broad experience in water systems. He holds a bachelor’s degree in Agricultural Engineering and a diploma in Management. He serves a secretary to the Technical Committee.



Nyaruai Njeri

Ms Nyaruai Njeri joined the company in February 2017 and was promoted to the position Distribution and Sales manager in March 2023. She has a BSC in Mathematics and a Diploma in Project Management. She is also a Young Experts Programme (YEP) Alumni.



CPS Gikuhi Kiana

CPS Gikuhi is the company secretary. He is a member of the Fellow of institute of Certified Public Secretaries of Kenya (FCPSK), Member of Kenya Institute of Management (MKIM), Member of Audit Risk and Governance Committee -KIM having pursued an MBA (Strategic Management) from Moi University. He has a rich employment record in various institutions within the country and thus a vast experience in company secretarial duties. He joined the company in 2015.

5. Chairman's Statement



This Annual 2022/2023 Report showcases our solid results and highlights the forward-looking, innovative organization we have become. Despite facing substantial economic challenges both in the global and at home, we managed to navigate these hitches and deliver exceptional outcomes. The year presented us with tough operating conditions, including changes in taxation, political uncertainty surrounding the elections, and a significant economic slowdown compounded by rising inflation and currency depreciation. However, despite these obstacles, we are pleased to see the outstanding results the company has achieved.

Foremost, I want to appreciate the new County Government of Nakuru under the leadership of Her Excellency the Governor Hon Susan Kihika for the support that she has so far granted the Company. I also express my gratitude to the Governor for her commitment to ensuring access to clean water for all residents in Naivasha sub-county and Nakuru County by making provision of water as her top agenda. We can be sure that in this dispensation we will continue enjoying a supportive relationship for the interest of the residents of Naivasha.

Corporate governance and sustainability

Naivasha Water and Sanitation Company is fully committed to managing its business in a sustainable way and upholding the highest standards of ethics and corporate governance practices. The Board of Directors is ultimately accountable for the performance of the Company, appreciating that strategy, risk, performance and sustainability are inseparable.

Our governance framework is based on the principles contained in Water Services Regulatory Board (WASREB) regulations and we are satisfied that the Company has applied those principles during the year under review.

It is gratifying to be able to note that the Board and its committees have performed outstandingly well, not only in fulfilling their duties, but in proactively supporting management, delegating with responsibility and transparency, and applying its collective mind and skills to meet the challenges, and maximize the opportunities that have made themselves apparent during the year. In addition, during the year under review, we continued to work hard to understand the concerns of our stakeholders, to absorb them and apply them so that our strategy continually matches not only our vision, mission and purpose, but the needs and expectations of all those individuals and bodies that are impacted by what we do.

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Financial Performance

Despite the economic obstacles experienced during the year, the Company managed to close with a growth of 14% from the previous Financial year. This has been a result of increased water production from the improved demand of water both from existing customers and new customers in areas like Mai-Mahiu and Longonot.

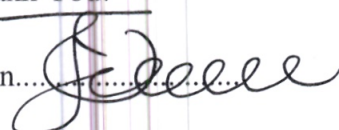
The Company is still looking forward to reach more new areas within Naivasha Sub-County and continue to deliver increased amount of water to the residents whose quality is assured to be high. We anticipate to serve more customers with enough potable water and bring on board more development partners who will assist the Company to move forward and achieve its Vision and Mission.

In closing

To all our stakeholders, and in particular government and regulatory bodies with whom we continuously consult, I would like to say that we greatly appreciate their support and willingness to engage with us as we move forward together to make the future an even better one for all.

Thank You!

Sign.....



Johnson Karanja
Chairman, Naivasha Water and Sanitation Company Ltd.

6. Report Of the Managing Director



During the year under review, FY 2022/2023; we acknowledge various milestones and achievements attained. As a company we managed to progress in terms of sales, billing and production, thanks to the dedicated employees. The growth in customer connections has also been gradual which closed with 12,442 connections. More importantly, in our objective to provide quality water services to the entire Naivasha Sub-County we have managed, with support of various partners, to extend our services to new areas through implementing new projects. For instance, Karima Water Supply Project was completed and Kayole-Kasokoo Simplified Sewer Phase 1, Ihindu Public Sanitation Facility, Mai Mahiu and Eleri Munengi Water Supply Projects have been on going. To improve efficiency and reduce the operational costs we have been implementing CBD NRW Reduction Project and the Solarization project.

Performance

The company has closed the year with a total Sales of KES 220M which is an improvement of 14% in Operating Revenue compared to the previous financial year, this was a contribution of 10% water sales and 16% sewer sales besides improvement in other billed services. In terms of water abstracted there was an increment of 18% closing with volumes of 2,400,435m³.

The improved performance was enhanced by the company initiative on undertaking personnel efficiency exercise that was used to optimize employee-related costs and ensure that organizational goals are achieved. The execution of the exercise resulted into the below actions;

- ✓ Formation of three regions namely Southern, Eastern and Central
- ✓ Reorganizing departments with marching skills within and across.
- ✓ Facilitation of transport resources through purchase of 7 Motor bikes and a Tuktuk that were given to plumbers managing larger areas and production supervisors to boost mobility.
- ✓ Sensitization of employees on their job descriptions and key performance indicators to have a clear understanding on what is expected of them

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Lastly, it cannot go without mention that the Company received a (5) five years License from the Regulator, Water Services Regulatory Board (WASREB), having operated with a (3) three years license.

Challenges

However, we have overcome numerous challenges in the past, and we are very optimistic that we will overcome the challenges that we experienced within the year even as we welcome the FY 2023/24. The ever-rising cost of operation due to high electricity costs was reduced through the implementation of solarization project. Due to the efforts made by each and one of us the NRW has reduced but the war continues in order to manage the NRW and increase the revenue collection efficiency. Throughout the year we had the challenge of meter theft, for this reason, we call upon all employees and members of the public to report meter theft, we have agreed to give incentives to the people who will help us bring the culprits to the book and also take legal action on whoever is involved.

As we start the new year FY 2023/24, we are optimistic that our goals, objectives and targets will enable us to improve service delivery to the residents of Naivasha sub-county. We will focus on reducing the cost of production and increasing coverage-especially in areas not covered by developing more proposals for expansion projects. The responsibility of ensuring that the Company runs well and improving service delivery is on all of us, and for that reason, I am certain that our able NAIVAWASCO staff will direct more efforts to ensure more improvement and better performance in the coming year.

Sign. 

Eng Nahashon Wahome
Managing Director, Naivasha Water and Sanitation Company Ltd

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

NAIVAWASCO has three strategic pillars and objectives within the current Strategic Plan for the FY2020-FY2024. These strategic pillars are as follows

Pillar 1: Increased Water and Sanitation Coverage

Pillar 2: Improved Customer Satisfaction

Pillar 3: Strengthened Financial Sustainability

NAIVAWASCO develops its annual work plans based on the above three pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. NAIVAWASCO achieved its performance targets set for the FY 2022/2023 period for its three strategic pillars, as indicated in the diagram below:

Pillar1:Increase Water and Sanitation Coverage	➤ Expansion of water network infrastructure	❖ New main lines and sub main lines	➤ Karima,Mai Mahiu and Eleri Munengi water supply projects	❖ New water distribution network completed and clean and affordable water for residents of Karima
	➤ Increase access to improved sewer coverage to 30% and decent onsite sanitation for	❖ New sanitation projects	➤ Construction of Ihindu Public Sanitation Facility,Kayole-Kasokoo simplified sewer phase One	❖ Customer sewer connections ongoing under the Kayole Kasokoo simplified sewer phase One

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	all in the service area			
Pillar 2:Improved customer satisfaction	➤ Increase and maintain satisfaction level to over 85% by 2024	❖ Enhancement of customer relations through effective communication	➤ Undertaking continuous customer engagement and awareness creation	❖ Conducted water clinics in all regions i.e Central, Eastern and Southern regions taking note of challenges being faced by customers and creating awareness of service offered by the company and modes of payment for services offered
Pillar 3:Increased Financial Sustainability	➤ Increase sales income to KES 275 Million per annum by 2024	❖ Increase in water and sewer sales ❖ Offering of exhauster services	➤ Increasing the number of active customer connections ➤ Undertaking intensive marketing of exhauster services	❖ Increased new water connections by 1285 and sewer new connections by 17 ❖ Aggressive marketing of the exhauster through the company's social media page, printing and issuing of fliers and through bulk text messages to customers

8. Corporate Governance Statement

A. Board Composition and Appointment

The Board of Directors is composed of seven Board members representing different stakeholders. The County Government of Nakuru is represented by two Directors while the other five Directors represent stakeholders within our area of service delivery.

Vacant board positions are advertised and an Adhoc Selection Committee of the Board conducts the shortlisting and interviews of the shortlisted candidates. The report of the Selection Committee is submitted to the office of the Governor of Nakuru County for review and appointment of the candidate proposed by the Selection Committee.

Every year, two directors retire in succession to ensure retention of institutional memory.

B. Full Board Meetings and Board Committee Meetings

To support the business of the Board, there are three committees namely, Finance and Administration Committee, Audit Risk and Governance Committee and Technical Committee. The three Committees meet every quarter and the Full Board meets once every quarter as illustrated in the below table showing attendance by Directors;

BOARD MEMBERS	FULL BOARD	FINANCE AND ADMINISTRATION COMMITTEE	TECHNICAL COMMITTEE	AUDIT, RISK AND GOVERNANCE COMMITTEE
Johnson Karanja	4/4			
Everlyne Kakai	2/4	1/4		1/4
Johnson Njuguna	2/4		2/4	1/4
Mark Kariuki	4/4	1/4	3/4	4/4
Tabitha Kamau	4/4	4/4		
Joyce Lairumbe	4/4	3/4	1/4	1/4
Pius Langat	4/4		4/4	
Eng Jane Muriu	2/4		2/4	2/4
CPA Joseph Muchinah	0/4	0/4		0/4

The roles and functions of the Board Chairperson, the Committees, the Directors and the Managing Director are well documented in the Board Charter and are adhered to.

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Through the involvement of the County Government of Nakuru and supporting donor agencies, the members are put through a training process and they sign a code of conduct for Board Members.

C. Remuneration of the Board Members

The remuneration of the Board is guided by the WASREB Corporate Governance Guidelines and the resolution of the shareholders. The following is a breakdown of the company's board remuneration policy;

- ❖ During full board and board committee meetings directors are entitled to a sitting allowance, transport allowance and lunch allowance
- ❖ The Board Chairperson is entitled to a monthly honorarium
- ❖ Medical cover is provided to all directors comprising of both inpatient and outpatient services

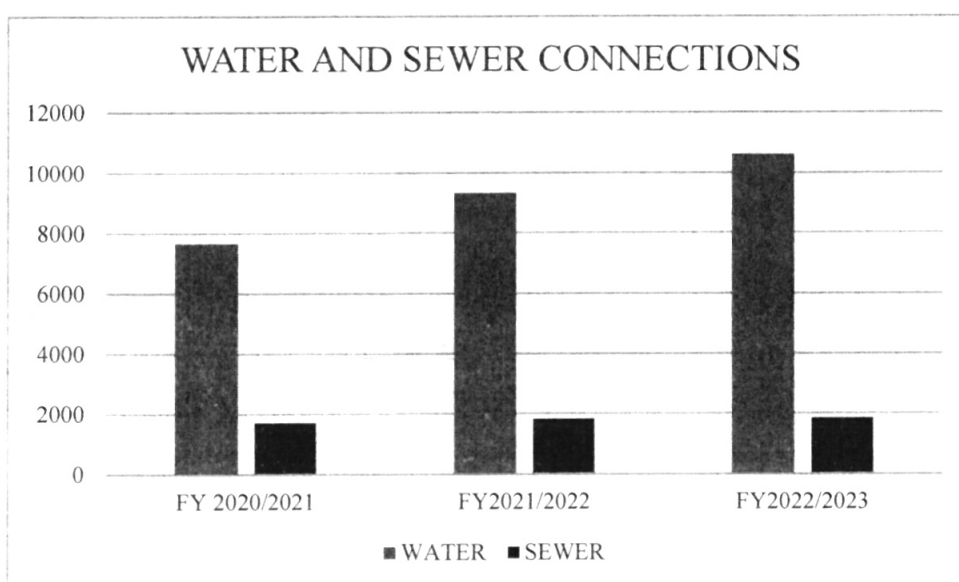
Below is a schedule of the board member allowances for the FY2022/2023

	Gross Allowance (KES)	Sitting Allowance (KES)	Transport Allowance (KES)	Lunch Allowance (KES)
Chairperson Honoraria	34,000	30,000	2,000	2,000
Chairperson Full Board Allowance	26,857	22,857	2,000	2,000
Director's Allowance for Full Board and Board Committees	19,714	15,714	2,000	2,000
Director's Allowance- Other meetings	15,429	11,429	2,000	2,000

9. Management Discussion and Analysis

A. Water and Sewer Connections

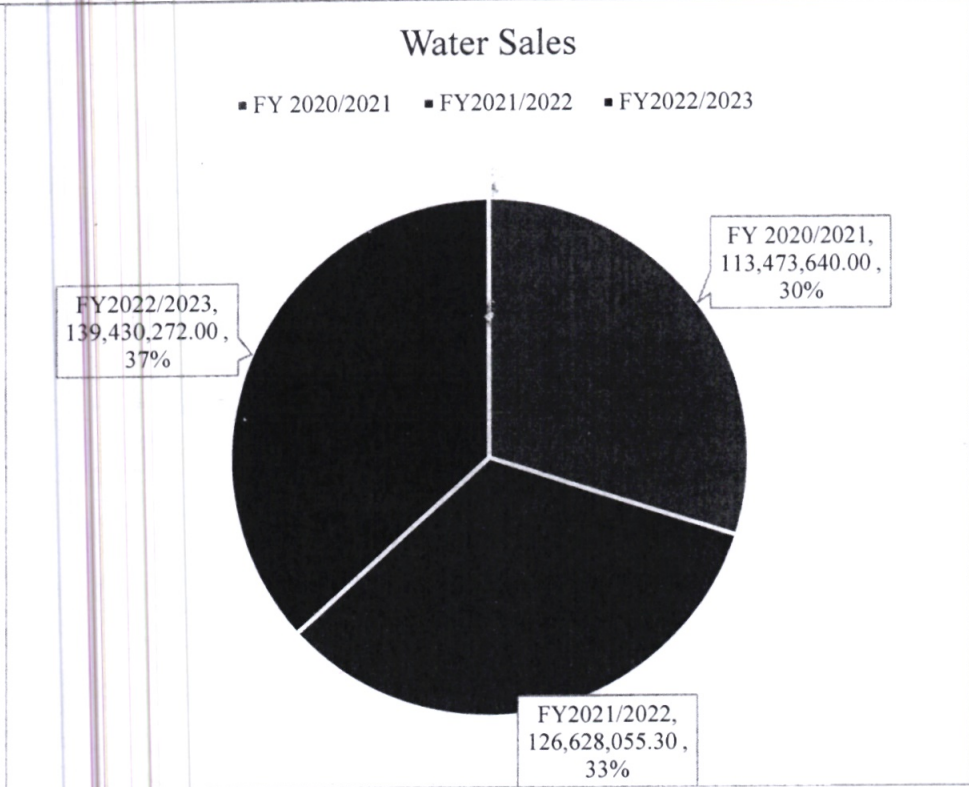
The company recorded 10.5% increase in the total connections for water and 0.9% growth for total sewer connections compared to previous financial year FY2021/2022. Key notable zones that contributed to new water connections were Mai Mahiu with 507 connections and Hells Gate with 230 connections. The company is in the process of finalizing the debt-finance arrangement for water network expansion project Kinamba and Mararo areas that will enhance the growth in the number of water connections. Below is a graphical presentation of the three-year growth in the number of total connections for both water and sewer;



B. Water Sales

The company recorded a 10% growth in revenues arising from water sale in FY2022/2023 with sales worth KES. 139,430,272 compared to FY2021/2022 which recorded sales worth KES. 126,022,055.30. This was attributable to the growth in the number of active water connections and adoption of the new water tariff that took effect from January 2022. The company has experienced tremendous growth in its water sales over the past three financial years as depicted by the below pie chart;

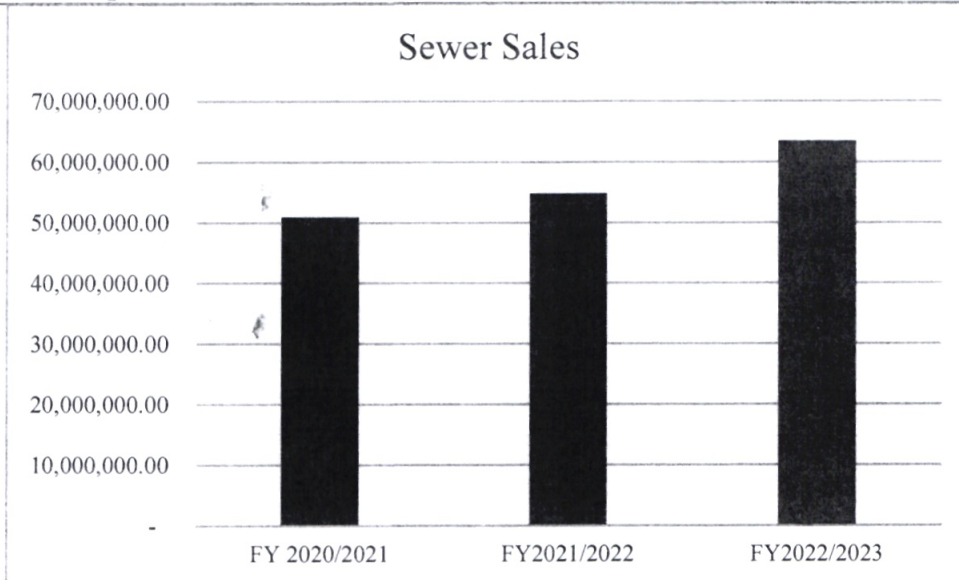
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C. Sewer Sales

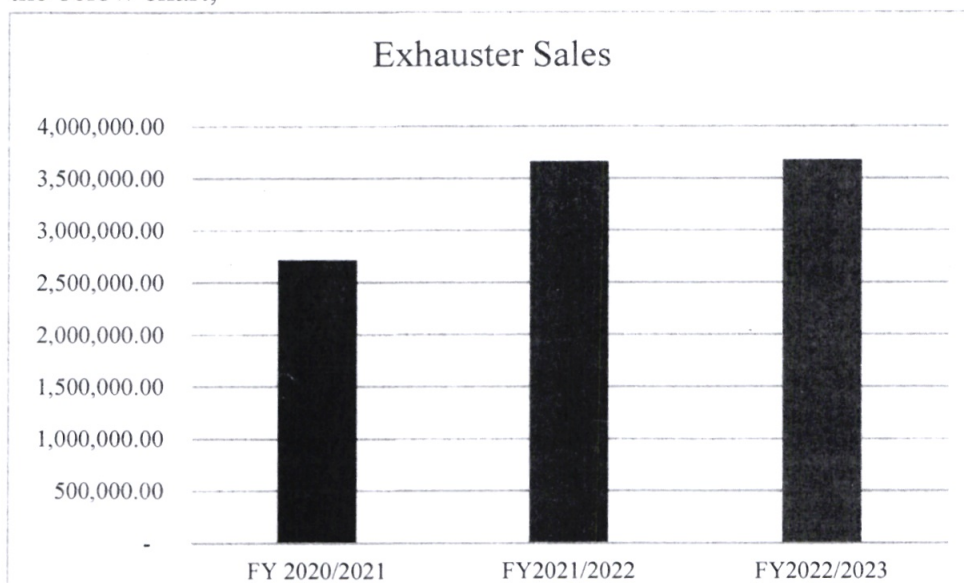
The company recorded a significant growth in sewer sales of 16% in the FY2022/2023 with sales worth KES 63,387,185.05 compared to FY2021/2022 with sales worth KES. 54,817,725.72. The increase is attributable to the adoption of new water and sewer tariff that came into effect from January 2022 and higher water consumption by Commercial/Industrial customers where sewer is billed at 75% of water billed. The below column chart clearly elaborates the growth in sewer sales over the past three financial years;

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D. Exhauster Sales

The company offers exhausting services to the residents of Naivasha at competitive market rates through its modern exhauster truck. NAIWASCO also charges a flat fee of KES 15,000 per month to private exhausters to dump at its sewer facility. There was a slight growth of 0.5% in exhauster revenues from both private and company owned exhauster in FY2022/2023 recording KES 3,677,551 compared to FY2021/2022 with sales worth 3,660,000. However, it is important to note that growth in exhauster revenues has been witnessed in the last three financial years as shown by the below chart;



E. Future Plans

The company has focused on implementation of small projects both in the current and the entire service provision area in order to attain the following short-term objectives;

- ❖ Increase quantity of good quality water through increasing the number of boreholes in better water quality yielding aquifers and to roll out defluoridation project
- ❖ Reduction of production costs by use of solar and other renewable sources of energy in the production sites
- ❖ Construct new reservoirs and increase supply hours to all serviced areas
- ❖ Reduce NRW to 23%
- ❖ Improve collection efficiency to over 95%
- ❖ Increase water coverage to over 90% through construction of new/replacing distribution lines in existing and new areas (water and sewer)

10. Environmental And Sustainability Reporting

NAIVAWASCO exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

According to the NAIVAWASCO 2020-2024 Strategic plan, improved operational and institutional performance is key to the sustainability of the company. NAIVAWASCO plans to optimise operational and institutional systems through the strategic objectives, strategies and strategic actions, these includes but not limited to Reduction of NRW to 23% through Development and implementation NRW Reduction Framework, Reduction of requisition process for issuance of materials for Operation and Maintenance by automization of processes, enhancing company risk management and compliance through reduction of the Company's exposure to risks and strengthening of internal control framework.

Financial sustainability is also critical to service delivery and on-going infrastructure development, maintenance and improvements. Efficient and effective resource mobilisation and management will help the company to move the business towards successful execution of strategic objectives and reaching its goals.

ii) Environmental performance

NAIVAWASCO is in the process developing an environmental policy that promotes sustainable environmental conservation practices such as restoration of water catchment areas, preserving ecosystems and biodiversity conservation. It also ensures awareness creation on climate change; impacts on water, adaptation and mitigation measures to improve on water resource to the people. advocates on improving public and environmental health through sustainable, effective and efficient sanitation service delivery.

iii) Employee welfare

NAIVAWASCO through the Human Resource policy is committed to building a highly skilled and motivated workforce that will perform effectively in their positions as well as further the company mission. All recruitments are conducted in an open and transparent manner without undue influence from stakeholders, shareholders, members of the Board of Directors or any member of staff irrespective of their seniority.

The Policy guides on the company staff welfare services including counselling on personal problems, assistance with problems of health or sickness. It supports the formation of staff welfare initiatives and encourages employees to register as members of welfare associations formed by members of staff, as well as savings and co-operative society. Further to this NAIVAWASCO through the Human Resource Policy ensures that all employees comply with all applicable OSHA standards as required in the Occupational Safety and Health Act of 2007, (OSHA).

iv) Market place practices-

a) Responsible competition practice.

The Company annually advertises for registration and prequalification of Vendors in a print media with wide circulation giving opportunities to different categories including reservation of disadvantages groups. It also exercises open and transparent tendering process to ensure business integrity and ethics.

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

The company conducts water clinics, road shows and barazas in all the zones to interact with the customers and reach out to others who are not connected.

d) Product stewardship

The company carries out public participations during negotiation of tariff changes

v) Corporate Social Responsibility / Community Engagements

NAIVAWASCO in the FY2022/2023 participated in the World Water Day where the company used this opportunity to sensitise the community on the essence of consuming clean water and usage of proper sanitation facilities. In addition, the company participated in Jamhuri and Madaraka day celebrations by through a cash contribution to cater for sodas and snacks for the sub county residents attending the function.

11. Report of the Directors

The Directors submit their report together with the financial statements for the year ended June 30, 2023 which show the state of NAIVAWASCO's affairs.

i) Principal activities

The principal activities of NAIVAWASCO is the provision of affordable clean water and sanitation services to the residents of Naivasha Sub-county and its environs.

ii) Results

The results of the company for the year ended June 30, 2023 are set out on page 1.

iii) Dividends

NAIVAWASCO has not declared dividends for the year ended 30th June 2023.

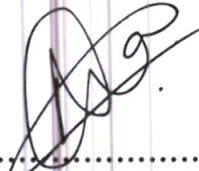
iv) Directors

The members of the Board of Directors who served during the year are shown on page iii. In accordance with Regulation of NAIVAWASCO's Articles of Association.

v) Auditors

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

By Order of the Board



.....
Eng. Nahashon Wahome
Secretary to the Board

Date:

12. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and Companies Act 2015 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

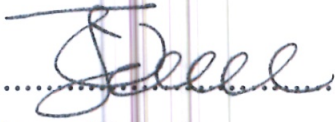
The Directors responsibility for NAIWASCO's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act,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

The Directors are of the opinion that NAIWASCO's financial statements give a true and fair view of the state of NAIWASCO's transactions during the financial year ended June 30, 2023, and of NAIWASCO's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

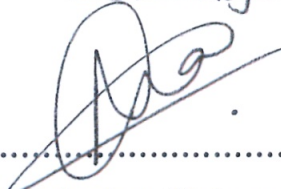
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company financial statements were approved by the Board on 31st August 2023 and signed on its behalf by:



.....
Johnson Karanja
Chairperson of the Board



.....
Eng. Nahashon Wahome
Managing Director

REPUBLIC OF KENYA

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Enhancing Accountability

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NAIROBI

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

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management, and overall 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 Naivasha Water and Sanitation Company Limited set out on pages 1 to 48, which comprise the statement of financial position as at 30 June, 2023 and the statement of profit or loss and other comprehensive

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

In my opinion, except for the effect of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, the financial position of Naivasha Water and Sanitation Company Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012

Basis for Qualified Opinion

1. Inaccuracies in Operating Revenue

The statement of profit and loss and other comprehensive income reflects operating revenue amount of Kshs.220,313,642 as disclosed in Note 6 to the financial statements which includes sewerage services amount of Kshs.63,387,185. However, two-hundred and thirty-nine (239) customers who were billed 38,509 cubic meters (m³) of water at Kshs.3,155,652 were not billed for sewer services amounting to Kshs.2,366,739 being seventy-five (75%) percent of the water billed.

In addition, the amount includes water services revenue of Kshs.139,430,272 out of which Kshs.737,741 were receipts from two-hundred and sixty (260) customers whose meters had no serial numbers and Kshs.51,933 receipts from seventy-nine (79) customers who were sharing meter numbers.

In the circumstances, the accuracy and completeness of operating revenue amount of Kshs.220,213,642 could not be ascertained.

2. Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.569,629,382 as disclosed in Note 16 to the financial statements. Included in the balance are additions during the year of Kshs.18,108,771 out of which Kshs.13,771,585 relates to work in progress. However, the work in progress additions were not supported by inspection and acceptance reports or reports from project implementation committee. Further, the balance excludes land and buildings of undetermined value on which the company headquarters and nine (9) boreholes reside.

In the circumstances, the accuracy and fair statement of property, plant and equipment balance of Kshs.569,629,382 could not be confirmed.

3. Unsupported Deposits and Prepayments

The statement of financial position reflects trade and receivables balance of Kshs.171,593,710 as disclosed in Note 18 to the financial statements. Included in the

balance are deposits and prepayments of Kshs.4,285,426 whose invoices and evidence of prepayments were not provided for audit.

In the circumstances, the accuracy and fair statement of deposits and prepayments balance of Kshs.4,285,426 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Naivasha 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

Unresolved Prior Year Matter

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues or given any explanations for failure to implement the recommendations.

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 sections of my report, I confirm that nothing else has come to my attention to cause me believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects a final revenue budget of Kshs.244,954,730 and final expenditure budget of Kshs.271,684,601 resulting to an unbalanced budget by Kshs.26,729,871. This was contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the budget revenue and expenditure appropriations shall be balanced.

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

2. Unauthorized Use of Customer Deposits

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.21,375,359 as disclosed in Note 25 to the financial statements. Included in the balance are customer deposits of Kshs.19,776,661 while the customer deposit bank account reflects Kshs.10,237,489 resulting to unexplained variance of Kshs.9,539,172. This is indicative of using customer deposits on company operations without evidence of authority from the Board. This was contrary to Regulation 53(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that except as provided for in the Act and these Regulations an Accounting Officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for purposes other than those activities.

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

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Non-Revenue Water

During the year under review, the company produced 2,234,165 cubic meters (m³) of water out of which 1,667,181 cubic meters were billed to customers at Kshs.139,430,272. The balance of 566,984 m³ (or 25%) translating to Kshs.34,019,040 represents Non-Revenue Water (NRW). However, analysis of the billing system revealed that Company should have billed 1,850,145 cubic meters (m³) which resulted to unbilled 182,964 cubic meters (m³). No explanation was given for this inconsistency which indicates weak monitoring system over NRW.

In the circumstances, the effectiveness of internal controls on billing customers and monitoring of Non-Revenue Water could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires 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 Company, so far as appears from the examination of those records; and,
- iii. The Company 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 going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease its 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 Company's 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 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 March, 2024

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

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

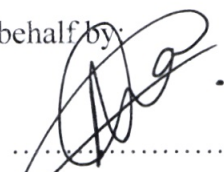
	Note	FY2022/2023 KES	FY2021/2022 KES
Revenue			
Operating Revenue	6	220,313,641.70	192,649,033.77
Grants Income	7	11,746,511.60	34,582,597.20
Other Income	8	4,781,494.80	2,577,091.28
Finance income	9	785,450.92	437,767.60
Total Revenue		237,627,099.02	230,246,489.85
Expenses			
Staff Costs	10	91,211,512.00	87,167,075.56
General and Operations expenses	11	102,049,302.90	86,369,173.81
Board Expenses	12	3,092,765.58	3,780,065.00
Maintenance Expenses	13	13,995,855.13	10,191,241.27
Depreciation and Amortization expenses	14	25,133,928.22	25,050,363.72
Finance Costs	15	2,202,535.54	3,108,070.08
Total Expenses		237,685,899.37	215,665,989.44
Profit/(Loss) Before Taxation		(58,800.35)	14,580,500.41


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


15. Statement of Financial Position As at 30 June 2023

	Note	FY2022/2023 KES	FY2021/2022 KES
Assets			
Non-current assets			
Property, plant and equipment	16	569,629,382.42	566,797,800.54
Intangible assets	17	2,926,337.90	9,780,308.66
Total non-current assets		572,555,720.32	576,578,109.20
Current assets			
Trade and receivable	18	171,593,709.61	140,296,427.92
Bank and cash balances	19	35,943,310.38	51,072,981.67
Total non-current assets		207,537,019.99	191,369,409.59
Total Assets		780,092,740.31	767,947,518.79
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	20	100,000.00	100,000.00
Capital grants and reserves		671,838,988.87	667,354,592.77
Retained earnings	21	10,522,275.89	10,589,000.73
Capital and Reserves		682,461,264.76	678,043,593.50
Non-current liabilities			
Borrowings	22	12,616,428.28	15,362,060.54
Total non-current liabilities		12,616,428.28	15,362,060.54
Current liabilities			
Borrowings	22	2,745,632.26	2,424,579.05
Trade and other payables	24	60,894,055.57	51,581,307.11
Refundable deposits and Prepayments	25	21,375,359.44	20,535,978.59
Total current liabilities		85,015,047.27	74,541,864.75
Total equity and liabilities		780,092,740.31	767,947,518.79

The financial statements were approved by the Board on 3rd August 2023 and signed on its behalf by


 Eng Nahashon Wahome
 Managing Director


 CPA Winnie Karanja
 Head of Finance
 ICPAK M/No:20778


 Johnson Karanja
 Chairman of the Board

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

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

	Ordinary share capital	Capital Reserves	Retained earnings	Capital/ Development Fund	Total
As at July 1, 2021 (Previous FY)	100,000.00	56,581,095.00	(2,826,888.00)	225,231,778.00	279,085,985.00
Adjustment to retained earnings			(1,164,611.68)		(1,164,611.68)
New capital issued	0.00				0.00
Profit for the year	-	-	14,580,500.41	-	14,580,500.41
Capital/Development grants received during the year	-	-	-	385,541,719.77	385,541,719.77
As at June 30, 2022 (Previous FY)	100,000.00	56,581,095.00	10,589,000.73	610,773,497.77	678,043,593.50
As at July 1, 2022 (Current FY)	100,000.00	56,581,095.00	10,589,000.73	610,773,497.77	678,043,593.50
Adjustment to retained earnings			(7,924.49)		(7,924.49)
Issue of new share capital	0.00				0.00
Profit for the year	-	-	(58,800.35)	-	(58,800.35)
Capital/Development grants received during the year	-	-	-	4,484,396.10	4,484,396.10
At June 30, 2023 (Current FY)	100,000.00	56,581,095.00	10,522,275.89	615,257,893.87	682,461,264.76

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

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

	Note	FY2022/2023 KES	FY2021/2022 KES
Cash Flows from Operating Activities			
Surplus/(deficit) for the year		(58,800.35)	14,580,500.41
Adjustment for;			
Deprecation and Amortization		22,131,159.85	21,406,009.57
Changes in Working Capital			
(Increase)/Decrease in Receivables		(31,297,281.69)	(17,656,848.92)
Increase/(Decrease) in trade and other payables; refundable deposits and prepayments		10,144,204.82	14,718,249.30
Net Cash from /(Used In) Operating Activities		919,282.63	33,047,910.36
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(18,108,770.97)	(373,203,863.05)
Purchase Of Intangible Assets		0.00	(5,192,090.40)
Net Cash From/ (Used In) Investing Activities		(18,108,770.97)	(378,395,953.45)
Cash Flows from Financing Activities			
Proceeds From Equity(Capital Grants)		4,484,396.10	385,541,719.77
Repayment Of Borrowings		(2,424,579.05)	(10,666,022.41)
Net Cash From/(Used In) Financing Activities		2,059,817.05	374,875,697.36
Increase/(Decrease) In Cash and Cash Equivalent		(15,129,671.29)	29,527,654.27
Cash And Cash Equivalent At Beginning Of Year		51,072,981.67	21,545,327.40
Cash And Cash Equivalent At End of the Year		35,943,310.38	51,072,981.67

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

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e= c-d	f=d/c %
Revenue	KES	KES	KES	KES	KES	Xxx%
Operating Revenue	248,158,759.91	(24,445,741.63)	223,713,018.28	220,313,641.70	3,424,876.58	98%
Grants	3,800,000.00	11,774,400.00	15,574,400.00	11,746,511.60	3,827,888.40	75%
Other Income	432,000.00	5,235,512.00	5,667,312.00	5,566,945.72	100,366.28	98%
Total Revenue	252,390,759.91	(7,436,029.63)	244,954,730.28	237,627,099.02	7,327,631.26	97%
Expenses						
Staff Costs	100,852,110.24	(8,567,458.64)	92,284,651.60	91,211,512.00	1,073,139.60	99%
Board Expenses	4,170,000.00	0.00	4,170,000.00	3,092,765.58	1,077,234.42	74%
General and operations Expenses	101,618,504.25	24,935,976.22	126,554,480.47	102,049,302.90	24,480,277.57	81%
Maintenance	16,506,000.00	(5,367,700.79)	11,138,299.21	13,995,855.13	(2,857,555.92)	126%
Finance costs	2,327,540.11	0.00	2,327,540.11	2,202,535.54	125,004.57	95%
Depreciation, Amortization and Provision Expenses	26,832,832.80	(3,000,000.00)	23,832,832.80	25,133,928.22	(1,301,095.42)	105%
Total Recurrent Expenditure	252,306,987.40	8,000,816.79	260,307,804.19	237,685,899.37	22,597,004.82	91%
Profit or Loss	83,772.51	(15,436,846.42)	(15,353,073.91)	(58,800.35)	(15,269,373.56)	0.4%
Capital Expenditure	22,516,415.00	(11,139,617.98)	11,376,797.02	18,108,770.97	(6,731,973.95)	159%
Total Expenditure	274,823,402.40	(3,138,801.19)	271,684,601.21	255,794,670.34	15,865,030.37	94%

Budget Notes

A. Revenues

1.Grants- NAIVAWASCO had budgeted to receive KES 11,774,000 for the Raplands project but received KES 10,168,767.80. Budgeted funds for CBD-Lakeview NRW reduction project Co-funded by Vitens Evides International (VEI) was KES 3,800,000 but the actual expenditure was KES 2,094,639.80 with KES 1,577,743.80 being recognised under the Statement of Profit or Loss while KES 516,896 being recognised under the statement of financial position with the latter representing the +-cost of acquired consumer meters.

B. Expenses

1.Board Expenses – The board expense was 74% of budgeted expenditure in line with cost reduction measures for the FY2022/2023

2.General and Operational Expense – The actual expenditure was 81% of the budgeted expenditure in line with cost reduction measures for the FY2022/2023

3.Maintenance – Increased repair and maintenance on some ageing water distribution lines and sewer treatment plant lead to the overutilization of the budget by 126%

19. Notes to the Financial Statements

1. General Information

Naivasha Water and Sanitation Company Ltd is established by and derives its authority and accountability from Water Act (2016). The Company is wholly owned by the County Government of Nakuru and is domiciled in Kenya. The Company's principal activity is to supply affordable, clean water and sanitation services to Naivasha town and environs. 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 NAIWAWASCO's accounting policies.

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

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

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

Notes to the financial statements (continued)

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

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

IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. NAIVAWASCO does not issue insurance contracts.	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of ‘accounting estimates’ and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	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. NAIVAWASCO does not have changes in its accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023.

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Financial Disclosures		
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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

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

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 2023.*

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

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

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements

iii. Early adoption of standards

NAIVAWASCO did not early – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognized in the year in which NAIVAWASCO 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. However, NAIVAWASCO did not declare dividends in the FY2022/2023.
- v) Rental income** is recognized in the income statement as it accrues. NAIVAWASCO rental income is based on deductions made from staff monthly salary whom are living in the company owned houses.100
- vi) Other income** is recognized as it accrues.

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to NAIVAWASCO 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, NAIVAWASCO 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. In the FY2022/2023 the company received a donation of materials and fittings from the County Government of Nakuru to enable water connection for County Council Residential Houses located in Naivasha.

c) Property, plant and equipment

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

Notes to the financial statements (continued)

Summary of Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognized in the income statement on a 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:

Freehold Land		Nil
Leasehold Land		Nil
Buildings and civil works	40	2.5%
Infrastructure works (Water distribution and Sewer Network)	40	2.5%
Plant and machinery	8	12.5%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.3%
Intangible assets	3	33.3%
Office equipment, furniture and fittings	8	12.5%

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

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 and the asset is written down to its estimated recoverable amount.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at 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 from 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. In the FY2022/2023 NAIVAWASCO did not have any investment property.

Notes to the financial statements (continued)
Summary of Accounting Policies

h) Right of Use Asset

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

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. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at amortized cost or at fair value through profit or loss or at fair value through other comprehensive income (FVOCI). However, in the FY2022/2023 NAIWASCO did not have Fixed Interest Investment.

j) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value. However, in the FY2022/2023 NAIWASCO did not have Quoted Investments.

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. These are measured at fair value through profit or loss (FVTPL). However, in the FY2022/2023 NAIWASCO did not have Unquoted Investments.

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. However, in the FY2022/2023 NAIWASCO did not have Inventories in its financial statements.

m) Trade and other receivables

Trade and other receivables are recognized at amortized cost 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 profit or loss statement. 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. Management periodically evaluates positions taken in the tax returns with respect

to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

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

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

q) Cash and cash equivalents

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

r) Borrowings

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

period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

s) Trade and other payables

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

t) Retirement benefit obligations

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the 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 12% of the pensionable wages made up of two equal portions of 6% from the employee and 6% from the employer subject to an upper limit of KES 2,160 for employees earning above KES 18,000.

u) Exchange rate differences

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

Notes to the financial statements (continued)

Summary of Accounting Policies

v) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on June 03, 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of Kes 8,938,207.83 on the 2022-2023 budget following the Board's approval. 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 profit or loss, 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 Notes to the Financial statements.

Notes to the financial statements (continued)

Summary of Accounting Policies

w) Service concession arrangements

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

x) Comparative figures

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

y) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the 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.

Notes to the financial statements (continued)

Summary of Accounting Policies

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 for 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. In the case of the provision for bad debts, NAIVAWASCO has pegged it on debts that have accrued for more than 120 days at a rate of 20%. The increase/(decrease) is debited/(credited) to the Statement of Profit and Loss and other Comprehensive Income.

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<u>Aging accounts receivable</u>	Increase/(Decrease) in the Provision for bad debts.		
	KES	RATE	KES
Accounts Receivables Over 120 days	128,558,465.43	20%	25,711,693.09
Less opening balance			23,678,924.72
Increase in provision from previous year			2,032,768.37

6. Operating Revenue

	FY2022/2023	FY2021/2022
	KES	KES
Water sales	139,430,272.00	126,628,055.30
Sewerage Services	63,387,185.05	54,817,725.72
Billing for other services		
Reconnection fees	3,798,300.00	2,171,000.00
New Connection fees	2,810,500.00	2,957,500.00
Sewer Unblockage fees	7,500.00	15,000.00
Sewer Penalties charges	40,000.00	83,000.00
Meter charges	65,000.00	67,501.00
Standing charge	5,065,300.00	4,304,150.00
Water Penalties	688,745.00	757,511.00
Other Penalties	0.00	54,960.00
Exhauster fees	3,677,551.00	3,660,000.00
Stolen meters	619,900.00	99,200.00
Statement fees	24,800.00	17,800.00
Closure of Account fees	200.00	6,600.00
Water kiosks renewal fees	23,000.00	0.00
Billing Adjustment	(228,188.70)	(3,011,975.25)
Miscellaneous-Billing	878,077.35	8,006.00
Butt welding machine	25,500.00	13,000.00
Total	220,313,641.70	192,649,033.77

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7. Grants Income

Donor Agency	FY2022/2023	FY2021/2022
	KES	KES
Recurrent/operational grants from other agencies		
WSTF	0.00	(122,304.80)
WSUP	0.00	300,000.00
Sanivation	0.00	330,300.00
WSTF CLSG Grant	0.00	34,074,602.00
VEI	1,577,743.80	0.00
FORUM CIV	10,168,767.80	0.00
Total	11,746,511.60	34,582,597.20

8. Other Income

	FY2022/2023	FY2021/2022
	KES	KES
Material and fittings	4,550,837.80	2,261,424.28
Tender application fees	2,100.00	0.00
Rental income	180,000.00	240,000.00
Staff surcharges	48,557.00	75,151.00
M-pesa ERP test	0.00	516.00
Total	4,781,494.80	2,577,091.28

9. Finance Income

Description	FY2022/2023	FY2021/2022
	KES	KES
Interest from commercial banks and financial institutions (Interested accrued on fixed deposit held at Cooperative Bank)	785,450.92	437,767.60
Total	785,450.92	437,767.60

10. Staff Costs

Description	FY2022/2023	FY2021/2022
	KES	KES
Basic salaries	47,449,080.00	40,571,480.00
Casual wages	5,339,650.00	5,543,118.00
Internship stipend	639,920.00	1,102,500.00
Employer contribution NSSF	782,723.00	302,000.00
Employer contribution pension fund	2,828,663.00	4,797,858.00

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Description	FY2022/2023	FY2021/2022
	KES	KES
Housing allowance	13,542,840.00	13,562,820.00
Medical allowance	3,055,500.00	3,066,000.00
Entertainment allowance	555,000.00	440,000.00
Commuter allowance	7,878,250.00	7,885,750.00
Special duty allowance	10,070.00	0.00
Airtime	1,330,100.00	1,329,600.00
Extraneous allowance	589,236.00	638,592.00
Leave allowance	2,368,365.00	1,891,958.00
Arrears	153,072.00	1,239,000.00
Acting allowance	479,435.00	239,745.00
Hazard allowance	58,500.00	87,729.56
Overtime allowance	821,810.00	1,460,117.00
Gratuity	3,329,298.00	3,008,808.00
Total	91,211,512.00	87,167,075.56
The average number of employees during the year	87.00	88.00

11. General and Operations Expenses

Description	FY2022/2023	FY2021/2022
	KES	KES
Training	164,420.00	270,100.00
Chemicals	798,588.01	771,831.94
Electricity	63,541,333.99	53,469,104.00
Effluent license	125,150.00	105,000.00
Abstraction cost	1,094,632.45	1,712,770.07
NAIVAWASCO Internal water usage	257,167.00	739,878.25
Conference and Meetings	427,411.00	1,252,277.00
Travel and Accommodation	1,967,453.35	3,064,784.64
Entertainment	270,731.00	201,531.00
Security	5,628,139.00	5,967,880.54
Insurance	784,151.75	397,048.24
Printing and Stationery	928,438.00	341,283.00
Staff welfare	3,232,864.50	3,879,990.44
CSR Activity NAIVAWASCO	114,000.00	100,000.00

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License/Tariff Review	0.00	327,571.00
Postage and deliveries	6,170.00	539,580.00
Modem airtime	55,000.00	55,000.00
Mobile airtime expense	64,780.00	64,550.00
Internet expenses	140,536.00	136,300.00
Water theft and Enforcement fee	133,569.14	310,535.00
Advertisements	296,075.00	417,832.00
Billing SMS Units	548,406.00	164,394.00
Marketing expenses	193,190.00	252,044.00
Audit fees	348,000.00	348,000.00
Legal fees	1,744,653.94	5,000.00
Professional/consultancy fees	974,853.60	999,230.82
Regulatory levies	8,112,698.28	7,261,987.34
Subscription fees	81,700.00	203,850.00
WASREB Operational Licence	697,524.72	100,000.00
Membership subscription	48,400.00	59,600.00
Motor vehicle, motor cycle and exhauster fuel	2,018,028.91	1,327,834.53
Motor vehicle hire	9,000.00	5,000.00
Motor vehicle, motor cycle and exhauster insurance cost	280,671.76	354,126.00
WSTF CSR Activities	0.00	1,148,500.00
Raplands donor project (FORUM CIV)	5,310,327.50	0.00
VEI grant expense	1,577,743.00	0.00
Unsurrendered imprest	0.00	14,760.00
Project conceptualization and design costs	73,495.00	0.00
Penalties and interest	0.00	0.00
Total	102,049,302.90	86,369,173.81

12. Board Expenses

Description	FY2022/2023	FY2021/2022
	KES	KES
Chairman Honoraria	397,142.00	342,852.00
Board committee meetings	653,134.00	756,538.00
Full Board	605,444.00	567,377.00
Annual General Meeting	0.00	356,350.00
Board corporate and stakeholders meeting	(376,250.00)	0.00
Board-other expense	1,060,795.58	1,756,948.00
Total Board Expenses	3,092,765.58	3,780,065.00

13. Maintenance Expenses

Description	FY2022/2023 KES	FY2021/2022 KES
Water distribution, sewer network, sewer treatment plant and water production sites maintenance costs	9,661,755.12	8,960,635.27
Motor vehicle, motor cycles and exhauster repair cost	261,948.00	337,250.00
Office repair and maintenance cost	87,252.00	539,282.00
Computer and ERP software maintenance cost	3,984,900.01	354,074.00
Total Maintenance Expenses	13,995,855.13	10,191,241.27

14. Depreciation, Amortization and Provisions

Description	FY2022/2023 KES	FY2021/2022 KES
Depreciation and Amortization	22,131,159.85	21,406,009.57
Provision for bad debts	2,032,768.37	2,144,354.15
Provision for unrecoverable VAT	970,000.00	1,500,000.00
Total Depreciation and Amortization	25,133,928.22	25,050,363.72

15. Finance costs

Description	FY2022/2023 KES	FY2021/2022 KES
Interest expense on loans	2,087,540.11	2,920,871.44
Interest on lease liabilities	30,051.63	71,112.39
Bank charges	84,943.80	116,086.25
Total	2,202,535.54	3,108,070.08

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16. Property, Plant and Equipment

FY2022/2023	Water & Sewer Infrastructure	Bulk and Consumer Meters	Motor vehicles, Exhauster, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Tools, Generator and Water Pump	Capital work in progress	Total
Cost Or Valuation								
At July 1, 2022	227,610,054.81	29,091,926.00	11,210,008.38	4,049,330.71	3,288,308.34	20,757,065.50	340,296,911.40	636,303,605.14
Additions	0.00	1,009,680.00	1,164,800.00	153,666.00	0.00	2,009,040.00	13,771,584.97	18,108,770.97
Transfers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
At June 30, 2023	227,610,054.81	30,101,606.00	12,374,808.38	4,202,996.71	3,288,308.34	22,766,105.50	354,068,496.37	654,412,376.11
Depreciation								
At July 1, 2022	27,468,270.51	15,139,033.15	4,252,059.15	4,009,310.91	2,930,111.24	15,707,019.64	0.00	69,505,804.60
Charge For the Year	5,690,251.37	3,745,616.00	3,045,168.76	41,343.95	31,315.25	2,723,493.76	0.00	15,277,189.09
Impairment Loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Disposal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
At June 30, 2023	33,158,521.88	18,884,649.15	7,297,227.91	4,050,654.86	2,961,426.49	18,430,513.40	0.00	84,782,993.69
Net Book Value At June 30, 2023	194,451,532.93	11,216,956.85	5,077,580.47	152,341.85	326,881.85	4,335,592.10	354,068,496.37	569,629,382.42

Capital work in progress balance of KES 354,068,496.37 comprises of KENHA relocation project for sewer and water network KES. 351,251,652.40 and Ihindu Public Sanitation facility KES. 2,816,843.97.

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17. Intangible Assets

	<i>FY2022/2023</i>	<i>FY2021/2022</i>
	KES	KES
Cost		
At July 1	20,582,494.77	15,390,404.37
Additions	0.00	5,192,090.40
Disposals	0.00	0.00
At June 30	20,582,494.77	20,582,494.77
Amortization		
At July 1	10,802,186.11	4,524,537.39
Charge for the year	6,853,970.76	6,277,648.72
Disposals	0.00	0.00
Impairment loss	0.00	0.00
At June 30	17,656,156.87	10,802,186.11
Net book value		
At June 30	2,926,337.90	9,780,308.66

18. Trade and Other Receivables

	<i>FY2022/2023</i>	<i>FY2021/2022</i>
	KES	KES
Trade receivables (note (18a))	168,511,936.71	136,819,802.90
Deposits and prepayments	4,285,425.49	1,250,407.64
VAT (Value Added Tax) recoverable	10,423,021.68	11,393,021.68
Staff receivables (note 18 (c))	245,215.00	234,549.00
Other receivables	87,640.00	525,407.60
Gross trade and other receivables	183,553,238.88	150,223,188.82
Provision for bad and doubtful receivable	(11,959,529.27)	(9,926,760.90)
Net trade and other receivables	171,593,709.61	140,296,427.92

18. (a) Trade Receivables

	<i>FY2022/2023</i>	<i>FY2021/2022</i>
	KES	KES
Gross trade receivables	168,511,936.71	136,819,802.90
Provision for doubtful receivables	0.00	0.00
Net trade receivables	168,511,936.71	136,819,802.90

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As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	12,700,482.37	10,671,222.66
Between 30 and 60 days	11,050,444.14	7,753,956.66
Between 61 and 90 days	7,707,112.95	10,922,310.58
Between 91 and 120 days	8,495,431.82	6,205,108.75
Over 120 days	128,558,465.43	101,267,204.25
Total	168,511,936.71	136,819,802.90

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

Description	FY2022/2023	FY2021/2022
	KES	KES
At the beginning of the year	9,926,760.90	22,791,652.00
Additional provisions during the year	2,032,768.37	2,144,354.15
Recovered during the year	0.00	0.00
Written off during the year	0.00	(15,009,245.25)
At the end of the year	11,959,529.27	9,926,760.90

18. (c) Staff Receivables

	FY2022/2023	FY2021/2022
	KES	KES
Gross staff loans and advances	245,215.00	234,549.00
Provision for impairment loss	0.00	0.00
Net staff loans	245,215.00	234,549.00
Less: Amounts due within one year	0.00	0.00
Amounts due after one year	0.00	0.00

19. Bank and Cash Balances

	FY2022/2023	FY2021/2022
	KES	KES
Cash at bank	35,217,874.27	50,220,304.04
Cash in hand	123,363.11	90,091.63
Mobile money account	602,073.00	762,586.00
	35,943,310.38	51,072,981.67

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Detailed analysis of the cash and cash equivalents

Financial institution	Account number	FY2022/2023	FY2021/2022
		KES	KES
a) Current account			
Kenya Commercial Bank current account	1113964162	451,269.35	8,473,615.60
Cooperative Bank Expenditure Account	01141626743801	1,608,770.99	819,184.76
Cooperative Bank Revenue Account	01141626743800	901,784.00	694,303.99
Cooperative Bank Business Current Account	01136626743800	2,698,519.07	716,046.90
Cooperative Bank Social Connection Account	01136626743801	9,888.32	11,328.32
Cooperative Bank Ihindu Project Account	01141626743804	2,205,472.55	0.00
Cooperative Bank Raplands Project Account	01141626743805	4,901,084.30	0.00
Post Bank	0744130012413	323,977.00	2,080.00
Family Bank Current Account	053000041749	175,861.47	17,713.47
Family Bank Relocation Project Account	053000054725	11,100,602.00	29,778,458.00
Sub- total		24,377,229.05	40,512,731.04
b) On – call deposits			
Cooperative Bank Call Deposit Account	01150626743800	0.00	1,800,000.00
Sub- total		0.00	1,800,000.00
c) Fixed deposits account			
Cooperative Bank Fixed Deposit Account	01132626743800	10,840,645.22	7,907,573.00
Sub- total		10,840,645.22	7,907,573.00
Sub- total		35,217,874.27	50,220,304.04
d) Others(specify)			
MPESA Paybill 641771	641771	584,510.00	651,116.00
MPESA Paybill 335450	335450	10,000.00	111,470.00
MPESA Paybill 7996151	7996151	7,563.00	0.00
Petty Cash (Cash in hand)		123,363.11	90,091.63
Sub- total		725,436.11	852,677.63
Grand total		35,943,310.38	51,072,981.67

20. Ordinary Share Capital

	FY2022/2023	FY2021/2022
	KES	KES
Authorized:		
5000 ordinary shares of KES20.00 par value each	100,000.00	100,000.00

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21. Retained Earnings

The retained earnings represent amounts available for distribution to the NAIVAWASCO'S shareholders. Undistributed retained earnings are utilised to finance the NAIVAWASCO'S business activities.

22. Borrowings

Description	FY2022/2023	FY2021/2022
	KES	KES
a) External Borrowings		
Balance at beginning of the year	0.00	0.00
External borrowings during the year	0.00	0.00
Repayments of during the year	0.00	0.00
Balance at end of the year	0.00	0.00
b) Domestic Borrowings		
Balance at beginning of the year	17,786,639.59	28,452,661.20
Domestic borrowings during the year	0.00	0.00
Repayments during the year	(2,424,579.05)	(10,666,021.61)
Balance at end of the year	15,362,060.54	17,786,639.59

The analyses of both external and domestic borrowings are as follows:

	FY2022/2023	FY2021/2022
	KES	KES
Domestic Borrowings		
Kenya Shilling loan from Cooperative Bank of Kenya	15,362,060.54	17,786,639.59
Total balance at end of the year	15,362,060.54	17,786,639.59

Description	FY2022/2023	FY2021/2022
	KES	KES
Short term borrowings (current portion)	2,745,632.26	2,424,579.05
Long term borrowings	12,616,428.28	15,362,060.54
Total	15,362,060.54	17,786,639.59

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23. Retirement Benefit Obligations

NAIVAWASCO contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the 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 12% of the pensionable wages made up of two equal portions of 6% from the employee and 6% from the employer subject to an upper limit of KES 2,160 for employees earning above KES 18,000.

Other than NSSF the entity also has a defined contribution scheme operated by Local Authorities Pensions Trust (LAPTRUST). Employees contribute 12% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of profit or loss and other comprehensive income within the period they are incurred

24. Trade and Other Payables

	<i>FY2022/2023</i>	<i>FY2021/2022</i>
	KES	KES
Trade payables	46,906,735.78	37,822,072.09
Employee payables	11,786,403.50	5,555,768.23
Other payables	2,200,916.29	8,203,466.79
Total	60,894,055.57	51,581,307.11

Aging Analysis for Trade Payables

	<i>FY2022/2023</i>	<i>% of the total</i>	<i>FY2021/2022</i>	<i>% of the total</i>
0-1 year	18,465,693.69	39%	11,483,520.50	30%
2-3 years	(10,885,197.11)	(23%)	(12,987,686.62)	(34%)
Over 3 years	39,326,239.20	84%	39,326,238.21	104%
Total	46,906,735.78		37,822,072.09	

25. Refundable Deposits and Prepayments

	<i>FY2022/2023</i>	<i>FY2021/2022</i>
	KES	KES
Customer deposits	19,776,661.00	17,242,661.00
Prepayments by customers	587,440.00	2,525,133.55
Retention/Contract deposits	1,011,258.44	768,184.04
Total	21,375,359.44	20,535,978.59

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26. Related Party Disclosures

County Government of Nakuru

The County Government of Nakuru is the principal shareholder of the Company, holding 99.4% of the Company's equity interest. The rest of the equity is sub-divided amongst the following office operating under the County Government of Nakuru as follows; County Secretary 0.2%, Office of the County Executive Finance and Economic Planning 0.2% and Office of the County Executive Water Environment and Natural Resources 0.2%. The County of Government of Nakuru has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- Central Rift Valley Water Works Development Agency
- Water Services Regulatory Board (WASREB)
- Water Resources Authority (WRA)
- Ministry of Water
- Kenya National Highways Authority
- Water Sector Trust Fund (WSTF)
- Vitens Evides International (VEI)
- Water and Sanitation for the Urban Poor
- NAIVAWASCO key management
- NAIVAWASCO Board of directors

Transactions with related parties

	<i>FY2022/2023</i>	<i>FY2021/2022</i>
	KES	KES
a) Sales to related parties		
Water sales to Government Agencies	15,434,049.00	16,160,655.00
Total	15,434,049.00	16,160,655.00
b) Purchases from related parties		
Bank charges paid to Government Commercial banks(Kenya Commercial Bank and Post Bank)	25,065.00	46,035.00
Abstraction fees payable Water Resources Authority (WRA)	1,094,632.45	1,712,770.07

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	<i>FY2022/2023</i>	<i>FY2021/2022</i>
	KES	KES
Regulatory levies due and operational license payable to WASREB	8,810,223.00	7,361,987.34
Total	9,929,920.45	9,120,792.41
c) Key management compensation		
Directors' emoluments	1,655,720.00	1,204,586.00
Compensation to key management	12,485,207.00	11,939,742.00
Total	14,140,927.00	13,144,328.00

27. Contingent Assets and Liabilities

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

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

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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 KES	Fully performing KES	Past due but not Impaired KES	Past due and Impaired KES
At 30 June 2023				
Trade Receivables	168,511,936.71	12,700,482.37	27,252,988.91	128,558,465.43
Bank balances	35,943,310.38			
Total	204,455,247.09	12,700,482.37	27,252,988.91	128,558,465.43
At 30 June 2022 (previous Year)				
Receivables	136,819,802.90	10,671,222.66	7,753,956.66	118,394,623.58
Bank balances	51,072,981.67			
Total	187,892,784.60	10,671,222.66	7,753,956.66	118,394,623.58

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Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due above 120 days.

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 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 KES	Between 1-3 months KES	Over 5 months KES	Total KES
At 30 June 2023 current year				
Trade payables	(2,295,803.72)	5,248,547.13	43,953,992.37	46,906,735.78
Current portion of borrowings	215,988.44	661,558.60	1,868,085.22	2,745,632.26
Employee benefit obligation	11,811,303.50	0.00	0.00	11,811,303.50
Total	9,731,488.22	5,910,105.73	45,822,077.59	61,463,671.54
At 30 June 2022 previous year				
Trade payables	10,579,769.02	(6,511,843.79)	33,754,146.86	37,822,072.09
Current portion of borrowings	190,732.41	584,201.01	1,649,645.63	2,424,579.05
Provisions	0.00	0.00	1,144,467.42	1,144,467.42
Employee benefit obligation	5,555,768.23	0.00	0.00	0.00
Total	16,326,269.66	5,927,642.78	36,548,259.91	41,391,118.56

(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, increase in electricity tariff and increase in prices for supplies offered by vendors which will affect NAIVAWASCO'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 Finance Department in charge of risk management is responsible for the development of detailed risk management policies (subject to review and approval by Finance and Administration Board 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) 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 both fixed deposits held by the bank and existing loans issued by commercial banks. This exposes the company to cash flow interest rate. To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

b) Increase in electricity tariffs

The company is reliant on abstraction as its main source of producing water which in turn relies on electricity to abstract and pump water to its customers. Increase in electricity tariffs leads to high cost production thus constraining cash flow and reducing the company's profitability. To manage this risk, the company has turned to use of Solar energy that is currently in the implementation stage and will help reduce direct cost of abstracting water once commissioned.

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c) Change in Vendor Prices

Increase in prices for major items such as pipes and fitting used in both water and sewer networks leads to increase in operational and maintenance costs for the company. Thus NAIWASCO has resolved to continuously engage with Vendors who are willing to offer negotiable prices that will be favourable to the company.

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:

	FY2022/2023	FY2021/2022
	KES	KES
Ordinary Share Capital	100,000.00	100,000.00
Retained earnings	10,522,275.89	10,589,000.73
Capital reserve	56,581,095.00	56,581,095.00
Capital grants	615,257,893.87	610,773,497.77
Total funds	682,461,264.76	678,043,593.50
Total borrowings	15,362,060.54	17,786,639.59
Less: cash and bank balances	(35,943,310.38)	(51,072,981.67)
Net debt/ (excess cash and cash equivalents)	(20,581,249.84)	(33,286,342.08)
Gearing (total borrowings/total equity)	2.3%	2.6%

29. Incorporation

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

30. Events After the Reporting Period

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

20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>Unsupported Board Expenses-The statement of profit or loss and other comprehensive income reflects board expenses balance of Kshs. 3,780,065 and as disclosed in Note 12 to the financial statements. However, the expenditure was not supported by way of detailed schedule showing board member name, description of allowance, committee meeting and allowance paid. In the circumstances, the propriety, accuracy and occurrence of board expenses of Kshs.3,780,065 for the year</p>	<p>The Company had shared the board expense schedules as requested by the auditor showing the name of the board member, description of allowance paid, committee meeting attended and allowance paid. Similarly, the same information was disclosed in the Financial Statement under Corporate Governance Statement.</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	ended 30 June,2022 could not be confirmed.			
2	<p>Unsupported Assets Additions- The statement of financial position reflects property, plant and equipment balance of Kshs. 566,797,801 and as disclosed in Note 17 to the financial statements. Included in the balance are additions during the year valued at Kshs. 373,203,863 of which assets are valued at Kshs. 339,542,367 were unsupported by way of detailed schedule indicating asset description, date of purchase and its value. Further, the balance excludes land and buildings of undetermined value on which the company resides. In the circumstances, the accuracy, and fair statement of property, plant and equipment balances of</p>	<p>A. Land and buildings-Naivasha Water and Sanitation Company Ltd has relentlessly pursued the transfer of assets from Central Rift Valley Water Works and Development Agency for assets pending to be transferred to the company. Such assets include parcels of lands where the office site is and production sites plus a number of other class of assets. A letter showing follow up on the transfer of assets was also provided. In addition, the company keeps proper records of its assets purchased in the asset register as required.</p> <p>B. Unsupported assets worth KES 339,542,367-The KES 339,542,367 is the cost of the relocation project for</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Kshs.566,797,801 as at 30 June,2022 could not be confirmed.	water and sewer infrastructure along Magumu Flyover-Gilgil Weighbridge and Mtarakwa-Mai Mahiu-Naivasha highway being funded by the Kenya National Highways Authority(KENHA). The said project was recognized as part of Capital works in progress and the contract for the relocation project was provided for audit.		
3	Trade and Other Receivables- The statement of financial position reflects trade and other receivables balance of Kshs. 140,296,428 and is disclosed in Note 19 to the financial statements. Included in the balance are deposits and prepayments of Kshs. 1,250,408 whose invoices and evidence of prepayments were not provided for audit. In the	KES 1,250,408 was an amount comprised of; KES. 733,169 for deposit paid to Kenya power upon opening an account and KES 517,238.64 for annual insurance (WIBA&MotorVehicle) which are recognized as prepayment but amortized on monthly basis until the amount is complete.	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	circumstances, the accuracy, and fair statement of trade and other receivables balance of Kshs. 140,296,428 as at 30 th June,2022 could not be confirmed.			
	<p>Budgetary Control and Performance-</p> <p>The statement of comparison of budget and actual amounts reflect a total revenue budget balance of Kshs. 598,305,073 against actual revenue of Kshs. 230,486,490 resulting to revenue shortfall of Kshs. 367,818,583. The statement also reflects total expenditure budget of Kshs. 468,005,418 against actual expenditure of Kshs. 215,665,989 resulting to under expenditure of Kshs. 252,339,428. No explanations have been provided for the exceeding 10% variances. The revenue shortfall of Kshs.367,818,583 negatively affected</p>	<p>Revenue shortfall-The company achieved 95% of its budgeted operational revenues with the shortfall in the total revenues resulting from revenues expected from grants which recorded a 9% achievement against budget. The low percentage achievement in the grants resulted from the change in treatment of funds received under the Kenya National Highway Authority (KENHA) relocation project KES.361,605,399.30.The funds received from KENHA was recognized as equity in the financial statements on the recommendation by the auditors.However,the received grant</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	the Company's operations and profitability during the year under review.	funds had been budgeted as revenue grant to be recognized in the statement of profit and loss but this was not applied to the audited statements on the guidance of the auditors. In addition, the company has continuously adopted a number of measures to increase its operational revenues through: expansion of water and sewer networks in partnership with the company's development partners; adopted projects aimed at reducing Non-Revenue Water in areas like Naivasha CBD; aggressive marketing to sensitize and bring on board customers to be connected to the water and sewer facilities. This and many other measures are designed to ensure a 100% achievement of the budgeted sales.		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Under Expenditure- the total under expenditure by 46% against budgeted expenditure resulted due to the treatment of grant funds utilized under the KENHA relocation project which was capitalized. The relocation expenditure had been provided in the budget as an operational grant expenditure. In addition, the company continues cost reduction measures where possible to ensure efficient allocation of resources to carry out its core mandate of offering quality water and sanitation services.</p>		
1	<p>Lack of Service Provision Agreement- Review of records and documentation provided for audit revealed that the company was operating without a Service Provision Agreement for the</p>	<p>During the audit exercise, the Company was in the processes of finalizing with License renewal activities as required by the Regulator, Public Participation included. However, the company now has a (5) five years' license approved by the Regulatory Board.</p>	Resolved	

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	financial year under review. The service provision agreement in force expired on 20 May 2021 and was yet to be renewed as at the time of audit.			
2	<p>Unaccounted for Customer Deposits- The statement of financial position also reflects customer deposits balance of Kshs.17,242,661 and as disclosed in Note 25 to the financial statements. However, the corresponding bank account holding the deposits indicated a balance of Kshs.7,907,573 resulting to unaccounted for customer deposits of Kshs.9,335,088. This is indicative of utilization of customer deposits for Company operations contrary to Water Service Regulatory Board Regulations, 2002. In this</p>	<p>This has been a historical issue that happened during the transition from the municipal council, the company was handed over customers' deposit in terms of book value but no physical cash in bank was handed over. However, the Company has been following up the issue with the County to ensure the customer cash deposit is recovered. In addition, the correct amount of customer deposits in bank is KES 9,707.573 and not KES 7,907,573. Customer deposits in the financial year were held under the call deposit and cooperative bank fixed</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	circumstances, the Company was in breach of the law.	account' as KES 1,800,000 and KES 7,907,573 respectively.		

Name ENG. Nahashon Wahome

Signature

Managing Director

Date.....  31st August 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)	Consolidat ed in these financial statements (Yes/No)
1. Construction of a Public Sanitation Facility at Ihindu Market	NAIVAWASCO/WSTF/PSF/01/2022	Water Sector Trust Fund (WSTF)	06 th April 2022 to 30 th June 2023	KES.5,826,174.66	Yes	Yes
2. Raplands Water Supply Project	NAIVAWASCO/RWSP/01/2022-2023	FORUM CIV	28 th February 2023 to 01 st July 2023	KES.10,842,625	Yes	Yes
3. CBD- Lakeview NRW Reduction		Vitens Evides International (VEI)	April 2022 and December 2022	KES 3,608,200	Yes	Yes

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Project Phase Two						
4.Relocation of Water and Sewerage infrastructure along Magumu Flyover-Gilgil Weighbridge and Mtarakwa-Mai Mahiu Naivasha	NAIVAWASCO/KENHA/NNMRP/01/2021	Kenya National Highways Authority(KENHA)	29 th April 2021 to 31 st October 2023	KES.440,370,197	Yes	Yes

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1 Construction of a Public Sanitation Facility at Ihindu Market	KES.6,197,731.63	KES.2,816,843.97	45%	KES.6,197,731.63	KES.2,816,843.97	Water Sector Trust Fund (WSTF) and NAIVAWASCO
2 Raplands Water Supply Project	KES.10,842,625.00	KES.5,310,327.50	50%	KES.10,842,625.00	KES.5,310,327.50	FORUM CIV

3	CBD-Lakeview NRW Reduction Project	KES 6,400,000.00	KES 5,147,295.00	100%	KES 6,400,000.00	KES 5,147,295.00	VEI and NAIVAWASCO
4	Relocation of Water and Sewerage infrastructure along Magumu Flyover-Gilgil Weighbridge and Mtarakwa-Mai Mahiu Naivasha	KES.440,370,197	KES.351,251,625.4	80%	KES.440,370,197.00	KES.351,251,625.40	Kenya National Highways Authority (KENHA)

Appendix III: Recording of Transfers from Other Government Entities

Name of the County/MDA/ Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Statement of Comprehensive income	Where Recorded/recognized			Others - must be specific	Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables		
Water Sector Trust Fund (WSTF)	15 th December 2022 and 15 th May 2023	Capital Grant	3,967,500.10		Yes				3,967,500.10
Forum Civ	14 th March and 15 th June 2023	Development	10,168,767.80	Yes					10,168,767.80
Vitens Evides International (VEI)		Direct Payment to respective Vendors	2,094,639.80	Yes					2,094,639.80
Total			16,230,907.70						16,230,907.70