

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

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**THE AUDITOR-GENERAL**

**ON**

**NYANAS WATER AND SANITATION  
COMPANY LIMITED**

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





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**NYANAS WATER & SANITATION COMPANY LIMITED**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30TH, 2023**

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

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

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

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## **1. Acronyms and Abbreviations**

*ICPAK*      *Institute of Certified Public Accountants of Kenya*

*IFRS*      *International Financial Reporting Standards*

*MD*      *Managing Director*

*PFM*      *Public Financial Management*

*PSASB*      *Public Sector Accounting Standards Board*

*WASREB*      *Water Services Regulatory Board*

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## **Nyanas Water & Sanitation Company Limited**

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

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## **2. Key Entity Information**

### **Background information**

Gulf Water services Company Limited was formed by Lake Victoria South Water Services Board as a Limited Company and registered under CAP 486 of the laws of Kenya in January 2007 and given the mandate of providing water and Sanitation Services within six sub counties of Nandi East, Nandi South, Tinderet, Nyakach, Nyando and Muhoroni. The County government of Kisumu are its main shareholders and is represented by County Executive Member responsible for Water and Sanitation services who together with Kisumu Water and Sanitation Company Ltd are responsible for management of the company through collaboration. The Company is domiciled in Kenya and has no branches outside of Kisumu County.

### **Principal Activities**

The principle activity of the Company is to abstract, treat and supply water and to provide sanitation services.

### **Directors**

The Company did not have substantive directors Directors who served the entity during the period under review but uses Kiwasco as the management of the Company.

### **Corporate Secretary**

The Company did not have Corporate Secretary who served the entity during the period under review.

### **Registered Office**

Nyanas Water and Sanitation Company Limited  
Off Oyugis-Migori Road  
P.O. Box 152 - 30301  
KISUMU

### **Corporate Contacts**

Telephone: (+254) 0735 517 020  
[nyanaskiwasco@gmail.com](mailto:nyanaskiwasco@gmail.com)

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

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## **2. Key Entity Information**

### **Corporate Bankers**

Kenya Commercial Bank  
P.O. Box 17 - 40100  
KISUMU.  
Kisumu Main Branch

### **Independent Auditors**

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

## Nyanas Water & Sanitation Company Limited

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

#### 9. Management Discussion and Analysis

##### Budget Absorption for FY 2022/2023

DESCRIPTION	Budgets 2022/2023	Actual 2022/2023	% ABSORPTION
Total Revenue	22,790,360	51,578,673	226%
Total costs	53,845,085	58,670,391	109%

The absorption rate of the estimated revenue budget compared to the actuals for the year was 226% against the expenditure absorption of 109%.

Description	2023 ( Kshs)	2022 ( Kshs)	Variance (Kshs)	Percentage
Sales	21,012,622	17,294,822	3,717,800	21%
Cost of Sales	33,135,042	18,111,467	15,023,574	83%
Gross Profit	(12,122,420)	816,645	(11,305,774)	
Other Operating Income	62,963,816	20,456,928	42,506,887	208%
Total Expense	25,535,349	24,920,214	615,135	2%
PBT	25,306,047	(5,279,930)	30,585,978	
Net Profit/(loss)	25,306,047	(5,279,930)	30,585,978	-579%
Fixed assets	7,668,604	5,422,047	2,246,557	41%
Long-Term Liabilities	3,300,255	25,377,636	(22,077,381)	-87%
Current Assets	19,101,924	15,053,108	4,048,816	27%
Current liabilities	10,810,601	7,743,894	3,066,707	40%
Total Assets	26,770,528	20,475,155	6,295,373	31%
Total Liabilities	14,110,856	33,121,530	(19,010,674)	-57%

##### Notes;

- i. There was growth in sales revenues by 21% and an increase in other income by 208% attributed to increase in grants funding.
- ii. Other operating income includes accounts w/off of opening balances of 32,397,765.23/= that should not be analysed as other operating income.
- iii. The increase in cost is due to the maintenance of the old network infrastructure.
- iv. The Company's total assets grew by 31%.
- v. Total Liabilities decreased by 57%.



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## Nyanas Water & Sanitation Company Limited

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

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#### 11. Report of the Management

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

##### i) Principal activities

The principal activities of the Company is to abstract, treat and supply water to the residents of Nandi East, Nandi South, Tinderet, Nyakach, Nyando and Muhoroni sub-countys.

##### ii) Results

The results of the company for the year ended June 30, 2023 are set out on page 1. Below is summary of the profit or loss made during the year.

	2023	2022
RESULTS	Kshs	Kshs
Profit before tax		
Tax		
Profit / (loss) for the year	25,306,047	(5,279,930)

##### iii) Dividends

The company has not declared dividends for the year ended 2023

##### iv) Directors

The Company did not have substantive directors Directors who served the entity during the period under review.

##### Auditors

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

By Order of the Management

Name: Thomas Odongo



Signature.....

Date: 29/09/2023

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## **Nyanas Water & Sanitation Company Limited**

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

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#### **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 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 the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2023, and of the Company'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 Management on 29/09/2023 and signed on its behalf by:

Signature:



Name: Thomas Odongo  
**Project Manager**

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

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Disclaimer of Opinion

I have audited the accompanying financial statements of Nyanas Water and Sanitation Company Limited set out on pages 1 to 39, which comprise of 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

## **Basis for Disclaimer of Opinion**

### **1. Non-Submission of Prior Years Financial Statements**

According to information provided in the audited financial statements for the year ended 30 June, 2010, the Company was incorporated in the year 2007. However, Management did not prepare and submit financial statements for twelve (12) financial years ended 30 June, 2011 to 30 June, 2022, and did not provide satisfactory explanation for failure to prepare and submit the respective financial statements. This was contrary to Section 149(2)(K) of the Public Finance Management Act, 2012 which provides that in carrying out a responsibility imposed by subsection (1), an Accounting Officer shall, in respect of the entity concerned not later than three months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

Further, the financial statements for the year ended 30 June, 2023 contain comparative balances for the year ended 30 June, 2022. It was however, not possible to confirm the accuracy of opening balances given that the comparative balances brought forward from the financial years 2011 to 2022 were not audited.

In the circumstances, the accuracy of the balances presented in the financial statements for the financial year ended 30 June, 2023 could not be confirmed and in addition, Management was in breach of the law.

### **2. Presentation and Disclosure of the Financial Statements**

Reports on the Board of Directors, key Management team, Chairman's statement, report of the Managing Director, statement of performance against predetermined objectives, corporate governance statement and environmental and sustainability reporting were omitted from the non-financial information section of the financial statements as provided in the Annual Financial Reporting Template. Further, the Company is managed by Kisumu Water and Sanitation Company on behalf of the County Government of Kisumu (KIWASCO), however, Management of KIWASCO has not in any way owned up to the preparation of the financial statements. In addition, although the financial statements were submitted to the Auditor-General for audit, they were not signed by the Chief Executive Officer, Head of Finance and the Chairman of the Board. Further, mandatory disclosures including intangible assets, inventories, related party disclosures, analysis of County Government contribution, analysis of

customer deposits and projects implemented by the Company were not included in the financial statements.

In the circumstances, the financial statements were not in compliance with the format prescribed by the Public Sector Accounting Standards Board.

### **3. Inaccuracies in the Cash and Bank Balances**

The statement of financial position and Note 30 to the financial statements reflects bank and cash balance of Kshs.868,089, comprising of cash at bank of Kshs.783,434 and cash in hand of Kshs.84,655 as at 30 June, 2023. However, Management did not provide the board of survey reports to support the balances. In addition, review of cash books generated from the Company's financial information management system (Quick Books) revealed unsupported adjustments totalling to Kshs.14,228,441 on closing balances for various component items of the financial statements.

In the circumstances, the accuracy of cash and bank balance of Kshs.868,089 could not be confirmed.

### **4. Unsupported Balances**

#### **4.1 Revenue**

The statement of profit or loss and other comprehensive income reflects total revenue amount of Kshs.83,976,438 which includes operating revenue, grants income and other operating income of Kshs.21,012,622, Kshs.28,546,061 and Kshs.34,417,755 respectively. However, Management did not provide the primary records including data from meter readers to support the operating revenue of Kshs.21,012,622. In addition, supporting schedules and primary revenue records including daily or weekly revenue summaries indicating actual transactions details such as revenue source, date and amount linked to monthly schedules or general ledgers for the operating income of Kshs.34,417,755 were not provided for audit review.

#### **4.2 Legal Expenses**

The statement of profit or loss and other comprehensive income reflects general and operational expenses of Kshs.3,572,297 and as reflected in Note 11 to the financial statements. Included in this amount is Kshs.261,702 paid as legal and professional fees by the Company during the year under review. However, supporting records which include court attendances, court proceedings and court ruling and bases for computation and invoicing of legal fees were not provided for audit review.

#### **4.3 Fuel Expenses and Motor Vehicle Running Expenses**

The statement of profit or loss and other comprehensive income reflects general and operational expenses of Kshs.3,572,297 as reflected under Note 11 to the financial statements. Included in the expenditure is an amount of Kshs.2,522,244 in respect of vehicle running expenses out of which Kshs.1,725,606 was spent on fuel, oil and lubricant and Kshs.796,638 on repairs of motor vehicles and motor cycles. However, payment vouchers totalling Kshs.2,522,244 were not supported with relevant

documents including list of Company's vehicles and motor cycles, plants and equipment, fuel register and vehicles and motorcycles work tickets.

#### **4.4 Trade and Other Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.18,224,335 and as disclosed in Note 28 to the financial statements. However, the Company did not maintain an updated debtors' register to support the balance. In addition, the Company did not have a debt management policy and policy on provision for bad and doubtful debts. The debtors were also not circularized for independent confirmation.

In the circumstances, the accuracy and completeness the financial statements as presented could not be confirmed.

#### **5. Long Outstanding Trade and Other Payables**

The statement of financial position reflects trade and other payables current liabilities balance of Kshs.10,810,601 as disclosed in Note 40 to the financial statements. Included in the balance is an amount of Kshs.8,386,538 in respect of trade and other payables which were outstanding for more than two years.

Failure to settle debts in time may lead to losses in case of fines and penalties.

#### **6. Failure to Maintain Fixed Asset Register**

The statement of financial position reflects property, plant, and equipment net book value of Kshs.7,668,604 and as disclosed in Note 20 to the financial statements. However, Management did not provide fixed asset register to support the assets constituting the balance.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.7,668,604 could not be confirmed.

#### **7. Unaccounted for Customer Deposits**

The statement of financial position reflects under non-current liabilities, trade and other payables balance of Kshs.3,300,255 which as disclosed in Note 39 to the financial statements in respect of customer water deposits. However, the Company maintained one bank account for its operations where customer water deposits were also deposited. The Company's bank balance as at 30 June, 2023 was Kshs.783,434, an indication that the part of the customer deposits had been spent, and the approval to utilize the funds was not provided.

In the circumstances, the existence and accountability of customer deposits amounting to Kshs.3,300,255 could not be confirmed.

#### **8. Non-Revenue Water**

During the year under review, the quantity of water produced was 1,576,548M<sup>3</sup>, while the quantity of water billed to customers was 423,558M<sup>3</sup>, resulting to un-billed water

volume of 1,152,990M<sup>3</sup>. The un-billed water volume represents 73% of the total volume of water produced which is above the recommended 25% level of Non-Revenue Water by 48%. The estimated financial loss to the Company due to the Non-Revenue Water was Kshs.149,888,700 as per prevailing tariff rates.

Further, during the year under review, the Company operated without Non-Revenue Water function as required by the Water Services Regulatory Board. It was therefore not possible to confirm whether Management was committed to reducing the high levels of Non-Revenue Water. Without the Non-Revenue Water function, the Company may not be able to reduce Non-Revenue Water to recommended levels.

This significant level of Non-Revenue Water may have negatively impacted on the Company's profitability posing a risk of inability to sustain its operations.

#### **9. Failure to Constitute a Board of Directors**

During the year under review, the Company did not have a Board of Directors in place. This was contrary to the requirement of Section 79(1) of the Water Act, 2016 which provides that water services providers shall have a Board of Directors and in the case of a Company, the members of its Board of Directors shall be constituted in accordance with the Companies Act, 2015 and any other written law and the Directors shall be nominated to serve on the Board in accordance with the Company's Memorandum and Articles of Association. It was therefore, not possible to confirm the validity of the operations of the Company in the absence of a board of directors.

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

#### **10. Operation Without Substantive Accounting Officer and Management Team**

Information provided during the audit and records examined revealed that the operations and Management of the Company were undertaken by a team from the Kisumu Water and Sewerage Company. It was explained that the arrangement was based on a Memorandum of Understanding between the County Government of Kisumu and the Kisumu Water and Sewerage Company for collaboration on management of water supplies in Kisumu County rural areas. However, the Memorandum of Understanding did not provide for appointment or secondment of an Accounting Officer and management team to the Company. As a result, the Company operated without a substantive Managing Director and a management team.

In the absence of a substantive Accounting Officer and management team, it was not possible to confirm the effectiveness of governance processes in the Company.

#### **11. Lack of Company's Incorporation Documents**

Management did not provide the Memorandum of Association, Articles of Association and CR12 indicating names of Company Directors for audit.

In the circumstances, the registration and shareholding status of the Company could not be confirmed.

## **12. Operation Without a License from the Water Services Regulatory Board**

The Company Management operated without a license from the Water Services Regulatory Board. This was contrary to Section 85(1) of Water Act, 2016, which provides that a person shall not provide water services except under a license issued by the Regulatory Board, upon submission of an application and such supporting documents as the Board may require. Management did not provide a satisfactory reason for the failure to obtain a license as required.

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

## **13. Items not Correctly Defined in the Procurement Plan**

Review of the Company's procurement plan provided for audit revealed that the plan did not include detailed breakdown of the specific goods or works required, a schedule of the planned delivery, and implementation or completion dates for all the goods or works required. In addition, the plan did not indicate an estimate of the value of each package of goods or works required, an indication of the budget available and sources of funding as stipulated by the format specified in the Third Schedule of the Public Procurement and Asset Disposal Regulations, 2020.

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

## **14. Lack of Risk Management Policy and Disaster Recovery Plan**

The Company Management did not put in place risk management policies, strategies, disaster recovery plan and risk register to mitigate risk. This was in contravention of Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officer shall ensure that; (a) the County Government entity develops risk management strategies, which include fraud prevention mechanisms; and (b) The County Government entity develops a system of risk management and internal control that build robust business operations.

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

## **15. Non-Compliance with Law on Ethnic Composition**

According to the list of employees reviewed during the audit, the Company had a total of twenty-nine (29) employees as at 30 June, 2023. Analysis of the employees' data revealed that 24 employees representing 83% of the total number of employees were from the same ethnic community while the remaining 13% were from other ethnic communities. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

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



## **16. Operating Without a Strategic Plan**

The Company Management operated without a strategic plan. It was therefore not possible to confirm whether the Company's budget was aligned to the strategic objectives of the Company. This was contrary to Section 149(2)(g) of the Public Finance Management Act, 2012 which provides that an Accounting Officer shall, in respect of the entity concerned prepare a strategic plan for the entity in conformity with the medium-term fiscal framework and financial objectives of the County Government.

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

## **17. Weak Information Technology (IT) Internal Controls**

### **17.1 Internal Controls and Governance Structures**

Management did not put in place effective Information Communication Technology (ICT) controls and establish an Information Technology (IT) department despite existence of IT systems including water billing software (Bill Master System) and Financial Information Management System (Quick Books). The Company did not have an approved Information Technology Security Policy, IT Strategic Plan and IT Continuity Plan. In addition, the Company did not have IT Strategic or Steering Committees. Further, there were no fire suppression systems to mitigate loss in case of a fire outbreak.

### **17.2 Weaknesses in the Billing System**

Review of the billing system in place revealed that the billing module which was used for generating bills, viewing bills and updating balances was not able to extract the balances for customers. The receipting module which was used for generating customer bills due, miscellaneous receipts and the closed accounts was not able to produce customer's receipts from M-pesa payments as expected. Further, the customer data module which was used to capture all the customer's data could not track active and dormant customers. Review of customer data extract from the system revealed that some of the customers' accounts reflected nil customer deposit despite those accounts being active, missing meter serialization numbers, inconsistencies in payment of refundable deposits, duplicate connection numbers and undefined account numbers for customers.

In the circumstances, the credibility, integrity and reliability of the input, storage, processing and output of the Company's data and information could not be confirmed.

## **18. Weaknesses in Human Resource Management**

Review of the Company's payroll revealed that the payrolls were not verified on a monthly basis and authorized by a senior official. In addition, the Company operated without a human resource policy manual, staff establishment and scheme of service.

In the circumstances, it was not possible to confirm the existence of effective internal controls on staff recruitment, promotions and management in the Company.

## **19. Failure to Establish Internal Audit Function and Audit Committee**

The Company did not have an internal audit function and audit committee as required by Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015, which provides that subject to Paragraph (2) of this Regulation, each County Government entity shall establish an audit committee.

In the circumstances, it was not possible to confirm existence of effective risk management and governance processes in the Company.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the Companies Act, 2015, Because of the significance of the matters under the Basis for Disclaimer of Opinion section of my report, I report based on my audit, that:

- i. I have not 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 not been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are not 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 overall governance.

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act,

2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

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

21 March, 2024

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

**14. Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2023**

	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	21,012,622	17,294,822
Grants Income	7	28,546,061	-
Other Operating Income	8	34,417,755	20,456,928
<b>Total Revenue</b>		<b>83,976,438</b>	<b>37,751,750</b>
<b>Expenses</b>			
Staff Costs	9	10,039,090	9,741,769
Production expenses	10	33,135,042	18,111,467
General and Operations expenses	11	3,572,297	4,101,324
Board Expenses	12	-	-
Maintenance Expenses	13	9,699,767	9,603,861
Establishment Expenses	14	1,064,752	698,681
Depreciation and Amortization expenses	15	1,159,443	774,578
Finance Costs	16	-	-
<b>Total Expenses</b>		<b>58,670,391</b>	<b>43,031,681</b>
<b>Profit/(Loss) Before Taxation</b>		<b>25,306,047</b>	<b>(5,279,930)</b>
Income Tax Expense/(Credit)	17	-	-
<b>Profit/(Loss) After Taxation</b>		<b>25,306,047</b>	<b>(5,279,930)</b>
Earnings Per Share - Basic And Diluted			
Dividend per share	19	-	-
<b>Other Comprehensive Income</b>			
<b>Profit/ (Loss) After Taxation</b>		<b>25,306,047</b>	<b>(5,279,930)</b>
Surplus Or Deficit On Revaluation Of PPE		-	-
Re-measurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity		-	-
Instruments Designated As At FVTOCI		-	-
<b>Total Comprehensive Income For The Year</b>		<b>25,306,047</b>	<b>(5,279,930)</b>

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

**15. Statement of Financial Position As at 30 June 2023**

	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	20	7,668,604	5,422,047
Intangible assets	21	-	-
Deferred tax	26	-	-
<b>Total Non-Current Assets</b>		<b>7,668,604</b>	<b>5,422,047</b>
<b>Current Assets</b>			
Inventories	27	-	-
Trade and receivable	28a	18,224,335	13,641,764
Staff Recoverable	28c	-	-
Prepayments and deposits	28d	9,500	9,500
Tax Recoverable	29	-	-
Bank and cash balances	30	868,089	1,401,844
<b>Total Current Assets</b>		<b>19,101,924</b>	<b>15,053,108</b>
<b>TOTAL ASSETS</b>		<b>26,770,529</b>	<b>20,475,155</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	31	-	-
Revaluation reserve	32	-	-
Retained earnings	34	12,659,672	(12,646,375)
<b>Capital and Reserves</b>		<b>12,659,672</b>	<b>(12,646,375)</b>
<b>Non-Current Liabilities</b>			
Borrowings	36	-	-
Trade and other payables	39	3,300,255	25,377,636
<b>Total Non-Current Liabilities</b>		<b>3,300,255</b>	<b>25,377,636</b>

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

**15. Statement of Financial Position As at 30 June 2023**

	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>Current Liabilities</b>			
Borrowings	36	-	-
Trade and other payables	39	10,810,601	7,743,894
Current tax	43	-	-
<b>Total Current Liabilities</b>		<b>10,810,601</b>	<b>7,743,894</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26,770,528</b>	<b>20,475,155</b>

The financial statements were approved by the Management on ~~29/09/2023~~ and signed on its behalf by:



Name: Thomas Odongo  
**Project Manager**



Name: Francis Asuna  
**County Government of Kisumu**



**Nyanas Water & Sanitation Company Limited**  
**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**

	Note	Ordinary share capital	Revaluation Reserve	Retained Earnings
As at July 1, 2021	34	-	-	(7,366,445)
Profit for the year		-	-	5,279,930
Dividends payable		-	-	-
As at June 30, 2022		-	-	(12,646,375)
As at July 1, 2022		-	-	(12,646,375)
Profit for the year		-	-	25,306,047
Dividends payable		-	-	-
At June 30, 2023		-	-	12,659,672

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

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

	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>Cash Flows From Operating Activities</b>			
Cash Generated from operations	44	24,949,627	(10,403,222)
Tax paid		-	-
<b>Net Cash From Operating Activities</b>		<b>24,949,627</b>	<b>(10,403,222)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)	20	(3,406,000)	-
Purchase Of Intangible Assets	21	-	-
Proceeds From Disposal/ Impaired		-	-
<b>Net Cash From/(Used In) Investing Activities</b>		<b>(3,406,000)</b>	<b>-</b>
<b>Cash Flows from Financing Activities</b>			
Interests Paid	16	-	-
Proceeds From Borrowings	36	-	-
Repayment Of Borrowings	36	-	-
Increase in water deposits	39	657,500	2,642,755
Grant received	42	-	-
Grants reversed from prior year to P&L account		-	-
Donations received		(22,734,881)	22,734,881
<b>Net Cash From/(Used In) Financing Activities</b>		<b>(22,077,381)</b>	<b>25,377,636</b>
Increase/(Decrease) In Cash And Cash Equivalents		(533,755)	14,974,414
Cash And Cash Equivalents At Beginning Of Year		1,401,844	(13,572,570)
<b>Cash And Cash Equivalents At End Of The Year</b>	<b>30</b>	<b>868,089</b>	<b>1,401,844</b>

**Nyanas Water & Sanitation Company Limited**  
**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
	2022 - 2023	2022 - 2023	2022 - 2023	2022 - 2023		
<b>Revenue</b>						
Operating Revenue	22,790,360	-	22,790,360	21,012,622	(1,777,738)	-8%
Grants Income	2,600,000	-	2,600,000	28,546,061	25,946,061	-100%
Other operating income	-	-	-	34,417,755	34,417,755	-100%
<b>Total Revenue</b>	<b>25,390,360</b>	<b>-</b>	<b>25,390,360</b>	<b>83,976,438</b>	<b>58,586,078</b>	<b>231%</b>
<b>Expenses</b>						
Cost of sales	24,115,719	-	24,115,719	33,135,042	9,019,323	37%
Employment expenses	15,690,029	-	15,690,029	10,039,090	(5,650,939)	-36%
Administrative expenses	4,712,911	-	4,712,911	3,572,297	(1,140,614)	-24%
Board expenses	-	-	-	-	-	-
Maintenance expenses	7,219,160	-	7,219,160	9,699,767	2,480,607	34%
Establishment expenses	-	-	-	1,064,752	1,064,752	-100%
Depreciation and amortization	910,000	-	910,000	1,159,443	249,443	27%
Finance costs	1,197,266	-	1,197,266	-	(1,197,266)	100%
<b>Total Recurrent Expenditure</b>	<b>53,845,085</b>	<b>-</b>	<b>53,845,085</b>	<b>58,670,391</b>	<b>4,825,306</b>	<b>100%</b>
<b>Profit or Loss</b>	<b>(28,454,725)</b>	<b>-</b>	<b>(28,454,725)</b>	<b>25,306,047</b>	<b>53,760,772</b>	<b>-189%</b>
<b>Capital Expenditure</b>				-	-	
<b>Total Expenditure</b>	<b>(28,454,725)</b>	<b>-</b>	<b>(28,454,725)</b>	<b>25,306,047</b>	<b>53,760,772</b>	<b>-189%</b>

**Note:**

- i. The Company achieved a -8% of the budgeted revenue in the year under review.
- ii. Other incomes increased in the year due to the Government grant and Kiwasco donations to support the company in its operations to continue supplying the rural population with adequate water supply
- iii. Employment expenses was fairly within approved budget with a 39% utilisation
- iv. The overall administrative expenses was an improvement with our aim in reduction of overhead costs the budget was done and approved in the supplementary budget to cater for under and overspendings within the budget line.
- v. Maintenance expense was within budget as predicted for the existing networks.
- vi. The company did not have any loan obligation in the year under review hence no finance charges incurred
- vii. Improved profitability caused by the Donation received from CGK and Kiwasco with their mandate of supporting the company in its activities.

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## Nyanas Water & Sanitation Company Limited

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

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## 19. Notes to the Financial Statements

### 1. General Information

Kisumu Water and Sanitation Company Ltd is established by and derives its authority and accountability from the Companies Act. The Company is wholly owned by the County Government of Kisumu and is domiciled in Kenya. The Company's principal activity is to abstract, treat and supply portable water and to provide sanitation services. 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 the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5a. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling. The financial statements have been prepared in accordance with the PFM Act, 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.

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

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

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contract with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1st 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.

## Nyanas Water & Sanitation Company Limited

### 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 effective in the year ended 30 June 2023*

Title	Description	Effective Date
The amendments are effective for annual reporting periods beginning on or after January 1, 2023	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
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 statements.

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

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

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

##### *iii. Early adoption of standards*

KIWASCO did not early - adopt any new or amended standards in year 2022/2023

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## Nyanas Water & Sanitation Company Limited

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

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#### Notes to the Financial Statements (Continued)

#### 4. Summary of Significant Accounting Policies

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

##### a) Revenue recognition

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

**i) Revenue from the sale of goods and services** is recognised 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 recognised in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

**iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

**iv) Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.

**v) Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.

**vi) Other income** is recognised as it accrues.

##### b) In-kind contributions

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

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

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**Notes to the Financial Statements (Continued)****4. Summary of Significant Accounting Policies****c) Property, plant and equipment**

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

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

**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 recognised in the income statement on a straight-line/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

<b>Item</b>	<b>Rates</b>
Plant, meters and machinery	12.5%
Computers & copiers	30%
Office equipment, furniture and fittings	12.5%

A full year's depreciation charge is only recognized in the year of asset purchase. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

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## **Nyanas Water & Sanitation Company Limited**

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

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#### **Notes to the Financial Statements (Continued)**

#### **4. Summary of Significant Accounting Policies**

##### **e) Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives over a period of 5 years. 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 acquired separately are carried at cost less accumulated impairment losses.

##### **f) Amortisation and impairment of intangible assets**

Amortisation 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 recognised so that the asset is written down immediately to its estimated recoverable amount.

##### **g) 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.

##### **h) Trade and other receivables**

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

##### **i) Taxation**

###### **i) Current income tax**

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

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



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

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**Notes to the Financial Statements (Continued)****4. Summary of Significant Accounting Policies****j) 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 available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

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

**k) 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

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

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**Notes to the Financial Statements (Continued)****4. Summary of Significant Accounting Policies****k) Borrowing costs**

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.

**l) Cash and cash equivalents**

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

**m) Borrowings**

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

**n) Trade and other payables**

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

**o) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme administered by both County Pension Fund (CPF) and LAPFUND teams and are funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month.

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## **Nyanas Water & Sanitation Company Limited**

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

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#### **Notes to the Financial Statements (Continued)**

#### **4. Summary of Significant Accounting Policies**

##### **p) Provision for staff leave pay**

Employees' entitlements to annual leave are recognized as they accrue. Annual leave pay is utilized in the course of the year hence no provision is made at the reporting date.

##### **q) Exchange rate differences**

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

##### **r) Budget information**

The original budget for FY 2022-2023 was approved by the Board of Directors on 29th June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of Kshs.79,820,000 on the 2022-2023 budget following the governing body'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 financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section XVII. of these financial statements.

##### **s) 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.

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## Nyanas Water & Sanitation Company Limited

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

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#### Notes to the Financial Statements (Continued)

#### 4. Summary of Significant Accounting Policies

##### t) Comparative figures

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

##### u) 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.

##### a) Estimates and assumptions

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

##### b) Useful lives and residual values

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

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

##### c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 39.

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.

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

**Notes to the Financial Statements (Continued)**

**6. Operating Revenue**

	2022-2023	2021-2022
	Kshs	Kshs
Water sales	21,012,622	17,294,822
Sewerage Services	-	-
Billing for other services	-	-
<b>Total</b>	<b>21,012,622</b>	<b>17,294,822</b>

**7. Grants Income**

	2022-2023	2021-2022
	Kshs	Kshs
Operational grants from Government entities	-	-
Recurrent/operational grants from other agencies	-	-
Capital grants amortized	-	-
Donations from the County Government of Kisumu	19,284,190.07	-
Donations from Kisumu Water & Sewerage Company Ltd	9,261,870.44	-
In Kind contribution/donations from other agencies	-	-
<b>Total</b>	<b>28,546,060.51</b>	<b>-</b>

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund. Kshs	Total grant income during the year Kshs	2022-2023 Kshs
Water Sector Trust Fund	-	-	-	-	-
Ministry	-	-	-	-	-
Other partners	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**Notes to the Financial Statements (Continued)**

**8. Other Income**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Illegal connections	104,640	482,000
New water connections	1,449,300	1,434,200
Reconnection fees	32,900	52,500
Sewer connection	-	-
Surcharge on meter loss	30,000	45,000
Miscellaneous income	403,150	18,443,228
Other Income - W/offs of opening balances	32,397,765	-
Exhauster Services	-	-
<b>Total</b>	<b>34,417,755</b>	<b>20,456,928</b>

**9. Staff Costs**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Gross Salary and Allowances	7,342,209	7,033,370
Casual workers' Wages	2,139,585	2,310,155
Medical insurance schemes	-	-
Employer's contributions to social security schemes	181,784	61,600
Employer's contributions to pension scheme	306,512	317,444
Provisions for Leave pay (Payment in lieu of leave)	-	-
Staff Gratuity	-	-
Staff welfare	25,000	19,200
Staff training	44,000	-
<b>Total</b>	<b>10,039,090</b>	<b>9,741,769</b>
<b>The Average number of employees during the year</b>	<b>27</b>	<b>28</b>

- i. Gross Salary and allowances include Basic pay and house allowances for permanent and pensionable staff
- ii. Casual wages relates to contracted staff on either one year or three year contracts payable monthly
- iii. Contributions to social security schemes are made to the National Social Security Fund (NSSF) at the prescribed rates. All staff are eligible to contribute.
- iv. The Company has contracted the services of National Water Conservation & Pipeline Corporation) (NWPC) to manage staffs pension schemes. The employee contribute 12% while the Employer contributes 15% towards the pension schemes.

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

**Notes to the Financial Statements (Continued)**

v. The Company equally handles staff welfare issues as and when they arise hence the welfare expense

**10. Production Expenses**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Opening stock of Chemicals	-	-
Chemicals	12,297,940	2,664,946
Electricity	20,837,102	15,446,521
Less Closing stock of Chemicals	-	-
<b>Total</b>	<b>33,135,042</b>	<b>18,111,467</b>

**11. General and Operations Expenses**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Opening Stocks (Uniforms and Stationery)	-	-
Uniform and protective clothing	-	11,400
Publicity and advertising	-	-
Tenders	-	-
Bank Charges and commissions	49,458	72,328
Staff training and development	-	-
Telephone and Postage	157,587	107,823
Vehicle running expenses (Fuel, oil, lubricants & repairs)	2,522,244	3,041,691
Traveling and subsistence	-	-
Printing and stationery	51,920	-
Sports and recreation	-	-
Audit fees	-	-
Telecommunication- ICT expenses	88,686	37,107
Debt collection	-	-
Bad debts provision	-	-
Legal and Professional fees	261,702	458,600
Consultancy fees	-	-
Office expenses	440,700	372,375
Donations/CSR	-	-
Closing Stocks (Uniforms and Stationery)	-	-
<b>Total</b>	<b>3,572,297</b>	<b>4,101,324</b>

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

**Notes to the Financial Statements (Continued)**

**12. Board Expenses**

Description	2022-2023	2021-2022
	Kshs	Kshs
Chairman Honoraria	-	-
Sitting allowances	-	-
Induction and Training (Board retreat)	-	-
Annual General Meeting (AGM) & stakeholders meeting	-	-
Refreshments	-	-
<b>Total Board Expenses</b>	-	-

**13. Maintenance Expenses**

Description	2022-2023	2021-2022
	Kshs	Kshs
Opening inventories of consumables	-	-
Network maintenance	9,699,767	9,603,861
Sewerage maintenance	-	-
Sanitation	-	-
Laboratory reagent	-	-
Water pump maintenance	-	-
Electrical items	-	-
Closing inventories of consumables	-	-
<b>Total</b>	<b>9,699,767</b>	<b>9,603,861</b>

**14. Establishment Expenses**

Description	2022-2023	2021-2022
	Kshs	Kshs
Conservancy fees	-	-
LTAP - operating Lease	-	-
WASREB levy	-	-
WRA levy	261,392	632,681
NEMA	-	-
KEBS levy	-	-
WASPA	-	-
Rent and Rates	54,000	66,000
Office repairs and maintenance	-	-
Electricity	-	-
General insurance	-	-
Security services	749,360	-
Impairment loss on meters	-	-
Bulk water Costs	-	-
<b>Total</b>	<b>1,064,752</b>	<b>698,681</b>



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

**Notes to the Financial Statements (Continued)**

**15. Depreciation and Amortization Expenses**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Property, plant, and equipment	1,159,443	774,578
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total Depreciation and Amortization</b>	<b>1,159,443</b>	<b>774,578</b>

**16. Finance costs**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest expense on loans	-	-
Interest expense Insurance Premium Financing (IPF)	-	-
Interest on lease liabilities	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**17. Income Tax Expense/(Credit)**

**Current taxation**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Adjusted profit for the year	-	-
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

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**Notes to the Financial Statements (Continued)**

**Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit**

	2022-2023	2021-2022
	Kshs	Kshs
Profit before taxation	-	-
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
<b>Total</b>	-	-

**18. Earnings Per Share**

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

**19. Dividend Per Share**

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). The Company has not proposed any dividend payment in the financial year under review.

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

**Notes to the Financial Statements (Continued)**

**20. Property, Plant and Equipment**

<b>2022-2023</b>	<b>Plant, meters and machinery</b>	<b>Computers &amp; Copiers</b>	<b>Office equipment, furniture &amp; fittings</b>	<b>Total</b>
<b>Cost Or Valuation</b>				
At July 1, 2022	6,714,028	274,638	114,480	7,103,146
Additions	2,950,000	110,000	346,000	3,406,000
Transfers	-	-	-	-
Disposals	-	-	-	-
<b>At June 30, 2023</b>	<b>9,664,028</b>	<b>384,638</b>	<b>460,480</b>	<b>10,509,146</b>
<b>Depreciation</b>				
At July 1, 2022	1,589,007	64,998	27,094	1,681,099
Charge For The Year	1,009,378	95,892	54,173	1,159,443
Impairment Loss	-	-	-	-
Eliminated On Disposal	-	-	-	-
<b>At June 30, 2023</b>	<b>2,598,384</b>	<b>160,890</b>	<b>81,267</b>	<b>2,840,542</b>
<b>Net Book Value At June 30, 2023</b>	<b>7,065,644</b>	<b>223,748</b>	<b>379,213</b>	<b>7,668,604</b>

<b>2021-2022</b>	<b>Plant, meters and machinery</b>	<b>Computers &amp; Copiers</b>	<b>Office equipment, furniture &amp; fittings</b>	<b>Total</b>
<b>Cost Or Valuation</b>				
At July 1, 2021	2,373,500	245,340	114,480	2,733,320
Additions	4,340,528	29,298	-	4,369,826
Transfers	-	-	-	-
Disposals	-	-	-	-
<b>At June 30, 2022</b>	<b>6,714,028</b>	<b>274,638</b>	<b>114,480</b>	<b>7,103,146</b>
<b>Depreciation</b>				
At July 1, 2021	856,861	35,050	14,610	906,521
Charge For The Year	732,146	29,949	12,484	774,578
Impairment Loss	-	-	-	-
Eliminated On Disposal	-	-	-	-
<b>At June 30, 2022</b>	<b>1,589,007</b>	<b>64,998</b>	<b>27,094</b>	<b>1,681,099</b>
<b>Net Book Value At June 30, 2022</b>	<b>5,125,021</b>	<b>209,640</b>	<b>87,386</b>	<b>5,422,047</b>

**Nyanas Water & Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2023**  
**Notes to the Financial Statements (Continued)**

**21. Intangible Assets**

	2022-2023	2021-2022
	Kshs	Kshs
<b>COST</b>		
<b>At July 1 2022</b>	-	-
Additions	-	-
Disposals	-	-
<b>At June 30 2023</b>	-	-
<b>AMORTISATION</b>		
<b>At July 1 2022</b>		
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
<b>At June 30 2023</b>	-	-
<b>NET BOOK VALUE</b>	-	-

Intangible assets include the Enterprise Resource Planning (ERP) system that the company uses to facilitate the operations e.g. Billing, Customer service, Collections, administration and software licenses required to operate the above systems

**22. Investment Property**

The Company does not have or maintain any Investment Properties.

**23. Right-of-use assets**

The Company does not have or maintain any Right-of-use assets.

**24. Fixed Interest Investments (Bonds)**

The Company does not have or maintain any Fixed interest Investments (Bonds)

**25. Quoted Investments**

The Company does not have or maintain any Quoted or Unquoted Investments

**Nyanas Water & Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2023**  
**Notes to the Financial Statements (Continued)**

**26. Deferred Tax Asset**

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The movement on the deferred tax account is as follows:

	2022-2023	2021-2022
	Kshs	Kshs
<b>Balance at beginning of the year</b>	-	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
<b>Balance at end of the year</b>	-	-

**27. Inventories**

Description	2022-2023	2021-2022
	Kshs	Kshs
General stores	-	-
Water Chemicals	-	-
Water fittings and Accessories	-	-
Water meters	-	-
Electrical items	-	-
Pipes	-	-
Hardware materials	-	-
Uniform and protective clothing	-	-
Stationery and general supplies	-	-
Finished goods	-	-
<b>Total</b>	-	-

a. The company does not maintain stocks and consumes stock items on need basis.

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

**Notes to the Financial Statements (Continued)**

**28.) Trade and Other Receivables**

	2022-2023	2021-2022
	Kshs	Kshs
Trade receivables (note (28a))	18,224,335	13,641,764
Prepayments and Deposits (note 28 (d))	9,500	9,500
VAT recoverable	-	-
Staff receivables (note 28 (c))	-	-
<b>Gross trade and other receivables</b>	<b>18,233,835</b>	<b>13,651,264</b>
Provision for bad and doubtful receivable	-	-
<b>Net trade and other receivables</b>	<b>18,233,835</b>	<b>13,651,264</b>

**28 (a) Trade Receivables**

	2022-2023	2021-2022
	Kshs	Kshs
Gross trade receivables	18,224,335	13,641,764
Provision for doubtful receivables	-	-
<b>Net trade receivables</b>	<b>18,224,335</b>	<b>13,641,764</b>

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

	2022-2023	2021-2022
Less than 30 days	4,556,084	3,410,441
Between 30 and 60 days	13,668,251	10,231,323
Between 61 and 90 days	-	-
Between 91 and 120 days	-	-
Over 120 days	-	-
<b>Total</b>	<b>18,224,335</b>	<b>13,641,764</b>

**28 (b) Reconciliation of Impairment Allowance for Trade Receivables**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>At the beginning of the year</b>	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
<b>At the end of the year</b>	-	-

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

**Notes to the Financial Statements (Continued)**

**28 (c) Staff Receivables**

	2022-2023	2021-2022
	Kshs	Kshs
Gross staff loans and advances	-	-
Provision for impairment loss	-	-
Net staff loans	-	-
<b>Less: Amounts due within one year</b>	-	-
Amounts due after one year	-	-

**Reconciliation of Impairment Allowance for Staff Receivables**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>At the beginning of the year</b>	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
<b>At the end of the year</b>	-	-

**28 (d) Prepayments and Deposits**

Description	2022-2023	2021-2022
	Kshs	Kshs
Telephone deposits (Telkom & Safaricom)	-	-
Electricity deposits (KPLC)	-	-
Internet services deposit	-	-
Rent deposit	9,500	9,500
<b>Total</b>	<b>9,500</b>	<b>9,500</b>

**29. VAT Recoverable**

	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	-	-
Movement during the year	-	-
<b>At end of the year</b>	-	-

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

**Notes to the Financial Statements (Continued)**

**30. Bank and Cash Balances**

	2022-2023	2021-2022
	Kshs	Kshs
Cash at bank	783,434	1,341,843
Cash in hand	60,000	60,001
Mobile money account	24,655	-
<b>Total</b>	<b>868,089</b>	<b>1,401,844</b>

**Detailed analysis of the cash and cash equivalents**

		2022-2023	2021-2022
Financial institution	Account number	Kshs	Kshs
<b>a) Current account</b>			
Kenya Commercial Bank	1167416678	783,434	1,341,843
<b>Sub- total</b>		<b>783,434</b>	<b>1,341,843</b>
<b>b) On - call deposits</b>			
Co-operative Bank		-	-
others		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>c) Fixed deposits account</b>			
Commercial banks & Others		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>d) Others(specify)</b>			
Cash in hand -Petty Cash		60,000	60,001
Mobile money account		24,655	-
<b>Sub- total</b>		<b>84,655</b>	<b>60,001</b>
<b>Grand total</b>		<b>868,089</b>	<b>1,401,844</b>

**31. Ordinary Share Capital**

	2022-2023	2021-2022
	Kshs	Kshs
<b>Authorized:</b>		
	-	-
<b>Issued and fully paid:</b>		
	-	-

The company is owned by County Government of Kisumu who hold 100% of the total shares. The shares are held in Trust for the public



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

**Notes to the Financial Statements (Continued)**

**32. Revaluation Reserve**

The company did not have Revaluation Reserve for the period under review.

**33. Fair Value Adjustment Reserve**

The company did not have Fair Value Adjustment Reserve for the period under review.

**34. Retained Earnings**

The retained earnings represent amounts available for distribution to the Company's shareholders.

Undistributed retained earnings are utilised to finance the Company's business activities including network expansions to meet the coverage level as required by the Regulator (WASREB). The retained earnings for the year are as indicated in the statement of Changes in Equity in page 4.

**35. Deferred Tax Liability**

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. There were no deferred tax liability at year end.

**36. Borrowings**

The Company did not borrowed funds in current period under review.

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>a) External Borrowings</b>	-	-
<b>Balance at end of the year</b>	-	-
<b>b) Domestic Borrowings</b>		
Balance at beginning of the year	-	-
Domestic borrowings during the year	-	-
Repayments during the year	-	-
<b>Balance at end of the year</b>	-	-
<b>C) Total Balance at end of the period c = a+b</b>	-	-
The analyses of the domestic borrowing is as follows:		
<b>Domestic Borrowings</b>		
Kenya Shilling loan from	-	-
Total balance at end of the year	-	-
<b>Short term borrowings (current portion)</b>	-	-
<b>Long term borrowings</b>	-	-
<b>Total</b>	-	-

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

**Notes to the Financial Statements (Continued)**

**37. Lease Liability**

The Company did not have Lease Liability in current period under review.

**38. Retirement Benefit Obligations**

The entity contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The the scheme is limited to specific contributions legislated from time to time and is currently at Kshs 200 entity's obligation under per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund and Local Authorities Pension Fund. Employees contribute 6.5% while the employer contribute 13% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

**39. Trade and Other Payables - Non-current Liabilities**

	2022-2023	2021-2022
	Kshs	Kshs
Customer water Deposits (note 41)	3,300,255	2,642,755
County Government Contribution (note 42)	0	7,178,827
Kisumu Water & Sanitation Company Ltd	0	15,556,054
<b>Total</b>	<b>3,300,255</b>	<b>25,377,636</b>

**40. Trade and Other Payables -Current Liabilities**

	2022-2023	2021-2022
	Kshs	Kshs
Trade payables	8,386,538	5,769,755
Conservancy fee - County Government of Kisumu	-	
Accrued expenses	-	
Lease fees - County Government of Kisumu	-	
Other payables	2,424,063	1,974,139
Lake Victoria South Water Works Development		
WRA Levy		
<b>Total</b>	<b>10,810,601</b>	<b>7,743,894</b>
<b>Ageing analysis:</b>		
Under one year	2,424,063	1,974,139.41
1-2 years	8,386,538	5,769,755
2-3 years	0	0
Over 3 years		
<b>Total</b>	<b>10,810,601</b>	<b>7,743,894</b>

**Nyanas Water & Sanitation Company Limited**  
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**Notes to the Financial Statements (Continued)**

**41. Analysis of Customer Deposits**

	2022-2023	2021-2022
	<i>Kshs</i>	<i>Kshs</i>
Opening Balance		
Add: deposits received during the year		
Less: Refunded deposits during the year		
Closing balance	-	-
<b>Ageing analysis:</b>		
Under one year		
1-2 years		
2-3 years		
Over 3 years		
<b>Total</b>		

**42. Analysis of County Government Contribution**

The balance of the County Government Contribution relates to the balance of liability arising from the net assets transferred to the Company at inception but which has crystalized over time.

	2022-2023	2021-2022
	<b>Kshs</b>	<b>Kshs</b>
At the beginning of the year		
Additional declared during the year		
Amortized during the year		
<b>Balance at end of the year</b>	-	-

**43. Taxation**

	2022-2023	2021-2022
	<b>Kshs</b>	<b>Kshs</b>
At beginning of the year	-	-
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	-	-
Less -Income tax paid during the year	-	-
At end of the year	-	-

**Nyanas Water & Sanitation Company Limited**  
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**Notes to the Financial Statements (Continued)**

**44. Notes to The Statement of Cash Flows**

	2022-2023	2021-2022
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/ (loss) to cash generated from/ (used in) operations</b>		
Profit or loss before tax	25,306,047	(5,279,930)
Depreciation	1,159,443	774,578
Amortisation	-	-
(Gain)/loss on disposal of property, plant and equipment	-	-
Interest Expense	-	-
Grants Write-back	-	-
Operating profit/(loss) before working capital changes	26,465,490	(4,505,352)
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade and other receivables	(4,582,571)	(13,641,764)
Increase/(decrease) in trade and other payables	3,066,707	7,743,894
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
<b>Cash generated from/(used in) operations</b>	<b>24,949,627</b>	<b>(10,403,222)</b>
<b>(b) Analysis of changes in loans</b>		
<b>Balance at beginning of the year</b>		
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Accrued interest	-	-
<b>Balance at end of the year</b>	<b>-</b>	<b>-</b>
<b>(c) Analysis of cash and cash equivalents</b>		
Short term deposits	-	-
Cash at bank	783,434	1,341,843
Cash in hand	84,655	60,001
Balance at end of the year	<b>868,089</b>	<b>1,401,844</b>
<b>(d) Analysis of interest paid</b>		
Interest on loans	-	-

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**Notes to the Financial Statements (Continued)**

	2022-2023	2021-2022
	Kshs	Kshs
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalized	-	-
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	-	-
Interest paid	-	-
<b>(e) Analysis of dividend paid</b>		
Balance at beginning of the year	-	-
2023 interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

**Other Disclosures**

**45. Related Party Disclosures**

**County Government of Kisumu**

The County Government of Kisumu is the principal shareholder of the Company, holding 100% of the Company's equity interest.

Other related parties include:

- Lake Victoria South Water Works Development Agencies
- Water Services Regulatory Board (WASREB)
- Water Resources Authority (WRA)
- Water Sector Trust Fund (WSTF)
- Key management

**Nyanas Water & Sanitation Company Limited**  
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**Notes to the Financial Statements (Continued)**

**Transactions with related parties**

	2022-2023	2021-2022
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Water sales to Govt. agencies - County Government of Kisumu	-	-
Others (Specify)	-	-
<b>Total</b>	-	-
<b>b) Purchases from related parties</b>		
Rent expenses paid to Government agencies	-	-
Training and conference fees paid to Government agencies	-	-
Others (specify)	-	-
<b>Total</b>	-	-
<b>c) Grants from the Government</b>		
Grants from National Government agencies (WSTF)	-	-
Grants from County Government	-	-
Donations in kind	-	-
<b>Total</b>	-	-
<b>d) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees	-	-
Payments for goods and services for conservancy services (CGK)	-	-
<b>Total</b>	-	-
<b>e) Key management compensation</b>		
Directors' emoluments	-	-
Compensation to key management	-	-
<b>Total</b>		

**46. Capital Commitments**

There were no Capital commitments at the year- end for which any provision has been made in these financial statements.

**Nyanas Water & Sanitation Company Limited**  
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**Notes to the Financial Statements (Continued)**

**49. Contingent Assets and Liabilities**

**Contingent Assets**

	2022-2023	2021-2022
	Kshs	Kshs
<b>Contingent assets</b>		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
<b>Total</b>	-	-

**Contingent Liabilities**

	2022-2023	2021-2022
	Kshs	Kshs
<b>Contingent liabilities</b>		
Court case xxx against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
<b>Total</b>	-	-

In the opinion of the management, no provision is required in these financial statements as there were no liabilities expected to crystallize.

**50. 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.

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**Notes to the Financial Statements (Continued)**

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.

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
<b>At 30 June 2023</b>				
Trade Receivables	18,224,335	-	-	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
Bank balances	868,089	-	-	-
<b>Total</b>	<b>19,092,424</b>	-	-	-

<b>At 30 June 2022 (previous Year)</b>				
Trade Receivables	13,641,764	-	-	-
Other Receivables		-	-	-
Investments		-	-	-
Bank balances	1,401,844	-	-	-
<b>Total</b>	<b>15,043,608</b>	-	-	-

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.



**Nyanas Water & Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2023**  
**Notes to the Financial Statements (Continued)**

*Credit Risk (Continued)*

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 Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
<b>At 30 June 2023 current year</b>				
Trade payables	-	8,386,538	-	8,386,538
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	<b>8,386,538</b>	-	<b>8,386,538</b>
<b>At 30 June 2022 previous year</b>				
Trade payables	-	5,769,755	-	5,769,755
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	<b>5,769,755</b>	-	<b>5,769,755</b>

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

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**Notes to the Financial Statements (Continued)**

**iii) Market risk**

The company has no 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.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

**iv) Foreign currency risk**

The Company has no transactional currency exposures since the purchases of goods and services are done in the local currency

**v) Interest rate risk**

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

The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

**a) Management of interest rate risk**

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

**b) Sensitivity analysis**

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis could not however be performed in the year as the company had no borrowing liability hence no interest accrued.

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**Notes to the Financial Statements (Continued)**

**vi) Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value**

Determination of fair value and fair values hierarchy

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

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

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

**Financial instruments not measured at fair value**

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

**vii) Capital Risk Management**

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

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	-	-
Retained earnings	12,659,672	(12,646,375)
Capital reserve	-	-
<b>Total funds</b>	<b>12,659,672</b>	<b>(12,646,375)</b>
Total borrowings	-	-
Less: cash and bank balances	868,089	1,401,844
Net debt/(excess cash and cash equivalents)	(868,089)	(11,244,531)
<b>Gearing</b>	<b>-6.86%</b>	<b>88.92%</b>

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**Nyanas Water & Sanitation Company Limited**  
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**Notes to the Financial Statements (Continued)**

**51. Incorporation**

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

**52. Events After the Reporting Period**

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

**53. Currency**

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