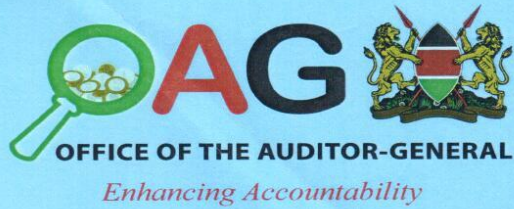


REPUBLIC OF KENYA



REPORT

OF

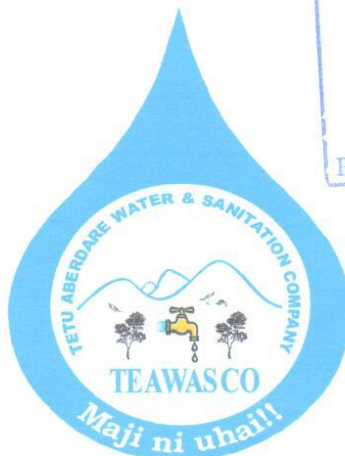
THE AUDITOR-GENERAL

ON

**TETU ABERDARE WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2021**

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021



TETU ABERDARE WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2021

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

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

i.	KEY ENTITY INFORMATION	iii-iv
ii.	THE BOARD OF DIRECTORS.....	v - vi
iii.	MANAGEMENT TEAM.....	vii
iv.	CHAIRMAN'S STATEMENT.....	viii
v.	MANAGING DIRECTOR'S REPORT.....	ix-x
vi.	STATEMENT OF PERFORMANCE	xi
vii.	CORPORATE GOVERNANCE STATEMENT.....	xii-xiii
viii.	MANAGEMENT DISCUSSION AND ANALYSIS.....	xiv-xvi
ix.	ENVIROMENTAL AND SUSTAINABILITY REPORTING	xvii-xviii
x.	REPORT OF DIRECTORS	xix
xi.	STATEMENT OF DIRECTORS RESPONSIBILITIES.....	xx
xii.	REPORT OF THE INDEPENDENT AUDITORS ON TETU ABERDARE WATER & SANITATION COMPANY.....	xxi
xiii.	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	1
xiv.	STATEMENT OF FINANCIAL POSITION.....	2
xv.	STATEMENT OF CHANGES IN EQUITY.....	3
xvi.	STATEMENT OF CASH FLOWS.....	4
xvii.	STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS.....	5
xviii.	NOTES TO THE FINANCIAL STATEMENTS.....	6-29
	APPENDIX 1	30-37

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

I. KEY ENTITY INFORMATION

Background Information

The Company was incorporated under the Companies Act (Cap.486) on 13th April 2006 and that the Company is limited by Guarantee (Certificate of Incorporation for the Company No.C.124262). The Company's mandate is to provide Water and Sanitation Services in Tetu and parts of Nyeri Central sub-counties in Nyeri County in accordance with section 113 of the Water Act 2002 by Tana Water Services Board. The water act has been reviewed and Water Act 2016 is currently in force to accommodate the 2010 constitution.

Principal Activities

The principal activity of the Company is to provide water and sanitation services to residents of Tetu and parts of Nyeri Central sub-counties in Nyeri County

Directors

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

<u>Name</u>	<u>Status</u>	<u>Date Of Appointment</u>
1. Joel Kariuki	- Chairman	- 21 st June 2018
2. David Kingori Njogu	- Director	- 16 th January 2015
3. Pastor Peter Ndiritu	- Director	- 21 st June 2018
4. Ruth Mwangi	- Director	- 17 th July 2018
5. Pauline Ndegwa	- Director	- 1 st October 2019
6. Nancy W. Ngogoyo	- Director	- 24 th July 2019
7. Lucy W. Ndungu	- Director	- 24 th July 2019
8. Symon W Wanjau	- Managing Director	

**Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021**

Corporate Secretary

FCS Richard K. Gikui,
P.O. Box 1271-10100,
Nyeri-Kenya

Registered Office

Kamakwa Nyeri Central Sub-County Water Office
P.O. Box 1089- 10100
Nyeri.

Corporate Contacts

Telephone :(0796 976 937)
E-mail: teawasco@gmail.com
 : info@teawasco.co.ke
Website: teawasco.co.ke

Corporate Bankers

Kenya Commercial Bank Limited Nyeri Branch
P. O. BOX 215 -10100 Nyeri.

Independent Auditors

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

Principal Legal Advisers

Lucy Mwai & Company Advocate
P.O Box 12233-10109
0725363178
E-mail: lucymwai2012@gmail.com

Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

		<p>Nancy W. Ngogoyo O Level, Accountancy, Corporate Management, Small Enterprise Development, worked as a supervisor at W.E.D an NGO and working in Community Development.</p>
7.		<p>Mrs. Lucy W. Ndung'u Trained Kenya Enrolled Community Nurse, Maternal and child Health Planning, Micro Credit Management, Business Development & Marketing, HIV/AIDS Awareness & Control, BOG member of Mathakwa-ini and Ithi Secondary Schools, Chairperson of Tetu Sub-County Poverty Eradication Committee, she was member of CACC for two terms and currently the Vice Secretary Maendeleo ya Wanawake Nyeri County. She Represents Women's Organization.</p>
8.		<p>Symon W. Wanjau- Managing Director K.C.S.E, Master of Business Administration, Bachelor's degree in Business Administration Finance/Accounting, CPA (K), CPS Finalist, CIFA Finalist, Registered with ICPAK,</p>
9.		<p>FCPS- Richard Gikuhi Kiana- Company Secretary He is a member of ICPS (K) registration Certificate No R/NO 285 from ICPSK. He is secretary for various public institutions and a member of FKIM. He holds other directorships in public institutions</p>

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

II. THE BOARD OF DIRECTORS

Ref		
1.		<p>Mr. Joel Wang'ombe Kariuki - Board Chairman Diploma in Special Education, Certificate in Primary Education, Certificate in ICT Entrepreneurship and Computer packages. Involved in Community work, one of committee members involved in establishing Gakere Boys High School (Kigogo-ini) in Tetu Constituency. O level Education.</p>
2.		<p>Mr. David King'ori Njogu A-Level, Bachelor of Science Degree in Wildlife Management He represents Commercial Consumers in TEAWASCO Board. He was the Head of Science Department in Nyeri Baptist High School, Civic Education Facilitator Tetu, Assistant Manager Tetu Constituency Office, Founder Member of Chania River Resources Users Association, Director Tetu Aberdare Water & Sanitation Company in 2006 to 2011 and Secretary-New United Tetu Dairy Group. He has attended Seminars & Workshops in Management Skills and Development, Performance approval and Development Leadership Motivation & Communication Seminar & Corporate Governance Training in Embu.</p>
3.		<p>Mrs Ruth Mwangi Master in Project Management and BSC in General Agriculture Chief Officer Agriculture Nyeri County Government, pursuing PhD.</p>
4.		<p>Pastor Peter Ndiritu Macharia Diploma in Theology (Kenya Baptist Theology College), KATC/CPA 1, O level Education. Have attended several leadership and management seminars. Ordained ministers serving with Baptist churches. Currently Pastor in charge of Kiandu Baptist church and Gacatha Baptist church. Founder and manager of Kiandu Baptist Academy and also Instructor Kieni West Baptist Bible School-Bellevue. Director representing religious organization</p>
5.		<p>Pauline W. Ndegwa K.C.S.E, Bachelor of Arts (Cultural Studies) Chief Officer-Water and Irrigation, Chief Officer- Governor's Office, Chief Officer- Public Service Management, Sub County Administrator, Ward Administrator, Project Director-Compassion International Kenya, Social Worker-Compassion International Kenya, BOM teacher Bingwa Secondary School and also BOM teacher Witima Secondary School Othaya.</p>

Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

II. MANAGEMENT TEAM

QUALIFICATIONS AND MAIN AREA OF RESPONSIBILITY	
	<p>Symon W. Wanjau- Managing Director K.C.S.E, Master of Business Administration, Bachelor's degree in Business Administration Finance/Accounting, CPA (K), CPS Finalist, CIFA Finalist, Registered with ICPAK, He is responsible for Planning Directing Coordinating and Controlling the Operation of the Company. Effective management of the company so as to ensure achievement of its set goals and objectives.</p>
<p>2.</p> 	<p>Grace N. Gathigia- Commercial Manager K.C.S.E, Master of Business Administration, Bachelor's degree in Business Administration Finance/Accounting, CPA (K), Registered with ICPAK. More than 15 years Working Experience She Ensures that all the financial resources of the company are well managed, prudently invested, fully accounted for and reported efficiently. Continuous improvement of Administration and Accounting systems in the company.</p>
<p>3.</p> 	<p>Joshua N Mumo-Technical Manager K.C.S.E, Diploma in water Engineering from Kenya Water Institute (KEWI) Over three years in water services provision sector. Responsible for production of quality water to customers, operate and maintain existing water infrastructure, ensure efficient and effective provision of water and sanitation services to meet consumer needs.</p>
<p>4.</p> 	<p>Alice Nyaguthii Ngorongo-Human Resource & Administration Officer K.C.S.E, Degree in Human Resource Management, pursuing an MBA in Human Capital Development and awaiting completion of certified Human Resource Professional (CHRP). Also trained and registered as an assessor and verifier by TVET/CDACC.</p>
<p>5.</p> 	<p>5. Anthony Ndegwa Githae- Internal Auditor K.C.S.E, Bachelor's degree in commerce finance option, CPA(K) and Registered with ICPAK. He ensures the Company assets are safeguarded and resources efficiently utilized. He also liaises with the External Auditors to facilitate the process of easy flow of successful Audit.</p>
<p>6.</p> 	<p>FCPS- Richard Gikuhi Kiana- Company Secretary He is a member of ICPS (K) registration Certificate No R/NO 285 from ICPSK. He is secretary for various public institutions and a member of FKIM. He holds other directorships in public institutions</p>

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

IV. CHAIRMAN'S STATEMENT

The year 2020/2021 was a year with a difference, a year in which we were confronted by many challenges, but emerged more resilient and successful.

The macroeconomic landscape in the year was challenging characterized by depressed economies, disposable incomes in the whole world continued to decline resulting to reduced consumers spending. This greatly constrained our volumes and hindered growth in turnover during the year under review. However, despite the very difficult economic conditions, we are proud of the results we achieved. The Company water billing increased from Ksh 58,491,846 to Ksh 64,785,843 for the financial year 2019/2020 and 2020/2021 respectively.

The company too undertook sponsorship of public health projects with Nyeri Hospice. This is targeted for terminally ill Cancer Patients and focuses on quality of life thereby turning the end of life into an important time of living. The company supported the market centres and some institutions with water harvesting containers placed at strategic points within our towns to enhance hand washing during the COVID-19 period.

Employees' safety protocols were also implemented by:

Having all employee who were able to work remotely and heightened sanitation measures, restrictions on movement to and from work places.

We supported our staff who are front line workers with personal protective equipment's (PPES) and issued them with work identification cards.

Conducting virtual trainings and meetings to enhance social distance.

Our effort to grow and improve as a company would not have been possible without the leadership of our talented Board of Directors, our employees, our customers, Constituency Development Fund (NG-CDF) Tetu, Tana Water Works Development Agency, Tetu Sub-County Water Office, Nyeri County Government and other potential development partners also deserve commendation for their hard work and loyalty.

The results presented today would not have been achieved without the support of the Directors and for this I wish to thank my colleagues in the Board.

On behalf of the Board, I wish to record our gratitude to our consumers for their continued loyalty and support and to all our employees in the company for their dedication and exemplary service without which the results would not have been achieved



JOEL W. KARIUKI
CHAIRMAN - TEAWASCO.

V. MANAGING DIRECTOR'S REPORT

Water Sector Reforms

One of the main principles of the Water Act 2002 was that water services were to be managed at the lowest level possible. In line with this principle, the Ministry of Water and Irrigation transferred the provision of water services to Water Services Board now Tana Water Works Development Agency with effect from July 2005. The Water Act 2002 stipulates that the Service Boards shall contract agents, known as water service providers, for provision of water services. Now under the Water Act 2016 the water service providers are wholly owned by the County Government.

History And Legal Establishment

TEAWASCO as a Company has been given the responsibility to take charge of the Management of all the assets that were previously under the Management of both Ministry of Water and Irrigation as Tetu Thegenge and Titie Water Schemes and National Water Conservation and Pipeline Corporation as Aguthi Water Scheme. Over the years all the existing water systems handed over to the Company have passed their ultimate design period, and in the process, they have been dilapidated and outlived their economic life. Hence, they need to be rehabilitated and augmented.

However, in order to be able to achieve sustainability there is need to develop and implement the infrastructure involving various components. However, these undertakings require huge amount of money which is beyond the capability of the Company to generate internally, therefore demanding external funding.

In addition, it is important to note that according to the new dispensation the water and sanitation services are devolved functions under the County Government, and this being the case the Water Act 2016 was enacted in order to accommodate these constitutional changes among other regulations awaiting enactment by Parliament.

In view of the above, the company is working closely with Tana Water Works Development Agency, National Government Constituencies Development Fund (NG-CDF) Tetu – Committee, Sub County Water Office and Nyeri County Government in fulfilling our core mandate.

Infrastructure Development

For the purpose of improving our service delivery especially for Titie Water Scheme, the company is working closely with County Government of Nyeri, which is constructing a Conventional Water Treatment to improve water quality. Phase 1 includes; chemical house, flocculation and sedimentation tanks a Phase 2 included; filtration, backwash system and clear water tank.

The treatment facility will ensure provision of quality water that meets water quality sector standard.

Future Development Plans

The Company has earmarked to undertake the following activities in our future development programmes.

- √ Development of Kahiraini Bulk Water Supply by constructing reservoirs on Gura River including rehabilitation and augmentation of existing water systems.
- √ Improvement and development of sanitation services in our rural households and market centres.
- √ Water Catchment conservation and protection programmes. The company intend to start a tree nursery.
- √ Construction of office block at Wamagana which is the headquarter of Tetu Sub-County

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

- √ Re-location of Aguthi Gura intake by KTDA power
- √ Aguthi raw water main and Mathakwaini Treatment Works rehabilitation by Tana Water Works Development Agency at a cost of 160 M.

Project Proposal

For the purpose of improving service delivery and at the same time, achieve sustainability there is an urgent need to augment the existing systems through development of the infrastructure by implementing the activities outlined in the company's project proposal documents.

Staff

The company has 67 employees. The company aims to develop policies to enable it recruit its own staff guided by the company's human resource management policy. The ultimate goal is to make the company an enterprising Tetu Aberdare Water and Sanitation Co Limited. In this regard the company has in place human resource policy that includes health and safety, work injury benefits HIV/Aids awareness to enable staff deliver services.

Challenges

The company in its endeavors to avail quality, affordable and reliable water and sanitation services encountered various challenges to contend with.

The challenges include:

- Vandalism of water infrastructure networks.
- Increased dilapidated infrastructure.
- Low flow at the source during dry spell
- Destruction of our pipelines by road contractors continues to be a major setback.
- Major landslides within the Aberdare forest especially along river Gura which destroy pipe network
- The COVID-19 period, the economy was generally weakened with many commercial accounts performing below their normal scale due to the restrictions of movement imposed by the government. Schools were closed and this reduced both water consumption and water sales.

Conclusion

With the implementation of Vision 2030 strategy and The Constitution of Kenya 2010, there is great demand for clean, safe and adequate water supply in all sectors contributing to economic development. This is a great opportunity for the company to exploit enabling it achieve its objectives and the ever-growing water service demand.

Gratitude

I would like to take this opportunity to thank Tana Water Works Development Agency, County Government of Nyeri, Water Office Tetu Sub-County, National Government Constituencies Development Fund (NG-CDF) Tetu, WSTF and TEAWASCO Board of Directors for their support during the year, also our esteemed customers and our suppliers who were all instrumental to our success this year. I am also grateful to our staff for their commitment and effort in striving to ensure the company meets its noble objectives and also in fulfilling our core mandate.

S. W. WANJAU



MANAGING DIRECTOR

Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
for The Year Ended June 30, 2021

I. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR F/Y 2020/2021

The Company had a good performance for the year even though there were Economic challenges due to COVID 19 Pandemic.

Strategic Pillar	Objective	Key Performance Indicator	Activities	Achievements
Metering	100% metering	Increase Revenue	Metering programme Procured customer meters 425 No. worth Kshs.680,000	100%
Revenue Collection	95% and Above	Financial Sustainability	Collection efficiency	100.5%
Billing	100%	Increase Revenue	Purchase of smart phones for meter reading	100 %
Non-Revenue Water	Reduce NRW	To attain the sector Benchmark of below 25%	<ol style="list-style-type: none"> 1. Procurement of meters for new water connection and replacing malfunctioning ones. 2. Recruitment of NRW Staff. 3. Grant of three ultrasonic flow meters from TWWDA. 4. Application of GIS in mapping our infrastructure network. 5. Training and bench marking with other companies- NYEWASCO 	Attained 29% NRW.

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

VII. CORPORATE GOVERNANCE STATEMENT

TEAWASCO is committed to operating under a clear governance framework and strongly adheres to sound management and control practices.

TEAWASCO is committed to ensuring compliance with the provisions of Water Act 2016 and Operating License from WASREB among other regulatory and supervisory corporate governance requirements.

During the year the board of the company scheduled and met seven times to deliberate and make resolutions on general business of the board. The board had additional meetings on need basis to discuss, resolve and implement key agenda that would not have been implemented in the ordinary business of the company as follows; Nyeri County PAC invitation, Public Participation on Gura intake relocation by NEMA, Board Tour-Water facilities, Board meeting Nyeri county Government, induction of the new Board and Recruitments of staff, HRAM. FAT and Audit Sub-Committees met six and four times respectively.

DATE	MEETING DESCRIPTION	NO. OF MEMBERS
08/07/2020	AUDIT COMMITTEE	3
09/07/2020	FINANCE, ADMN&TECHNICAL COMMITTEE	2
16/07/2020	FULL BOARD MEETING	7
22/09/2020	FINANCE, ADMN&TECHNICAL COMMITTEE	4
29/09/2020	FULL BOARD MEETING	4
05/10/2020	AUDIT COMMITTEE	3
12/10/2020	FINANCE, ADMN&TECHNICAL COMMITTEE	3
14/10/2020	FINANCE, ADMN&TECHNICAL COMMITTEE	3
22/10/2020	FULL BOARD MEETING	8
12/01/2021	AUDIT COMMITTEE	3
13/01/2021	FINANCE, ADMN&TECHNICAL COMMITTEE	5
21/01/2021	FULL BOARD MEETING	8
04/02/2021	FULL BOARD MEETING	6
05/05/2021	SPECIAL FULL BOARD MEETING	8
18/05/2021	AUDIT COMMITTEE	3
20/05/2021	FINANCE, ADMN&TECHNICAL COMMITTEE	3
27/05/2021	FULL BOARD MEETING	7

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

Succession planning;

To effectively plan and execute a seamless implementation of the board mandate, the board in the year under review implemented recruitment of substantive HR and Admin Manager.

The company has implemented the board charter, which defines the roles of the board. The board undertakes an annual evaluation of the board performance in line with the Charter and realigns itself to meet its mandate. The company memorandum and articles of association have defined the process of appointment and removal of directors. The MAA recognizes the role of stakeholders in effective appointment and retirement of directors. As a policy the company recognizes the need for gender balance in appointment of board. The company undertook a review of the MAA to align it with the changes of the company act 2015 and water act 2016. This is stressed in the advertisement & filling the position of the board of directors where women and persons living with disability are encouraged to apply.

Roles and functions of the board,

The Board has ensured that proper management structures that maintain integrity, reputation and responsibility are in place.

The major roles of the BOD is to protect and promote the interest of the organization and this includes;

1. Taking due care of asset and liabilities of the organization.
2. Oversight role: the BOD is responsible for policy matters and major undertakings.
3. The Board of Directors have a fiduciary relationship to treat the organization as its own and take prudent measures to grow the organization

Induction and training

During the year under review there was no Induction done to the Board of Directors since no AGM was held during the period.

Conflict of interest

During the financial year ended June 30, 2021 there was no interest declared or registered in any of the committee or the Board of Directors.

Board remuneration

The company operates in a regulated sector. To provide efficiency and act as an incentive to improve performance at oversight level, the limit for sitting allowance and other expenditure of the Board of Directors and its committees is capped at the higher of 5% of the turnover or Kshs 4 million per annum.

Ethics and conduct

The Board of Directors has identified Internal and External stakeholders on which they agree in policy on how to relate to them especially relation to appointing the Directors and monitoring the performance of the company. All directors are signatories to the code of conduct that guides them in operations.

The Board of Directors have constituted the following committees:

By order of the Board
For and on its behalf


.....
Managing Director

Date 9/3/2022

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Financial condition and result of operating provides information that management believes is relevant to an assessment and understanding of the financial condition and results of operations of Tetu Aberdare Water and Sanitation Company Limited. This MD & A should be read in conjunction with the Company's Financial Statements and related notes for the year ended 30th June 2021 which are prepared in accordance with International Financial Reporting Standards (IFRS), Policies and best practices.

The company has complied with statutory requirements including Pension, NHIF, NSSF and payment of taxes. The company contributes to registered pension schemes which are ICEA Lion, Standard Chartered and CPF. The taxes remitted to KRA includes withholding and corporation taxes.

TEAWASCO Billing, Revenue and Debt position

Year	Total Billing	Total Revenue collection	Outstanding debts
2017/2018	56,606,300	58,257,105	15,726,113
2018/2019	62,010,225	61,614,995	18,558,220
2019/2020	58,491,846	53,532,527	22,906,131
2020/2021	64,785,843	65,112,620	21,768,669

CONNECTION				
Year	Registered connections	Active connection	Inactive connection	New water connections
2017/2018	14577	10420	4157	688
2018/ 2019	15265	10969	4296	535
2019/ 2020	15800	12016	3784	414
2020/2021	16866	12300	4566	586

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

Challenges Faced During the Year

During the year the company experienced the following challenges during implementation of the financial management process;

Area of operation	Challenges	Interventions
Purchase of Laptops and Printer and Capacity Building	Lack of enough of laptops for virtual communication due to Covid 19.	The Company purchased 6 No. Laptops and 1 No. printer at a cost of Ksh. 539,500 during the financial year. Employees were also taken to various trainings, which hugely influence staff performance during the year.
Road Construction	Many pipe bursts	During the year, the company faced challenges relating to several road constructions across all the Schemes in the Company jurisdiction area, thereby the pipeline was re-routed in several areas in the Company.

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

Major risks facing the organisation; the following matrix represents the risks facing the company and the mitigating factors.

No.	RISK FACTOR	LEVEL OF RISK	MITIGATION MEASURE
(i)	Inadequate resources	Medium	Efficiency in resource utilization through Proper annual work plans & budgets Documentation and reporting on resource utilization. Increase generation and collection efficiency
(ii)	Staff turnover	Medium	<ul style="list-style-type: none"> · Build Capacity-Trainings, Personal development · Enhance staff incentive programs · Improvement of working environment
(iii)	Consumers with huge debts	High	<ul style="list-style-type: none"> · Negotiate with customers on Part payment modalities · Timely disconnection of defaulters to manage accumulation of debts · Engage debt collectors · Liaison with other agencies e.g. County Government of Nyeri. · Debt policy
(iv)	Climate Change	High	<ul style="list-style-type: none"> · Build storage facilities · Participation in Conservation of the environment · Create public awareness
(v)	Corruption	Low	<ul style="list-style-type: none"> · Good corporate governance · Building strong ethical practices · Enforce/ invoke the law
(vi)	Irrigation, boreholes and wells	Medium	<ul style="list-style-type: none"> · Creation of public awareness · Provision of reliable treated water supply.
(vii)	Safety of valves installations	Medium	<ul style="list-style-type: none"> · Secure the valves by cementing. · Sensitize the community on the need of ownership
(viii)	Non-delivery of goods risk	Low	<ul style="list-style-type: none"> · Enhance inspection committee · Fill the bin card immediately after issue and delivery of items · Stores management system
(ix)	Communication breakdown	Medium	<ul style="list-style-type: none"> · Enhance communication · Regular open staff meetings · Cultivate the good culture
(x)	Evaluation risks	Medium	<ul style="list-style-type: none"> · Set the performance targets

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i. Sustainability Strategy and Profile

The Company main goal is to be self-sustaining; this can only be achieved through collection of revenue at optimal level to cater for operations and maintenance, personnel costs and any other incidental costs that may occur during day to day running of the Company. Strategies must be put in place for a Company to continue being a going concern. During the year under review the company budget was to increase the customer base by installing 586 new connections, in its area of supply. The Company equally has to consider cost benefit analysis while coming up with methods of collecting revenue and cost of supplying water services to the customers.

The Company introduced cashless mode of Revenue Collection which is effective and reliable. Provision of water is through gravity which is very economical since no power is required, equally water is abstracted from Aberdare forest where pollution is minimal.

ii. Environmental Performance

Environmental Performance indicators condense data into relevant information that allows monitoring, target setting, tracing performance improvements, benchmarking and reporting. Environmental Performance indicators supply the operational level as well as top management with the information required for decision making. The Company has been conserving the environment through planting trees to protect water catchment areas and also preventing soil erosion. The Company has also constructed gabions along the pipeline in areas prone to landslides and erosion.

iii. Employee Welfare

The Company operates three defined retirement benefits schemes for its employees; - ICEA Lion, Standard Chartered Bank 1987 and CPF pension schemes, the Company also contributes towards NSSF for its staff. There is also a medical cover in place for employees and a component of WIBA in the General Insurance. In the Annual Budget the Company also sets aside money to cater for bereaved employees.

iv. Market Place Practices

The Company's major objective is to gain return on its investments and therefore benefit financially by achieving the maximum value while leaving the customers with the feeling that they are definitely receiving their money's worth in service and quality. To do this the Company offers service at a price consistent with the customers' perception of the value received which is friendly.

In the industry the Company is also involved with other providers in provision of quality services. Water supplied is of high quality having undergone through full treatment to the required standards in the Sector.

v. Corporate Social Responsibility

The company has joined hands with other stakeholders concerned in planting indigenous trees in the Aberdare forest water catchment area bearing in mind that the sustainability of our water sources wholly depends on Aberdare water tower, which we desperately need to protect and preserve.

The company too undertook sponsorship of public health projects with Nyeri Hospice. This is targeted to terminally ill Cancer Patients and focuses on quality of life thereby turning the end of life into an important time of living.

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

The Company also purchased items to fight the COVID 19 pandemic for the residents of Tetu Sub-County, which include washing soap, and jericans, which were put in urban areas for hand washing to fight the pandemic on Note 6 of financial statement catchment conservation & social responsibility.

Purchase of two 10,000 litres capacity plastic water tanks to Karo and Kiaraho primary schools and one 5,000 litres capacity plastic tank to Thageini primary school. Equally, 600 packets sanitary towels were purchased for girls in the three schools including bathing soaps for all the pupils as a way of demonstrating sanitation and good hygiene.

vi. Community Engagements

Community is a broad term used to define groups of people whether they are stakeholders, interest groups or citizen groups. A community may be a geographic location (community of place), a community of similar interest (community of practice), or a community of affiliation or identity such as an industry.

The Company has been engaging the community through various forums, which include public barazas, holding clinic days and open days for customers, and the engaging the community through CSR.

There are other activities where the Company engages the Community, which includes:-

- Public participation on project proposals
- Stakeholders Conferences
- Conservation of catchment areas
- Demonstrating and encouraging rain water harvesting
- Customer clinic days
- Provision of Hand washing points

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2021 which show the state of the company's affairs.

i. Principal activity

To provide water and sanitation services to residents of Tetu and parts of Nyeri Central sub-counties in Nyeri County.

ii. Results

The results of the Tetu Aberdare Water and Sanitation Co Limited for the year ended June 30, 2021 are set out on pages 21-24

iii. Dividends

The company is limited by guarantee and does not pay dividends. Any surplus realised is ploughed back to finance capital expenditure.

iv. Directors

The members of the Board of Directors who served during the year are shown on page four. In accordance with Regulation of the company's Articles of Association, retire by rotation and that eligible offer themselves for re-election.

v. Auditors

The Auditor General is responsible for the statutory audit of the companies in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board



Richard Gikuhi Kiana
Company Secretary

Date... 9/3/2022

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

XI. STATEMENT OF DIRECTORS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, require the Directors to prepare financial statements of Tetu Aberdare Water and Sanitation Co Limited which give a true and fair view of the state of affairs of Tetu Aberdare Water and Sanitation Co Limited at the end of the financial year 2020/2021 and the operating results of the Tetu Aberdare Water and Sanitation Co Limited for year 2020/2021. The Directors are also required to ensure that Tetu Aberdare Water and Sanitation Co Limited keeps proper accounting records which disclose with reasonable accuracy the financial position of Tetu Aberdare Water and Sanitation Co Limited. The Directors are also responsible for safeguarding the assets of Tetu Aberdare Water and Sanitation Co Limited.

The Directors are responsible for the preparation and presentation of Tetu Aberdare Water and Sanitation Co Limited financial statements, which give a true and fair view of the state of affairs of Tetu Aberdare Water and Sanitation Co Limited for and as at the end of the financial year ended on June 30, 2021. 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 Tetu Aberdare Water and Sanitation Co Limited.
- (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 Tetu Aberdare Water and Sanitation Co Limited.
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Tetu Aberdare Water and Sanitation Co Limited financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), in the manner required by the PFM Act and Public Sector Accounting Standards Board. The Directors are of the opinion that Tetu Aberdare Water and Sanitation Co Limited financial statements give a true and fair view of the state of Tetu Aberdare Water and Sanitation Co Limited transactions during the financial year ended June 30, 2021, and of Tetu Aberdare Water and Sanitation Co Limited financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Tetu Aberdare Water and Sanitation Co Limited, which have been relied upon in the preparation of Tetu Aberdare Water and Sanitation Co Limited 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 Tetu Aberdare Water and Sanitation Co Limited will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Tetu Aberdare Water and Sanitation Co Limited financial statements were approved by the Board on 9/31 2022 and signed on its behalf by:

Signature J. Wang'ombe

Chairperson of the Board

Joel Wang'ombe

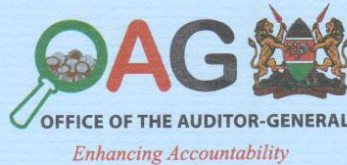
Signature S. Wanjau

Managing Director

Symon Wanjau

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON TETU ABERDARE WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tetu Aberdare Water and Sanitation Company Limited set out on pages 1 to 37, which comprise the statement of

Report of the Auditor-General on Tetu Aberdare Water and Sanitation Company Limited for the year ended 30 June, 2021

financial position as at 30 June, 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flow and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Tetu Aberdare Water and Sanitation Company Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The Annual Report and Financial statements for the year ended 30 June, 2021 submitted for audit had the following inaccuracies:

- 1.1 The statement of profit and loss and other comprehensive income reflects a profit before tax balance of Kshs.1,056,548 whereas the statement of comparison of budget and actual amounts reflects a surplus of Kshs.1,057,250 resulting in unreconciled variance of Kshs.702.
- 1.2 Note 11(b) to the financial statements reflects customer deposits balance brought forward of Kshs.12,415,277 that differs with prior year comparative amount of Kshs.13,615,277 resulting to unexplained variance of Kshs.1,200,000.
- 1.3 Note 13(a) to the financial statements reflects deferred income balance of Kshs.20,933,540 which is net off amortisation charge of Kshs.879,141. However, the amortisation charge was omitted from the statement of profit and loss and other comprehensive income for the year under review.

In the circumstances, the accuracy and completeness of the affected financial statement balances for the year ended 30 June, 2021 could not be confirmed.

2. Inaccurate Trade Receivables

The statement of financial position reflects trade receivables balance of Kshs.20,695,293 as disclosed under Note 8. However, the balance was not supported by detailed debtors aged analysis indicating the period the debts have been outstanding.

In the circumstances, the accuracy, completeness and classification of trade receivables balance of Kshs.20,695,293 as at 30 June, 2021 could not be confirmed.

3. Unsupported Consumer Deposits

The statement of financial position as at 30 June, 2021 reflects customer deposits balance of Kshs.14,617,777. However, the balance was not supported by way of certificate of bank balances or bank reconciliation statement.

In the circumstances, the accuracy, completeness and validity of the customer deposits balance of Kshs.14,617,777 as at 30 June, 2021 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.72,185,600 and Kshs.67,800,724 resulting to revenue shortfall of Kshs.4,384,876. The Company spent Kshs.66,743,474 against an approved budget of Kshs.68,096,820 resulting to under expenditure of Kshs.1,353,346.

The revenue shortfall and the under expenditure affected the planned activities and may have impacted negatively on the Company's performance.

Unresolved Prior Year Audit Matters

Various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issues disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

Other Information

The Directors are responsible for the other information. The other information comprises Chairman's Statement, Report of Managing Director, Statement of Performance, Corporate Governance Statement, Management Discussion and Analysis, Environmental

and Sustainability Reporting, the Report of Directors and the Statement of Directors' Responsibilities.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Outdated Water Tariffs

As previously reported, the Company billed its customers based on water tariffs which expired in financial year 2013/2014. Although the Management had sought for approval from Water Services Regulatory Board (WASREB) for regular tariff adjustment for the financial year 2016/2017 to financial year 2020/2021, no Authority was granted and the Company continued to bill water consumers using the outdated water tariffs.

In the circumstances, the Company continued to earn lower revenue as a result of using out dated tariffs.

2. Non-Revenue Water

During the year under review, the Company produced a total of 2,789,464 cubic meters (m³) of water, out of which 1,975,011m³ was sold (billed) to consumers. The balance of 814,453m³ which is approximately 29% of the total volume of water produced represented Non-Revenue Water (NRW). The NRW of 29% was over and above the allowable loss of 25% set by the Water Services Regulatory Board (WASREB) guidelines by 4%.

The significant level of non-revenue water is an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain its services.

3. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.72,185,600 and Kshs.68,096,820 resulting to a unexplained variance of Kshs.4,088,780. This is contrary to Section 31(c) of the Public Finance Management (County Governments) Regulations 2015 that states that the budget revenue and expenditure appropriations shall be balanced.

Consequently, the Management was in breach of the law.

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

The statement of profit or loss and other comprehensive income reflects personnel expenses balance of Kshs.34,648,535 representing sixty-eight percent (68%) of the total operating expenditure of Kshs.51,181,269 for the year ended 30 June, 2021. This is higher than the recommended threshold of thirty percent (30%) in accordance with the WASREB guidelines.

The excess personnel costs may negatively impact on the Company's profitability and sustainability of services if measures are not put in place to contain the costs within the acceptable levels.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit,
- (ii) In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those books,
- (iii) The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015 and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal control, risk management and 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 applicable 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 based on 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 July, 2022

**XIII. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR
 THE YEAR ENDED 30 JUNE 2021**

	NOTES	2020/2021	2019/2020
		Ksh	Ksh
SALES	1	64,785,843	58,491,846
Cost of sales	2	-15,562,907	-11,914,372
Gross profit		49,222,936	46,577,474
Other Income	3	3,014,881	2,917,447
TOTAL REVENUES		52,237,817	49,494,921
OPERATING EXPENSES			
Administration Costs	4	10,363,321	10,533,344
Personnel	5	34,648,535	30,079,578
Selling and Distribution Costs	6	6,104,702	7,500,064
Finance Charges	7	64,711	91,905
Total Operating Expenses		51,181,269	48,204,891
PROFIT BEFORE TAX		1,056,548	1,290,030
INCOME TAX EXPENSE	16	390,644	503,170
PROFIT AFTER TAXATION		665,904	786,860

Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
for The Year Ended June 30, 2021

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

ASSETS	NOTES	2020/2021	2019/2020
NON - CURRENT ASSETS		Ksh	Ksh
Property, Plant & Equipment	14a	30,254,794	31,059,552
Intangible Asset	15	34,603	43,254
Deferred Tax	16	231,105	0
		30,520,502	31,102,806
CURRENT ASSETS			
Inventories	12	5,393,524	3,450,132
Trade Receivables	8	20,695,293	21,099,246
Bank & Cash Balances	9	22,833,929	20,637,146
		48,922,746	45,186,524
TOTAL CURRENT ASSETS		48,922,746	45,186,524
TOTAL ASSETS		79,443,248	76,289,330
EQUITY AND LIABILITIES			
Reserves			
Retained Earnings	10	30,636,661	29,970,758
NON-CURRENT LIABILITES			
Deferred Income	13a	20,933,540	21,812,681
EQUITY AND LIABILITIES		51,570,201	51,783,439
CURRENT LIABILITIES			
Consumer Deposits	11b	14,617,777	13,615,277
Trade Payable	11a	12,633,521	10,387,444
Tax Payable	16	621,749	503,170
		27,873,047	24,505,891
TOTAL EQUITY AND LIABILITIES		79,443,248	76,289,330

The financial statement were approved by the board on 9/3/2022 and signed on its behalf by:

Managing Director
Symonm Wanjau



Commercial manager
Grace Gathigia



Chairman
Joel Wango'ombe



Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

XV. STATEMENT OF CHANGES IN EQUITY/RESERVES FOR THE YEAR ENDED 30 JUNE 2021

2020/2021	Total
	Ksh
As at July 1, 2020	29,970,757
Profit for the year	665,904
As at June 30, 2021	30,636,661
2019/2020	
As at July 1, 2019	29,183,897
Profit for the Year	786,860
As at June 30, 2020	29,970,757

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	2020/2021	2019/2020
		Ksh	Ksh
CASH FLOW FROM OPERATING ACTIVITIES			
Net Surplus for the year		665,904	786,860
Adjustment for depreciation	14a	2,222,198	2,421,566
Decrease in provision for Tax		-249,033	20,283
Decrease in Provision for AGM		-274,902	(100,066)
Disposal of Telephone		18,560	18,560
Tax Expense		390,644	503,169
Interest earned		396,259	272,283
Investment Interest Earned	3	-396,259	(272,283)
Operating surplus before		2,773,371	3,650,372
working capital adjustments			
Increase in Inventory		-1,943,392	933,235
Decrease in Receivables	8	403,953	(3,856,235)
Increase in Payables	11a	2,246,077	(2,500,981)
Deposits	11b	1,002,500	696,500
Grant (deferred income)		29,415	37,484
Grant (deferred income)	13a	-879,141	(953,848)
		859,412	(5,643,845)
Net cash generated from operating activities		3,632,783	(1,993,473)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of assets	14a	-1,436,000	(278,400)
		-1,436,000	(278,400)
CASH FLOW FROM FINANCING ACTIVITIES			
Net increase in cash and cash equivalents		2,196,783	(2,271,872)
Cash and cash equivalents at the beginning of the year		20,637,146	22,909,018
Cash and cash equivalents at the end of the year	9	22,833,929	20,637,146

Tetu Abdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage difference
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Sale of services	71,050,000	0	71,050,000	64,785,843	-6,264,157	8.8%
Transfers from the County Government	0	0	0	0	0	0
Finance Income	610,000	0	610,000	396,259	-213,741	35.03%
Other income	525,600	0	525,600	2,618,622	2,093,022	
Total income	72,185,600		72,185,600	67,800,724	-4,384,876	
Expenses						
Compensation of employees	33,159,034	0	33,159,034	34,648,535	-1,489,501	4.49%
Administration costs	13,040,000	0	13,040,000	10,363,321	2,676,679	20.5%
Selling and Distribution	6,800,000	0	6,800,000	6,104,000	696,000	10.2%
Other costs	15,097,786	0	15,097,786	15,627,618	-529,832	3.5%
Total expenditure	68,096,820		68,096,820	66,743,474	1,353,346	
Surplus for the period	4,088,780		4,088,780	1,057,250		

- i. Finance income has a variance that has exceeded 10% since the rate of interest from the Bank was low thus affecting amount of money received by the Company. Equally, the other income include non-cash items, which has exceeded the 10%.
- ii. The Administration cost also has exceeded 10% due to non-cash items e.g. provision for Audit Fee for 3 Years and AGM,
- iii. Selling and Distribution cost was more than 10% due to an amount of Depreciation which is a non-cash item.

XIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Tetu Aberdare water & sanitation company Limited is established by and derives its authority and accountability from Water Act 2016. Tetu Aberdare water & sanitation company Limited is wholly owned by the County Government of Nyeri and is domiciled in Kenya. The Company's principal activity is to provide water and sanitation services to residence of Tetu and parts of Nyeri Central Sub counties in Nyeri County.

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, impaired assets at their estimated recoverable amounts and 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 Tetu Aberdare Water & Sanitation Company Limited accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Tetu Aberdare Water and Sanitation Company Limited.

The financial statements have been prepared in accordance with the PFM Act, 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)

Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The Standard does not affect the Company Currently.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. The Standard does not affect the Company Currently.

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

The Company has adopted the Standard in the Financial Statements for the year ended 30th June 2021.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination. The Standard does not affect the Company Currently

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked. The Standard is not affecting the Company Currently.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard. The Standard does not affect the Company Currently.

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018-Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

Title	Description	Effective Date
IAS 39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

Title	Description	Effective Date
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 16 — Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

Title	Description	Effective Date
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 41 — Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 1 — First-time Adoption of International Financial Reporting Standards	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general-purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

Title	Description	Effective Date
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

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

i. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021

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 recognized when earned to Tetu Aberdare Water and Sanitation Co Limited and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of Tetu Aberdare Water and Sanitation Co Limited's activities, net of value-added tax (VAT), where applicable and when specific criteria have been met for each of the Tetu Aberdare Water and Sanitation Co Limited activities as described below.

NOTES TO THE FINANCIAL STATEMENTS (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- i) **Revenue from the provision of Water** is recognized in the year in which Tetu Abdare Water and Sanitation Co Limited Provides water and the customer has accepted the commodity and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government and County Government** are recognized in the year in which Tetu Abdare Water and Sanitation Co Limited actually receives such grants.
- iii) **Finance income** comprises interest receivable from bank deposit invested and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Rental income** is recognized in the income statement as it accrues using the effective rental agreements.
- v) **Other income** is recognized as it accrues.

b. In-kind contributions

In-kind contributions are donations that are made to Tetu Abdare Water and Sanitation Company Limited in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, they 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.

c. Property, plant and equipment

Property plant and equipment are stated at cost less the accumulated depreciation charged. 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 as profit or loss in the income statement.

d. Depreciation and impairment of property, plant and equipment

Depreciation on property, plant and equipment is recognised in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Depreciation is charged on reducing balance method using the following rates

Pipes	2.5%
Telephone & computers	30%
Office furniture & equipment	12.5%
Plant and equipment	12.5%
Motor bikes and vehicles	25%

A full year's depreciation charge is recognised in the year of asset purchase.

NOTES TO THE FINANCIAL STATEMENTS (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i) INVENTORIES

Inventories are valued at the lower of cost and net realizable value. The cost of inventories comprises purchase price, transportation and handling charges, and determined on the weighted average price method

i) SURPLUS

The company is limited by guarantee and surplus is ploughed back to finance company capital works

e. Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

f. Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

g. Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h. Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

V)IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* outlines how to account for government grants and other assistance. Government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes expenses for the related costs for which the grants are intended for compensation, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

i. Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories comprises purchase price, transportation and handling charges, and is determined on the weighted average price method.

j. Trade and other receivables

They are recognized and carried at the realizable value less the provision for risk allowance, at currently 10%. Trade and other receivables are recognised 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.

k. Taxation

i. Current income tax

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

ii. Current income tax (Continued)

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. Current income tax relating to items recognized directly in net assets is recognized in net assets and 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.

iii. 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.

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are 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.

iv. Deferred tax (Continued)

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.

I) Bank and cash equivalents

Cash and cash equivalents comprise cash in 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 the Kenya Commercial Bank 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 amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable on settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

NOTES TO THE FINANCIAL STATEMENTS (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are 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.

iv. Deferred tax (Continued)

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.

l) Bank and cash equivalents

Cash and cash equivalents comprise cash in 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 the Kenya Commercial Bank 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 amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable on settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

NOTES TO THE FINANCIAL STATEMENTS (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

n. Trade and other payables

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

o) Retirement benefit obligations

The company operates a defined contribution retirement benefits scheme for its employees (Standard Chartered Bank 1987), ICEA Lion and CPF Pension Scheme.

The company also contributes to National Social Security Fund (NSSF) which is a defined contribution scheme. Contributors are determined by local statute as legislated. The company's contributions to the defined contribution schemes are charged to the income and expenditure account in the year to which they relate.

p. Provision for staff leave pay

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

q. Budget information

The original budget for FY 2020-2021 was approved by the Board of Directors on 25th May 2020. No Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. No additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, Tetu Aberdare Water & Sanitation Company Limited did not record additional appropriations.

Tetu Aberdare Water & Sanitation Company Limited budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. 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.

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

r. Budget information (Continued)

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 financial performance has been presented under section 5 of these financial statements.

s. Service concession arrangements

Tetu Aberdare Water & Sanitation Company Limited 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, Tetu Aberdare Water & Sanitation Company Limited 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, Tetu Aberdare Water & Sanitation Company Limited also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

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, 2021.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

a. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity 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 Tetu Aberdare Water & Sanitation Company Limited. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS (continued)

SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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 Tetu Aberdare Water & Sanitation Company Limited
- 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
- Changes in the market in relation to the asset

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 27.

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. They are recognized and carried at the realizable value less the provision for risk allowance, at currently 10%. Trade and other receivables are recognised 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.

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS

1 SALES (BILLING OR TURNOVER)

	2020/2021	2019/2020
Billing for the year	64,785,843	58,491,846
	64,785,843	58,491,846

2 COST OF SALES

GIS mapping	0	66,200
WASREB	2,591,433	2,538,764
WRA	472,660	452,660
License application	100,000	0
Filter media	0	259,202
Land, Rent & Rates	464,290	281,000
Motor bike repair	411,743	626,022
Pipes & Fittings	4,214,600	1,888,428
Repair of Gura river crossing	0	876,960
Cold Water Meters	680,000	2,406,985
General Repair & Maintenance	968,958	333,412
Hydraulic fixtures	796,000	0
Minor alterations	838,972	0
Chemicals	2,894,830	1,926,180
Production milk	117,790	114,645
Uniforms & Occupation Safety Health	577,500	0
Crop compensation	218,474	0
Laundry & Sanitation	126,549	143,914
Cleaning Materials	14,969	0
Loose Tools	74,139	0
TOTAL	15,562,907	11,914,372

3 OTHER INCOME

Grants	0	776,450
Interest income	396,259	272,283
Others	2,618,622	1,868,714
Total	3,014,881	2,917,447

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS

4 OFFICE ADMINISTRATION COST

	2020/2021	2019/2020
	Ksh	Ksh
Printing & Stationary	125,176	159,515
Office expenses	193,771	312,176
Telephone	1,529,841	1,424,556
Postage	32,927	43,262
Travelling & Subsistence	717,525	462,050
Electricity	434,665	174,111
Advertisement	280,335	275,889
Newspaper	3,660	26,700
Computer & Copier expenses	122,070	165,310
Functions & Celebrations	0	82,600
Transport (Public)	155,000	76,420
Copier & Computer Maintenance	128,530	102,100
Security	1,059,000	772,000
Directors Allowances	1,028,535	1,815,607
Bench marking (Corporate Governance)	193,893	1,264,755
Consultation fee (strategic plan)	1,818,400	809,000
Legal Fee	54,990	0
Transportation of materials	62,928	0
Provision for AGM	650,000	1,300,000
Membership Subscription	234,280	236,450
Tax expense	10,560	10,560
Increase in provision for tax	0	20,283
Provision For Audit Fee	1,050,000	700,000
Provision For Tax	300,000	300,000
Installment Tax Paid	177,235	0
	10,363,321	10,533,344

5 PERSONNEL

Salaries	19,179,951	18,359,741
Wages	13,814,572	10,273,503
Training	1,321,647	521,600
Staff Welfare	112,670	690,660
Leave pay	219,695	234,074
TOTAL	34,648,535	30,079,578

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS

6 SELLING & DISTRIBUTION COSTS

	2020/2021	2019/2020
	Ksh	Ksh
Motor Vehicle Repair	867,390	992,658
TWWDA meters	0	776,450
Depreciation	2,222,198	2,421,566
Amortization (Upgrading quick water)	8,651	10,813
Fuel & Oil	1,276,685	1,842,370
Catchment, Conservation & Social Responsibility	349,550	10,800
Insurance	1,380,228	1,010,616
Provision for doubtful & bad debts	0	434,791
TOTAL	6,104,702	7,500,064
	64,711	

7 Financial Charges

	64,711	91,905
	64,711	91,905

8 TRADE RECEIVABLES

Disputed receivables	19,853,586	19,853,586
Salary Advance	0	1,365
Prepayment (Insurance)	956,894	408,875
Prepayment (Telephone)	0	25,900
Prepayment (Fuel & oil)	114,009	0
Prepayment (TWWDA)	0	15,000
Prepayment (Postage)	7,088	7,088
Deposits (Electricity)	25,500	25,500
Customer Unpaid Bills	21,768,669	22,906,131
	42,725,746	43,243,445
Less provision	2,176,867	2,290,613
Provision disputed receivables	19,853,586	19,853,586
Sub Totals	20,695,293	21,099,246

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS

9 Bank and Cash Balance

Current Account	2,908,557	3,087,446
Savings Account	106,264	12,286,283
Fixed Account	13,263,773	0
Performance Guarantee	1,290,994	0
M-pesa Account	13,827	11,838
Fund A/C	539,687	539,687
Development account (TWSB)	837,843	837,843
Development account (Salary)	3,872,984	3,874,049
	22,833,929	20,637,146

10 RETAINED EARNINGS

	2020/2021	2019/2020
	Ksh	Ksh
Reserves	29,970,757	29,183,897
Surplus for the Period	665,904	786,860
Total	30,636,661	29,970,757

11a TRADE PAYABLES

Board of directors	193,893	63,950
Pipes & Fittings	886,796	1,511,906
Uniforms	230,000	0
Printing & Stationery	0	114,210
Computer expense	60,000	0
Crop compensation	0	111,455
Water chemicals	1,426,140	0
Insurance	0	63,866
laundry	0	64,700
MVR	373,100	437,040

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS

	MBR	407,893	124,186
	Strategic plan	37,850	0
	4% WASREB	115,817	777,576
	9% TWWDA	2,419,433	2,704,433
	WASPA	85,000	85,000
	WRA	113,165	113,165
	Training	455,680	0
	Hydraulic fixtures	1,592,500	0
	AGM	440,631	0
	Minor alteration	838,972	0
	Corporate social responsibility	24,000	0
	PAYE/salaries	252,651	118,593
	leave pay	0	39,000
	Provision for AGM	650,000	1,300,000
	Provision for tax	300,000	300,000
	Provision for audit fee	1,050,000	700,000
	Cold water meters	680,000	1,758,364
	TOTAL	12,633,521	10,387,444

11b Consumer deposits	2020/2021	2019/2020
	Ksh	Ksh
Bal B/F	12,415,277	12,918,777
Saving WASREB	1,200,000	0
Additions	1,007,000	714,500
Refund	-4,500	-18,000
Bal B/D	14,617,777	13,615,277

12 INVENTORY

Pipes & water fittings	4,710,964	3,065,582
Water chemicals	682,560	384,550
Total	5,393,524	3,450,132

13a DEFFERED INCOME

Bal B/f	21,812,681	22,766,529
Amortizations	-879,141	-953,848
Bal C/d	20,933,540	21,812,681

Year 2019/2020				
Item	Depreciation rate	Amount	Depreciation	Balance
Pipeline extension	2.50%	3,139,175	78,479	3,060,696
Computer tables	30%	19,355	5,807	13,549
Plant & Machinery	12.50%	1,732,780	216,598	1,516,183
Motorbikes, motor cycles	25%	65,594	16,399	49,196
Meters	12.50%	1,769,645	221,206	1,548,439
Titie WSTF	2.50%	15,896,364	397,409	15,498,955
DWO METERS	12.50%	143,615	17,952	125,663
		22,766,528	953,848	21,812,680
Year 2020/2021				

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

Item	Depreciation rate	Amount	Depreciation	Balance
Pipeline extension	2.50%	3,060,696	76,517	2,984,179
Computer tables	30%	13,549	4,065	9,484
Plant & Machinery	12.50%	1,516,183	189,523	1,326,660
Motorbikes, motor cycles	25%	49,196	12,299	36,897
Meters	12.50%	1,548,439	193,555	1,354,884
Titie WSTF	2.50%	15,498,955	387,474	15,111,481
DWO METERS	12.50%	125,663	15,708	109,955
		21,812,681	879,141	20,933,540

14a) PROPERTY, PLANT & EQUIPMENT FOR THE YEAR ENDED 30TH JUNE 2021

DETAILS	PIPES	TELEPHONE & COMPUTERS	OFFICE FURNITURES & EQUIPMENTS	METERS	MOTOR VEHICLES & CYCLES	TOTAL
	Ksh)	Ksh)	Ksh)	Ksh)	Ksh)	Ksh)
Opening Bal At Cost 1/7/2020	26,517,407	3,477,995	539,372	19,904,162	10,576,419	61,015,355
Additions	896,500	539,500				1,436,000
Disposal		-18,560				-18,560
Closing Bal As At 30/6/2021	27,413,907	3,998,935	539,372	19,904,162	10,576,419	62,432,795
DEPRECIATION						
Opening Bal As 1/7/2020	4,482,933	2,856,197	405,175	13,680,619	8,530,879	29,955,803
Period Charge	573,274	342,821	16,775	777,943	511,385	2,222,198
Total Depreciation	5,056,207	3,199,019	421,950	14,458,562	9,042,264	32,178,001
N B V As At 30/6/2021	22,357,700	799,916	117,422	5,445,600	1,534,155	30,254,794
N B V As At 30/6/2020	22,034,474	621,798	134,197	6,223,543	2,045,540	31,059,552

14B) PROPERTY, PLANT & EQUIPMENT FROM THE YEAR 30 TH JUNE 2020

DETAILS	PIPES	TELEPHONE & COMPUTERS	OFFICE FURNITURES & EQUIPMENTS	METERS	MOTOR VEHICLES & CYCLES	TOTAL
	Ksh)	Ksh)	Ksh)	Ksh)	Ksh)	Ksh)
Opening Bal At Cost 1/7/2019	26,517,407	3,218,155	539,372	19,904,162	10,576,419	60,755,515
Additions	0	278,400				278,400
Disposal		-18,560				-18,560
Closing Bal As At 30/6/2020	26,517,407	3,477,995	539,372	19,904,162	10,576,419	61,015,355
DEPRECIATION						
Opening Bal As 1/7/2019	3,917,946	2,589,712	386,004	12,791,541	7,849,033	27,534,237
Period Charge	564,987	266,485	19,171	889,078	681,847	2,421,566
Total Depreciation	4,482,933	2,856,197	405,175	13,680,619	8,530,879	29,955,803
N B V As At 30/6/2020	22,034,474	621,798	134,197	6,223,543	2,045,540	31,059,552

Tetu Aberdare Water & Sanitation Company Limited
 Annual Report And Financial Statements
 For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS

15. Intangible Assets

	2020/2021	2019/2020
	Kshs	Kshs
COST		
At July 1	43,254	54,067
Additions	-	-
Disposals	-	-
At June 30	43,254	54,067
AMORTISATION		
At July 1	-	-
Charge for the year	8,651	10,813
Disposals	-	-
Impairment loss	-	-
At June 30	8,651	10,813
NET BOOK VALUE	34,603	43,254
At June 30		

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS

16. TAX COMPUTATION FOR THE PERIOD ENDED 30TH JUNE 2021

		2021
		Kshs
Profit before tax		1,056,548
Add		
Depreciation	2,222,198	
Loss on Disposal	18,560	
provision for doubtful & bad debts	113,746	
Provision for AGM	650,000	
Provision Tax	300,000	
Provision Audit fees	1,050,000	
		4,354,504
Less		
Wear and tear allowance	1,957,555	
Interest income	396,259	
Rent Income	105,600	
Amortization	879,141	
Gain on disposal	-	
		3,338,555
Taxable income / (Losses)		
Accumulated tax loss b/fwd		0
Adjusted taxable income/(losses)		2,072,497
30%*2,072,497		621,749
Rental Income		105,600
Tax paid (house rent)		-10,560
Income		95,040
Interest Income		396,259
Tax thereone @ 30%		91,580
Less		
Withholding tax deducted at source		53,870
Advance tax		0
Installment Taxes		177,235
		231,105
Tax payable/(Refundable)		390,644

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS

17. RELATED PARTY DISCLOSURES

a) County Government of Nyeri

The County Government of Nyeri is the principal shareholder of Tetu Aberdare Water and Sanitation Company Limited Holding 100% of its interest.

Other related parties include:

- i) Parent ministry
- ii) WASREB
- iii) WRA
- iv) Tana Water Works Development Agency
- v) Key Management
- vi) Board of Directors

18. FINANCIAL RISK MANAGEMENT OBJECTIVES

The company's overall risk management programme focuses on unpredictable changes in the operating environment and seeks to minimize the potential adverse effect of such risks on its performance.

Major types of financial risk that may face the company include:

i) Currency Risk

The company is currently not exposed to currency risk because it does not trade with foreign countries.

ii) Interest Rate Risk

The company has not borrowed money and thus not affected by interest rate risk.

iii) Price Risk

The company does not hold investments that would be subject to price risk hence no exposure to price risk.

iv) Credit Risk

This is the risk that one party will default on his/her contractual obligation resulting in financial loss to the company.

The company measures, monitors and manages credit risk for each receivable.

This risk is primarily attributable to bank balances, trade and other receivables.

The amounts presented in the statement of financial position are net of 10% risk allowance estimated by the management based on prior experience and assessment of the current economic environment. The company developed a debt management policy in order to reduce the customer unpaid bills.

Credit risk	Total amount	Fully performing	Past due	Impaired
As at 30th June 2020				
Customer unpaid bills	22,906,131	8,379,298.85	14,526,832.25	19,853,586
Total	22,906,131	8,379,298.85	14,526,832.25	19,853,586
Risk allowance	2,290,613	837,929.885	1,452,683.225	19,853,586
As at 30th June 2021				
Customer unpaid bills	21,768,669	7,967,333	13,801,336	19,853,586
Total	21,768,669	7,967,333	13,801,336	19,853,586
Risk allowance	2,176,867	796,733.3	1,380,133.6	19,853,586

NOTES TO THE FINANCIAL STATEMENTS

v) Liquidity Risk

The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows. The management has also put in place framework for the management of the company's short, medium- and long-term funding and liquidity management requirements.

19. The Company has re-classified several items which have been explained below and highlighted in the notes using an Asterisk.

1. Sales/turnover previously was revenue.
2. Cost of sales comprises of WASREB, WRA, filter media, land, rent & Rates, Motor bike repair, Pipes & fittings, cold water meters, General repair maintenance, Chemicals, Production cost, uniforms & OSH, Crop compensation, Laundry & sanitation, cleaning materials.
3. Other income itemised as Grants, Interest and other income.
4. Personnel comprises of Salaries, Wages, Grants, Training, Staff welfare Leave pay previously classified as Personnel and Administration cost.
5. Administration cost comprise of printing & stationery, Office expense, Telephone Postage, Travelling & Subsistence, Electricity, Advertisement, Newspaper, Computer & Copier maintenance, Celebration, Transport, Copier & computer Maintenance, Security, Directors' allowance, Board seminars Consultation & Professional fee, Provision for AGM, Membership subscription, Tax expenses, increase in provision for AGM, Increase in provision for tax, Provision for Audit fee, Provision for Tax, Blue economy previously classified as Office administration cost & Professional charges.
6. Selling & Distribution comprises of Motor vehicle repair, Tana WWDA meters, Meters, Building materials, Depreciation, Amortization, Fuel & Oil, Catchment conservation & social responsibility, County government pipes, Insurance provision for doubtful debts. Previously classified as Distribution Operation & Maintenances costs.

Tetu Abdare Water & Sanitation Company Limited
 Annual Report And Financial Statements
 For The Year Ended June 30, 2021

APPENDIX 1. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
				(Resolved / Not Resolved)	(Put a date when you expect the issue to be resolved)
1	<p>Property, Plant and Equipment The statement of financial position reflects property, plant and equipment balance of Kshs. 31,059,552 as at 30 June 2020. Further, as disclosed in note 14 (a) and 15(a) to the financial statements, the cost of the assets comprise cost of assets acquired by the company amounting to Kshs.61,055,355 and inherited assets from Tana Water works Development Agency at inception of Kshs.148,318,727 all totalling to Kshs.209,374,082. However, a fixed asset register reflected value of assets amounting to Kshs.209,119,050, resulting in unreconciled difference of Kshs.255,132.</p> <p>In addition, Note 15 (a) to the financial statements reflects brought forward accumulated depreciation 1 July 2019 on computers and accessories and motor vehicles /cycles which exceeded the cost of the assets, resulting in unusual negative net book values which has also not been reconciled.</p> <p>In the circumstances, the completeness and accuracy of property, plant and equipment balance of Kshs.31,059,552 could not be confirmed.</p>	<p>Errors that occurred when transferring the cost of accumulated values from table 15b (2018/2019) to table 15 a (2019/2020) has been amended.</p>	<p>Grace Gathigia Commercial Manager</p>	Resolved	

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

2	<p>Bank and Cash Equivalence Note 9 to the financial statements of reflects cash and cash equivalents balances amounting to Kshs.20,637,146 as at 30 June, 2020 in respect to five bank accounts and two M-PESA pay-bill accounts. However, the Management did not maintain an updated cash book for current account and MPESA paybill account with balances of Kshs.3,087,446 and Kshs.11,838 respectively. Further, a review of cash book for a savings account at Kenya Commercial bank indicated a balance of Kshs.13,633,277 while the financial statements reflected a balance of Kshs.1,286,283. The resultant difference has not been reconciled or explained. Consequently, the accuracy and completeness of the cash and cash equivalents balance as at 30 June, 2020 could not be confirmed.</p>	<p>i. Cash books and bank reconciliation are done on monthly basis ii. Note 9 of the financial statements refers to the issue of splitting the amount invested in fixed deposit and that has been rectified in page 43 and the amount is now combined as one figure. iii. Bank accounts for the Company are five in number as per Financial statement – as indicated in the note on cash equivalent Savings account number 1107914752 has no expenditure but deposits alone, but current account number 1101961112 is used for operation and maintenance</p>	<p>Grace Gathigia Commercial Manager</p>	<p>Resolved</p>	
---	---	--	---	-----------------	--

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

3	<p>Inventories Note 12 to the financial statements reflects a balance of Kshs.3,450, 132 in respect of inventory as at 30 June, 2020. However, the supporting schedules presented for audit review indicated an amount of Kshs.6,390,982 resulting in variance of Kshs.2,940,850. The difference was in relation of value of water meters excluded from the schedules. No reason was provided for the omission. In the circumstances, the accuracy and completeness of inventory balance of Kshs. 450,132 as at 30 June, 2020 could not be confirmed.</p>	<p>The figure for stock was Ksh 3,450,132 and for master meters Ksh 2,940,850. The figure of Kshs. 2,940,850 does not constitute stock but master meters inform of grants from TWWDA which in captured as assets and that is why the value of non-current assets did not change. Therefore, no need of journal, the value of grants inform of master meters are recognized when received by the Company</p>	<p>Grace Gathigia Commercial Manager</p>	<p>Resolved</p>	
---	---	---	--	-----------------	--

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

4	<p>Statement of Comparison of Budget and actual amounts The statement of comparison of budget and actual amounts for the year ended 30 June 2019/2020 reflects total expenditure budget of Kshs.67,649,034. However, the Company's approved budget report for the financial year under review projected a total expenditure of Kshs.71,129,034. The resultant variance of Kshs.3,480,000 between the figures in the approved budget and statement of comparison of budget and actual amounts was not explained. Further, Management did not provide explanation for variances above or under 10% as stipulated in the recommended financial reporting template. In addition, a review of statement of comprehensive income figures for the year under review, reflected variances with those reflected in the statement of comparison of budget and actual amounts.</p>	<p>The explanation of variances has been given in the amended financial statement for 2019/2020</p>	<p>Grace Gathigia Commercial Manager</p>	<p>Resolved</p>	
---	---	---	--	-----------------	--

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

Other Matter				
1	<p>Water Tariffs According to records presented for audit showed that the Company has been operating and billing customers based on water tariffs which expired in 2013/2014 financial year. Although the Management has written to Water Services Regulatory Board(WASREB) for approval of regular tariff adjustment for the period 2016/2017 to 2020/2021, authority has not been granted, and the company continue to bill water consumers using the expired water tariffs.</p>	<p>The Company embarked on the tariff review process in 2019 and negotiated for an agreed tariff in 2022 ready for Public Participation that ought to be arranged during the Year. However due to Covid-19 Pandemic, the Government restricted and banned public gatherings thus rendering the proposed tariff review data obsolete. However, the Company has proposed a revised Regular Tariff Adjustment (RTA) review to the County Government of Nyeri for consideration and is awaiting response. Annex 2 letter of no objection to County Executive Member, Water, Irrigation, Environment & Climate Change (TEAWASCO/CORR.14/VOL.1/101) dated July 2021.</p>	Managing Director	Not Resolved

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

2	<p>Non-Revenue Water. During the financial year under review, the Company produced a total of the company produced a total of 3,053,593 cubic meters (m3) of water, out of which 2,109,196 cubic meters (m3) of water was sold (billed) to customers. The balance of 944,397 cubic meters(M3) which is approximately 31% of the total volume of water produced represented Unaccounted for Water (UFW). The UFW of 31% was over and above the allowable loss of 25% by 6% according to the Water Services Regulatory Board (WASREB) guidelines.</p>	<p>During the year under review, the Company produced 2,789,464m³ of water volume billed was 1,975,011m³ and the balance of 814,453m³ or approximately 29% of the total volume represents Non-Revenue Water. The major cause of NRW includes: a. Road construction within Tetu Sub-County, which is within TEAWASCO area of water supply. During the year under review several roads including 12km Kangaita – Gachatha – Ndugamano roads constructed by KERRA where a 12 inches mainline was affected as a result of pipe damages. The Mau Mau roads under construction by KENHA also affected our water main lines thus water losses. Despite the above challenge, the Company will continue implementing the following measures to ensure the level of NRW is controlled to the recommended level of 25%; they include: a) Capacity building. The Company trained forty one (41) staff members for three days. This programme was aimed at equipping all staff members with skills and technical knowledge in dealing with non-revenue water. NRW Unit The Company has recruited Non- revenue water team to deal with unaccounted for water losses whereby we have achieved 29% reduction of water loss. c) Metering policy This policy deals with activities around customer meter that leads to loss of water. Initially customer meters used to be installed in their compound, this has been suspected to have given room for abstraction of water before it is registered by the meter. Relocating customer meters close to the off takes has reduced water loss through abstraction. This policy also give standards and procedures of meter installation that facilitates optimum functionality of meter. d) Embrace modern technology by using ultrasonic flow meters to test and calibrate our meters. - The Company has three ultrasonic meters, which are used to test and calibrate customer meters to ensure they are operating efficiently. - The Company also procured thirteen number 20 litres calibrated buckets to test the accuracy of customer meters by the meter readers. e) User engagement - The Company will continue to engage with all Stakeholders with an objective of sharing or reporting cases of pipe burst and repairing the pipes within the shortest time possible. The Company have several platforms to achieve this among them Public barazas, Facebook, Company website, phone call and Stakeholders' conferences.</p>	Joshua N Mumo Technical Manager	Not resolved
---	---	--	--	--------------

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

3	<p>Non compliance with ethnic diversity requirements. A review of human resource records revealed that during the year under review, the Company had a total of seventy-two out of which seventy-one were from one dominant ethnic community. This is contrary to the requirements of section 7(2) of the National Cohesion and Integration Act, 2008 which prohibits a public body from having one third of its staff from the same ethnic community.</p>	<p>The Company concur with the Auditor's observation that out of a total of sixty seven (67) staff sixty three (63) or 94% were from the dominant ethnic community which is contrary to the requirement of section 7 (2) of the National Cohesion and Integration Act 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.</p> <p>The Company Staff Establishment is composed of employees who were inherited from the National Water Conservation and Pipeline Corporation. During the year under review, the Company managed to engage two staff from other ethnic communities and will progressively strive to comply with the law.</p>	Symon Wanjau Managing Director	Not Solved	
---	--	--	-----------------------------------	------------	--

Tetu Aberdare Water & Sanitation Company Limited
Annual Report And Financial Statements
For The Year Ended June 30, 2021

<p>Non Compliance with the water Services Regulatory Board (WASREB) regulations on personell costs. The statement of profit and loss and other comprehensive income reflects personnel expenses of Kshs.30,079,578 representing about 62% of the total operating expenditure of Kshs.48,204,891 for the year 30 June 2020, which is higher than the recommended ratio of 35% in accordance with the WASREB guidelines. The excess personnel costs may negatively impact on the Company's profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable level.</p> <p>The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.</p>	<p>The Company minutes of the license negotiation meeting between TEAWASCO and WASREB on 15th January 2019 at WASREB Boardroom page 7 minute 13(ii) indicates that the Company should reduce personnel expenditure as a proportion of O&M expenditures from the current 56% to below 40% by the end of the License period. The company has reduced the % to 47% in the year 2020/2021 and it will thus improve progressively towards the target set.</p>	<p>Symon Wanjau Managing Director</p>	<p>Not Solved</p>	
---	---	--	-------------------	--

Managing Director [Signature] Chairman of the Board [Signature]

Date 9/3/2022 Date 9/3/2022