REPUBLIC OF KENYA

2

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NANYUKI WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2024

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NANYUKI WATER AND SANITATION COMPANY

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)

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1. Acronyms and Glossary of Terms

ICPAK	*Institute of Certified Public Accountants of Kenya*
IFRS	*International Financial Reporting Standards*
MD	*Managing Director*
PFM	*Public Financial Management*
PSASB	*Public Sector Accounting Standards Board*
WASREB	*Water Services Regulatory Board*

2. Key Entity Information

Background information

The enactment of the Water Act 2002 led to the creation of Water Services Regulatory Authority (WASREB), Water Service boards and Water Service Providers to spearhead the water sector reform programme. NAWASCO is a Water Service Provider, a company limited by shares and incorporated under the Companies Act of Kenya cap 486 and operates under supervision of County Government of Laikipia under water act 2016 where water provision became a devolved function. NAWASCO has been mandated by County Government of Laikipia through a Service Provision Agreement (SPA) to carry out water and sewerage services in Nanyuki town and its environs. The company takes charge of public resources in order to provide quality, affordable, reliable, sustainable and portable water and sanitation in the target community. NAWASCO is wholly owned by Laikipia County Government.

Principal activity

The mandate of NAWASCO is to ensure efficient and sustainable provision of quality and affordable water and sanitation services in Nanyuki and its environs.

Main business activity

The company's main business activity is captured in its strategic objectives which are:

1. Increase and sustain access to potable water and safe sanitation services,
2. Grow commercial and financial viability and sustainability,
3. Improve customer service experience,
4. Strengthen operational processes,
5. Strengthen human capital and promote innovation.

Directors

The members of the Board of Directors who served during the year are shown on page VI-VII

1	Martin Wahome Muchiri	Chairman	Appointed on 11th January 2023
2	Lawrence Ashford Nteere	Vice chairman	Appointed on 11th January 2023
3	Stephen Ndungu Munene	Member	Appointed on 11th January 2023
4	John Emmanuel Wangai	Member	Appointed on 11th January 2023
5	Mercy Muthoni Ndungu	Member	Appointed on 11th January 2023
6	Denis Kaniaru Mathenge	Member	Appointed on 11th January 2023
7	Robert Mworia	Member	Appointed on 11th January 2023
8	Mike Kingori	Company Secretary	27th Nov 2012
9	Eng. Kennedy Gitonga	Managing Director	

Company Secretary

CS Muriithi Kingori

Kingstone Registrars

P.O. Box 1494 –10400 Nanyuki.

Registered office

NAWASCO Building

Nanyuki – Meru Road

P.O. Box 995- 10400

Corporate headquarters

NAWASCO Building

Nanyuki – Meru Road

P.O. Box 995- 10400

Corporate contacts

Telephone: 254 06331351

Email: Nawascom@yahoo.com

Website: www.nawasco.co.ke

Principal Bankers

(a) Kenya Commercial Bank Limited
Nanyuki Branch
P.O. Box 323-10400
Nanyuki

(b) Equity Bank
Nanyuki Branch
P.O. Box 323-10400
Nanyuki

(c) Family Bank
Nanyuki Branch
P.O. Box 323-10400
Nanyuki

(d) Sidian Bank
Nanyuki Branch
P.O. Box 323-10400
Nanyuki

Independent Auditors

Auditor General

The office of Auditor General

Anniversary Towers, University way

P. O. Box 30084 – 00100

Nairobi

Principal Lawyer Advisor

The Attorney General

State Law Office, Harambee Avenue

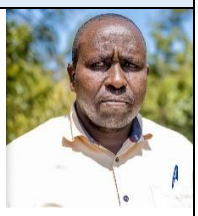
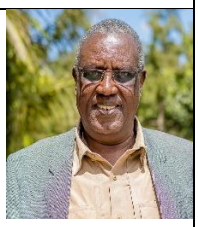
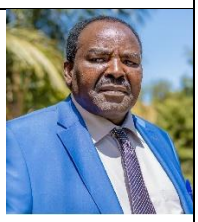
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City Square 00200

Nairobi.

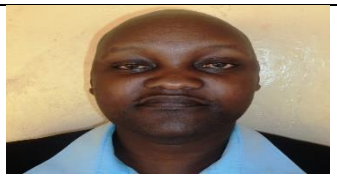
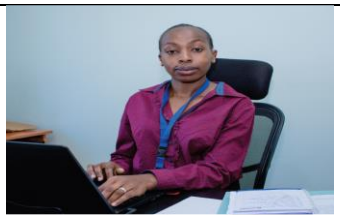
3. The Board Of Directors

The Board of Directors who held office during the year were:

	NAMES & ADDRESS	Representing	Remarks	D.O.B	Date of appointment	Qualifications	
1	Martin Wahome Muchiri P.O Box 995-10400 Nanyuki	Professional Organization	Chairman	1975	11th January 2023	Degree Building/Civil Engineering	
2	Lawrence Ashford Nteere P.O Box 995-10400 Nanyuki	Residents Organization	Member-Chairs Audit committee	1952	11th January 2023	Degree Civil Engineering	
3	Stephen Ndungu Munene P.O Box 995-10400 Nanyuki	Business Community	Technical Committee	1961	11th January 2023	BBM MBA	
4	John Emmanuel Wangai P.O Box 995-10400 Nanyuki	County Government	Finance Committee	1997	11th January 2023	LLB (Hons)	
5	Mercy Muthoni Ndungu P.O Box 995-10400 Nanyuki	Women Organizations	Finance Committee	1962	11th January 2023	BED	
6	Denis Kaniaru Mathenge P.O Box 995-10400 Nanyuki	Youth & PWD Organizations	Audit Committee	1990	11th January 2023	BED	
7	Robert Mworia P.O Box 995-10400 Nanyuki	County Government	Technical Committee	1964	11th January 2023		

8	Mike Kingori P.O Box 995-10400 Nanyuki	Company Secretary	Company Secretary	1969	27th Nov 2012	ICPS (K) MN.1948	
9	Kennedy Gitonga P.O Box 995-10400 Nanyuki	Managing Director	Managing Director	1976		Bsc (Civil Engineering	

4. Key Management Team

NO	MANAGEMENT	Designation	Y.O.B	Qualifications	
1.	Kennedy Gitonga P.O Box 995-10400 Nanyuki	Managing Director	1976	Bsc (Civil Engineering)	
2.	Wachira Gakuru P.O Box 995-10400 Nanyuki	Commercial Manager	6th Oct 1965	B.Com (Accounting option)	
3	Joseph Irungu Maina	Technical Services Manager	1st January 1979	MSc. Sanitation	
4.	Caroline Kihonge P.O. Box 995-10400 Nanyuki	Human Resource & Administration Manager	19th March 1982	LLB CHRP	
5.	CPA Paul Mwangi P.O. Box 995-10400 Nanyuki	Finance Manager	8th January 1971	B.A (Economics), CPA (K) MN.4931	

5. Chairman's Statement

It is my pleasure to release our annual report and financial statements for the year ended June 30, 2024. The period has had its challenges and it is quite evident that there exists a gap whereby capacity must be built to enable all parties appreciate the role of NAWASCO, its challenges and how the County Government can intervene.

Early in the period of reforms in the water sector (before year 2002), it was recognized that if water services were to be eventually sustainable so that operation and maintenance expenses could be covered, facilities rehabilitated and expanded so as to eventually cover every homestead, water services revenues were to be safeguarded and ring fenced so that they were ploughed back exclusively to the water sector to grow it. Please refer to chapter 1 and Chapter 2 of the National Water Services Strategy 2007 -2015. For the last 10 years Water Services Regulatory Board (WASREB) has been nurturing ring fencing of assets and revenues to ensure that the water companies are able to perform the services optimally.

- The Public view of NAWASCO as a profit-making organization. Procedures of tariff application which are based on bare cost recovery need to be clearly explained to them.
- The difference between irrigation and domestic water needs to be explained as the two have been seen as one and the same. There is an upsurge of irrigation water being used for domestic purposes. This is in contravention of the conditions under which irrigation water is licensed and the County Government should clarify and enforce adherence to the conditions under which irrigation water is licensed.
- There is need to instil the fact that the development of domestic water infrastructure is the mandate of the County Government of Laikipia as the tariff does not provide for heavy development expenditure.

Our vision, mission and core values are very clear, and it is my belief that our presence has already been felt in many households. This has been possible through the continued cooperation with all the stakeholders. NAWASCO will strive to ensure that the residents of its area of jurisdiction will have a 24 hours' water services every day.

We believe our good relations with our customers; good management principles and policies will always remain the driving force of our company in order to execute our mandate. This will ensure that we make a difference in the livelihood of our customers, a task I believe we are happy and willing to achieve. Currently we are within the strategic plan covering the year 2023 to 2028.

Finally, I would wish to extend my sincere gratitude to the NAWASCO Board of Directors, Water Services Regulatory Board, County Government of Laikipia, Ministry of Environment Water and Natural Resources and our customers for their support. I would also thank the management and staff of NAWASCO for their continued hard work over the financial year.

Thank you and God bless you all.

Martin Wahome Muchiri

Chairman, NAWASCO Board of Directors

6. Report of the Managing Director

Introduction

Following the enactment of the Water Act of 2002 that envisioned reforms in the water sector, Nanyuki Water and Sanitation Company Ltd, (NAWASCO) was created and registered under the Company's Act (Cap 486) on 6th of April 2006. The Service Provision Agreement (SPA) between County Government of Laikipia and NAWASCO was signed on 6th June 2006. Therefore, this made NAWASCO an agent of County Government of Laikipia.

The New County dispensation

We are now in a period where the new constitution is in effect and the function of water and sanitation services has been transferred to the County Government since the year 2015

Coverage

The Company's area of jurisdiction is 286km^2 with a population of about 134,043. Our coverage in terms of population is 96% and we call upon the County Government to intervene in this regard by funding our proposals to reach the un-served and underserved communities.

Challenges

Among our challenges is the fact that NAWASCO inherited a dilapidated infrastructure which requires extensive rehabilitation and whose funding requirements are beyond affordability. This has impacted heavily and resulted in a high level of Non-Revenue Water (NRW). This is contributed by undetectable underground leaks among other causes.

Performance

This year we achieved gross revenue of KShs.381million (year 2023 Kshs352million).

During the year, assets worth KShs.55million (Year 2023 Kshs 92million) were procured to increase efficiency and support growth.

The assets included drilling and equipping boreholes, computers, water pipeline and sewer line extensions, water meters and motor cycles.

The value of non-current assets increased by Kshs 8,751,489 or 3% while that of currents assets increased by Kshs 50,397,703 or 30%. This was largely due increase in trade and other receivables and bank and cash balances. On the other hand, current liabilities increased by Kshs 21,183,659 or 14% due to increase in trade and other payables.

Way forward

The management intends to focus on NRW management and a new source of surface water identified as Nanyuki river project to enable increase of billed volumes and revenue and staff training and performance appraisal to enable the company embrace best practices for improved efficiency in water and sewerage extensions to unserved areas.

Gratitude

Finally, I take this opportunity to thank NAWASCO stakeholders who through the Board of Directors have offered valuable oversight. I also thank Shareholders and the County Government of Laikipia for their support during the year, all our customers and suppliers who were all instrumental to our success this year. I am also grateful to our staff for their commitment in the running of the company. God bless you all.

ENG. KENNEDY GITONGA
MANAGING DIRECTOR

7. Statement of Performance against predetermined objectives of FY 2023/2024

NAWASCO's core-mandate is derived from section 78 (1) of the Water Act 2016 which stipulates:

a) Provision of water services within the area specified in the license; and
b) Development of county assets for water services provision.

The water coverage increased from **94%** to **96%** while Sewerage coverage increased from **35% to 44%.** The Company's revenue for the year amounted to **Ksh 381million** against projected budget of **Ksh 382million.** The company received grant income amounting to Kshs 32million against a target of Kshs 33million

The Company accomplished various activities/ projects guided by the Strategic Plan, Business Plan Tariff and other key County water initiatives including: -

i. NAWASCO was rated No. 1 out of 33 Large Water Utilities in Kenya as well as among the most improved water company of the year under WASREB Impact report 16. The company received 2 Awards for the same. NAWASCO scored 162/200 points, rated No. three (3) out of 89 water companies, nationally.
ii. Development of new Strategic Plan 2023/2028 and new Business Plan 2023/2025
iii. Increased 1,156 no new water connections and 400no. new sewer connections. This translates to 6% and 4% growth for water and sewer respectively.
iv. Minor water extensions and upgrade of 8,289.2m for water installed at Baraka, Taji, Ichuga -lane 3, Roma- Makutano, St Jude and Muthaiga areas and 850m for sewer extensions, mainly at Muthaiga, Livian CBD, Likii A and Taji. This facilitates new water and sewer connections for improved coverage
v. Construction of 2 No. Elevated steel tanks of 108m^3 each at Teachers V and Yard DEB elevated steel tank.
vi. Equipping and Solar Installation of Yard Borehole supported through GATSBY Africa.
vii. Meter servicing and replacement whereby 4,457no meters were serviced and 1,877no. meters replaced.
viii. Completion of construction of 1No Public Sanitation Facility (PSF) at Nanyuki Referral Hospital, Funded through Water Sector Trust Fund (Kshs 6.2million).
ix. NAWASCO Qualified for Conditional Liquidity Support Grant (CLSG) II by World Bank, through Water Sector Trust Fund of Kshs 34 million and has received 50% disbursement amounting to Kshs 17million to undertake the following projects
    -Construction of DN20 to DN90 45km Kilimo Teachers pipeline
    - Solarization of 2no boreholes
    -Rehabilitation of Temu & Emmanuel pipeline 24km DN20 to DN90 and 1,448 consumer meters
x. Renovation of Water Supply offices providing a better working environment for water quality staff.
xi. Training of all staff at different levels – On job and class training supported through GATSBY Africa.

xii. Reduction of Non-Revenue Water (NRW) from 30% in June 2023 to 28% in June 2024.

During the FY 2023/2024 NAWASCO received funding of **Ksh.1.5Million** from GATSBY**, Kshs 0.5million** for completion of public sanitation project and 50% of the approved WSTF Conditional Liquidity programme amounting to Kshs 17million.

Key partnerships with donors including WSTF among others have been maintained. NAWASCO also works closely with other government agencies namely NEMA, WRA, Public works, Public Health, Central Rift Valley Water works development agency and WASREB.

Overall, the company has achieved most of the intended objectives during the year, in line with the Strategic Plan as outlined under section 6 of this report.

NAWASCO develops its annual work plans based on the five strategic objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis.
The table below indicates the status of projects undertaken within the year;

Key projects implemented under this objective include:

(i) **Water and Sewer Extensions**: The water and sewer extensions were done through internal funds whereby minor water extensions and upgrade of **8,289.2m** for water installed at Baraka, Taji, Ichuga -lane 3, Roma- Makutano, St Jude and Muthaiga areas and **850m** for sewer extensions, mainly at Muthaiga, Livian CBD, Likii A and Taji.

(ii) **Construction of 2no Elevated Steel tanks (108m^3) at Teachers-V& at Yard Borehole**: The tank at Teachers V is substantially complete which will serve approximately 1,500 people, which contributes to increasing the service hours for customers in the area. The construction of the Elevated tank at Yard borehole is on-going at 45% completion stage.

(iii) **Completion of Construction of 1No Public Sanitation Facility (PSF)** at Nanyuki Referral Hospital, funded through Water Sector Trust Fund (Kshs 6.2million) out of which NAWASCO has contributed **Kshs. 796,237.** The PSF will mainly serve the public attending the mortuary, the businesses around the area including adjacent construction materials site.

8. Corporate Governance Statement

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

NAWASCO is committed to ensuring compliance with the provisions of the water act 2002 among other regulatory and supervisory corporate governance requirements. Essential to the establishment of a good governance framework are formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision-making process, assessment and improvement of compliance.

Board of Directors

The structure of NAWASCO starts with the Board of Directors representing various stakeholders' interests. The Board of Directors exercises leadership, enterprise, integrity and judgment in directing NAWASCO.

The Board of Directors is expected to determine the purpose and values of NAWASCO, determine the strategy to achieve that purpose and implement its values in order to ensure the company sustainability and growth.

The Board of Directors is expected to enhance the corporate governance practices in running of NAWASCO to bring the level of governance in the company in line with international standards. The essence of corporate governance is to protect stakeholder's interests.

Board committees

In ensuring the corporate governance of NAWASCO is enhanced and that the power of NAWASCO is exercised in the stewardship of the company's total portfolio of assets and resources with the objective of maintaining stakeholder's value, the Board of Directors have constituted the following committees.

a) Finance and Administration committee

It's the function of the staff and establishment committee to ensure that NAWASO has the right staff at the right place and doing the right thing. More so, the committee will ensure that the staff welfare is taken care of.

The committee also oversees the financial reporting process, internal controls and efficient allocation and utilization of resources. The members of the board who served on this committee during the year under review were:

1. John Emmanuel Wangai
2. M/S Mercy Muthoni Ndungu

b) Technical and Strategic Committee

The committee ensures that there is adequate operations and maintenance, including infrastructure improvement geared towards customer satisfaction. The members of the board who served on this committee during the year under review were:

- Stephen Ndungu Munene

- Robert Mworia

c) Audit, risk management and governance committee

The audit risk management and governance committee shall assist the board of directors in the oversight and maintaining the integrity of the financial statements of the company. Enhancing the effectiveness of the internal control over financial reporting. Strengthening the performance of the company's internal audit function and ensuring the company's compliance with legal and regulatory requirements. The members of the board who served on this committee during the year under review were:

- Rtd Col Lawrence Ashford Nteere
- Denis Kaniaru Mathenge

The Board is also governed by a Board Charter.

Board meetings

The following is a list of Board Meetings that were held during the year.

Period	**Date**	**Meeting**	**Meeting Attendance**
1st Quarter	13th September 2023	Technical committee & Strategic committee	2 members
	31st May 2023	Audit risk & compliance committee	2 Members
	5th July 2023	Finance & Administration Committee	1 members
	27th September 2023	Audit risk & compliance committee	2 Members
	28th September 2023	Finance & Administration Committee	1 members
2nd Quarter	6th December 2023	Technical committee & Strategic committee	2 members
	30th November 2023	Audit risk & compliance committee	2 Members
3rd Quarter	7th February 2024	Full Board	7 Members
	14th February 2024	Full Board	7 Members
	22nd February 2024	Full Board	5 Members
	2nd March 2024	Full Board	7 Members
	5th March 2024	Full Board	7 Members
	5th March 2024	Audit risk & compliance committee	2 Members
	11th March 2024	Full Board	7 Members
	13th March 2024	Full Board	7 Members
	19th March 2024	Full Board	7 Members
	10th January 2024	Finance & Administration Committee	1 Members
	16th March 2024	Technical committee & Strategic committee	2 members

4th Quarter	7th April 2024	Full board	7 Members
	22nd April 2024	Full board	7 Members
	7th May 2024	Full board	7Members
	13th May 2024	Full board	7 Members
	12th April 2024	Finance & Administration Committee	2 Members
	24th June 2024	Full Board	6 Members
	18th June 2024	Audit risk & compliance committee	2 Members
	20th June 2024	Technical committee & Strategic committee	2 Members

Statement of compliance

The Board of Directors confirms that the company has throughout the year FY 2023/2024 complied with all statutory and regulatory requirements and that the company has been managed with the principles of good corporate governance.

Internal control and risk management

Internal Control

The directors are responsible for reviewing the effectiveness of the company's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Standing Instructions

The Company has a Code of Ethics and Service Charter that is applicable to all employees. These are two of a number of Standing Instructions to employees of the company designed to enhance internal control.

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the company can meet its future management requirements.

Strategic Plan

The business of the company is determined by the Strategic Plan. The Strategic Plan sets out the objectives of the company, and the annual targets to be met to attain those objectives. The Strategic

Plan is evaluated annually to assess the achievement of those objectives. The Board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

The company continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the company, is approved by the Audit Committee.

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Audit Committee ensures that management takes an appropriate action. No significant failings or weaknesses were identified during yr. 2023/24.

Risk Management

The company has a structure and process to help identify, assess and manage risks. The process was in place for the period up to the time this report was approved. This team reviews all the risks in the Trust Fund and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the Audit Committee to assist the Board in the management of risk.

Management Team

The management team headed by the Chief Executive Officer implements the Boards decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Board's objectives are achieved effectively and efficiently. Such policies developed include the Anti-corruption policy, Disability, Gender and HIV mainstreaming, the ICT policy among others.

Auditor

The company is audited by the Auditor-General.

9. Management Discussion and Analysis

The Company developed a strategic plan and business plan for the period 2023-2028 and it's in the process of acquiring a gazetted tariff to guide the operations and execution of its mandate after the current tariff expired in June 2023.

The operation and financial performance of the company for the last financial year is as analysed below;

a) Collections During the 2023/2024 FY (Kshs. in Million)

NAWASCO total collection for Water, sewer, standing charges and other billings for the FY 2023/2024 amounted to **Kshs. 369,795,917** as outlined in the table below.

NAWASCO ANNUAL COLLECTION- FY 2023/2024

Month-year	Water	Sewer	Standing -Charges	Other billings	Grand Total
Jul-23	23,573,345	6,348,082	425,659	2,906,705	33,253,791
Aug-23	25,736,971	4,412,970	427,255	2,259,310	32,836,505
Sep-23	25,999,726	10,773,607	406,573	2,045,696	39,225,602
Oct-23	17,923,091	4,940,620	424,295	1,929,780	25,217,785
Nov-23	28,663,029	8,527,721	424,954	2,040,087	39,655,791
Dec-23	14,867,554	4,130,162	439,266	1,888,688	21,325,571
Jan-24	22,409,576	5,513,019	503,275	2,777,291	31,203,161
Feb-24	27,985,581	10,734,148	484,222	2,431,469	41,635,421
Mar-24	19,133,082	5,100,402	472,815	1,835,492	26,541,791
Apr-24	20,339,613	5,385,754	472,830	1,951,207	28,149,405
May-24	18,977,427	5,740,240	503,520	2,201,332	27,422,518
Jun-24	15,956,033	4,908,717	488,849	1,974,878	23,328,477
Grand Total	**261,565,027**	**76,515,442**	**5,473,513**	**26,241,935**	**369,795,916**

b) Non-Revenue Water

During the F/Y 2023/2024, the total water produced during the year was **4,053,049 m^3** while Volume billed was 2,916,973**m^3** translating to annual Non-Revenue Water of **28%.** However, the moving average for the 1nst quarters was 24%. The hike in the last three quarters was due to relatively continuous rains leading to

high production volume while at the same time had a drop-in demand in some areas leading to increased pressures in the system contributing to frequent bursts.

Table 2.2.5 Water production summary by source: FY 2023/ 2024

Water source	**M^3**	**Total**
Surface water	3,903,059	3,903,059
Groundwater	149,990	149,990
Total	**4,053,049**	**4,053,049**

Table 2.2.6 Non-Revenue Water Analysis -per Quarter – FY 2023/2024

Description	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Water production m^3)	966,861	1,012,278	1,053,207	1,020,703	4,053,049
Water Billed (m^3)	732,539	711,106	753,278	720,050	2,916,973
Non-Revenue Water (m^3)	234,322	301,172	299,929	300,653	1,136,076
NRW (%)	24%	30%	28%	29%	28%

Graphical representation of the monthly NRW Trend-FY 2023/2024

Table 4.1.- WASREB NRW Ranking

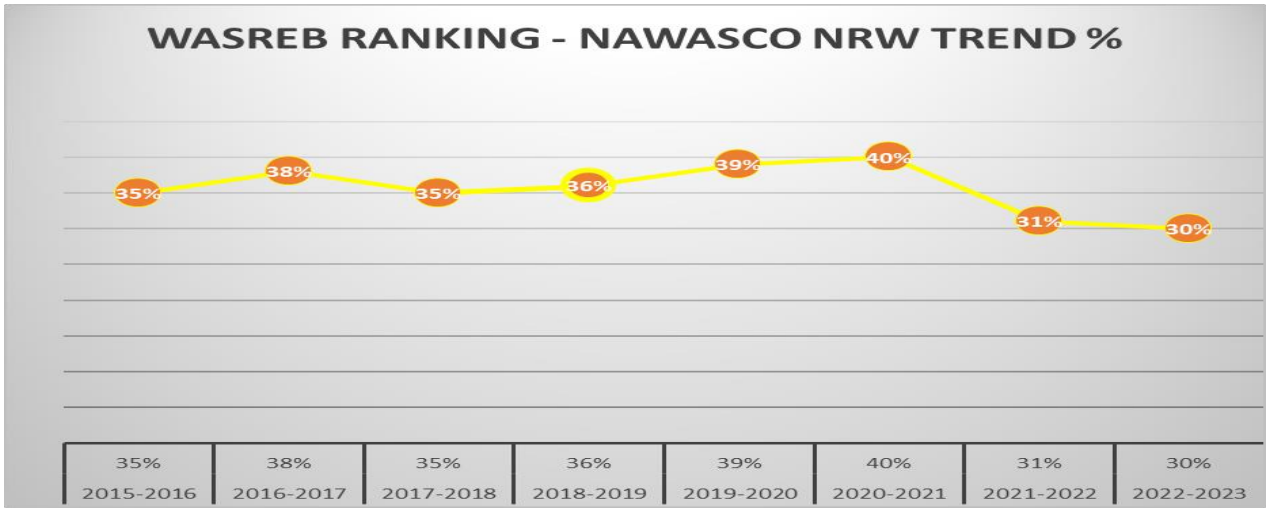


Table 4.2.- NRW moving average FY 23/24 at 28 %

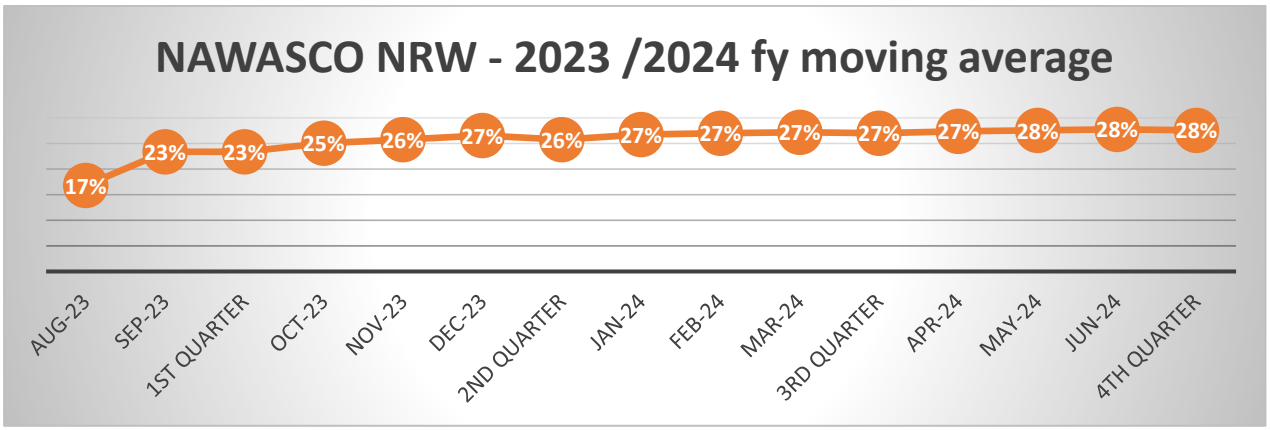
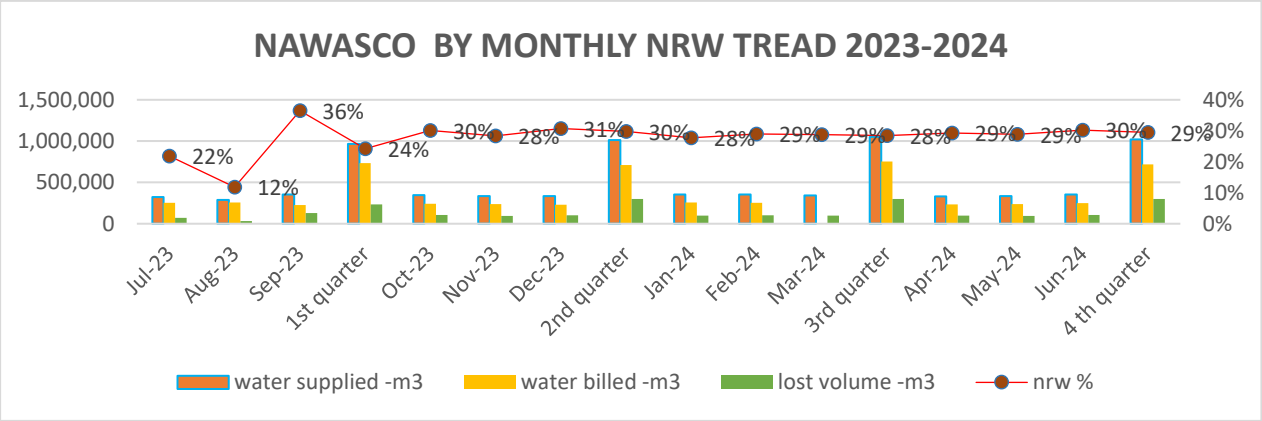
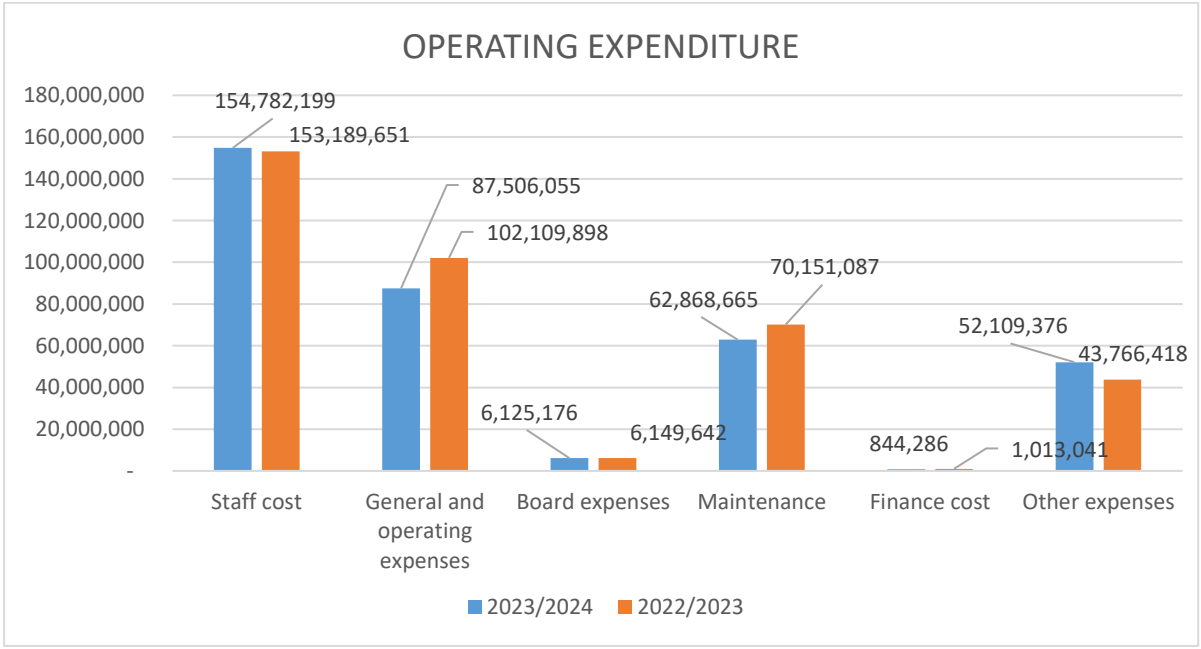


Table 4.3 - Bi-Monthly NRW Tread



Cost Summary for the FY 2023/2024

Chart presentation of expenditure for the FY 2023/2024.



10. Environmental and Sustainability Reporting

Nawasco exists to transform lives by sustainably providing excellent water and sanitation services through professional and competitive practices to the satisfaction of the stakeholders. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer / Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) **Sustainability strategy and profile -**

The Company mainstreams sustainability issues for all new projects to ensure project is self-sustaining through visibility studies, commercial viability and project ownership.

The company ensures good governance and political goodwill and buy in.

The company has put in place structures for tracking impact during and after project implementation.

ii) **Environmental performance**

The Company has effluent discharge control plan which guides how waste is discharged back to water bodies. Nawasco is currently developing environmental policy.

Testing is done internally at waste water lab and externally at KEBS, SGS, Government central laboratory and certificates are issued.

The results from the analysis have been within the required standards attributable to the efficiency of sewer treatment plant

During the rainy season, surface run off water at times finds its way to the waste water treatment plant causing system overload therefore incomplete treatment.

Silt deposition causes blockage resulting in law sewer spillage in the estates.

Such challenges are attended to promptly by the maintenance team to reduce environmental impact

iii) **Employee welfare**

The Company has an approved Human resources manual that guides hiring process taking into account gender and ethnicity balance and is reviewed annually.

Within the HRM there is a performance management system that takes into account training needs, appraisal and performance reward.

The company has OSHA which complies with Occupational Safety and Health Act of 2007, (OSHA).

iv) **Market place practices-**

Nawasco ensures the following are adhered to;

a) **Responsible competition practice.**

The company strictly follows Public procurement and disposal act and code of ethics.

b) **Responsible Supply chain and supplier relations**

The company strictly follows Public procurement and disposal act and procurement policy and plan.

c) **Responsible marketing and advertisement**

The company involves itself in fair marketing and advertisement as outlined in PPDA through accredited media house and systems.

d) Product stewardship

The company has customer contracts with obligation of both parties and customer charter outlining clear service levels. All this is geared towards safeguarding consumer rights and interests.

- **Corporate Social Responsibility / Community Engagements**

The Company undertakes various CSR activities and stakeholders' engagements through issue of tree seedlings towards environmental conservation and communal water points in high risk areas.

11. Report of the Directors

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

i. Principal activities

The principal activities of the company are the provision of water and sanitation services

ii. Results

The results of the company for the year ended June 30,2024 are set out on pages 1-89. Below is summary of the profit or loss made during the year.

iii. Dividends

The company has not declared dividends for the year ended 2024 as the Company is an agent of the County Government of Laikipia.

iv. Directors

The members of the Board of Directors who served during the year are shown on page vi. In accordance with Regulation 66 of the company's Articles of Association.

- **Auditors**

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

By Order of the Board

.....

Name

Company Secretary/Secretary to the Board

Date: 26.09.2024

12. Statement of Directors' Responsibilities.

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 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; and
vi. Making accounting estimates that are reasonable in the circumstances.

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

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 financial statements were approved by the Board on 26/09/ 2024

its behalf by:

.....	.....
Name	**Name**
Chairperson of the Board	**Managing Director**

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NANYUKI WATER AND SANITATION 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 Nanyuki Water and Sanitation Company Limited set out on pages 1 to 43, which comprise 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 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 Nanyuki Water and Sanitation 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 (IFRS) and comply with the Public Finance Management Act, 2012, the Companies Act, 2015 and the Water Act, 2016.

Basis for Qualified Opinion

Unsupported Customer Deposits

The statement of financial position and as disclosed in Note 24 to the financial statements reflects Kshs.32,600,333 in respect to refundable deposits and prepayments. However, the Water Company as at 30 June, 2024 had cash and bank balances totalling Kshs.29,059,476 which was evidently below the customer refundable deposits by Kshs.3,540,857 and clearly the refundable deposits and prepayments balance was not supported with a bank balance with adequate funds to cover the customers' requests.

In the circumstances, the refundable deposits and repayments balance could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Nanyuki Water and Sanitation 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 as at 30 June, 2024 reflects total budgeted revenue of Kshs.422,105,489 and actual revenue of Kshs.414,807,317 resulting to under realization of Kshs.7,298,172.

Similarly, the same statement reflects total budgeted expenditure of Kshs.422,105,489 and actual expenditure of Kshs.420,830,996 resulting to under absorption of Kshs.1,274,493.

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

My opinion is not modified in respect of these 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

Prior Year Unresolved Issues

In the previous year's audit report one (1) issue was raised under Basis for Qualified Opinion, one (1) paragraph under Emphasis of Matter, one (1) paragraph under Other Matter and six (6) paragraphs under Report on Lawfulness and Effectiveness in Use of Public Resources. However, the matters remain unresolved since the relevant parliamentary committee has not sat and deliberated on them.

Other Information

The Management is responsible for the other information set out on page iii to xxi which comprise of Key Entity Information, Key Management Team, Chairman's statement, Report of the Managing Director, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and the 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.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

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

As previously reported, Note 6 to the financial statements reflects Kshs.381,831,698 in respect of operating revenue which includes Kshs.230,399,449 on water sales for the year ended 30 June, 2024. Records provided for audit show that the Company produced a total of 4,052,811 cubic meters (M^3) out of which only 2,916,780 (M^3) cubic meters were billed to the customers.

The balance of 1,136,031 cubic meters (approximately 28 %) of the total water produced with a sale price of Kshs.89,746,449 at an approximate sales price of Kshs.79 per cubic meter represents the Non-Revenue Water (NRW), which is over and above the allowable loss of 25% as provided by schedule E of Water Service Regulatory Board (WASREB) guidelines.

In the circumstances, the Company exceeded the allowable NRW loss of 25% by 3% or approximately Kshs.9,702,330 worth of water which if not addressed will negatively impact the Company's profitability and its long-term sustainability.

2. Non-Compliance with Fiscal Responsibility Principles on Wage Bill

As previously reported, the statement of profit or loss & other comprehensive income and as disclosed in Note 9 to the financial statements reflects staff costs amount of Kshs.154,782,199, representing 42% of the total expenditure of Kshs.365,570,583 which is higher than the recommended ratio prescribed by Section 3.9 (10) of the Water Service Regulatory Board (WASREB) Corporate Governance Guidelines, 2018 which states that, when fixing remuneration of the staff the total expenditure for each financial year must not exceed the benchmarks set for the services sector nationally, so that staff cost as share of operations and maintenance cost shall be contained within the 35%.

In the circumstances, the excess staff costs may impact negatively on the Company profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable level

3. Non-Adherence to Ethnic Balance Requirement

Review of the human resources records revealed that the Company had a total of 124 employees out of which one ethnic community held ninety-three (93) or approximately (75%) accounting for more than one third of the total staff contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, Management was in breach of the law

4. Non-Remittance of Pension Deductions

Note 9 to the financial statements reflect Kshs.154,782,199 which includes Kshs.7,630,044 and Kshs.16,243,618 all totalling Kshs.23,873,662 in respect of deductions recovered from staff salaries for onwards remittance to LAP Fund and LAP Trust respectively.

However, as at the time of audit the Water Company had not remitted the pension deductions contrary to Section 19(4) of Employment Act cap 226 which provides that an employer who deducts an amount from an employee's remuneration shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be.

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

5. Long outstanding Trade and other Receivables

Note 19(a) to the financial statements reflects gross trade receivables balance of Kshs. 211,900,090. An aging analysis reveals that Kshs.13,991,150 and Kshs.143,850,932 representing 7% and 68% of these debts have been outstanding for between 91 and 120 days and over 120 days respectively. However, there was no evidence that the Company had taken adequate or proactive steps to collect these long-outstanding debts, such as implementing debt collection incentives or initiating legal actions.

Furthermore, there is no record of the company engaging a debt collector, despite this being a stipulated requirement under Section 4.6 of Nanyuki Water Company's Debt Management Policy.

In the circumstances, If the Company fails to enforce collection of these long-outstanding debts, it may face significant strain on its working capital.

6. Long Outstanding Trade and other Payables

The statement of the financial position and as disclosed in Note 23 to the financial statement reflects Kshs 128,311,749 in respect of trade and other payables. However, the ageing analysis shows that 10% or approximately Kshs.12,831,175 has remained outstanding for periods over 3 years without being paid.

In the circumstances, non-settlement of the company debts for an extended period of time may suggest possible liquidity issues and ineffective working capital management.

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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my

report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Information, Communication and Technology (ICT) Environment

Review of the Company's Information Communication Technology (ICT) environment as at 30 June, 2024 revealed that although the company had several systems service providers, there was no evidence that the water company has in place an IT steering committee which is critical in performing functions such as market survey, analyzing equipment and software specification and giving a general direction on Information and communication technology to the company.

In the circumstances, the effectiveness of Information and communication technology control could not be confirmed.

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 my audit, that:

i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
ii. The information given in the Directors' report on pages xix to xx is consistent with the financial statements; and
iii. The auditable part of the Directors' remuneration report has been properly prepared in accordance with the Companies Act, 2015.

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal controls 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 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 comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance 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 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

30 December, 2024

14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024.

	Note	*2023/2024*	*2022/2023*
		Kshs	**Kshs**
Revenue			
Operating Revenue	6	381,831,698	352,950,951
Grants Income	7	32,975,619	34,885,267
Other Income	8		4,711,180
Total Revenue		**414,807,317**	**392,547,398**
Expenses			
Staff Costs	9	154,782,199	153,189,651
General and Operations expenses	10	87,506,055	102,106,857
Board Expenses	11	6,125,176	6,149,642
Maintenance Expenses	12	62,868,665	70,151,087
Finance Costs	13	844,286	1,013,041
Depreciation and Amortization & Provisions	14	53,444,202	43,766,417
Total Expenses		**365,570,583**	**376,376,695**
Profit/(Loss) Before Taxation		**49,237,734**	**16,170,703**
Net profit from enterprise	15	**4,931,827**	**1,444,248**
Net profit		**54,169,561**	**17,614,951**
Earnings Per Share – Basic and Diluted		-	-
Dividend per share		-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		-	-
Surplus Or Deficit on Revaluation Of PPE		-	-
Re measurement Of Net Defined Benefit Liability		-	-
Total Comprehensive Income for The Year		**54,169,561**	**17,614,951**

15. Statement of Financial Position as at 30 June 2024

	Note	*2023/2024*	*2022/2023*
		Kshs	**Kshs**
Assets			
Non-current assets			
Property, plant and equipment	16	317,224,266	306,727,167
Intangible assets	17	-	1,745,610
Total non-current assets		**317,224,266**	**308,472,777**
Current assets			
Inventories	18	5,807,423	10,282,697
Trade and receivable	19	181,036,075	141,861,592
Bank and cash balances	20	29,059,476	13,360,982
Total current assets		**215,902,974**	**165,505,271**
Total Assets		**533,127,240**	**473,978,048**
Equity and liabilities			
Capital and Reserves			
Ordinary share capital		100,000	100,000
Capital reserve		157,938,935	157,938,935
Grants		68,615,242	82,338,291
Retained earnings		130,475,842	76,306,281
Capital and Reserves		**357,130,019**	**316,683,506**
Non-current liabilities			
Deferred tax liability		-	-
Borrowings	21	1,792,404	4,116,862
Lease liability		-	-
Provisions	22	5,350,112	5,506,634
Retirement benefits		-	-
Total non-current liabilities		**7,142,516**	**9,623,496**

	Note	*2023/2024*	*2022/2023*
		Kshs	**Kshs**
Current liabilities			
Borrowings	21	2,215,985	2,215,985
Provisions	22	5,726,638	3,633,594
Trade and other payables	23	128,311,749	112,999,984
Refundable deposits and Prepayments	24	32,600,333	28,821,483
Total current liabilities		**168,854,705**	**147,671,046**
Total equity and liabilities		**533,127,240**	**473,978,048**

The financial statements were approved by the Board on 26/9 2024 and signed on its

.....	.....	.....
Name	*Name*	*Name*
Managing Director	**Head of Finance**	**Chairman of the Board**
	ICPAK M/No: 4931	

16. Statement of Changes in Equity for the Year Ended 30 June 2024

	Notes	Ordinary share capital	WSTF	Capital Reserves	Revenue Reserves	Total
As at 1st July 2022		**100,000**	**96,061,339**	**157,938,935**	**58,691,330**	**312,791,603**
Grant income amortization		-	(13,723,048)	-	-	(13,723,048)
Profit for the year		-	-	-	17,614,951	17,614,951
As at June 30, 2023		**100,000**	**82,338,291**	**157,938,935**	**76,306,281**	**316,683,506**
As at July 1, 2023		**100,000**	**82,338,291**	**157,938,935**	**76,306,281**	**316,683,506**
Grant Income amortization		-	(13,723,048)	-	-	(13,723,048)
Profit /loss for the year		-	-	-	54,169,561	54,169,561
At June 30, 2024		**100,000**	**68,615,242**	**157,938,935**	**130,475,842**	**357,130,019**

17. Statement of Cash Flows for the Year Ended 30 June 2024

	Note	*2023/2024*	*2022/2023*
		Kshs	***Kshs***
Cash Flows from Operating Activities			
Receipts			
Operating Receipts	6(i)	369,795,917	378,872,547
Grants Income	7	19,252,571	21,162,219
Customer Deposits	24	8,544,450	6,857,000
Total Receipts		**397,592,938**	**406,891,766**
Payments			
Staff Costs	9	154,782,199	153,189,651
General And Operation Expenses	10	87,506,055	102,106,857
Board Expenses	11	6,125,176	6,149,642
Maintenance Expenses	12	62,868,665	70,151,087
Finance Costs	13	844,286	1,013,041
Refund Of Customer Deposits	24	4,765,600	5,989,318
Total Payments		**316,891,981**	**338,599,596**
Net Cash From/ (Used In) Operating Activities		**80,700,957**	**68,292,170**
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	16	(55,260,413)	(66,789,182)
Proceeds From Disposal Of PPE		-	-
Purchase Of Intangible Assets		-	-
Purchase Of Investment Property		-	-
Purchase Of Quoted Investments		-	-
Proceeds From Disposal of Quoted Investments		-	-
Net Cash From/ (Used In) Investing Activities		**(55,260,413)**	**(66,789,182)**
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital		-	-
Refunds to Internal Borrowings	21	(7,417,592)	6,985,739
Repayment Of Borrowings	21	(2,324,458)	(2,215,985)
Dividends Paid		-	-
Net Cash From/(Used In) Financing Activities		**(9,742,050)**	**-**
Increase/(Decrease) In Cash and Cash Equivalents		**15,698,494**	**6,272,742**
Cash And Cash Equivalents At Beginning Of Year	20	**13,360,982**	**7,088,240**
Effects Of Foreign Exchanges Rate Fluctuations		-	-
Cash And Cash Equivalents At End of the Year	20	**29,059,476**	**13,360,982**

18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024

	Original budget	Adjustments	Final budget	Actual on comparison basis	Performance difference	% of utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	a	b	C=a+b	d	E=c-d	f=d/c %
Revenue						
Operating revenue	338,454,078	5,762,001	344,216,079	339,951,562	4,264,517	99%
None operating revenue	46,628,388	-4,654,000	41,974,388	41,880,136	94,252	100%
Total	**385,082,466**	**1,108,001**	**386,190,467**	**381,831,698**	**4,358,769**	99%
Grant	34,347,813	1,567,209	35,915,022	32,975,619	2,939,403	92%
Total revenue	**419,430,279**	**2,675,210**	**422,105,489**	**414,807,317**	**7,298,172**	98%
Expenses						
Staff cost	154,798,957	361,937	155,160,894	154,782,199	378,695	100%
General & operating expenses	87,480,000	30,000	87,510,000	87,506,055	3,945	100%
Board expenses	6,313,074	0	6,313,074	6,125,176	187,898	97%
Maintenance	62,300,482	1,200,000	63,500,482	62,868,665	631,817	99%
Finance cost	1,292,150	-397,140	895,010	844,286	50,724	94%
Depreciation and amortization	53,445,616	0	53,445,616	53,444,202	1,414	100%
Total expenditure	**365,630,279**	**1,194,797**	**366,825,076**	**365,570,583**	**1,254,493**	100%
Capital expenditure	53,800,000	1,480,413	55,280,413	55,260,413	20,000	100%
Total expenditure	**419,430,279**	**2,675,210**	**422,105,489**	**420,830,996**	**1,274,493**	100%

Note: PFM Act section 164(2) ii and iv requires a County Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available.

However, for public sector entities, the PSASB (PUBLIC SECTOR ACCOUNTING STANDARDS BOARD) has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

Budget notes: The percentage utilization on our budget estimates were within 90 percent utilization thresholds.

19. Notes to the Financial Statements

1) General Information

Nanyuki Water & Sanitation Company Limited was established by and derives its authority and accountability from water Act 2002 now repealed by Water act 2016. The Company is wholly owned by the County Government of Laikipia and domiciled in Kenya. The Company's principal activity is distribution of water and provision of sanitation services to the residence of Nanyuki town and its environs.

2) Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Company*'s* accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company and all values are rounded to the nearest thousand (Kshs'000).

The financial statements have been prepared in accordance with the companies act, the PFM act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the financial statements (continued)

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

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that	Effective for annual periods beginning on or after 1st January 2023.

Title	Description	Effective Date
	entities provide relevant information in a way that faithfully represents those contracts. *The Company does not issue insurance contracts.*	
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their **materia**l accounting policy information rather than their **significant** accounting policies. Nanyuki Water and Sanitation company has not changed the accounting policy.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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

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

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

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

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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021/2022

4) Summary of Accounting Policies

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

a) Revenue recognition

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

i) **Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.

ii) **Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

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

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

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

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

b) In-kind contributions

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

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued

amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Plant and machinery	8	12.5%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	3	30%
Office equipment, furniture and fittings	8	12.5%
Tractors & trailers	4	25%
Equipment's, safe & cabinet	8	12.5%
Water systems	8	12.5%
Building	8	12.5%
Software	5	20%
Provision for bad and doubtful debts	~`	16.5%

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives which are estimated to be 5 years.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development staff costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives which are estimated to be 5 years on a straight-line basis.

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

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

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized and the asset is written down to its estimated recoverable amount.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at amortized cost or at fair value through profit or loss or at fair value through other comprehensive income (FVOCI).

j) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange. These are measured at fair value through profit or loss (FVTPL).

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) Trade and other receivables

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

Notes to the financial statements (continued)

Summary of Accounting Policies

n) Taxation

i) Current income tax

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

period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative

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

q) Cash and cash equivalents

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

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2007. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs 15% of basic and house allowance per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2023-2024 was approved by the Board on June 30, 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of an increase Kshs 49,801,827 on expenditure and reduction of Kshs 4,116,764 on Revenue on the 2023-2024 budget following the board's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xvii of these financial statements.

x) Service concession arrangements

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

an asset has been recognized, the Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

y) Comparative figures

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

z) 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 Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 22.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

The company provides 16.5% of its gross debtors in order to mitigate or reduce future obligations and uncertainties' which may arise due to bad debts.

6) Operating Revenue

	2023/2024	*2022/2023*
	Kshs	**Kshs**
Water sales	230,399,449	220,000,005
Sewerage Services	100,224,555	95,187,068
Meter rent	11,628,200	10,969,900
Adjustment	(2,300,642)	(28,626,091)
Billing for other services*	41,880,136	55,420,069
Total	**381,831,698**	**352,950,951**

Billing for other services refers to income generated from services such as reconnection fees, exhauster services, renewal fee

6 (i) Operating Receipts

	2023/2024	*2022/2023*
	Kshs	**Kshs**
Water sales	261,565,027	257,843,367
Sewerage Services	76,515,442	79,990,405
Meter rent	5,473,513	4,843,414
Other receipts	26,241,935	36,195,361
Total	**369,795,917**	**378,872,547**

7) Grant Incomes

	2023/2024	*2022/2023*
	Kshs	**Kshs**
Capital grants from other agencies	19,252,571	21,162,219
Recurrent/operational grants from other agencies	-	-
Capital grants amortized	13,723,048	13,723,048
Total	**32,975,619**	**34,885,267**

8) Other Income

	2023/2024	*2022/2023*
	Kshs	**Kshs**
Miscellaneous income (fitting fee)	-	-
Miscellaneous income (Decrease in provision of doubtful debts)	-	4,711,180
Total	**-**	**4,711,180**

9. Staff Costs

Description	*2023/2024*	*2022/2023*
	Kshs	**Kshs**
Gross Salary and Allowances	124,553,362	126,399,956
AHL	2,152,935	-
Employer's contributions to social security schemes	3,186,271	1,389,955
Employer's contributions to pension scheme	11,475,588	12,576,554
Provisions for Leave pay	7,951,094	7,316,552
Gratuity provisions	5,462,949	5,506,634
Total	**154,782,199**	**153,189,651**
The average number of employees during the year	**135**	**135**

10. General and Operations Expenses

	2023/2024	*2022/2023*
Description	**Kshs**	**Kshs**
End of year party	1,377,976	1,700,435
Performance Token	65,000	661,700
Additional tax assessment	30,000	331,100
AGM	-	847,708
Ground Maintenance	6,481,351	5,562,776
Staff Medical Insurance	6,973,914	6,614,514
Advertisements	-	116,928
Travelling and Subsistence	3,437,990	12,789,100
Telephone and Postage	953,260	771,562
Newspapers and periodicals	165,260	169,280
Office Expenses	142,880	661,541
Staff Training	2,537,980	9,720,503
Corporate Social Responsibility	3,054,027	2,402,670
Staff Welfare	8,913,529	5,950,790
Subscription	412,700	1,002,000
Games and Sports	2,929,920	2,168,440
Legal Fees	968,000	2,000
Audit Fees	538,240	538,240
Professional fees	187,600	396,550
Security	7,039,336	6,625,772

Stakeholders participation	3,284,290	3,649,629
Internet	4,657,634	5,710,245
General Insurance	1,914,536	1,325,432
Bank Charges	572,831	472,738
Printing and Stationery	1,900,356	2,167,206
Uniforms	444,314	2,056,810
Cleaning materials	3,037,975	3,021,238
Total	**62,020,899**	**77,436,905**
Operations		
Likii-WRUA	-	140,000
WRA abstraction fees	1,375,581	1,885,325
chemicals	10,691,778	9,818,037
Water Analysis	30,560	174,140
WASREB Levy	3,818,376	3,308,184
Meter testing & Calibration	21,900	143,500
Admin exp-Nanyuki River Project	81,000	-
Electricity	9,032,212	8,200,767
Consultancy	433,750	1,000,000
Low Income Area	-	-
Total	**25,485,156**	**24,669,952**
Grand Total	**87,506,055**	**102,106,857**

11. Board Expenses

Description	***2023/2024***	***2022/2023***
	KShs	**KShs**
Committee allowances	697,156	690,004
Board Expenses	3,420,068	2,177,184
Full Board allowances	2,007,952	3,282,454
Total Board Expenses	**6,125,176**	**6,149,642**

12. Maintenance Expenses

	2022/2023	***2021/2022***
Description	**Kshs**	**Kshs**
General Maintenance		
Tools and Equipment	207,210	357,987
Electrical Repairs	2,576,100	2,559,576

Environmental conservation	30,000	-
NRW	3,675,452	7,638,636
Repair and maintenance of boreholes	827,000	2,201,745
Fencing and Access road maintenance	5,286,240	6,800,630
Building Maintenance	2,503,820	448,620
Water network repairs	16,724,776	14,942,167
Sewer network Maintenance	5,376,457	8,454,083
Disludging of waste water treatment ponds	1,509,445	1,985,501
Disilting of intake works & sedimentation tanks	39,000	484,656
Manhole Maintenance	5,280,392	5,460,352
System Maintenance	1,492,300	1,561,900
Computer Accessories	1,722,730	1,224,350
Sub Total	**47,250,921**	**54,120,203**
Motor vehicle running expenses		
Fuels and Oils	12,083,067	11,636,876
Motor vehicle repairs	1,606,229	2,144,217
Tyres and Tubes	216,800	443,600
Generator repairs and oils	822,783	209,512
Exhauster maintenance	334,240	780,360
Motor Bikes repair	554,624	816,319
Sub Total	**15,617,744**	**16,030,884**
Grand Total	**62,868,665**	**70,151,087**

13. Finance costs

	2023/2024	*2022/2023*
Description	**Kshs**	**Kshs**
Interest expense on loans	844,286	1,013,041
Total	**844,286**	**1,013,041**

14. Depreciation, Amortization & provisions Expenses

Description	**2023/2024**	**2022/2023**
	KShs	**KShs**
Property, plant, and equipment	44,767,607	42,020,803
Intangible assets	1,745,610	1,745,614
Provisions	6,930,985	-
Total Depreciation and Amortization	**53,444,202**	**43,766,417**

15. Enterprise performance (Equator Glacier)

	2023/2024	*2022/2023*
Description	**Kshs**	**Kshs**
Revenues	23,707,822	7,731,395
Total expenses	(18,775,995)	6,287,147
Net profit for the year	**4,931,827**	**1,444,248**

16. Property, Plant and Equipment

	Motor Vehicles	Tractors & trailers	Motor cycle	Smart phones	Furniture & fittings	Equipment's, safe & cabinets	Office Buildings	Borehole,tanks &Solar	NRW Equipments	Filter media
COST OR VALUATION										
At July 1, 2023	24,374,758	2,570,000	3,756,032	30,000	4,483,065	3,705,670	15,987,671	50,457,971	1,086,176	2,308,649
Additions	-	-	-	46,500	240,352	-	-	5,638,974	-	-
At June 30, 2024	**24,374,758**	**2,570,000**	**3,756,032**	**76,500**	**4,723,417**	**3,705,670**	**15,987,671**	**56,096,944**	**1,086,176**	**2,308,649**
DEPRECIATION										
At July 1, 2023	18,515,006	2,570,012	3,665,379	-	3,176,582	3,684,246	10,543,526	14,879,026	347,034	652,190
Charge for the year	2,929,872	(12)	59,412	22,950	285,084	7,728	935,832	5,155,355	62,216	155,113
As at 30th June 2024	**21,444,878**	**2,570,000**	**3,724,791**	**22,950**	**3,461,666**	**3,691,974**	**11,479,358**	**20,034,381**	**409,249**	**807,303**
Net Book value as at June 30, 2024	**2,929,880**	**0**	**31,241**	**53,550**	**1,261,751**	**13,696**	**4,508,313**	**36,062,563**	**676,927**	**1,501,346**
Net Book value as at June 30, 2023	**5,859,753**	**(12)**	**90,653**	**30,000**	**1,306,482**	**21,425**	**5,444,145**	**35,578,944**	**739,142**	**1,656,459**

Property, Plant and Equipment (Continued)

	Public Sanitation block (PSF)	Computer	*Lab equipments*	Sewer systems Likii sewerage	Sewer system sewerline	Water systems Nturukuma, Nkando Katheri	Water systems S/water, Ichuga, Njoguini	Water systems Meters & Meter installation
COST OR VALUATION								
At July 1, 2023	4,882,323	12,646,121	1,130,420	9,295,987	35,326,452	4,687,965	8,436,480	36,350,284
Additions	81,150	132,000	-	-	164,500	-	17,100	5,208,064
At June 30, 2024	**4,963,473**	**12,778,121**	**1,130,420**	**9,295,987**	**35,490,952**	**4,687,965**	**8,453,580**	**41,558,348**
DEPRECIATION								
At July 1, 2023	610,290	11,531,231	264,940	4,451,657	12,902,789	2,522,160	3,910,904	11,837,050
Charge for the year	544,148	284,840	90,522	135,590	1,640,382	270,726	159,785	2,674,957
As At 30th June 2024	**1,154,438**	**11,816,071**	**355,462**	**4,587,247**	**14,543,170**	**2,792,886**	**4,070,690**	**14,512,007**
Net Book value as at June 30, 2024	**3,809,035**	**962,050**	**774,958**	**4,708,740**	**20,947,782**	**1,895,079**	**4,382,890**	**27,046,341**
Net Book value as at June 30, 2023	**4,272,033**	**514,890**	**865,480**	**4,844,330**	**22,423,664**	**2,165,805**	**4,525,576**	**31,509,441**

Property, Plant and Equipment (Continued)

	Bottling	Old Water system	Water systems Kilimo Teachers W.I.P	Water systems	Water system Ruai Town	Water system Ngei/ Thingithu/ Mt view	Water Supply Equipments	Water systems water extension	Total
COST OR VALUATION									
At July 1, 2023	2,298,515	370,862,532	4,361	55,153,682	2,384,551	5,494,330	-	10,019,560	667,129,194
Additions	-	-	-	43,367,751	150,620	-	113,402	100,000	55,260,413
At June 30, 2024	**2,298,515**	**370,862,532**	**4,361**	**98,521,433**	**2,535,171**	**5,494,330**	**113,402**	**10,119,560**	**722,393,900**
DEPRECIATION									
At July 1, 2023	1,939,054	244,102,428	-	3,678,977	308,390	1,285,805	-	3,023,352	360,402,027
Charge for the year	287,316	15,845,013	-	12,315,179	276,873	440,492	14,175	633,939	44,767,607
As At 30th June 2024	**2,226,370**	**259,947,441**	**-**	**15,994,156**	**585,263**	**1,726,297**	**14,175**	**3,657,291**	**405,169,634**
NET BOOK VALUE As at June 30, 2024	**72,145**	**110,915,091**	**4,361**	**82,527,277**	**1,949,908**	**3,768,033**	**99,227**	**6,462,269**	**317,224,266**
NET BOOK VALUE As at June 30, 2023	**359,461**	**126,760,104**	**-**	**25,752,836**	**2,076,161**	**4,208,525**	**-**	**6,996,207**	**306,727,167**

Notes to the financial statements (continued)

Valuation

No valuation of Land and buildings or any of the company's assets during the financial year since the company is an agent of County Government of Laikipia (Principal). It's the responsibility of the principal to undertake the exercise.

16 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows**:**

Description	**Cost**	**Accumulated Depreciation**	**NBV**
	Kshs	**Kshs**	**Kshs**
Buildings	15,987,671	11,479,358	4,508,313
Water systems	602,972,804	324,446,721	278,526,083
Sewer system	49,750,411	20,284,855	29,465,556
Motor vehicles, including motorcycles	30,700,791	27,739,669	2,961,122
Computers and related equipment	12,254,621	11,839,021	415,600
Office equipment, furniture, and fittings	8,429,087	7,153,640	1,275,447
Bottling	2,298,515	2,226,370	72,145
	722,393,900	**405,169,634**	**317,224,266**

Property plant and Equipment includes the following assets that are fully depreciated:

Description	**Cost or valuation**	**Accumulated depreciation**
Motor vehicle	16,409,661	16,409,661
Tractor	2,570,000	2,570,000
Motor cycle	3,631,032	3,631,032
Furniture	1,307,006	1,307,006
Office equipment, furniture, and fittings	3,669,175	3,669,175
Computers	10,130,451	10,130,451
Total	**37,717,325**	**37,717,325**

17. Intangible Assets

	2023/2024	2022/2023
	Kshs	**Kshs**
COST		
At July 1 2023	8,728,070	8,728,070
Additions		-
Disposals	-	-
At June 30 2024	**8,728,070**	**8,728,070**
AMORTISATION		
At July 1	6,982,460	5,236,646
Charge for the year	1,745,610	1,745,614
Disposals	-	
Impairment loss	-	
As at June 30	**8,728,070**	**6,982,460**
NET BOOK VALUE		
As at June 30	-	1,745,610

The intangible asset refers to Enterprise Resource Programme that the company procured in the year 2020. The company has progressively amortized it at a rate of 20% per year.

18. Inventories

	2023/2024	2022/2023
	Kshs	**Kshs**
Miscellaneous	541,440	2,010,467
Chemicals	389,470	803,358
Stationery	501,099	743,194
Pipes & fittings	3,167,645	5,989,584
Meters	908,004	736,094
Bottling	299,765	385,402
Water	-	-
Less: Impairment of stocks	-	-
Total	**5,807,423**	**10,282,697**

The company applies weighted average cost method to establish the value of stock held at the end of the financial period.

18. a) Reconciliation of Impairment Allowance for Inventories

Description	***2023/2024***	***2022/2023***
	KShs	**KShs**
At the beginning of the year	10,734,142	15,357,274
Additional provisions during the year	(4,926,719)	(5,074,577)
At the end of the year	**5,807,423**	**10,282,697**

19. Trade and Other Receivables

	2023/2024	***2022/2023***
	KShs	**KShs**
Trade receivables (note (19a))	211,900,090	153,108,743
Deposits and prepayments	4,099,500	4,099,500
VAT (Value Added Tax) recoverable	-	12,685,879
Staff receivables (note 19 (c))	-	-
Gross trade and other receivables	**215,999,590**	**169,894,122**
Provision for bad and doubtful receivable(16.5%)	(34,963,515	(28,032,530)
Net trade and other receivables	**181,036,075**	**141,861,592**

19. (a) Trade Receivables

	2023/2024	***2022/2023***
	Kshs	**Kshs**
Gross trade receivables	211,900,090	153,108,743
Deposits and prepayments	4,099,500	4,099,500
VAT (Value Added Tax) recoverable		12,685,879
	215,999,590	**169,894,122**
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	17,661,050	18,952,950
Between 30 and 60 days	15,598,864	13,438,176
Between 61 and 90 days	20,798,094	11,320,276
Between 91 and 120 days	13,991,150	8,710,124
Over 120 days	143,850,932	100,687,217
Total	**211,900,090**	**153,108,743**

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

Description	***2023/2024***	***2022/2023***
	KShs	**KShs**
At the beginning of the year	153,108,743	179,030,339
Additional during the year(billings)	384,132,340	381,577,042
Recovered during the year(Receipts)	(369,795,916)	(378,872,547)
Written off during the year(Rebates/adjustments)	44,454,923	(28,626,091)
At the end of the year	**211,900,090**	**153,108,743**

20. Cash and Cash Equivalents

	2023-2024	***2022-2023***
	Kshs	**Kshs**
Commercial banks		
Sidian Bank	175,120	326,511
KCB	7,572,205	1,278,575
Equity	254,895	655,560
Family bank	3,092.00	108,091.00
National bank	17,273,721	3,747,240
Others Note 20 (a)	3,780,444	7,245,004
	29,059,476	**13,360,982**

Note 20 (a)

		2023/2024	**2022/2023**
Financial institution	**Account number**	**KShs**	**KShs**
a) **Current account**			
Sidian Bank	0101900000667	175,120	326,511
KCB	1103189492	7,335,154	1,127,575
Equity	0270262386906	118,050	337,866
Equity	0270295023483	136,845	317,694
Family bank	064000074156	486	486
Family bank	064000072475	2,439	107,438
National bank	01071237876300	101,024	3,744,382
National Bank	01098237876300	1,708	2,858
KCB	1234142643		2,760
Family bank	064000073526	167	167
KCB Public sanitation	064000076049	236,383	148,240

		2023/2024	2022/2023
Financial institution	**Account number**	**KShs**	**KShs**
KCB	1234142643	668	-
National bank	7700116954	17,170,989	-
Sub- total		**25,279,032**	**6,115,978**
b) Others(specify)			
Post bank	0744130012585	118,528	1,084,661
Mpesa Utility	540300	3,517,600	1,597,648
Kopokopo	869751	11,680	27,612
Mpesa Working account	540300	93,273	4,486,823
Huduma		33,764	29,000
Bottling cash sales		5,600	19,260
Sub- total		**3,780,444**	**7,245,004**
Grand total		**29,059,476**	**13,360,982**

21. Borrowings

Description	***2023/2024***	***2022/2023***
	KShs	**KShs**
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	**-**	**-**
b) Domestic Borrowings		
Balance at beginning of the year	6,332,847	8,548,932
Domestic borrowings during the year	-	-
Repayments during the year	(2,324,458)	(2,215,985)
Balance at end of the year	**4,008,389**	**6,332,847**
C) Total Balance at end of the period c = a+b	**4,008,389**	**6,332,847**

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

	2023/2024	***2022/2023***
	KShs	**KShs**
External Borrowings		
Dollar denominated loan from the Organization'	-	-

Sterling Pound denominated loan from the organization'	-	-
Euro denominated loan from the organization'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Family Bank	4,008,389	8,548,932
Total balance at end of the year	**4,008,389**	**6,332,847**

Description	***2023/2024***	***2022/2023***
	KShs	**KShs**
Short term borrowings (current portion)	2,215,985	2,215,985
Long term borrowings	1,792,404	4,116,862
Total	**4,008,389**	**6,332,862**

22. Provisions

Description	**Leave Provision**	**Bonus Provision**	**Gratuity provisions**	**Other Provisions**	**Total**
	KShs		**KShs**	**KShs**	**KShs**
Balance at the beginning of the year	-	-	9,300,554		9,300,554
Additional Provisions	-	-	5,726,638	5,350,112	11,076,750
Provision utilized	-	-	(3,950,442)	-	(3,950,442)
Change due to discount and time value for money	-	-	-	-	-
Balance at the end of the year	**-**	**-**	**11,076,750**	**5,350,112**	**16,426,862**

Nanyuki Water and Sanitation Company Limited also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. Nanyuki Water and Sanitation Company Limited's obligation under the scheme is limited to specific contributions legislated from time to time and is currently as per tier 1 and 2 of the employee's salary per month. Other than NSSF Nanyuki Water and Sanitation Company Limited also has a defined contribution scheme operated by Local Authority Pension Fund and Local Authority Pension Trust. Employees contribute 12% while employers contribute 15% of gross salary(Basic plus house allowance). Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

23. Trade and Other Payables

	2023/2024	2022/2023
	Kshs	**Kshs**
Trade payables	41,607,209	31,544,168
Accrued expenses	437,228	341,728
Employee payables	43,072,997	22,650,903
Other payables	43,194,315	58,463,185
Total	**128,311,749**	**112,999,984**

Aging Analysis for Trade and other Payables

	2023/2024	% of the total	2022/2023	% of the total
Under one year	111,631,222	87%	94,885,620	84%
1-2 years	3,849,352	3%	5,603,048	5%
2-3 years	2,566,235	2%	538,240	0.5%
Over 3 years	10,264,940	8%	11,973,076	10.5%
Total	**128,311,749**		**112,999,984**	

24. Refundable Deposits and Prepayments (Customer deposits)

	2023/2024	2022/2023
	Kshs	***Kshs***
Opening Balance	28,821,483	27,953,801
Add: deposits received during the year	8,544,450	6,857,000
Less: Refunded deposits during the year	(4,765,600)	(5,989,318)
Total (Closing balance)	**32,600,333**	**28,821,483**

Aging Analysis for Refundable Deposits and Prepayments

	2023/2024		% of the total	2022/2023	% of the total
Under one year	8,544,450		26.2%	6,857,000	23.8%
1-2 years	5,184,582	-	15.9%	4,316,900	15.0%
2-3 years	4,388,000		13.5%	4,275,000	14.8%
Over 3 years	14,483,301		44.4%	13,372,583	46.4%
Total	**32,600,333**		**100%**	**28,821,483**	**100%**

25. Notes to The Statement of Cash Flows

	2023/2024	2022/2023
	Kshs	**Kshs**
(e) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	54,169,561	17,614,951
Prior year adjustments	-	-
Depreciation	44,767,607	42,020,803
Amortization	1,745,614	1,745,614
(Gain)/loss on disposal of property, plant and equipment		-
Operating profit/(loss) before working capital changes	**100,682,782**	**61,381,368**
Working capital changes:		
(Increase)/decrease in inventories	(4,475,274)	5,074,577
(Increase)/decrease in trade and other receivables	(39,174,483)	23,841,431
Increase/(decrease) in trade and other payables	15,311,765	23,721,097
Increase/(decrease) in property, plant and equipment	(55,260,413)	-
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/ (used in) operation	**15,698,494**	**114,018,473**
1. Analysis of changes in loans		
Balance at beginning of the year	**6,332,862**	**8,548,832**
Receipts during the year	-	-
Repayments during the year	(2,324,458)	(2,215,985)
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	**4,008,389**	**6,332,862**
2. Analysis of cash and cash equivalents		
Short term deposits	25,279,032	7,229,639
Cash at bank	5,600	19,260
Cash in hand	3,774,844	6,112,083

	2023/2024	2022/2023
	Kshs	**Kshs**
Balance at end of the year	**29,059,476**	**13,360,982**
	-	-
3. Analysis of interest paid		
Interest on loans	844,286	1,013,041
Balance at end of the year	-	-
Interest paid	844,286	1,013,041
4. Analysis of dividend paid		
Balance at beginning of the year	-	-
2024 dividends paid	-	-
2024 dividends paid	-	-
2024 interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

Other Disclosures

26. Related Party Disclosures

County Government of Laikipia

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

Other related parties include:

- The County Department in charge of Water
- County Government of Laikipia
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

Transactions with related parties

	2023/2024	2022/2023
	Kshs	**Kshs**
a) Sales to related parties		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
Total	-	-
b) Purchases from related parties		
	-	-
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
Total	-	-
b) Grants from the Government		
Grants from National Govt Agencies	-	-
Grants from County Government	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services for	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

27. Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

	Total amount Kshs	**Fully performing Kshs**	**Past due but not Impaired Kshs**	**Past due and Impaired Kshs**
At 30 June 2024				
Trade Receivables	211,900,090	211,900,090	211,900,090	176,936,575
Other Receivables	4,099,500	4,099,500	4,099,500	4,099,500
Investments	-	-	-	-
Bank balances	29,059,476	29,059,476	29,059,476	29,059,476
Total	**245,059,069**	**245,059,069**	**245,059,069**	**210,095,551**
At 30 June 2023				
Receivables	153,108,743	153,108,743	153,108,743	125,076,213
Other Receivables	16,785,379	16,785,379	16,785,379	16,785,379
Investments	-	-	-	-
Bank balances	13,360,982	13,360,982	13,360,982	13,360,982
Total	**183,255,104**	**183,255,104**	**183,255,104**	**155,222,574**

Credit Risk (Continued)

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

ii) Liquidity risk management

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

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

	Less than 1 month	**Between 1-3 months**	**Over 5 months**	**Total**
	Kshs	**Kshs**	**Kshs**	**Kshs**
At 30 June 2024				
Trade payables			128,311,749	128,311,749
Current portion of borrowings			2,215,985	2,215,985
Provisions			11,076,750	11,076,750
Deferred income				
Employee benefit obligation				
Total			**141,604,484**	**141,604,484**
At 30 June 2023				
Trade payables	-	-	112,999,984	112,999,984
Current portion of borrowings	-	-	2,215,985	2,215,985
Provisions	-	-	9,140,228	9,140,228
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	**-**	**-**	**124,356,197**	**124,356,197**

(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 entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Department in charge of risk management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

a) Foreign currency risk

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

(iii) Market risk (Continued)

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting was none:

The Company manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

c) 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 from interest rate movements on the company's deposits.

i) Management of interest rate risk

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

ii) 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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax.

iii) Fair value of financial assets and liabilities

Determination of fair value and fair values hierarchy

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

i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The company did not hold financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

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

Financial instruments not measured at fair value

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

iv) Capital Risk Management

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

	2023/2024	**2022/2023**
	Kshs	**Kshs**
Revaluation reserve		-
Retained earnings	130,475,842	76,306,281
Capital reserve	157,938,935	157,938,935
Total funds	**288,414,777**	**234,245,216**
Total borrowings	4,008,389	8,548,932
Less: cash and bank balances	(29,059,476)	(13,360,982)
Net debt/ (excess cash and cash equivalents)	263,363,690	229,433,166

28. Incorporation

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

29. Events After the Reporting Period

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

20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
Basis for Qualified Opinion				
1	Unaccounted Customer Deposit	The customer deposits are refunded as and when demands are made	Not resolved awaiting senate sittings	Awaiting senate summon
Emphasis of Matter				
1	Budgetary Control and Performance	The under performance of receipts was occasioned by drought situation that reduced water production a temporary condition expected to improve.	Resolved	Resolved
Other Matter				
1	Prior Year Unresolved Audit Matters	The reports for prior year will be discussed when senate convenes	Un-Resolved	Awaiting senate summon
Report on Lawfulness and Effectiveness in Use of Public Resources No. 1				
1	Accrued statutory obligations	The management concurs that huge receivables caused a temporal cash crunch measures are in place to recover debts and pay outstanding payables	Not resolved	Awaiting senate summon
2	Excess Non-Revenue Water	Management has put in place measures to reduce water loss.	Not resolved	Awaiting senate summon
3	Appointment of board of directors	Management is in the process of regularising the appointment to coincide with the law	Resolved	Awaiting senate summon

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
4	Non-compliance with law on fiscal responsibility – wage bill	Management though inherited the situation from the county council is in the process of regularising the wage bill.	Not resolved	Awaiting senate summon
5	Staff ethnicity diversity	Management though inherited the situation from the county council is in the process of regularising the staff composition	Not resolved	Awaiting senate summon
6	Unbalanced budget	Management notes the anomaly and has taken preacaution in preparation of subsequent budget.	Not resolved	Awaiting senate summon

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report.

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.

(iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report.

Name Kennedy Gitonga

Signature

Managing Director

Date 26/09/2024