

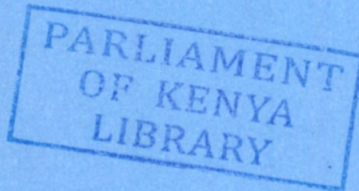
REPUBLIC OF KENYA



Enhancing Accountability

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REPORT



OF

THE AUDITOR-GENERAL

ON

**KAPSABET NANDI WATER
AND SANITATION COMPANY LIMITED**

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



Kapsabet Nandi Water and Sanitation Company Ltd

Annual Report and Financial Statements

For the Financial Year Ended June 30, 2023

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

Kapsabet Nandi Water and Sanitation Company Ltd

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ACRONYMS AND GLOSSARY OF TERMS

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
GM	General Manager
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board
NRW	Non-Revenue Water
LVN	Lake Victoria North
FS	Financial Statement
KANAWASCO	Kapsabet Nandi Water and Sanitation Company
AGM	Annual General Meeting
NBV	Net Book Value
CLSG	Conditional Liquidity Support Grants
CF	Carried Forward
BF	Brought Forward
AC	Account
NO	Number
C.P.A.	Certified Public Accountant
D.O.B.	Date of Birth
Eng.	Engineer
YR	Year
Kshs	Kenya Shillings
CEO	Chief Executive Officer
FY	Financial Year

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KEY COMPANY INFORMATION

Background information

Kapsabet Nandi Water & Sanitation Co. Ltd was established under the Company's Act Cap 486 on 18th December 2006 and issued with a Certificate No. 1333231. The company is licensed by Water Services Regulatory Board (WASREB) to provide water and sanitation services to Kapsabet town, Nandi Hills town and their environs. The County Government of Nandi is the sole shareholder whose interests and intentions is represented through the participation of her senior members in the Board of Directors.

The management reports to the Board of Directors, which is responsible for the management oversight, general policy and strategic direction of the Company.

The Company is domiciled in Kenya and has schemes in Kapsabet and Nandi hills towns.

Principal Activities

The principal activity of the Company is the provision water and sanitation in Kapsabet and Nandi Hills towns.

Vision

To be the leading water and sanitation provider in the region.

Mission

To effectively and efficiently provide quality and affordable water and sanitation services.

Core Values

- Integrity
- Transparency and accountability
- Gender parity
- Customer focus
- Team work
- Creativity and innovativeness
- Advocate for environmental protection and conservation

Management

The day-to-day activities of the Company are under the supervision of the corporate management team whose guidance is derived from the Board of Directors.

Board of Directors

The Directors are Independent and therefore not Executive.

The following served during the year:

NO	NAME	TITLE	APPOINTMENT DATE	REPRESENTATION
1	Joseph Ng'etich	Board Chairman	1.11.2021	Residence Rep.
2.	Anthony Kiboiy	Board Secretary	1.11.2021	Chief Executive
3.	CPA Abraham Tarbei	Board Member	1.11.2021	Professional Rep.
4.	Eng. Michael Chebii	Board Member	1.11.2021	Business Community
5	Jonah Biwot	Board Member	24.11.2022	County Government
6	CPA Prisca Muigei	Board Member	24.11.2022	County Government

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Registered Office

Beek Hse, Off Pamela Jelimo Street,
Kapsabet, Kenya.

Corporate Headquarters

Beek Hse, Off Pamela Jelimo Street,
P.O Box 970 – 30300,
Kapsabet, Kenya.

Corporate Contacts

Mobile No: 0716 006464,
E-mail: kapsabetwater@yahoo.com / info@kanawasco.co.ke,
Website: www.kanawasco.co.ke

Corporate Bankers

Kenya Commercial Bank: Kapsabet Branch,
P.O Box 164 – 30300,
Kapsabet, Kenya.

Post Bank: Kapsabet Branch,
P.O Box 120 – 30300,
Kapsabet, Kenya.

Independent Auditors

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

Principal Legal Advisers

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

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THE BOARD OF DIRECTORS

The Company is managed under the direction of a Board of Directors appointed by the shareholder (Nandi County Government).




The Board of Directors were appointed on 1st November 2022 and are listed below: -

No	Name	Qualification and Experience	Status
1	<p>JOSEPH NG'ETICH Board Chair (DOB 1968)</p> 	<p>Currently pursuing a Doctorate degree in Leadership at USIU-A. Holds an MBA degree in Business Administration (Strategic and Human Resource Management) from USIU-A, and a BBA degree in Business Administration (Accounting Option) from UEAB. Additionally, he holds a Higher Diploma in Human Resource Management from IHRM and a Diploma in Paralegal studies from KSL. A member of the Institute of Human Resource Management, Kenya Institute of Management, and Institute of Directors (K). He has extensive experience in areas of Human Resource Management and Procurement in both Tertiary Institution and Private Security Sectors. A consultant and founder partner of Third Eye Consulting services Ltd.</p>	Appointed 1 st Nov 2021
2	<p>CPA ABRAHAM TARBEI Board Member (DOB 1986)</p> 	<p>Holds an MBA degree in Financial Management from Catholic University of Eastern Africa and BBA degree accounting option from the University of Eastern Africa, Baraton. He is a certified public accountant of Kenya, registered and licensed by the Institute of Public Accountants of Kenya (ICPAK). Trained in Leadership and Governance in Healthcare systems strengthening from Amref Africa as well as Senior Management Course from Kenya School of Government. A consultant and founder of Carab Solutions providing financial management services with extensive experience in finance and administration in the private sector. Sub-committee chair - Finance, HR and ICT Committee</p>	Appointed 1 st Nov 2021
3	<p>ENG. MICHAEL CHEBII Board Member (DOB 1984)</p> 	<p>Holds a Master's degree in Project Planning and Management from University of Nairobi (UoN), and a BSc degree in Mechatronic Engineering. Graduate member - Engineers Board of Kenya. Director - Kapsabet Comfy Hotel and Caromi Logistics Ltd. Founder member - Rotary Club of Eldoret. Has extensive experience in areas of engineering and project management in the private sector. Committee chair - Technical and Audit committee.</p>	Appointed 1 st Nov 2021

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4	<p>CPA PRISCA MUIGEI Board Member (DoB 1984)</p> 	<p>Holds a Bachelor's Degree in Economics.</p> <p>She is a Certified Public Accountant by ICPAK.</p> <p>She has served as Director of Budget at the County Government of Nandi.</p> <p>She's the Chief Officer for Finance & Economic Planning and a member of the Finance, HR & ICT subcommittee of the Board.</p>	Appointed 24 th Nov 2022
5	<p>JONAH BIWOT Board Member (DoB 1980)</p> 	<p>Holds Bachelor of Education Science (Kabarak University) and is a teacher by profession.</p> <p>Has previously served as the Chief Officer for Transport & Infrastructure at the County Government of Nandi.</p> <p>He's the Chief Officer for Water, Natural Resources and Climate Change and a member of the Technical and Finance, HR & ICT subcommittees of the Board.</p>	Appointed 24 th Nov 2022
6	<p>ALFAYO LEL Board Secretary (DoB 1986)</p> 	<p>Holds a Master's degree from University of Eldoret, and a B.Sc Environmental Science (with IT) from Maseno University.</p> <p>He has served as Director at the Department of Lands, Environment, Natural Resources and Climate Change of the County Government of Nandi. He has done Senior Management course at Kenya School of Government and is registered Environmental Impact Assessment (EIA) expert. Has vast experience on matters environmental conservation, climate change adaptation and mitigation.</p> <p>He is the CEO of the Company and Secretary to the Board of Directors.</p>	Seconded September 2023

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KEY MANAGEMENT TEAM

In line with the Company's governance documents, the Board delegates the day to day operations and management of the Company to the General Manager.

Structurally, the company is headed by the General Manager, who reports to the Board of Directors. The General Manager provides overall leadership and chairs the Management meeting which comprises all heads of departments of the company as follows;

NO	Name	Title	Qualification and Experience
1	 ALFAYO LEL	General Manager	<p>Holds a Master's degree from University of Eldoret, and a B.Sc Environmental Science (with IT) from Maseno University.</p> <p>He has served as Director at the Department of Lands, Environment, Natural Resources and Climate Change of the County Government of Nandi.</p> <p>He has done Senior Management course at Kenya School of Government and is registered Environmental Impact Assessment (EIA) expert. Has vast experience on matters environmental conservation, climate change adaptation and mitigation.</p> <p>He is the CEO of the Company.</p>
2	 GILBERT ROTICH	Technical Manager	<p>Diploma in Water Engineering</p> <p>Senior Inspector and Area Manager in the National Water Conservation & Pipeline Corporation</p> <p>Representative - Augmentation of Kapsabet Water Supply project funded by JICA.</p> <p>Currently, Technical Manager – KANAWASCO.</p>
3	 SIMEON BIRGEN	Finance Manager	<p>CPA Part II</p> <p>Revenue Officer - Nandi Hills Town Local Authority.</p> <p>Accountant - Nandi Farmers Sacco Ltd.</p> <p>Currently, Finance Manager/Ag. Commercial Manager – KANAWASCO.</p>
4	 RUKIA CHEPTOO	Human Resource Officer	<p>Bachelor of Commerce, Higher Diploma (HRM), Certified CHRP, and certificate in Secretarial studies.</p> <p>Member of the IHRM.</p> <p>Administrative Assistant - Municipal Council of Kapsabet</p> <p>Human Resource Officer – Department of Transport and Infrastructure, Nandi County Government.</p>

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CHAIRMAN'S STATEMENT

National overview

Water is a fundamental part of all aspects of life. Water is inextricably linked to the three pillars of sustainable development and it integrates social, cultural, economic and political values. It is crosscutting and supports the achievement of many Sustainable Development Goals (SDGs) through close linkages with climate, energy, cities, the environment, food security, poverty, gender equality and health, amongst others. However, with climate change profoundly affecting our economies, societies and environment, water is indeed the biggest deal breaker to achieve the internationally agreed water-related goals and targets, including those contained in the 2030 Agenda for Sustainable Development.

United Nations Secretary General Antonio Guterres address to the UN 2023 Water Conference said "As humanity's most precious global common good, water unites us all. And it flows across a number of global challenges. Water is about health, sanitation, hygiene and disease-prevention. Water is about peace. Water is about sustainable development, fighting poverty, supporting food systems and creating jobs and prosperity. Water is about human rights and gender equality. That's why water needs to be at the Centre of the global political agenda." The Government of Kenya, therefore, needs to critically bring onboard all players involved in water services provision which include the small-scale service providers so as to focus on increasing the proportion of population served with safely managed water services.

Water and Sanitation Subsector overview

Kenya has made significant progress in improving access to clean drinking water in both urban and rural areas through the various water service providers, including utilities, private companies, and community-based organizations. Ensuring the safety and quality of drinking water is essential and challenges related to water quality contamination still exist, particularly in densely populated urban areas. Sustainable financing models are therefore crucial for maintaining and expanding water and sanitation services in the country. Kenya, under Sustainable Development Goal 6, has committed itself to achieve by 2030 universal and equitable access to safe and affordable water for all; access to adequate and equitable sanitation and hygiene for all and an end to open defecation, paying special attention to the needs of women, girls and those in vulnerable situations.

According to Water Service Regulatory Board (WASREB) Impact report No. 15, it is indicated that a nationwide improvement in water coverage from 60% to 62% was realized, while Sewerage and Sanitation Coverage stood at 16% and 93% respectively.

Company's performance

During 2022/2023 financial year, the company revenue dropped by 11.7% from Kshs 80,035,249 in 2021/22 to Kshs 70,770,875. The company incurred a loss of Kshs 9.3 million in 2022/23 compared to a profit of Kshs 4.6 million in 2021/22. The above loss is attributed to less grants from our key partners, the County Government and Water Sector Fund. Additionally, the Company asset base decreased by 12 % to 42.5 million compared to financial year 2021/22 at Kshs 48.5 million. However, during the year there was improved billing, collection and operational efficiency.

KANAWASCO, just like other small water companies in Kenya, continues to face several significant challenges in her efforts to provide reliable and safe water services. The lack of sufficient financial resources to invest in infrastructure development and maintenance hampers the ability to expand service coverage and ensure the sustainability of water supply. The old pipelines and pumps are characterized by frequent breakdowns and water supply interruptions which impacts impacting service reliability. The high electricity cost of an average of kshs 2 million per month, Non-Revenue Water (NRW) of 37 % and inflated chemical prices are also the major setbacks to the growth of the company. The company has put efforts towards reduction of water losses although levels still remain above the 25% WASREB's benchmark.

Addressing these challenges requires a combination of strategies, including increased investment in infrastructure, capacity building, improved revenue collection systems, and partnerships with relevant stakeholders. Additionally, regulatory support and tailored policies can help the company navigate these obstacles and provide better services to the customers.

In conclusion, the Board and the Management, with the support of the Shareholder, will continue to work together to strengthen the Company's internal controls and enterprise risk management, promote a culture of integrity and strive for higher ethical standards.



Joseph Ng'etich

BOARD CHAIR

Kapsabet Nandi Water and Sanitation Company Ltd

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REPORT OF THE GENERAL MANAGER

Introduction

Water service provision in Kenya is a vital component of the country's infrastructure, aimed at ensuring access to clean and safe drinking water for its population. Kenya's efforts in the water sector have evolved over the years, driven by the recognition of water's fundamental role in public health, economic development, and environmental sustainability.

Access to clean and safe drinking water is a fundamental human right in Kenya. Kenya government has aligned its water service provision efforts with international development goals, including the Sustainable Development Goals (SDGs), which include targets for clean water and sanitation (SDG 6). The Kenyan government continues to invest in the water sector, aiming to enhance infrastructure, improve service delivery, and promote efficient water resource management. Ongoing efforts also include climate resilience and disaster preparedness in the face of changing weather patterns. Kenya's commitment to providing access to clean water and sanitation services is evident in its policy frameworks, regulatory mechanisms, and development initiatives. However, addressing the sector's challenges and ensuring equitable access to water and sanitation services for all Kenyan citizens remains an ongoing and evolving endeavor.

The Water Act of 2016 established the Water Services Regulatory Board (WASREB), responsible for regulating water services providers, setting standards, and ensuring the quality and affordability of water services. The water sector in Kenya continues to face various challenges, including water scarcity in some regions, aging infrastructure, revenue collection issues, and the need for sustainable financing models. Waterborne diseases also continue to pose a significant concern in areas with inadequate sanitation.

Commercial and Technical Sections Management

The Company has continuously for the past few years continued to strengthen these sections with a view to enhancing the meter reading, collection of revenue and expansion of our coverage and further aim at reducing the Non-Revenue Water (NRW) to desirable levels of less than 30%. from the current loss of 37%.

KANAWASCO has experienced tremendous challenges managing the old distribution lines which have had a direct bearing on the non-revenue water, particularly on all the lower parts of the town which experience high pressure. Coupled with the above, due to challenges related to planning, our lines have always been interfered with, arising from frequent grading and expansion of roads in town, increased developments in the urban and the peri-urban areas, among others. This has resulted to the rising cost on operations and maintenance attributed to frequent repairs on our lines and the high NRW. Climate change-related factors, such as erratic rainfall patterns and droughts, have greatly impacted water availability leading to frequent siltation of the dam and low levels respectively.

On this backdrop, the company prepared a proposal for funding and forwarded to the County Government of Nandi for consideration. The proposal is targeting rehabilitation of the old lines and construction of elevated tanks in areas that experience low pressure.

During the year water bills arrears (over 60 days) stood at Kshs. 15.7 million, meaning much of our revenue remains outstanding. The water bills reduced from kshs 24.4 million in FY 2021-22 to to 20.5 million because the revenue team has been advised to continue visiting the non-compliant consumers with a view of reminding them to pay or enter on a part payment plan with the Company. Ensuring timely and consistent revenue collection has been quite a challenge to the company since some customers may be unable or unwilling to pay for water services, leading to financial instability. Overall, the company has continued to operate at a scale where it is challenging to achieve economies of scale resulting in higher operational costs per unit of water produced and distributed.

Financial Management

The Company continues to implement sound financial management through efficient and effective utilization of funds which will determine the achievement of the obligations of the approved budget. This section provides the technical assistance on utilization of funds in line with the budgetary allocations.

The institution's financial management system is in line with the existing government management rules and regulations, including the PFM Act 2012. It also takes into consideration other financial guidelines such as international financial reporting standards (IFRS).

The Company prepares and remit the quarterly and annual financial reports and statements to the County Government of Nandi, National Treasury and Office of the Auditor-General.

The Company endeavors to ensure all income and expenses are accounted for as required by law.

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Human Resource

The Company has always aimed at retaining and attracting skilled workforce that will play a critical role in providing the desired service delivery to our consumers within our jurisdiction and beyond. This, we do despite the financial challenges due to our limited revenue base. We appreciate the efforts done by the County Government of Nandi in seconding several staff to the company with a view to strengthening the human resource capacity resulting in a remarkable improvement of service delivery.

During the year under review the total number of staff stood at fifty-four comprising of County and the Company staff.

The Company has an approved scheme of service and Human Resource manual which guide the Company on day-to-day human resource function.

Future Plans and Going Concern

During the year under review, the Company spent quite a substantial part of the revenue in paying the electricity bills. To this end therefore, we have endeavored to partner with the County Government of Nandi, Lake Victoria North Development Works Authority and other development partners in addressing this huge challenge by giving consideration the possibility of a gravity driven project which will substantially bring down the operations and maintenance costs.

The Company has completed a tariff review process and is to be implemented in October, 2023.

The Central Rift Valley Development Water Works Development Authority in partnership with the County Government of Nandi and the Company, is carrying out augmentation of the Nandi Hills Water Supply System. The project involves rehabilitation of the current treatment works, construction of a new alternative intake, treatment works, additional storage and rehabilitation of all the main and service lines. These efforts will enhance our capacity in providing water and addressing the NRW.



Alfred Lel

GENERAL MANAGER

Kapsabet Nandi Water and Sanitation Company Ltd

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STATEMENT OF THE COMPANYS' PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022-23

Before the commencement of the financial year, the Company had operational and financial objectives to be met. These include;

- Increasing water and sanitation coverage
- Striving to achieve financial sustainability
- Ensuring operational effectiveness and efficiency; Strengthening institutional capacity
- Mainstreaming cross – cutting issues: gender, youth, HIV/AIDS, disability, poverty and environment.

Implementation strategies have been identified with accompanying activities and timelines to actualize the objectives.

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Water and sanitation coverage	100 % water and sanitation coverage	- Coverage area	- Extension of new lines - Registration of customers	- 3% increase in water coverage from 72% to 75% - 123 new customers registered
Financial sustainability	To achieve financial sustainability	- Increase in Water sales from 45m to 48m - Increase in Collection efficiency from 90% to 95% - Reduction of NRW to 37% - Increase in Profitability - Attractiveness and ability funds to meet conditions for grants	- Correct meter readings - Effective collection exercise - Quick response to bursts and leakages and installation of zonal meters - Implement cost management practices - Ensure compliance with donors and funders - Ensure efficient operations to lower the cost of doing business	- Increase in water sale from 45 million to 47 million - Increase of Collection efficiency from 90% to 95% - Reduction in NRW From 39% to 37
Operational effectiveness and efficiency; Institutional capacity	To ensure operational effectiveness and efficiency;	- Effective staff Recruitment; - Staff training - Capacity	- Conduct effective staff recruitment - Ensure staff	- The company conducted staff recruitment during the year; 3 staff recruited

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	<p>To Attract, develop and retain adequate Qualified and competent staff</p> <p>To strengthen institutional capacity</p>	<p>building of and staff motivation</p>	<p>training need are assessed and addressed</p> <p>- Ensure staff motivation and capacity building initiatives are fully implemented</p> <p>- Implementation of the scheme of service</p>	<p>- A number of staff attended training during the year</p> <p>- Timely payment of salaries and statutory deductions</p> <p>- Formation of sections and departments</p> <p>-</p>
Cross – cutting issues	<p>To mainstream cross – cutting issues; gender, youth, HIV/AIDS, PWDs, poverty & environment</p>	<p>- Company's involvement in gender, youth, HIV/AIDS, PWDs, poverty & environmental issues.</p>	<p>- Engagement of youth (both male and female) in casual works, attachment and internships</p> <p>- Water sources conservation</p>	<p>- Through engagement of casuals and attaches, the company rehabilitated lines in Chepcholol and Kokwet routes</p> <p>- The company planted trees at the intake and upstream</p>

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CORPORATE GOVERNANCE STATEMENT

The Company regards corporate governance as pivotal to the success of its operations and the Board as the essential and responsible organ is committed to ensure that good governance is practiced. The Board supports the best practices in corporate governance and adhere to its guide lines. As the policy maker, the Board is responsible for establishment of short-, medium- and long-term goals and the strategic plans to achieve them.

The Board ensures that the Company follows the Constitution, laws, regulations of the Government of Kenya, Nandi County Government and other bodies and its Articles and Memorandum of Association

a) Appointment and Induction of the Board

The current boards consist of six directors representing Professionals, business community and county government of Nandi. The board members are recruited competitively, taking into account the skill mix to ensure persons with key specialization such as finance, human Resource, Engineering etc. are included in the board.

The Chairman of the Boards is appointed during the First Board Meeting. The Board serves for a term of 3 years renewal once. The board members representing the County Government of Nandi were appointed in November 2022. The county appointed the County Executive Committee for Finance & Economic planning and Lands, physical planning, Housing, Natural Resources, Water and Climate Change but are represented by their Chief officers

The Company provides appropriate information to the board, so that, they can maintain full and effective control on their strategic role, Boards Induction was conducted during the year

The Board Secretary and General Manger Mr Anthony Kiboiy exited in August 2023 and was succeeded by Mr Alfayo Lel in September 2023

b) Board Meetings

The Board and Committee meetings during the years were held as follows:

S/No	Type of meeting	No of meeting
1	Full board	3
2	Special full Board	2
3	Finance, HR and ICT	4
4	Technical	1
5	Audit, Risk and Governance	1

C) Board Committees

The Board has three Committees, which are:

i) Finance, Human Resource & ICT Committee

The Committee is responsible for the policy on financial and human resource.

It also reviews strategic & business plans, financial statements, Budget & procurement plans, investment, staff welfare and recruitment. The attendance was as follow

S/No	Name	Designation	No of meeting attending out 4
1	CPA Abraham Tarbei	Chair	4
2	Michael Chebii	Member	4
3	Jonah Biwott	Member	2
4	CPA Priscah Muigei	Member	1

ii) Audit & Risk Management Committee

The Committee is responsible for establishment and review of efficient internal controls, effective risk management policy, external auditors' queries and Nandi County Assembly Public Investment Committees recommendations.

The Board discharges its supervisory and oversight responsibility through this committee.

The Committee once during the year and membership are as follow:

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S/No	Name	Designation	No of meeting attending out 1
1	Michael Chebii	Chair	1
2	Jonah Biwott	Member	1
3	CPA Priscah Muigei	Member	1

iii) Technical Committee

The Committee is responsible for establishment and review of quality standards for civil, structural and operational works in the Company.

The management consists of the Managing Director, Commercial Manger, Technical Manager and Human Resource Manager who run the Company in day-to-day basis

The management provides leadership by guiding and directing the activities of the Company, ensuring effective management, monitoring the activities of the entity to ensure they are in line with the Company Vision and Mission

S/No	Name	Designation	No of meeting attending out 1
1	Michael Chebii	Chair	1
2	CPA Abraham Tarbei	Member	1
3	Jonah Biwott	Member	1
4	CPA Priscah Muigei	Member	1

c) Role of the Board

The role of the board is to give strategic direction to the company as outline in the board charter

d) Board Remuneration

The Remuneration of the Board is as prescribed by the state corporation advisory committee as follows

S/No	Type of payment	Chairman	Member
1	Honoraria	Ksh 20,000	Nil
2	Travelling Reimbursement	Ksh 8,500	KSh 6,000
3	Sitting Allowance	KSh 20,000	KSh 20,000
4	Accommodation (As necessary)	KSh 20,000	KSh 20,000
5	Airtime	KSh 2,000	KSh 1,000

e) Conflict of interest

Conflict of interest may arise where a Board member or close family member such as a spouse child, and parent has private interest that could improperly influence the performance of the board member's official duties and responsibilities

All Transactions with all parties are carried out at arm's length

Board's members are obliged to disclose to the board any real potential of the conflict of interest which may come to the attention

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MANAGEMENT DISCUSSION AND ANALYSIS

a) Company's Operational and Financial Performance

During the year the Company improved in its operational and financial performance

In the operational performance, the Company increased its capacity by strengthening essential sections like Procurement & Stores, ICT, Revenue and Meter reading that enabled increased service delivery to the consumers.

The Company also reviewed some operational policies that will provide clear working structures of the Company

The Company performed very well in financially during the as it increased its revenue billing & collection and assets portfolio.

b) Company's Compliance with Statutory Requirements

The Company paid all NHIF, NSSF, Pension and PAYE due by the close of the financial year

c) Key Projects and Investment Planned/Implemented

During the period the Company implemented Water Sector Fund projects for UBSUP and Kipkoil water

d) Major Risks


The major risks facing the Company are:

- Alternate source of water to residents eg Shallow wells, boreholes, roof catchment & streams
- High water loss-37% during the period
- High operational costs e.g., electricity, fuel and levies

e) Financial Probity and Governance

The Company has no financial probity and governance issues.

The new Board of Directors was appointed in November 2021 for a period of three years


Alfayo Lel
GENERAL MANAGER

Kapsabet Nandi Water and Sanitation Company Ltd

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ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kapsabet Nandi WASCO Ltd exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the pillars: putting the customer first, delivering relevant goods and services, and improving operational excellence.

Below is a brief highlight of our achievements in each pillar

1. Sustainability Strategy and Profile

The Company management has put in place strategies that will ensure the organization breaks even by increasing connections and reduction of water loss
The Company has a HR policy where staff should be non-political
The Company also engages in HR, Financial and Technical best practice as per the International Standards

2. Environmental Performance

The Company as at now does not deal with the sanitation component; however, it engages Water Resource Authority to ensure all water sources are safe
The Company also does weekly water quality tests to ensure that water is of the required standard quality

3. Employee Welfare

The Company has a comprehensive scheme of service which entails staff establishment & recruitment (merit & gender), promotion, training and welfare. The staff welfare includes a medical scheme, staff protective equipment and a group insurance cover
The Company has stake holders for a where their opinions are considered; these include AGMs, Tariff review and Water distribution meetings. The Company has a dedicated Customer and Public Relations office which receives views and concerns from the stakeholders through social media and a mobile line

4. Market Place Practices

- i. On responsible competition practice, the Company engages in responsible completion and respect its competitors
- ii. On responsible Supply chain and supplier relations- the Company follows the Procurement ACT on suppliers of services and goods. The Company strives pays its suppliers on time as per the supply contract.
- iii. On responsible marketing and advertisement, the Company provides quality piped water to contracted consumers within its jurisdiction hence no much marketing and advertisement
- iv. On product stewardship, the Company has contracts with its consumers on water provision where their rights are spelt out

5. Community Engagements

The Company as the integral part of the community was able to provide and facilitate industrial attachment to over 100 students during the period

The Company with the assistance from the County Government of Nandi also was able to supply water free of charge using its water bowser to the community during functions like public holidays and funerals

The water bowser is also used during the County Government of Nandi sports events.
Members of public and other public organizations held meetings free of charge in the Board room hall.

Kapsabet Nandi Water and Sanitation Company Ltd

Annual Reports and Financial Statements

For the year ended June 30, 2023

REPORT OF THE DIRECTORS

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

Principal Activities

The principal activities of the Company are water and sanitation provision though sanitation is still managed by the Nandi County Government.

Results

The results of the Company for the year ended June 30, 2023 are set out on pages 1 – 25.

Dividends

Though the Company made a Loss of Kshs. 9,876,735 and the Directors do not recommend for any dividend payment due to the low retained earnings

Directors

The members of the Board of Directors who served during the year are shown on page vii-viii in accordance with Regulation of the Company's Articles of Association, were recruited in November 2021 for a term of three years. The members representing the County Government of Nandi were appointed in Nov 2022

Auditors

The Auditor General will be responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2023

By Order of the Board



Alfayo Lel

BOARD SECRETARY

Dated

25th Sept 2023

Kapsabet Nandi Water and Sanitation Company Ltd

Annual Reports and Financial Statements

For the year ended June 30, 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the Company;
- v. selecting and applying appropriate accounting policies;
- vi. Making accounting estimates that are reasonable in the circumstances.

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

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

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

Approval of the financial statements

The Company's financial statements were approved by the Board on 25th September 2023 and signed on its behalf by:



Joseph Ng'etich
BOARD CHAIR



Alayo Lei
GENERAL MANAGER

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-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 KAPSABET NANDI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kapsabet Nandi Water and Sanitation Company Limited set out on pages 1 to 25, which comprise of the statement

of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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 Kapsabet Nandi Water and Sanitation Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with 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. Property, Plant and Equipment

The statement of financial position and Note 14 to the financial statements reflects property, plant and equipment balance of Kshs.20,942,298. However, the balance excludes property, plant and equipment amounting to Kshs.706,977,432 which belongs to Lake Victoria North Water Services Board (LVNWSB) and have not been transferred to the Company (County Water Services Provider) as required by Section 153 of Water Act, 2016 and thus do not form part of the balance reported in the financial statements of Kapsabet Nandi Water and Sanitation Company Limited. The property, plant and equipment which have not been transferred are being used by the Water Company and yet they are not being depreciated. Further, the ownership documents of these assets such as title deeds, leases or allotments were not provided for audit review.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.20,942,298 could not be confirmed.

2. Water Deposits

The statement of financial position and Note 26 to the financial statements reflects water deposits balance of Kshs.5,579,000 being refundable customer deposits. However, the amount differs with customer deposits cash book balance of Kshs.1,485,873 resulting to an unexplained variance of Kshs.4,093,127.

In the circumstances, the accuracy, completeness and existence of the water deposits balance of Kshs.5,579,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kapsabet Nandi Water and Sanitation Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in

Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under Report on the Financial Statements, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issues remained unresolved, as relevant Parliamentary Committee had not discussed them.

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.

1. Non-Revenue Water

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects total revenue of Kshs.70,226,335 which includes operation revenue (water sales) amount of Kshs.47,505,770. Review of the water production and billing records of the Company revealed that the Company produced a total of 1,243,599 cubic meters (M³) of water but billed a total of 777,902 cubic meters (M³) therefore leaving a total of 465,698 cubic meters (M³) unaccounted for representing 37% of the total production which is over and above the 25% acceptable level set by the Water Services Regulatory Board (WASREB) guidelines by 12%.

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

2. Non-Compliance with Staff Ethnic Diversity Law

Review examination of the human resource records of the Company revealed that the Company had four Senior Management staff all of whom were from the dominant community in the County and fifty-six (56) other permanent and pensionable, and contractual staff out of which fifty (50) employees, representing 89% of the Company's

workforce, are from the dominant community in the County. This was contrary to Section 7(1) and (2) of the National Cohesion and Integrations Act, 2008 which states that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no Public institution shall have more than one third of its staff establishment from the same ethnic Community.

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

3. Trade and Other Receivables

The statement of financial position and Note 21 to the financial statements reflects trade and other receivables balance of Kshs.17,967,443. However, review of the ageing analysis provided in support of water debtors revealed that debts amounting to Kshs.15,160,765 has been outstanding for over 60 days and the Management has not provided evidence of any recovery efforts made and strategies put in place to ensure timely recovery of debts. This was contrary to Section 6.3 of the Kapsabet Nandi Water and Sanitation Company Limited Financial Manual of March, 2018 which states that the Company may allow up to 60 days moratorium before payment for monthly bill or any other amounts due on contractual obligation and outstanding debts shall be followed up through phone call, physical visits and subsequently in writing to notify the debtor to honor the debt.

In the circumstances, Management was in breach of the Company's Finance manual.

4. Trade and Other Payables

The statement of financial position reflects and Note 29 to the financial statements trade and other payables balance of Kshs.15,144,730 which includes trade payables, audit fee and staff payables amount of Kshs.12,552,383, Kshs.1,920,000 and Kshs.672,347 respectively. The aging analysis of the trade payables revealed that trade and other payables amounting to Kshs.7,834,814 had been outstanding for over 365 days. Management did not provide a settlement plan to be followed by the Company in settling the debts. Further, there was no evidence of the Company engaging the creditors for non-payment contrary to Paragraph 3.1(n) of Kapsabet Nandi Water and Sanitation Company Limited Finance Manual, 2018 which requires payments to be made as per the aging analysis of the payables and if the Company has reasons for non-payment, the creditors be informed in advance by letters or phone calls.

In the circumstances, Management was in breach of the Company's Finance Manual.

5. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects total final revenue and expenditure budgets of Kshs.68,034,529 and Kshs.80,332,822 respectively resulting in budget deficit of Kshs.12,298,293. This was contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that during budget formulation and approval the budget shall be balanced.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall 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 effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the 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; and
- III. The Company's financial statements are in agreement with those 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 governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 controls 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 controls 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 Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 March, 2024

Kapsabet Nandi Water and Sanitation Company Ltd

Annual Reports and Financial Statements
For the year ended June 30, 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 kshs	2022 kshs
REVENUE			
Operation Revenue	6	47,505,770	45,234,485
Recurrent Grants	7	17,646,070	30,155,324
Other Income	8	5,074,495	4,645,440
TOTAL REVENUE		70,226,335	80,035,249
EXPENSES			
Operation Expenses	9	27,153,153	23,572,629
Staff Expenses	10	31,323,559	33,801,514
General Expenses	11	16,521,949	13,236,410
BOD Expenses	12	1,895,775	730,151
Repair & Maintenance Expenses	13	968,999	1,613,447
Provision for Depreciation	14	2,239,635	2,450,859
Provision for Amortisation	15	-	-
TOTAL EXPENSES		80,103,069	75,405,010
PROFIT/(LOSS)		(9,876,735)	4,630,239
PROFIT (LOSS) BEFORE TAXATION	16	(25,283,170)	(23,074,226)
INCOME TAX EXPENSE/(CREDIT)		-	-
PROFIT/(LOSS) AFTER TAXATION	16	(25,283,170)	(23,074,226)
DIVIDEND PER SHARE		NIL	NIL
OTHER COMPEHENSIVE INCOME			
Profit/Loss after Taxation		-	-
Surplus/Deficit on Revaluation of PPE		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-

Kapsabet Nandi Water and Sanitation Company Ltd

Annual Reports and Financial Statements For the year ended June 30, 2023

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2023 kshs	2022 kshs
ASSETS			
Non Current Assets			
Property, Plant & Equipment	14	20,942,298	21,974,841
Intangible Assets	15	-	-
Sub Total		20,942,298	21,974,841
Current Assets			
Prepayment (Payables)	17	1,192	10,143
Inventory	18	271,702	327,280
Electricity Deposits	19	311,000	311,000
License Performance Guarantee	20	860,350	860,350
Trade & Other Receivables	21	17,967,443	22,353,824
Bank & Cash Balances	22	1,650,390	2,707,491
Sub Total		21,062,077	26,570,089
TOTAL ASSETS		42,004,375	48,544,929
EQUITY AND LIABILITIES			
Share Capital	23	100,000	100,000
Retained Earnings	24	(5,935,575)	3,941,160
Capital Grants	25	26,672,763	26,672,763
Capital and Reserves		20,837,188	30,713,923
Non Current Liabilities			
Water Deposits	26	5,579,000	5,462,000
Sub Total		5,579,000	5,462,000
Current Liabilities			
Bank Overdraft	27	-	707
Prepayment (Receivables)	28	443,458	394,405
Trade & Other Payables	29	15,144,730	11,973,895
Sub Total		15,588,187	12,369,007
TOTAL EQUITY AND LIABILITIES		42,004,375	48,544,929

The financial statements were approved by the Board on 25th September 2023 and signed on its behalf by:



Alfoyo Lel
GENERAL MANAGER



Albert Cheruiyot
ACCOUNTANT-ICPAK NO 24680



Joseph Ng'etich
BOARD CHAIR

Kapsabet Nandi Water and Sanitation Company Ltd
Annual Reports and Financial Statements
for the year ended June 30, 2023

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	ORDINARY SHARE	CAPITAL GRANTS	RETAINED EARNINGS	TOTAL
AS AT JULY 1 2021	100,000	24,442,763	(689,079)	23,853,684
Profit/Loss for the year			4,630,239	4,630,239
AS AT JUNE 30,2022	100,000	24,442,763	3,941,160	28,483,923
AS AT JULY 1,2022	100,000	24,442,763	3,941,160	28,483,923
Profit for the year	-	-	(9,876,735)	(9,876,735)
Capital Grants	-	-	-	-
AS AT JUNE 30,2023	100,000	24,442,763	(5,935,575)	18,607,188

Kapsabet Nandi Water and Sanitation Company Ltd
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 kshs	2022 kshs
Net Cash generated from /used in Operating activities	30 (i)	149,991	5,790,846
Investing Activities			
Acquisition of Property, Plant & Equipment	14	(1,207,092)	(3,906,113)
Net Cash generated from / used in Investing Activities		(1,207,092)	(3,906,113)
Financing Activities			
Net Cash generated from / used in Financing Activities		-	-
INCREASE /DECREASE IN CASH & CASH EQUIVALENT		(1,057,101)	1,884,733
CASH & CASH EQUIVALENT AT BEGINNING OF THE YR		2,707,490	822,757
CASH AND CASH EQUIVALENT AT END OF THE YR	22	1,650,389	2,707,490

Kapsabet Nandi Water and Sanitation Company Ltd

Annual Reports and Financial Statements

For the year ended June 30, 2023

STATEMENT OF COMPARISON OF BUDGET & ACTUALS AMOUNTS FOR FY 2022/23

ACCOUNT	ORIGINAL BUDGET	ADJUSTMEN T	FINAL BUDGET	ACTUALS	PERFORMANCE	UTILIZATIO N
					DIFFERENCE	%
Revenue						
Water Sales	47,400,000	-	47,400,000	47,505,770	(105,770)	100
Other Income	4,694,000	-	4,694,000	5,074,495	(380,495)	108
Grants	17,343,100	(1,402,571)	15,940,529	17,646,070	(1,705,541)	111
Loan	7,500,000	(7,500,000)	-	-	-	#DIV/0!
TOTAL INCOME	76,937,100	(8,902,571)	68,034,529	70,226,335	(2,191,806)	103
Expenditure						
Electricity	20,160,000	-	20,160,000	21,909,561	(1,749,561)	109
Chemicals	3,854,688	-	3,854,688	3,529,052	325,636	92
Operations & Maintenance	2,612,250	(276,000)	2,336,250	1,714,540	621,710	73
Salary and Wages	23,998,644	27,981	24,026,625	23,648,317	378,308	98
	7,343,094	(1,402,565)	5,940,529	6,062,679	(122,150)	102
Employers' Statutory Contri.	1,635,377	23,395	1,658,772	1,612,563	46,209	97
Staff Travelling, Lunch & Subs.	2,985,720	-	2,985,720	3,710,190	(724,470)	124
Staff Training & Workshop	330,000	-	330,000	99,600	230,400	30
Professional Fees	24,000	-	24,000	31,500	(7,500)	131
Uniform & Protective Equip.	57,500	15,000	72,500	76,200	(3,700)	105
Fuel & Lubricants	2,361,000	(247,000)	2,114,000	2,634,540	(520,540)	125
Water Quality	107,000	(50,000)	57,000	23,200	33,800	41
Printing & Stationery	799,550	(93,000)	706,550	718,285	(11,735)	102
Communication Services	1,910,000	(60,000)	1,850,000	1,769,670	80,330	96
Advertisement & Publicity	492,500	(100,000)	392,500	305,900	86,600	78
Welfare & Hospitality	1,138,700	(100,000)	1,038,700	973,222	65,478	94
Subscription Fees	90,000	(15,000)	75,000	75,000	-	100
License & Network	220,000	-	220,000	266,389	(46,389)	121
Audit Fees	232,008	-	232,008	232,000	8	100
Security	2,046,000	(744,000)	1,302,000	1,302,000	-	100
Insurance	250,000	250,000	500,000	478,532	21,468	96
Provision for Bad Debts	180,000	-	180,000		180,000	-
AGM	60,000	-	60,000	100,330	(40,330)	167
Regulatory Levy	2,083,760	-	2,083,760	2,109,041	(25,281)	101
Abstraction Fees	660,000	-	660,000	444,960	215,040	67
Consumer Inspection	390,000	378,000	768,000	626,000	142,000	82
Stake holders Exp		-	-	446,300	(446,300)	#DIV/0!
Bank Charges	90,000	-	90,000	99,090	(9,090)	110
Consultancy Fees	300,000	(100,000)	200,000		200,000	-
CSR	60,000	(60,000)	-		-	#DIV/0!
Titles Acquisition Fees	510,000	(510,000)	-		-	#DIV/0!
Legal Fees	150,000	-	150,000		150,000	-
Provision for Depreciation	2,340,000	-	2,340,000	2,239,635	100,365	96
Provision for Amortisation	360,000	(360,000)	-	-	-	#DIV/0!
BOD Allo. & Honoraria	889,220	240,000	1,129,220	934,285	194,935	83
BOD Expenses	1,050,000	-	1,050,000	961,490	88,510	92
Repairs & Maintenance	2,625,000	(880,000)	1,745,000	968,999	776,001	56
Loan Interest	690,000	(690,000)	-	-	-	#DIV/0!
TOTAL EXPENSES	85,086,011	(4,753,189)	80,332,822	80,103,069	229,752	100

NOTES

The Company did not do any adjustment to the original approved budget. The variances of income and expenses of more than 10 % have been explained below;

- ❖ O & M (-27%)

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- ❖ **Travelling, lunch & sub. (24%)**

The do pipeline rehabilitation and extension as expected because of funds

There was foreign (International) travel and senate summons which had not been anticipated.
- ❖ **Professional fees (31%)**

Staff driving travel were renewed for 3 years as oppose to annual as had been expected
- ❖ **Fuel & Lubricants (25%)**

The regulator, ERC Increased the fuel rates during the year. The company fuel consumption increased due to collection of chemicals from Webuye
- ❖ **Water Quality (-59%)**

External water tests were not done as anticipated
- ❖ **Advertisement & Publicity (-22%)**

The Company did not do advertisement of CSLG ii as expected
- ❖ **Provision for Bad Debts (-100%)**

The company was able to collect and reduce water receivables significantly
- ❖ **Abstraction fees (-33%)**

The water abstracted reduced due power failures and outages
- ❖ **Consumer Inspection (-18%)**

The team did not undertake some anticipated exercise of correction of meter siting because of time
- ❖ **Stakeholders exp (100%)**

The company held a public participation with stakeholders during the period on tariff review by WASREB which had not been anticipated
- ❖ **Consultancy (-100%)**

The company did not do consultancy for strategic & business plans as expected
- ❖ **Legal fees (-100%)**

The company had no legal issue
- ❖ **BOD Allowances & Honoraria (-17%)**

The board committees did not meet as expected
- ❖ **Repairs & Maintenance (-44%)**

The company did not undertake repairs (motor vehicles) as was expected

The Company did not incur on Staff medical cover, consultancy, CSR, amortization, AGM, titles acquisition and legal fees because of funds

Overall, the Company was within the budget on income and expenditure

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There is a variance between the original and the final budgets because of:

- ❖ Failure by the County to approve loan for purchase of a stand by generator
- ❖ End of contracts for County staff forcing the company to pay their wages
- ❖ Non completion of Nandi Hills projects hence reduced number of security expected
- ❖ Convening of tariff review meetings and senate summons of the BOD

During the year, the increase in electricity, chemicals, Salary & Wages, staff travel, lunch & subsistence, fuel & lubricants, printing & stationery and consumer inspection was huge. During the period the prices for electricity, chemicals, fuel and stationery were substantially increased. The expense for consumer inspection went up due to regular inspection of consumers to reduce the commercial losses by replacing stuck & faulty meters, correct meter siting and offtake cut off of disconnected accounts

Kapsabet Nandi Water and Sanitation Company Ltd

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NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kapsabet Nandi Water & Sanitation Company Ltd is established by and derives its authority and accountability from Company Act.

The Company is wholly owned by the County Government of Nandi and is domiciled in Kenya, Kapsabet Town

The Company's principal activity is provision of water and sanitation.

For Kenyan Companies Act reporting purposes, the Balance Sheet is represented by the statement of Financial Position and the Profit or Loss account by the statement of Profit or Loss and other Comprehensive Income in these financial statements

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. The management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the Company policy

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

IFRS 17 Insurance Contracts (issued in May 2017)

The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.

The Company does not issue insurance contracts.

Effective for annual periods beginning on or after 1st January 2023.

IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates

The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. The standard had no effect to the Company financial statements for the year ended.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023

Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)

The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their **material** accounting policy information rather than their **significant** accounting policies. The Company has not brought

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any changes to the accounting policies disclosed

The amendments are effective for annual periods beginning on or after January 1, 2023

Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)

The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences

The amendments are effective for annual periods beginning on or after January 1, 2023.

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

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

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period

The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted

Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)

The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss

The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted

Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement

The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted

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

iii. Early adoption of standards

The Company did not early – adopt any new or amended standards in year 2022/2023

4. ACCOUNTING POLICIES

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

a. Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared under the historical cost convention

The financial statements shall be prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company.

The financial statements have been prepared in accordance with the PFM Act and the State Corporations Act

The accounting policies adopted have been consistently applied to all the years presented

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b. Revenue Recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Company 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 the Company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Company's activities as described below.

- i. Revenue from the sale of goods and services has been recognized in the year in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii. Grants from National Government and County Government have been recognized in the year in which the Company actually receives such grants. Grants for acquisition of fixed assets shall be measured at fair value less costs to sell and recognized in the income statement as the asset is depreciated or amortized but recurrent grants are recognized in the income statement. The granted fixed assets shall be recognized as capital grants in the financial position statement. Any un used grant has been recognized as an expended grant in the financial position statement as a liability
- iii. Other incomes have been recognized as they accrue.

c. Expenditure Recognition

Expenditure is recognized on an accrual basis.

d. Translation of Foreign Currencies

All assets and liabilities expressed in foreign currencies are converted into Kenya Shillings at the exchange rate ruling at the balance sheet date.

Transactions in foreign currencies during the year shall be converted at the rates ruling at the date of the transaction. The resulting exchange differences are recognized in the statement of financial performance.

e. Reporting in Foreign Currencies

Financial statements may be translated into a foreign currency for the purposes of Development Partner reporting where required.

f. Segmental Reporting

Segment information has been presented in respect of the Company's geographical segments and will be based on the location over which the Company has jurisdiction.

Segment results, assets and liabilities include items directly attributable to a segment.

g. Property, Plant and Equipment

Items of property, plant and equipment have been stated at historical cost less accumulated depreciation and impairment.

Fixed assets donated to the Company are included in the accounts at the amount attributed to them by the Development partners.

Fixed assets received from Development partners whose values have not been determined will be valued by a recognized valuer before inclusion in the asset register.

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

Property, plant and equipment shall include granted fixed assets by Government, development partners and those acquired by the Company but shall exclude all fixed assets leased and owned by Lake Victoria North Water Services Board unless they have been transferred to the Company

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The Company will service, maintain and insure all granted and leased fixed assets.

h. Intangible Assets

Intangible assets comprise purchased software licenses, 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.

i. Depreciation & Impairment of Property, Plant and Equipment

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

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

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

The annual rates of depreciation used are as follows:

Buildings		5%
Land	Nil	NIL
Water Supply infrastructure		2.5%
Plant, machinery and equipment		12.5%
Office Equipment		12.5%
Computer Equipment		30%
Motor vehicles		25%
Furniture and fittings		12.5%

j. Amortization and Impairment of Intangible Assets

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

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

k. Operating Lease Rentals

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement account on a straight-line basis over the period of the lease.

l. Inventories

Inventories have been stated at the lower of cost and net realizable value. Cost includes all costs of purchase and other charges incurred in bringing the inventories to their present location and condition.

The cost of inventories is based on the weighted average cost. If the purchase cost is higher than the net realizable value, stocks are written down to net realizable value.

m. Trade and Other Receivables

Trade and other receivables have been recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis.

The Company's receivables include but not limited to amounts due on sale of water, water boozing service, among other fees and staff advances.

Debtors may arise from amounts due to the Company from another party resulting from contractual obligations or other transactions.

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The Company shall maintain a separate account for each debtor. Debtors' accounts shall be maintained by the Accountant and Debtors ageing analysis shall be prepared monthly.

Recoverability

The Company may allow up to **60** days moratorium before payment for monthly bill or any other amounts due on contractual obligation.

This period may however be revised by the MD and Board of Directors, if deemed necessary.

Outstanding debts shall be followed up through phone call, physical visits and subsequently in writing to notify the debtor to honor the debt.

The Company shall recover water debts by:

- ❖ Disconnecting the consumer
- ❖ Disconnecting any other connection(s) related to the consumer
- ❖ Transferring any credit in connection(s) related to the consumer

Bad Debts Provision /Write off Policy

The Head of Finance shall review all outstanding debts which are under dispute, on a monthly basis, before any bad debt provisions are made.

Provisions shall be made for bad and doubtful debts at 10 % of the outstanding amount:

For individual arrears in excess of Kshs. 5,000 the bad debts should only be written off on the authority of the Board of Directors. Debts will be written off only after all reasonable steps have been taken to recover the debt and the Company is satisfied that:

- ❖ All legal and other measures have been exhausted, but there is still a balance of the debt remaining; and
- ❖ Recovery of the debt would be uneconomical.

The Head of Finance presents the list of debts to be written off to the GM with the full details of the debt and the reasons for being irrecoverable

The list will be forwarded to the relevant Board committee for discussion and adoption and finally to the BOD for approval

n. Trade and Other Payables

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

Payments are made as per the aging analysis of the payables and if the Company has a reason of nonpayment, the creditor is informed in advance by letters or phone calls

o. Prepayments

These are advance payment to suppliers or by water consumers

The Company shall maintain a prepayment schedule for all prepayments

p. Consistency

Consistency accounting methods have been applied and changes made reported and the effect on reported results disclosed in accordance with generally accepted Accounting Principles.

q. Related Party Disclosures

Related party disclosures are persons and entities that have control or joint control, significant influence, and members of the key management. It does not include providers of finance, trade unions, public utilities or agencies of government that do not control, jointly or significant influence in the Company.

The Company has recognized related party transactions when there is transfer of resources, services or obligations between related parties regardless of whether a price is charged.

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The Company has disclosed the nature of relationship, information of transaction and balance for understanding of the potential effect of the relationship on the financial statements.

r. Financial Instruments

These are contracts that give to a financial asset or liability when the Company becomes a party to contractual provisions of the instrument.

A financial asset is an asset that is in cash, an equity instrument of another entity, a contractual right or contract that will or may be settled in the entity own equity instrument.

The financial instruments shall initially be recognized at fair value on the statement of financial position when the entity becomes party to the contractual provisions of the instrument and measured initially at fair value but subsequently measured on the category into which the instrument is classified.

s. Taxation

The purpose of this section is:

- i. To ensure that the Company is in compliance with the Tax regulations;
- ii. To ensure that proper accounting procedures are followed in the processing of tax transactions; and
- iii. To ensure that proper documentation is maintained for tax purposes.

Withholding Tax Deductions

The Company deducts withholding tax for every consultancy and contractor and shall remit the same to the Income Tax Department of the Kenya Revenue Authority as prescribed by the Income Tax Act. The consultants and contractors will be required to provide their PIN.

The applicable withholding tax rates for payments to residents and nonresidents are provided in the Income Tax Act and it is the responsibility of the Company to ensure compliance with Kenyan tax legislation.

The deducted Withholding tax will be accumulated in a liability account and paid promptly on or before the 20th day of the month following that in which the deduction is made and filled through the i-tax portal.

The Company will issue withholding tax certificates to the consultants and contractors accordingly.

PAYE (Pay as you Earn)

The Company deducts PAYE from every employee of the Company. The amount shall be computed based on the advised KRA income tax schedule and shall include tax on all income related allowance.

PAYE returns are submitted, together with supporting payroll documentation to the Income Tax Department i tax portal by the 9th day of the subsequent month.

The Company issues P9 certificates to all employees at the end of the year.

Accounting for VAT on Purchases

The Company is not registered for VAT neither is it exempt from paying VAT and It therefore suffers VAT on supplies of goods and services.

However reverse VAT will be computed and paid for all imported goods and services

Tax on the Company Income

The Company enjoys an income tax exemption status which is renewable every five years on application. However nil tax returns will be made before 30th June of every year.

Current income tax assets and liabilities for the current period shall be measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Management shall periodically evaluate positions taken in the tax returns with respect to situations in which applicable

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tax regulations are subject to interpretation and establishes provisions where appropriate.

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.

t. Cash and Cash Equivalent

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

u. Retirement Benefit Obligations

The Company operates a defined contribution scheme for all full-time employees from with National Water Pipeline Corporation. The scheme shall be contributory and shall be by contributions from both the Company and its employees at **15 % to 12 %** of the basic salary.

The Company also contributes to the statutory National Social Security Fund (NSSF) for all staff. This is a defined contribution scheme registered under the National Social Security Act.

The Company's obligation under the scheme shall be limited to specific contributions legislated from time to time

v. Provisions for Staff Leave Pay

Employees' entitlements to annual leave were recognized as they accrue at the employees.

A provision is made for the estimated liability for annual leave at the reporting date.

w. Budget Information

The budget was approved by Board of Directors and any additional appropriations made to the approved budget

The Company's budget was prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements will be 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 will be 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, will be presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements will be made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget

x. Comparative figures

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

y. Subsequent events

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

5. Significant Judgment and Sources of Estimation Uncertainty

The preparation of the Company's financial statements is in conformity with IFRS requires management to make

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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.

The Company shall state all judgments, estimates and assumptions made: e.g.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared.

However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

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

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

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions were determined by the management based on the information available and shall be 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.

The management has provided **10 %** for bad and doubtful debts

Contingent Liabilities and Assets

A current liability is a possible obligation depending on whether some uncertain future event occurs or a present obligation but payment is not probable or the amount cannot be measured. eg pending law suits by employees and third parties

The Company shall recognize current liabilities if they are present obligations assumed in a business combination. They are disclosed in the notes to the financial statements unless the likelihood of an outflow of resources is remote.

Contingent assets are not recognized in the financial position statement.

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NOTES TO THE FINANCIAL STATEMENTS

	Notes	2023 kshs	2022 kshs
6 OPERATING REVENUE			
Scheme	Kapsabet	38,096,185	37,894,390
	Nandi Hills	9,409,585	7,340,095
Total		47,505,770	45,234,485
7 RECURRENT GRANTS			
	Electricity	11,583,391	7,731,172
Nandi County Govt:	Salary & Wages	6,062,679	8,713,411
Water Sector Fund	CLSG	-	12,898,461
JICA	Chemicals	-	812,280
Total		17,646,070	30,155,324
8 OTHER INCOME			
Meter Rent		2,448,750	2,561,800
Fees & Charges		957,597	809,657
Water Bowser		1,208,851	1,268,800
Decrease in Provision for Debts	31	459,297	5,183
Total		5,074,495	4,645,440
9 OPERATION EXPENSES			
Electricity		21,909,561	19,079,517
Chemicals		3,529,052	2,550,382
Operation & Maintenance		1,714,540	1,942,730
Total		27,153,153	23,572,629
10 STAFF EXPENSES			
Salaries and Wages	Company	23,648,317	23,373,898
	County	6,062,679	8,713,411
Employers' Statutory Contribution		1,612,563	1,714,205
Total		31,323,559	33,801,514
11 GENERAL EXPENSES			
Travelling, Lunches & Subsistence		3,710,190	2,823,080
Staff Training & Workshops		99,600	125,300
Professional Fees		31,500	6,000
Staff Uniform & Protective Equipment		76,200	63,420
Fuel & Lubricants		2,634,540	1,783,345
Water Quality		23,200	10,556
Printing & Stationery		718,285	386,120
Communication Services		1,769,670	1,792,960
Advertisement & Publicity		305,900	358,550
Welfare & Hospitality		973,222	828,218
Subscription Fee		75,000	75,000
Annual License Fee		266,389	149,681

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Audit Fees		232,000	232,000				
Security		1,302,000	1,312,040				
Insurance		478,532	306,103				
Provision for Bad & Doubtful Debts	31	-	-				
Annual General Meeting		100,330	-				
Regulatory Levy (WASREB)		2,109,041	1,994,990				
Abstraction Fees (WRMA)		444,960	621,990				
Consumer Inspection Exp.		626,000	266,000				
Stakeholders Exp. (Tariff Review)		446,300	-				
Bank Charges		99,090	101,058				
Total		16,521,949	13,236,410				
12 BOD EXPENSES							
Directors Allowances & Honoraria		934,285	562,148				
Directors' Expenses		961,490	168,003				
Total		1,895,775	730,151				
13 REPAIR & MAINTENANCE EXPENSES							
Motor Vehicles		555,850	480,255				
Plant & Equipment		50,859	780,167				
Computers & Network		85,870	42,040				
Furniture		12,760	-				
Buildings		263,660	310,985				
Total		968,999	1,613,447				
14 PROPERTY, PLANT & EQUIPMENT							
ASSET	PLANT & METERS	MOTOR VEHICLES	BUILDINGS	FURNITURE FIXTURES	COMPUTERS & PRINTERS	OFFICE EQUIPMENT	TOTAL
Cost or Valuation							
As at July 1, 2021	9,021,480	1,134,400	18,047,362	1,266,296	2,458,006	1,101,594	33,029,138
Additions	2,406,180	-	94,835	-	1,019,100	385,998	3,906,113
As at June 30, 2022	11,427,660	1,134,400	18,142,197	1,266,296	3,477,106	1,487,592	36,935,251
As at July 1, 2022	11,427,660	1,134,400	18,142,197	1,266,296	3,477,106	1,487,592	36,935,251
Additions	661,000	-	-	425,592	-	120,500	1,207,092
As at June 30, 2023	12,088,660	1,134,400	18,142,197	1,691,888	3,477,106	1,608,092	38,142,343
Depreciation							
As at July 1, 2021	3,708,422	594,531	5,351,052	624,906	1,822,825	407,814	12,509,551
Charge for the YR	964,905	134,967	639,557	80,174	496,284	134,972	2,450,859
As at June 30, 2022	4,673,327	729,498	5,990,610	705,080	2,319,109	542,786	14,960,410
As at July 1, 2022	4,673,327	729,498	5,990,610	705,080	2,319,109	542,786	14,960,410
Charge for the YR	926,917	101,225	607,579	123,351	347,399	133,163	2,239,635
As at June 30, 2023	5,600,244	830,724	6,598,189	828,431	2,666,508	675,949	17,200,045
Net Book Value							
As at June 30, 2023	6,488,416	303,676	11,544,008	863,457	810,598	932,143	20,942,298
As at June 30, 2022	6,754,333	404,902	12,151,587	561,216	1,157,997	944,806	21,974,841
15 INTANGIBLE ASSETS					2023	2022	
Cost					kshs	kshs	
As at July 1, 2021					3,000,000	3,000,000	
Additions					-	-	
As at June 30, 2022					3,000,000	3,000,000	
As at July 1, 2022					3,000,000	3,000,000	
Additions					-	-	

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As at June 30, 2023	3,000,000	3,000,000
Amortisation		
As at July 1, 2021	2,000,000	2,000,000
Charge for the year	1,000,000	1,000,000
As at June 30, 2022	3,000,000	3,000,000
As at July 1, 2022	3,000,000	3,000,000
Charge for the year	-	-
As at June 30, 2023	3,000,000	3,000,000
Net Book Value		
As at June 30, 2023	-	-
As at June 30, 2022	-	-
16 TAXATION		
Profit / (Loss) for the year	(9,876,735)	4,630,239
Add- Non-Allowable Expenses		
Depreciation/Amortisation	2,239,635	2,450,859
Provision for Bad & Doubtful Debts	-	-
Sub Total	(7,637,100)	7,081,098
Less: Non Taxable Income		
Grants	17,646,070	30,155,324
Wear & Tear Allowance	-	-
Sub Total	17,646,070	30,155,324
Taxable Income	(25,283,170)	(23,074,226)
17 PREPAYMENT (Payables)		
Kenya Power	1,192	37
Netpaq Business Ltd.	-	10,106
Total	1,192	10,143
18 INVENTORIES		
Stationery	49,650	68,580
O & M materials	106,110	81,410
Chemicals	115,942	177,290
Total	271,702	327,280
19 ELECTRICITY DEPOSITS		
AC NO 115673531	3,000	3,000
AC NO 115673590	5,000	5,000
AC NO 115673582	3,000	3,000
AC NO 118247945	300,000	300,000
Total	311,000	311,000
20 LICENCE PERFORMANCE GUARANTEE		
WASREB Performance Guarantee	860,350	860,350
Total	860,350	860,350
21 TRADE & OTHER RECEIVABLES		
Water Debtors	19,899,010	24,491,975
Less: Provision of Bad Debts (10%)	(1,989,901)	(2,449,198)

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Staff Advances			58,334	311,047
Total			17,967,443	22,353,824
Water Debtors Aging Analysis				
Less than 30 days			3,460,628	3,320,225
31 - 60 days			1,277,617	1,400,137
61 - 90 days			807,530	1,044,255
91 - 120 days			1,094,587	704,687
Over 120 days			13,258,648	18,022,671
Total			19,899,010	24,491,975
22 CASH & CASH EQUIVALENT				
Cash at Hand				
Cash at Bank				
Account NO	A/C Name	Bank		
1131111826	Revenue	KCB	72,853	105,588
1166504891	Expenditure	KCB	37,451	682,327
1166504514	Deposit	KCB	1,485,873	1,862,929
1177900262	Bowser	KCB	22,918	-
Sub Total			1,619,095	2,650,844
Pay Points				
0744130011694	Revenue	Post Bank	4,925	24,580
Cash at M PESA				
Pay Bill NO				
990720	Revenue	Safaricom	26,370	32,067
Total			1,650,390	2,707,491
23 SHARE CAPITAL				
Authorized Share Capital:				
5,000 ordinary shares at kshs 20@			100,000	100,000
Issued and Paid-up Shares Capital:				
5,000 ordinary shares at kshs 20@			100,000	100,000
24 RETAINED EARNINGS				
Balance B/F			3,941,160	(689,079)
Profit/(Loss) for the year			(9,876,735)	4,630,239
Balance C/F			(5,935,575)	3,941,160
25 CAPITAL GRANTS				
i Water Sector Fund	Asset	NO		
	Public Sanitation Facilities	3	14,123,848	14,123,848
	Water Kiosks	4	2,735,015	2,735,015
Bal B/F	Tablets	4	155,400	155,400
	Computer	1	53,500	53,500
Additions			-	-
Bal C/F			17,067,763	17,067,763
ii Nandi County Government				
Bal B/F	Water Meters	1,590	6,455,000	6,455,000
	Smart Phones	10	150,000	150,000

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	Billing software	1	3,000,000	3,000,000
	Additions		-	-
	Bal C/F		9,605,000	9,605,000
	Total		26,672,763	26,672,763
26	WATER DEPOSITS			
	Balance B/F		5,462,000	5,339,000
	Additions		117,000	123,000
	Less: Refunds		-	-
	Balance C/F		5,579,000	5,462,000
27	BANK OVER DRAFT			
	Account NO	A/C Name	Bank	
	1177900262	Bowser	KCB	707
	Total		-	707
28	PREPAYMENT (Receivables)			
	Water Consumers		443,458	394,405
	Total		443,458	394,405
29	TRADE & OTHER PAYABLES			
	Trade Payables		12,552,383	10,155,895
	OAG Kenya		1,920,000	1,678,000
	Staff/Directors Payables		672,347	140,000
	Total		15,144,730	11,973,895
30	NOTES TO STATEMENT OF CASH FLOWS			
	Reconciliation of operating profit to cash generated from(used in) operations			
	Operating Profit/(Loss)		(9,876,735)	4,630,239
	Provision for Depreciation	14	2,239,635	2,450,859
	Operating Profit / (Loss) before Working Capital		(7,637,100)	7,081,098
	Increase/Decrease in Prepayment (Payables)	17	8,951	920,999
	Increase/Decrease in Inventories	18	55,578	(88,808)
	Increase/ Decrease in License Guarantee	20	-	(300,350)
	Increase/Decrease in Trade & other Receivables	21	4,386,381	187,305
	Increase in Water Deposits	26	117,000	123,000
	Increase /Decrease in Bank Overdraft	27	(707)	(504,357)
	Increase/Decrease in Prepayment (Receivables)	28	49,053	200,914
	Increase /Decrease in Trade & other Payables	29	3,170,835	(1,828,956)
	Cash generated from/used in Operations		7,787,091	(1,290,252)
i	Net Cash generated from /used in Operating activities		149,991	5,790,846
	Analysis of changes in Loans			
	Balance B/F		-	-
	Receipts during the year		-	-
	Repayments during the year		-	-
ii	Balance C/F		-	-
	Analysis of changes of Cash and Cash Equivalent			
iii	Short term Deposits			-

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Cash at Bank	1,619,095	2,675,424
Cash at Paybill	31,295	32,067
Cash at Cash	-	-
Balance at end of the Year	1,650,390	2,707,491
31 PROVISION FOR BAD & DOUBTFUL DEBTS		
Water Debtors	19,899,010	24,491,975
Provision for Bad & Doubtful Debts (10%) for the year	1,989,901	2,449,198
Accumulated Provision Balance C/F	1,989,901	2,449,198
Accumulated Provision Balance B/F	2,449,198	2,454,381
Increase /Decrease in Provision	(459,297)	(5,183)

32 RELATED PARTIES DISCLOSURE

County Government of Nandi

The County Government of Nandi is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Nandi has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- County Government of Nandi
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

	2023 kshs	2022 kshs
i County Government of Nandi		
a Grants		
Electricity	11,583,391	7,731,172
Salaries & Wages	6,062,679	8,713,411
Sub Total	17,646,070	16,444,583
b Water Bills		
Receivables	6,642,073	10,376,013
Sub Total	6,642,073	10,376,013
ii Water Sector Fund		
a Kapsabet Sanitation Project		
Administration	-	1,259,258
Subsidy 200 NO Toilets	-	4,000,000
Sub Total	-	5,259,258
b Chemicals		

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Chemicals	Assorted	-	812,280
Sub Total		-	812,280
c Conditional Liquidity Support Grants			
CLSG -COVID Support		-	12,898,461
Sub Total		-	12,898,461
iii Government Institutions			
Water Bills			
Kenya Forest Service		41,560	-
G K Prison		255,550	-
Sub Total		297,110	-
iv Lake Victoria North Water Works Authority			
Value of Assets to the Company (Not Transferred)		895,309,336	-
NBV of the Assets		706,977,432	-
v Directors & Key Management Compensation			
Directors' Allowances		934,285	402,148
Directors' other Expenses		961,490	168,003
Compensation to Key Management		6,552,661	7,915,023
Sub Total		8,448,436	8,485,174

33 CAPITAL COMMITMENTS

There were no capital commitments or work in progress at the close of the year.

34 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency.

The Company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The Company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

i. Credit Risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

Individual risk limits are set based on internal or external assessment in accordance with limits set by the Directors.

The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Company has significant concentration of credit risk on amounts due from the past due category. The Board of Directors sets the Company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated. Below is the credit risk analysis:

ACCOUNT	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Receivables from Exchange Transactions	19,899,010	6,035,317	13,863,693	-
Bank Balances	1,650,390	1,650,390	-	-
Total	21,549,400	7,685,707	13,863,693	-
At 30 June 2022				
Receivables from Exchange Transactions	24,491,975	6,469,304	18,022,671	-
Bank Balances	2,707,491	2,707,491	-	-
Total	27,199,466	9,176,795	18,022,671	-

ii. Liquidity Risk Management

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

The table below represents cash flows payable by the Company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Below is the liquidity risk analysis:

ACCOUNT	Less than 3 months	Between 3-12 months	Over 1 yr.	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade Payables	5,852,018	1,457,895	7,834,814	15,144,730
Provisions	2,239,635	-	-	2,239,635
Deferred Income	-	-	-	-
Total	8,091,653	1,457,895	7,834,814	17,384,362
At 30 June 2022				
Trade Payables	4,048,956	1,678,230	6,246,709	11,973,895
Provisions	2,450,859	-	-	2,450,859
Deferred Income	-	-	-	-
Total	6,499,815	1,678,230	6,246,709	14,424,754

iii. Market Risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Company's income or the value of its holding of financial