

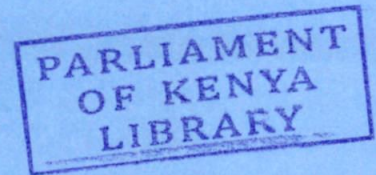
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

ON

**KAPSABET NANDI WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2024**

PAPERS LAID	
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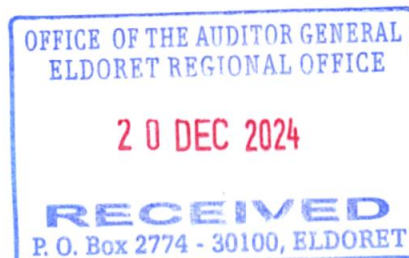


Kapsabet Nandi Water and Sanitation Company Ltd

Annual Report and Financial Statements

For the Financial Year Ended June 30, 2024

**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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For the year ended June 30, 2024

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ACRONYMS AND GLOSSARY OF TERMS

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
GM	Managing Director
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.	Alfayo Lel	Board Secretary	4.09.2023	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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For the year ended June 30, 2024

4	<p>CPA PRISCA MUIGEI Board Member (DoB 1984)</p> 	<p>Holds a Bachelor's Degree in Economics. She is a Certified Public Accountant by ICPAK. She has served as Director of Budget at the County Government of Nandi. 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. Has previously served as the Chief Officer for Transport & Infrastructure at the County Government of Nandi. 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. 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. 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 Managing Director.

Structurally, the company is headed by the Managing Director, who reports to the Board of Directors. The Managing Director 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	 <p>ALFAYO LEL</p>	Managing Director	<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	 <p>GILBERT ROTICH</p>	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	 <p>JOYCE JEPKOECH</p>	Finance Manager	<p>MBA - Finance from Masinde Muliro University</p> <p>BBM - Accounting Option from Moi University.</p> <p>Certified Public Accountant of Kenya</p> <p>Strategic Management Course from KSG</p> <p>Senior Management course from KSG</p> <p>She is a member of ICPAK in good standing</p> <p>She previously worked with Local Authority and County Government of Nandi as Principal Accountant</p> <p>She is the Finance Manager of the Company</p>
4	 <p>JULIUS TANUI</p>	Human Resource Officer	<p>He is a Certified Human Resource Practitioner in Kenya.</p> <p>Has a Bachelor's Degree in Business Management (Catholic University of Eastern Africa – CUEA), Higher Diploma in Human Resource Management (Alexandria Training Institute – Eldoret), Advanced Diploma in Business Management and a Diploma in Business Administration (Eldoret Polytechnic).</p> <p>Has served as Payroll Manager at the County Government of Nandi.</p> <p>Currently, the Human Resource Officer – KANAWASCO.</p>

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CHAIRMAN'S STATEMENT

National Overview

Water is integral to every facet of life, deeply interwoven with the three pillars of sustainable development—social, cultural, economic, and political. Its significance spans multiple Sustainable Development Goals (SDGs), linking closely with climate action, energy, urban development, environmental sustainability, food security, poverty alleviation, gender equality, and health. The challenges posed by climate change intensify the urgency of addressing water-related issues, which are pivotal to achieving the 2030 Agenda for Sustainable Development.

UN Secretary General António Guterres aptly highlighted in his 2023 address to the UN Water Conference that water transcends various global challenges. It embodies essential elements of health, sanitation, hygiene, disease prevention, peace, sustainable development, poverty reduction, food security, job creation, human rights, and gender equality. Thus, water must be central to the global political agenda. The Government of Kenya must engage all stakeholders, including small-scale service providers, to increase the population's access to safely managed water services.

Water and Sanitation Subsector Overview

Kenya has made notable strides in enhancing access to clean drinking water across urban and rural areas through various service providers, including utilities, private entities, and community-based organizations. Despite progress, challenges persist, particularly with water quality in densely populated areas. Sustainable financing is crucial for expanding and maintaining water and sanitation services. Kenya's commitment under Sustainable Development Goal 6 is to achieve universal and equitable access to safe and affordable water, adequate sanitation, and end open defecation by 2030, with special attention to women, girls, and vulnerable groups.

According to the Water Service Regulatory Board (WASREB) Impact Report No. 15, water coverage improved from 60% to 62%, while sewerage and sanitation coverage stood at 16% and 93%, respectively.

Company's Performance

In the 2023/2024 financial year, the company experienced a 68% revenue increase, from Kshs 70.2 million in 2023/23 to Kshs 118.3 million. A profit of Kshs 17.4 million was recorded for 2023/24, contrasting with a loss of Kshs 9.8 million in the previous year. This upturn is largely due to the implementation of the new water tariff and increase in grants from key partners, including the County Government and the Water Sector Fund.

Despite financial challenges, there were notable improvements in billing, collection, and operational efficiency. Like many medium size water companies in Kenya, KANAWASCO faces significant obstacles, including limited financial resources for infrastructure development, frequent breakdowns of old pipelines and pumps, high electricity costs averaging Kshs 2.2 million per month, high Non-Revenue Water (NRW) rate, and high chemical prices. Efforts to reduce water losses continue, although levels remain above the 25% benchmark set by WASREB.

Addressing these challenges requires a multifaceted approach: increased infrastructure investment, capacity building, enhanced revenue collection systems, and strong partnerships with stakeholders. Regulatory support and tailored policies are also crucial to navigating these issues and improving service delivery.

In conclusion, the Board and Management, with support from the Stakeholders, are committed to enhancing the company's internal controls, risk management, integrity, and ethical standards to better serve our customers and achieve our mission.



Joseph Ng'etich

BOARD CHAIR

Kapsabet Nandi Water and Sanitation Company Ltd

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REPORT OF THE MANAGING DIRECTOR

Introduction

Water service provision is a cornerstone of Kenya's infrastructure, crucial for ensuring access to clean and safe drinking water. Over the years, Kenya has made significant progress in this sector, reflecting its commitment to public health, economic development, and environmental sustainability. Aligning with international development goals, including Sustainable Development Goal 6 (SDG 6) for clean water and sanitation, the Kenyan government has made considerable investments to enhance infrastructure, improve service delivery, and foster efficient water resource management. The focus also includes addressing climate resilience and disaster preparedness amid evolving weather patterns. Despite these efforts, challenges persist, including water scarcity, aging infrastructure, revenue collection issues, and the need for sustainable financing.

The Water Act of 2016 established the Water Services Regulatory Board (WASREB), which regulates water service providers, sets standards, and ensures the quality and affordability of services. Nonetheless, Kenya's water sector continues to face significant challenges, such as water scarcity, outdated infrastructure, and revenue collection difficulties, compounded by waterborne diseases in areas with inadequate sanitation.

Commercial and Technical Sections Management

The Company has been actively working to strengthen its commercial and technical operations to enhance meter reading, revenue collection, and service coverage. Our goal is to reduce Non-Revenue Water (NRW). However, managing the old distribution lines has been a significant challenge, particularly in the lower parts of the town where high pressure exacerbates issues. Frequent road grading, urban development, and climate change-related factors like erratic rainfall and droughts have further complicated the situation, leading to increased operational and maintenance costs due to frequent repairs and high NRW.

In response, we have a budget to rehabilitate old lines and construct elevated tanks in low-pressure areas in the financial year 2024-25

Water bill arrears exceeding 60 days amounted to Kshs. 14.5 million, reflecting ongoing issues with revenue collection. The revenue team continues to engage with non-compliant consumers to encourage payment or establish part-payment plans. Timely and consistent revenue collection remains a challenge, impacting the company's financial stability. Operating at a scale where achieving economies of scale is difficult results in higher operational costs per unit of water produced and distributed.

Financial Management

The Company is committed to sound financial management, ensuring efficient utilization of funds in line with the approved budget. Our financial management system adheres to government rules and regulations, including the Public Financial Management (PFM) Act 2012 and international financial reporting standards (IFRS). Quarterly and annual financial reports are prepared and submitted to the County Government of Nandi, National Treasury, and the Office of the Auditor-General. We strive to ensure all income and expenses are accounted for as required by law.

Human Resource

Attracting and retaining a skilled workforce is crucial for delivering high-quality services. Despite financial constraints, we have made efforts to maintain a competent team. We appreciate the County Government of Nandi for seconding several staff members to enhance our human resource capacity, leading to notable improvements in service delivery. As of the end of the review period, the Company employed fifty-four staff members, including both County and Company personnel. We operate under an approved scheme of service and a Human Resource manual that guides daily operations.

Future Plans and Going Concern

The Company has faced substantial costs related to electricity bills. To address this, we are exploring partnerships with the County Government of Nandi, Lake Victoria North Development Works Authority, and other development partners to consider a gravity-driven project that could significantly reduce operational and maintenance costs.

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Additionally, we completed a tariff review process, which was implemented in September 2023. The Central Rift Valley Development Water Works Development Authority, in collaboration with the County Government of Nandi and the Company, undertook an augmentation for the Nandi Hills Water Supply System. This project includes rehabilitating old treatment works, constructing a new intake, treatment facilities, additional storage, and rehabilitating main and service lines. These efforts will enhance our capacity to provide reliable water services and address NRW challenges effectively.

Conclusion

As we continue to navigate the complexities of water service provision, the Company remains committed to improving infrastructure, managing resources efficiently, and delivering high-quality services to our customers. We look forward to ongoing support from all stakeholders as we work towards achieving our goals and enhancing our service



Alfayo Lel

MANAGING DIRECTOR

Kapsabet Nandi Water and Sanitation Company Ltd

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For the year ended June 30, 2024

STATEMENT OF THE COMPANYS' PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023-24

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% - 204 new customers registered
Financial sustainability	To achieve financial sustainability	- Increase in Water sales from 45m to over 100 m - 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 47 million to 79 million - Increase of Collection efficiency from 90% to 95%
Operational effectiveness and efficiency; Institutional capacity	To ensure operational effectiveness and efficiency;	- Effective staff Recruitment; - Staff training - Capacity	- Conduct effective staff recruitment - Ensure staff	- A number of staff attended training during the year - Timely payment of

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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>salaries and statutory deductions</p> <p>- Formation of sections and departments</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 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

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	4
2	Special full Board	5
3	Finance, HR and ICT	7
4	Technical	3
5	Audit, Risk and Governance	2

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 follows:

S/No	Name	Designation	No of meeting attending out 7
1	CPA Abraham Tarbei	Chair	7
2	Michael Chebii	Member	7
3	Jonah Biwott	Member	7
4	CPA Priscah Muigei	Member	7

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.

Kapsabet Nandi Water and Sanitation Company Ltd

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For the year ended June 30, 2024

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

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

iii) Technical Committee

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

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

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 as follows

S/No	Type of payment	Chairman	Member
1	Honoraria	Ksh 20,000	Nil
2	Travelling Reimbursement	Ksh 10,000	KSh 10,000
3	Sitting Allowance	KSh 10,000	KSh 8,500
4	Accommodation (As necessary)	KSh 16,800	KSh 16,800

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

Kapsabet Nandi Water and Sanitation Company Ltd

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For the year ended June 30, 2024

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

The company did not implement any project during the year

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-41% 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
MANAGING DIRECTOR

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.

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For the year ended June 30, 2024

REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the year ended June 30, 2024 which show the state of the Company's affairs.

Principal Activities

The principal activities of the Company is provision water and sanitation.

Results

The results of the Company for the year ended June 30, 2024 are set out on pages 1 – 25.

Dividends

- Though the Company made an operational profit of Kshs. 17,483,470 and the Directors ploughing back of profit to building of asset of the company

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, 2024

By Order of the Board


Alfayo Lei

SECRETARY TO THE BOARD

Dated

20th September 2024

Kapsabet Nandi Water and Sanitation Company Ltd

Annual Reports and Financial Statements

For the year ended June 30, 2024

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, 2024. 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, 2024, 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 20th September 2024 and signed on its behalf by:



Joseph Ng'etich
BOARD CHAIR



Alfayo Lei
MANAGING DIRECTOR

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KAPSABET NANDI WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 Sewerage Company Limited set out on pages 1 to 25, which comprise of the statement

of financial position as at 30 June, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in net 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 matter 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 Sewerage Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Public Finance Management Act, 2012, the Companies Act, 2015 and the Water Act, 2016.

Basis for Qualified Opinion

Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.22,793,308 as disclosed in Note 14(a) to the financial statements. As previously reported the balance excludes property, plant and equipment balance of Kshs.706,977,432 owned by Lake Victoria North Water Service Board which had not been transferred at close of the year, as management have disclosed that the transfer of ownership is underway. In addition, seven (7) parcels of land for main office buildings, water treatment plants, pump station and water tanks with unknown value were not disclosed in the financial statements and their respective ownership documents were not provided for audit.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.22,793,308 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kapsabet Nandi Water and Sewerage Company Limited Management in accordance with ISSAI 130 on the 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2024 reflects total final Income budget and actual receipt of Kshs.124,959,008 and

Report of the Auditor-General on Kapsabet Nandi Water and Sewerage Company Limited for the year ended 30 June, 2024

Kshs.118,349,821 respectively resulting to under-collection of Kshs.6,609,187 or 5.3% of the budget. Similarly, the Company spent an amount of Kshs.100,866,351 against actual receipts of Kshs.118,349,821 resulting to an under-utilization of Kshs.17,483,470 or 15% of the actual receipts.

The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under Report on the Financial Statements and Report on Lawfulness and Effectiveness in the use of Public Resources. However, the issues remained unresolved, as relevant Parliamentary Committee had not discussed them.

Other Information

Directors are responsible for the other information set out on pages (iv) to (xx) which comprise of Acronyms and Glossary of Terms, Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water

The statement of profit or loss and other comprehensive income for the year ended 30 June 2024 reflects total revenue of Kshs.118,349,821 which includes operation revenue amount of Kshs.79,963,956 as disclosed in Note 6 to the financial statements. Analysis of the water production and billing records of the Company revealed that the Company produced a total of 1,202,689m³ but billed a total of 737,776 m³ leaving a total of 464,913m³ unaccounted for representing 39% of the total production which is above the maximum 25% acceptable level of Non-Revenue Water.

In the circumstances, Management was in breach of the law

2. Failure to Observe One Third Staff Establishment Rule

Review of the human resource records revealed that the Company had twenty eight (28) employees out of whom twenty five (25) were from the dominant ethnic community in the County representing 89% of the Company's workforce. This was contrary to Section 7(1) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and (2) No public establishment shall have more than one third of its staff from the same ethnic community

In the circumstances, Management was in breach of the law

3. Trade and Other Receivables

The statement of financial position reflect trade receivables balance of Kshs.25,008,529 as disclosed in Note 21 to the financial statements. It was noted that there was an increase of Kshs.7,041,086 or (39%) from the Kshs.17,967,443 which was reported in the previous financial year. Review of the ageing analysis provided shows that debts totaling to Kshs.12,810,242 representing 51% of the balance had remained outstanding for over 90 days implying that their recoverability was doubtful. This was contrary to Section 6.3 of the Company's financial policy manual that allows up to 60 days moratorium before payment for monthly bill or any other amounts due on contractual obligation. Further,

Management did not demonstrate tangible efforts towards recovery of the long outstanding debts or write off of the overdue debts.

In the circumstances, the recoverability of receivables balance of Kshs.25,008,529 reflected in the financial statements is doubtful and may negatively affect the operations of the company.

4. Long Outstanding Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs.18,694,397 which includes trade payables of Kshs.15,872,147, audit fees for the Office of the Auditor General of Kshs.1,920,000 and staff payables of Kshs.902,250 as disclosed in Note 28 to the financial statements. Aging analysis of the trade payables revealed that trade and other payables amounting to Kshs.8,919,619 had been outstanding for over 365 days. Management of the Company did not provide a settlement plan to be followed to settle the debts. Further, there was no evidence that the Company had engaged the creditors for non-payment of the debts.

In the circumstances, Management was in breach of the law

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether 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, where 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 The Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to 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 are 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the

International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

Kapsabet Nandi Water and Sanitation Company Ltd

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2024 kshs	2023 kshs
REVENUE			
Operation Revenue	6	79,963,956	47,505,770
Recurrent Grants	7	35,106,076	17,646,070
Other Income	8	3,279,789	5,074,495
TOTAL REVENUE		118,349,821	70,226,335
EXPENSES			
Operation Expenses	9	32,303,794	27,153,153
Staff Expenses	10	34,637,574	31,323,559
General Expenses	11	23,080,687	16,521,949
BOD Expenses	12	2,566,908	1,895,775
Repair & Maintenance Expenses	13	5,883,558	968,999
Provision for Depreciation	14(a)	2,393,830	2,239,635
Provision for Amortisation	15	-	-
TOTAL EXPENSES		100,866,351	80,103,069
PROFIT/(LOSS)		17,483,470	(9,876,735)
PROFIT (LOSS) BEFORE TAXATION	16	(14,442,544)	(25,283,170)
INCOME TAX EXPENSE/(CREDIT)		-	-
PROFIT/(LOSS) AFTER TAXATION	16	(14,442,544)	(25,283,170)
DIVIDEND PER SHARE		NIL	NIL
OTHER COMPEHENSIVE INCOME			
Profit/Loss after Taxation		-	-
Surplus/Deficit on Revaluation of PPE		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-

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For the year ended June 30, 2024

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Notes	2024 kshs	2023 kshs
ASSETS			
Non Current Assets			
Property, Plant & Equipment	14(a)	22,793,308	20,942,298
Intangible Assets	15	-	-
Sub Total		22,793,308	20,942,298
Current Assets			
Prepayment (Payables)	17	-	1,192
Inventory	18	1,272,898	271,702
Electricity Deposits	19	311,000	311,000
License Performance Guarantee	20	1,097,245	860,350
Trade & Other Receivables	21	25,008,529	17,967,443
Bank & Cash Balances	22	12,852,921	1,650,390
Sub Total		40,542,593	21,062,077
TOTAL ASSETS		63,335,901	42,004,375
EQUITY AND LIABILITIES			
Share Capital	23	100,000	100,000
Retained Earnings	24	11,547,895	(5,935,575)
Capital Grants	25	26,672,763	26,672,763
Capital and Reserves		38,320,658	20,837,188
Non Current Liabilities			
Water Deposits	26	6,077,500	5,579,000
Sub Total		6,077,500	5,579,000
Current Liabilities			
Prepayment (Receivables)	27	243,346	443,458
Trade & Other Payables	28	18,694,397	15,144,730
Sub Total		18,937,743	15,588,187
TOTAL EQUITY AND LIABILITIES		63,335,901	42,004,375

The financial statements were approved by the Board on 20th September 2024 and signed on its behalf by:


 Alfayo Lel
MANAGING DIRECTOR


 CPA Joyce Jepakoch
FINANCE MANAGER- ICPAK NO 10163


 Joseph Ng'etich
BOARD CHAIR

Kapsabet Nandi Water and Sanitation Company Ltd
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STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2024

	ORDINARY SHARE	CAPITAL GRANTS	RETAINED EARNINGS	TOTAL
AS AT JULY 1 2022	100,000	26,672,763	3,941,160	28,483,923
Profit/Loss for the year			(9,876,735)	(9,876,735)
AS AT JUNE 30,2023	100,000	26,672,763	(5,935,575)	18,607,188
				-
AS At JULY 1,2023	100,000	26,672,763	(5,935,575)	18,607,188
Profit for the year	-	-	17,483,470	17,483,470
Capital Grants	-	-	-	-
AS AT JUNE 30,2024	100,000	26,672,763	11,547,895	36,090,658

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STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2024

	Notes	2024 kshs	2023 kshs
Net Cash generated from /used in Operating activities	29 (1)	15,447,371	149,991
Investing Activities			
Acquisition of Property, Plant & Equipment	14(a)	(4,244,840)	(1,207,092)
Net Cash generated from / used in Investing Activities		(4,244,840)	(1,207,092)
Financing Activities			
Net Cash generated from / used in Financing Activities		-	-
INCREASE /DECREASE IN CASH & CASH EQUIVALENT		11,202,531	(1,057,101)
CASH & CASH EQUIVALENT AT BEGINNING OF THE YR		1,650,389	2,707,490
CASH AND CASH EQUIVALENT AT END OF THE YR	22	12,852,920	1,650,389

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STATEMENT OF COMPARISON OF BUDGET & ACTUALS AMOUNTS FOR FY 2023/24

ACCOUNT	ORIGINAL BUDGET	ADJUSTMENT	FINAL BUDGET	ACTUALS	PERFORMANCE DIFFERENCE	UTILIZATION %
Revenue						
Water Sales	47,400,000	31,944,000	79,344,000	79,963,956	(619,956)	101
Other Income	4,694,000	(2,234,000)	2,460,000	3,279,789	(819,789)	133
Grants	17,343,100	25,811,908	43,155,008	35,106,076	8,048,932	81
Loan	7,500,000	(7,500,000)	-	-	-	#DIV/0!
TOTAL INCOME	76,937,100	48,021,908	124,959,008	118,349,821	6,609,187	95
Expenditure						
Electricity	24,000,000	2,400,000	26,400,000	26,126,370	273,630	99
Chemicals	3,765,600	(122,400)	3,643,200	3,359,766	283,434	92
Operations & Maintenance	1,506,400	1,545,400	3,051,800	2,817,658	234,142	92
Salary and Wages	22,866,210	(3,527,770)	19,338,440	18,287,996	1,050,444	95
	7,767,994	6,192,314	13,960,308	14,061,848	(101,540)	101
Employers' Statutory Contr.	1,939,228	259,086	2,198,314	2,287,729	(89,415)	104
Staff Travelling, Lunch & Subs.	3,960,000	2,640,000	6,600,000	6,436,400	163,600	98
Staff Training & Workshop	300,000	270,000	570,000	557,374	12,626	98
Professional Fees	60,000	(27,000)	33,000	32,400	600	98
Uniform & Protective Equip.	214,000	42,000	256,000	245,850	10,150	96
Fuel & Lubricants	2,716,200	835,200	3,551,400	3,528,364	23,036	99
Water Quality	57,000	15,000	72,000	71,924	76	100
Printing & Stationery	680,550	19,500	700,050	698,995	1,055	100
Communication Services	2,004,000	(911,600)	1,092,400	1,053,396	39,004	96
Advertisement & Publicity	792,500	(632,000)	160,500	164,400	(3,900)	102
Welfare & Hospitality	1,132,000	907,600	2,039,600	2,030,767	8,833	100
Subscription Fees	75,000	96,000	171,000	170,000	1,000	99
License & Network	530,000	(408,000)	122,000	116,295	5,705	95
Audit Fees	232,008	-	232,008	232,000	8	100
Security	1,302,000	-	1,302,000	1,302,000	-	100
Insurance	550,000	(500,000)	50,000	-	50,000	-
AGM	144,000	36,000	180,000	-	180,000	-
Regulatory Levy	2,068,320	1,189,440	3,257,760	3,314,061	(56,301)	102
Abstraction Fees	636,000	(66,000)	570,000	444,960	125,040	78
NRW						
Company	1,157,500	(635,000)	522,500	474,000	48,500	91
WSF	17,939,700	-	17,939,700	-	-	-
Ownership Documentation	-	750,000	750,000	721,000	29,000	96
Legal Fees	150,000	(100,000)	50,000	-	50,000	-
CSR	-	25,000	25,000	25,000	-	100
Stake holders Exp	100,000	245,000	345,000	339,860	5,140	99
Consultancy Fees	300,000	100,000	200,000	190,700	9,300	95
Bank Charges	90,000	60,000	150,000	144,710	5,291	96
Provision for Bad Debts	180,000	630,000	810,000	786,232	23,768	97
Provision for Depreciation	2,340,000	60,000	2,400,000	2,393,830	6,170	100
BOD Allo. & Honoraria	1,779,552	(410,972)	1,368,580	1,277,428	91,152	93
BOD Expenses	1,150,000	142,000	1,292,000	1,289,480	2,520	100
Repairs & Maintenance	1,908,281	4,091,719	6,000,000	5,883,558	116,442	98
TOTAL EXPENSES	106,394,043	15,210,517	121,404,560	100,866,351	2,598,509	83

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:

❖ **Other Income (+33%)**

The company tariif changed and reconnection fees was doubled from kshs 500 to kshs 1,000

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Kapsabet Nandi Water and Sanitation Company Ltd

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❖ **Grants – (19 %)**

The Water Sector Fund did not remit funds as budgeted

❖ **Abstraction fees (-22%)**

The water abstracted reduced due power failures and outages

❖ **Legal fees (-100%)**

The company had no legal issue

❖ **Insurance (-100%)**

The company was assisted by the county Govt of Nandi

❖ **AGM (-100%)**

The company did not do AGM as planned in Fourth quarter

❖ **NRW-WSF (-100%)**

The entity did not transfer funds on time in the financial year

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

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

- ❖ Change of Tarriff
- ❖ Deployment of County staff to or from the company
- ❖ Non completion of Nandi Hills projects
- ❖ Price change

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 2024.

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.

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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.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

IFRS 18 Presentation and Disclosure in Financial statements

The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

iii. Early adoption of standards

The Company did not early – adopt any new or amended standards in year 2023/2024

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

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.

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Any un used grant has been recognized as un 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

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:

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Buildings	5%
Land	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.

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

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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.

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:

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- 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 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.

f. 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.

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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, 2024.

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 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

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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 like hood 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	2024 kshs	2023 kshs
6	OPERATING REVENUE			
	Scheme	Kapsabet	65,902,487	38,096,185
		Nandi Hills	14,061,469	9,409,585
	Total		79,963,956	47,505,770
7	RECURRENT GRANTS			
	Nandi County Govt:	Electricity	11,446,878	11,583,391
		Salary & Wages	14,061,848	6,062,679
	Water Sector Fund	CLSG II	9,597,350	-
	Total		35,106,076	17,646,070
8	OTHER INCOME			
	Meter Rent		421,650	2,448,750
	Fees & Charges		1,248,385	957,597
	Water Bowser		1,163,465	1,208,851
	Fittings		446,289	-
	Decrease in Provision for Debts	31		459,297
	Total		3,279,789	5,074,495
9	OPERATION EXPENSES			
	Electricity		26,126,370	21,909,561
	Chemicals		3,359,766	3,529,052
	Operation & Maintenance		2,817,658	1,714,540
	Total		32,303,794	27,153,153
10	STAFF EXPENSES			
	Salaries and Wages	Company	18,287,996	23,648,317
		County	14,061,848	6,062,679
	Employers' Statutory Contribution		2,287,729	1,612,563
	Total		34,637,574	31,323,559
11	GENERAL EXPENSES			
	Travelling, Lunches & Subsistence		6,436,400	3,710,190
	Staff Training & Workshops		557,374	99,600
	Professional Fees		32,400	31,500
	Staff Uniform & Protective Equipment		245,850	76,200
	Fuel & Lubricants		3,528,364	2,634,540

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Water Quality		71,924	23,200				
Printing & Stationery		698,995	718,285				
Communication Services		1,053,396	1,769,670				
Advertisement & Publicity		164,400	305,900				
Welfare & Hospitality		2,030,767	973,222				
Subscription Fee		170,000	75,000				
Annual License Fee		116,295	266,389				
Audit Fees		232,000	232,000				
Security		1,302,000	1,302,000				
Insurance		-	478,532				
Provision for Bad & Doubtful Debts	31	786,232	-				
Annual General Meeting		-	100,330				
Regulatory Levy (WASREB)		3,314,061	2,109,041				
Abstraction Fees (WRMA)		444,960	444,960				
Non Revenue Water		474,000	626,000				
Stakeholders Exp.		339,860	446,300				
Consultancy		190,700	-				
CSR		25,000	-				
Ownership Documentation		721,000	-				
Bank Charges		144,710	99,090				
Total		23,080,687	16,521,949				
12 BOD EXPENSES							
Directors Allowances & Honoraria		1,277,428	934,285				
Directors' Expenses		1,289,480	961,490				
Total		2,566,908	1,895,775				
13 REPAIR & MAINTENANCE EXPENSES							
Motor Vehicles		1,490,375	555,850				
Plant & Equipment		557,893	50,859				
Computers & Network		12,250	85,870				
Furniture		51,020	12,760				
Buildings		3,772,020	263,660				
Total		5,883,558	968,999				
14(a) PROPERTY, PLANT & EQUIPMENT							
ASSET	PLANT & METERS	MOTOR VEHICLES	BUILDINGS	FURNITURE FIXTURES	COMPUTERS & PRINTERS	OFFICE EQUIPMENT	TOTAL
Cost or Valuation							

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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
As at July 1,2023	12,088,660	1,134,400	18,142,197	1,691,888	3,477,106	1,608,092	38,142,343
Additions	2,610,500	-	914,340	365,000	-	355,000	4,244,840
As at June 30,2024	14,699,160	1,134,400	19,056,537	2,056,888	3,477,106	1,963,092	42,387,183
Depreciation							
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
As at July 1,2023	5,600,244	830,724	6,598,189	828,431	2,666,508	675,949	17,200,045
Charge for the Yr	1,137,365	75,919	622,917	153,557	243,179	160,893	2,393,830
As at June 30,2024	6,737,608	906,643	7,221,106	981,988	2,909,688	836,842	19,593,875
Net Book Value							
As at June 30,2024	7,961,552	227,757	11,835,431	1,074,900	567,418	1,126,250	22,793,308
As at June 30,2023	6,488,416	303,676	11,544,008	863,457	810,598	932,143	20,942,298

14(b) The ownership of the following assets is still with Lake Victoria North Water Works Development Agency and the transfer process is underway.

COST	PLANT & EQUIPMENT	MOTOR VEHICLES	BUILDINGS	FURNITURE FIXTURES	COMPUTERS OFFICE EQUIP	INFRASTARCTURE & PIPELINES	TOTAL
	17,150,000	21,165,836	32,850,000	1,221,000	1,572,500	821,350,000	895,309,336

15 INTANGIBLE ASSETS

	2024	2023
Cost	kshs	kshs
As at July 1,2022	3,000,000	3,000,000
Additions	-	-
As at June 30, 2023	3,000,000	3,000,000
As at July 1,2023	3,000,000	3,000,000
Additions	-	-
As at June 30, 2024	3,000,000	3,000,000
Amortisation		
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
As at July 1,2023	3,000,000	3,000,000
Charge for the year	-	-
As at June 30, 2024	3,000,000	3,000,000
Net Book Value		
As at June 30, 2024	-	-
As at June 30, 2023	-	-

16 TAXATION

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Profit /(Loss) for the year	17,483,470	(9,876,735)
Add-Non Allowable Expenses		
Depreciation/Amortisation	2,393,830	2,239,635
Provision for Bad & Doubtful Debts	786,232	-
Sub Total	20,663,532	(7,637,100)
Less: Non Taxable Income		
Grants	35,106,076	17,646,070
Wear & Tear Allowance	-	-
Sub Total	35,106,076	17,646,070
Taxable Income	(14,442,544)	(25,283,170)
17 PREPAYMENT (Payables)		
Kenya Power	-	1,192
Total	-	1,192
18 INVENTORIES		
Stationery	270,410	49,650
O & M materials	818,280	106,110
Chemicals	184,208	115,942
Total	1,272,898	271,702
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	1,097,245	860,350
Total	1,097,245	860,350
21 TRADE & OTHER RECEIVABLES		
Water Debtors	27,761,329	19,899,010
Less: Provision of Bad Debts (10%)	(2,776,133)	(1,989,901)
Staff Advances	23,333	58,334
Total	25,008,529	17,967,443
Water Debtors Aging Analysis		
Less than 30 days	10,112,559	3,460,628
31 - 60 days	3,143,745	1,277,617

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61 - 90 days			1,694,784	807,530
over 90 days			12,810,242	14,353,235
Total			27,761,330	19,899,010
22 CASH & CASH EQUIVALENT				
Cash at Hand				-
Cash at Bank				
Account NO	A/C Name	Bank		
1131111826	Revenue	KCB	22,208	72,853
1166504891	Expenditure	KCB	61,380	37,451
1166504514	Deposit	KCB	2,411,268	1,485,873
1177900262	Bowser	KCB	129,609	22,918
1314355198	CLSG II	KCB	9,597,879	-
1314355279	ESCROW	KCB	349,382	-
Sub Total			12,571,726	1,619,095
Pay Points				
0744130011694	Revenue	Post Bank	60,080	4,925
Cash at M PESA				
Pay Bill NO				
990720	Revenue	Safaricom	221,115	26,370
Total			12,852,921	1,650,390
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			(5,935,575)	3,941,160
Profit/(Loss) for the year			17,483,470	(9,876,735)
Balance C/F			11,547,895	(5,935,575)
25 CAPITAL GRANTS				
i Water Sector Fund	Asset	NO		
	Public Sanitation Facilities	3	14,123,848	14,123,848
Bal B/F	Water Kiosks	4	2,735,015	2,735,015
	Tablets	4	155,400	155,400
	Computer	1	53,500	53,500
Additions			-	-

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	Bal C/F		17,067,763	17,067,763
ii	Nandi County Government			
	Water Meters	1,590	6,455,000	6,455,000
	Bal B/F			
	Smart Phones	10	150,000	150,000
	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		5,579,000	5,462,000
	Additions		498,500	117,000
	Less: Refunds		-	-
	Balance C/F		6,077,500	5,579,000
27	PREPAYMENT (Receivables)			
	Water Consumers		243,346	443,458
	Total		243,346	443,458
28	TRADE & OTHER PAYABLES			
	Trade Payables		15,872,147	12,552,383
	OAG Kenya		1,920,000	1,920,000
	Staff/Directors Payables		902,250	672,347
	Total		18,694,397	15,144,730
29	NOTES TO STATEMENT OF CASH FLOWS			
i	Reconciliation of operating profit to cash generated from (used in) operations			
	Operating Profit/(Loss)		17,483,470	(9,876,735)
	Provision for Depreciation	13	2,393,830	2,239,635
	Operating Profit / (Loss) before Working Capital		19,877,300	(7,637,100)
	Increase/Decrease in Prepayment (Payables)	17	1,192	8,951
	Increase/Decrease in Inventories	18	(1,001,196)	55,578
	Increase/ Decrease in License Guarantee	20	(236,895)	-
	Increase/Decrease in Trade & other Receivables	21	(7,041,086)	4,386,381
	Increase in Water Deposits	26	498,500	117,000
	Increase/Decrease in Prepayment (Receivables)	27	(200,112)	49,053
	Increase /Decrease in Trade & other Payables	28	3,549,668	3,170,835
	Cash generated from/used in Operations		(4,429,929)	7,787,798
	Net Cash generated from /used in Operating activities		15,447,371	150,698

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ii Analysis of changes in Loans		
Balance B/F	-	-
Receipts during the year	-	-
Repayments during the year	-	-
Balance C/F	-	-
iii Analysis of changes of Cash and Cash Equivalent		
Short term Deposits		-
Cash at Bank	12,571,726	1,619,095
Cash at Paybill	281,195	31,295
Cash at Cash	-	-
Balance at end of the Year	12,852,921	1,650,390
30 PROVISION FOR BAD & DOUBTFUL DEBTS		
Water Debtors	27,761,329	19,899,010
Provision for Bad & Doubtful Debts (10%) for the year	2,776,133	1,989,901
Accumulated Provision Balance C/F	2,776,133	1,989,901
Accumulated Provision Balance B/F	1,989,901	2,449,198
Increase /Decrease in Provision	786,232	(459,297)

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

	2024 kshs	2023 kshs
i County Government of Nandi		
a Grants		
Electricity	11,446,878	11,583,391
Salaries & Wages	14,061,848	6,062,679
Sub Total	25,508,726	17,646,070
b Water Bills		

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Receivables	4,980,416	6,642,073
Sub Total	4,980,416	6,642,073
ii Water Sector Fund		
a Conditional Liquidity Support Grants		
CLSG -II	9,597,350	-
Sub Total	9,597,350	-
iii Government Institutions		
Water Bills	518,160	297,110
Sub Total	518,160	297,110
iv Lake Victoria North Water Works Authority		
Value of Assets with the Company	895,309,336	895,309,336
NBV of the Assets	706,977,432	706,977,432
v Directors & Key Management Compensation		
Directors' Allowances	1,277,428	934,285
Directors' other Expenses	1,289,480	961,490
Compensation to Key Management	6,207,828	6,552,661
Sub Total	8,774,736	8,448,436

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.

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

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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 2024				
Receivables from Exchange Transactions	27,761,329	13,256,304	14,505,025	-
Bank Balances	12,852,921	12,852,921	-	-
Total	40,614,250	26,109,225	14,505,025	-
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	-

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 2024				
Trade Payables	6,858,520	2,916,259	8,919,619	18,694,398
Provisions	3,180,062	-	-	3,180,062
Deferred Income	-	-	-	-
Total	10,038,582	2,916,259	8,919,619	21,874,460
At 30 June 2023				
Trade Payables	5,852,018	1,457,895	7,834,814	15,144,728
Provisions	2,239,635	-	-	2,239,635
Deferred Income	-	-	-	-
Total	8,091,653	1,457,895	7,834,814	17,384,362

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 instruments. The Company's Finance Department is responsible for the development of detailed risk

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management policies subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

a) Foreign currency risk

The Company has no foreign risk as it does not deal with foreign currency.

b) Interest rate risk

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

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

Sensitivity Analysis

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts.

The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

The Company did not keep any deposits that could earn interest but maintained current account only

iv. Capital Risk Management

The objective of the Company's capital risk management is to safeguard the Board's ability to continue as a going concern. The Company monitors capital using the gearing ratio calculated as net debt divided by total capital.

Net debt is the total of interest-bearing loans and borrowings, trade and other payables less cash and cash equivalents.

The Company capital structure comprises of the following funds:

ACCOUNT	2023-24	2022-23
	kshs	kshs
Revaluation Reserve	-	-
Retained Earnings	11,547,895	(5,935,575)
Capital Reserves	26,672,763	26,672,763
Share Capital	100,000	100,000
Total Funds	38,320,658	20,837,188
Total Borrowings	-	-
Trade Payables	18,694,397	15,144,730
Less: Cash and Bank Balances	(12,852,921)	(1,650,390)
Net debt/(excess Cash and Cash Equivalents)	5,841,477	13,494,339
Gearing Ratio-%	15	65

35. INCORPORATION

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

36 EVENTS AFTER THE REPORTING PERIOD

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

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APPENDIX

APPENDIX I PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The financial statements and reports for FY 2021-22 for the Company were audited and the draft report had a qualified opinion due to the following issues

NO	QUERY	COMMENTS	FOCAL PERSON	STATUS	TIME FRAME
1	Property, Plant & Equipment Ownership	The assets (land) to be transferred have been mapped out and the transfer process is on going	MD	Work in progress	Progressive
2	Water deposits and deposits bank account balance variance	The variance is due to the use of the deposits to pay for electricity bills and unremitted deposits from NYANAS and LVN. The company is building up on Deposit Account.	FM	Refunds to the deposit account will be work in progress	Progressive
3	Unresolved prior YR issues	The unresolved issues are being addressed progressively	GM	Partly resolved	Progressive
4	Non-Revenue water	Measures have been put in place to reduce water loss e.g., Master meters, quality pipes and urgent attendance to water bursts and leakages	CM/TM	Has reduced	Progressive
5	Noncompliance with staff Ethnic Diversity Law	The company will observe the rule in future recruitment	HRM	Future recruitment will follow the rule	Progressive
6	Long term Receivables	The company has put in place strategies to reduce on arrears.	CM	Grew	Progressive
7	Long outstanding Trade & other payables	The company has paid majority of its creditors	CM	Reduced significantly	Progressive
8	Unbalanced Budget	The company has balanced budget	FM	Resolved	Resolved