

REPUBLIC OF KENYA



Enhancing Accountability



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REPORT

OF

THE AUDITOR-GENERAL

ON

**NAROK WATER AND SEWERAGE
SERVICES COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**



NAROK WATER AND SEWERAGE SERVICES COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

NAROK WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Report and Financial Statements for the year ended June 30, 2022

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NAROK WATER AND SEWERAGE SERVICES COMPANY LIMITED

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I. KEY ENTITY INFORMATION

BACKGROUND INFORMATION

Narok water and Sewerage Services Company Limited (NARWASSCO) is a public company limited by shares and was established on 27th February 2006 under the Companies Act, cap 486 laws of Kenya.

NARWASSCO is licenced by the Water Services Regulatory Board, (Water Act 2016) to carry out its function as a water service provider. At county level, NARWASSCO is represented by the County Executive Committee Member for Environment, Water, Natural Resources and Climate Change who at together with board of directors is responsible for the general policy and strategic direction of the company. NARWASSCO is domiciled in Narok, Kenya and has schemes in Ololulunga and currently undertaking Suswa, Kilgoris, Entasekera and Sogoo schemes which are due for operations.

Vision:

Water and Sewerage services for all.

Mission:

To provide effective water and sewerage services in Narok town and its environs for socio-economic development.

Principal Activities:

The principal activity of NARWASSCO is to supply affordable, clean water and sewerage services to Narok town, Ololulunga town and its environs in a financially sustainable manner and within government regulations.

Objectives

- To maintain and expand water and sanitation infrastructure so as to increase water service coverage
- To ensure Effective and Efficient Water Supply and Sanitation in the plan period
- To enhance financial and commercial sustainability in order to facilitate infrastructure development and operational efficiency of the company.
- To strengthen internal processes and build a strong and committed team of human resource that enhances efficiency in service delivery
- To ensure the Provision of high-Quality Water and Sewerage Services at a cost -Effective Rate to the Satisfaction of the Stakeholders.
- To enhance Environmental Management.
- To enhance Social Inclusivity.
- To foster collaboration with actors and stakeholders for increased commitment and participation towards delivering the mandate of the company.

Directors.

1.	Hon. Letulal Ole Masikonte	Chairman	Appointed on 26 th August 2019
2.	Hon. Lekishon Ole Geem	Member	Appointed on 26 th August 2019
3.	Hon. Joseph Ole Nkadado	Member	Appointed on 26 th August 2019
4.	Mr. Fredrick Cheres	Member	Appointed on 26 th August 2019
5.	Hon. Lucy OLolgojine	Member	Appointed on 26 th August 2019
6.	Hon. Lawrence Shuma	Member	Appointed on 26 th August 2019
7.	Mr. Joseph Koech	Member	Appointed on 26 th August 2019
8.	Eng. Micheal Otieno	Member	Director, Water Services.
9.	Mr. Obadiah Rono	Member	County Chief Officer, Water Services

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Key Management

1. Mr. Stanley Setu Kuyioni	Managing Director
2. Ms. Evelyn Naisinya Korsai	Commercial Manager
3. Mr. David Tarkash	Ag. Technical Manager
4. Mr. Andrew Siameto Kireu	Human Resource & Administration Manager

Registered Office

OLD TOWN COUNCIL OFFICES
Along MAU-NAROK Road Opposite Narok Referral Hospital
P.O. Box 935-20500
Narok, KENYA

Corporate Headquarters

P.O. Box 935-20500
OLD TOWN COUNCIL OFFICES
Opposite Narok referral hospital
Narok, KENYA

Corporate Contacts

Telephone: (+254) 741878292
E-mail: narokwater@yahoo.com
Website: www.narwassco.co.ke

Corporate Bankers:

1. National Bank Limited
Narok Branch
P.O. Box 348-20500
Narok, Kenya
2. Cooperative Bank
Narok Branch
P.O BOX.....Narok, Kenya
3. Safaricom Mpesa
Paybill No. 526560

Independent Auditors

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

Principal Legal Advisers

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

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II. BOARD OF DIRECTORS

 Hon. Letulal Ole Masikonte	➤ He is the Board of Directors' Chairperson, appointed on 26th August 2019. ➤ He is the immediate former Majority leader, Narok County Assembly. ➤ A long serving public officer with over 25 years in public service. ➤ Left the company on February 2022 to venture into politics. ➤ He is 57 years old.
 Hon. Joseph Ole Nkadado	➤ Appointed as Board Member on 26th August 2019 ➤ Director Nkadado is the chairperson of the Audit, Risk and Governance Committee. ➤ He is the former chairman of the defunct Narok County Council, ➤ He has experience in audit and governance. ➤ He holds a bachelor's degree in public administration. ➤ He is 55 years old.
 Hon. Lekishon Ole Geem	➤ Appointed to the company as board member on 26th August 2019 ➤ He is the immediate Member of County Assembly for Lolgorian Ward. Director Geem is a member of Audit, Risk and Governance committee. ➤ He left the company to venture into politics in February. ➤ He is 56 Years old.
 Hon. Lawrence Ole Shuma	➤ Reappointed to the company Board of Directors as member on 26th August 2019 having served previously as the member finance and administration committee. ➤ A former councillor of the defunct Narok County Council. ➤ He is the chairperson of the Finance and Administration Committee. ➤ He is 61 years old

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 Mr. Fredrick Cheres	➤ Reappointed to the company Board member on 26th August 2019 ➤ He is the chairperson of the Technical services Committee. ➤ He brings to the Board a wealth of experience in public service. ➤ He is 51 years old
 Mr. Joseph Koech	➤ Appointed as Board member on 26th August 2019 ➤ Director Koech is a former councillor in the defunct Transmara County Council. ➤ Has a lot of experience in public service. ➤ He left the company in February to venture into politics ➤ He is 60 years old
 Hon Lucy Lolgojine	➤ Appointed as Board member on 26th August 2019 ➤ Director Lucy is a former councillor and nominated Member of County Assembly – Narok County Government; ➤ Has vast experience in public service. ➤ She is 49 years old
 Eng. Michael Otieno	➤ He is the current Director of Water Services in the county ➤ He represents the CEC Member Water, environment and natural resources in the Board of Directors. ➤ He has a lot of experience in water engineering, civil works and water administration. ➤ He holds a degree in water engineering. ➤ He is 53 years old

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Mr. Stanley Setu Kuyioni

- Appointed as Managing Director on 1st July 2018.
- Before his appointment, Mr. Kuyioni was the Sub-County Administrator for Narok East Sub-County.
- He holds a Degree in Business Management (Finance and Banking) from Moi University.
- Currently, pursuing a Master of Business Management (MBA) Degree (Finance) at the University of Nairobi.
- He is also a Public Secretary with wide experience in administration and management. He is the board secretary.
- He is 45 years old

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III. MANAGEMENT TEAM

Stanley S. Kuyioni - Managing Director 	➤ Appointed as Managing Director on 1st July 2018. ➤ Before his appointment, Mr. Kuyioni was the Sub-County Administrator for Narok East Sub-County. ➤ He holds a Degree in Business Management (Finance and Banking) from Moi University. ➤ Currently, pursuing a Master of Business Administration (MBA) Degree (Finance) at the University of Nairobi. ➤ He is also a Public Secretary, (CPS-K).
Evelyn N. Korsai –Commercial Manager 	➤ Appointed as Commercial Manager on 1st July 2018. ➤ Before her appointment, Miss Evelyn was the Kilgoris Zonal Manager at the company. ➤ She holds a degree in Bachelor of Education (Arts) from Maseno University
Davies Ole Tarkash-Ag Technical Manager 	➤ Appointed as Ag. Technical Manager on 1st July 2014. ➤ Before his appointment, Mr. Tarkash was a Senior Water Superintendent Officer at the company. ➤ He holds a Diploma in Water Engineering from Kenya Water Institute (KEWI). ➤ He holds certificate in urban water works engineering from Yokohama japan ➤ He has worked for over 20 years in the water sector and therefore has vast experience in water systems management.

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IV. CHAIRMAN'S STATEMENT

It gives me great honour and privilege to present to you the board's 3rd report as the current Chairman to the Board of Directors, Narok Water and Sewerage Services Company Limited. The former chairman and two other directors left for politics on February 2022.

Mission and Mandate

The company has the mandate to provide clean and safe drinking water to its customers in a commercially sustainable manner. This is achieved through a dedicated team of our staff and other stakeholders who have contributed immensely and enabled the company to provide better services to the residents of Narok. Although, the COVID -19 pandemic affected the company operations significantly, the company mitigated its spread by providing free water to customers, provision and installation of hand washing containers and tanks in the low-income areas. In addition to the above, the company implemented various water supply and sanitation projects across the county geared towards improvement of water and sanitation coverage and mitigation of the spread of Covid-19 pandemic. These were facilitated by a Conditional Liquidity Support Grant of Kshs: 53,820,499 received during the period from WASREB through the Water Sector Trust Fund.

Corporate Governance

The company continued to observe good corporate governance. Its Board of Directors seek to adhere to and comply with the principles for corporate governance in Kenya as well as statutory guidelines issued and published by Water Services Regulatory Board.

The board promotes a culture that values and recognizes highest ethical standards as well as personal and corporate integrity. It sets the direction of the company through establishment of key strategic objectives, policies and approval of plans. The implementation of these strategies is however monitored through a structured system which ensures reporting by an executive management and consequent accountability. The following board committees have been established and met quarterly on the minimum:

1. Finance and Administration Committee;
2. Technical Services Committee;
3. Audit and Risk Committee.

However, during the period the chairman and two directors resigned to contest for elective seats in the August 2022 General Elections as a requirement in the Election Act Section 43(5).

Water and Sewerage Coverage

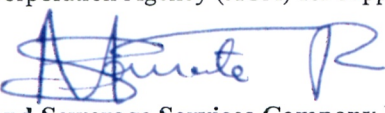
During the year, the company increased water connections from 6,645 in the previous year to 7,137, whereas sewer connections increased from 500 to the current 550. The company acquired two exhaustor trucks, two motorbikes and a pick up from the Central Rift Valley Water Works Development agency under the Kenya Towns Sustainable Water Supply and Sanitation Program. However, the ownership of the Pick Up is yet to be transferred to the water service provider from the Synohydro Contractors Limited.

Appreciation.

I would like to appreciate and most sincerely thank my fellow directors for their selfless services. I would also like to appreciate the support extended to us by the County Government of Narok, Water Services Trust Fund, the

Water Services Regulatory Board and the Central Rift Valley Water Works Development Agency and finally the Japanese International Corporation Agency (JICA) for supporting the company.

Hon Rapanke Ole Samante.


Chairman, Narok Water and Sewerage Services Company Limited

V. REPORT OF THE MANAGING DIRECTOR

I am pleased to present the Annual Report and Financial Statements of the company for the year ended 30th June 2022. This is the 15th Annual Report and Financial Statements for Narok Water and Sewerage Services Company Limited.

Mission and Mandate

The company main mandate and mission is to provide effective water and sewerage services to residents of Narok Town Municipality and its environs in a commercially sustainable manner. It has in place a strategic plan (2018-2022) aligned to the County Integrated Development Plan which gives strategic direction towards improving access to water and sanitation services and ensure achievement of its vision of “Water and Sewerage Services for all”. NARWASSCO has continued to grow over the period under review despite the serious financial and operational challenges posed by the global COVID -19 pandemic. However, the Conditional Liquidity Support Grant received from WASREB through WSTF supported the company’s operations significantly.

Financial Review

During the year, the company made a surplus of Kshs 15,322,606 compared to last period’s deficit of Kshs 12,021,360. This is mainly attributed to increased water sales turnover from Kshs: 82,941,060 in the previous year to Kshs: 93,063,731 in the period under review. The recurrent (variable) grant of kshs: 50,223,399 received from the Water Fund and the donations in kind mainly water chemicals received from the Japanese International Corporation Agency (JICA) also attributed to the surplus. Additionally, consistent power supply due to sustained availability of fuel for production at the new Intake facility attributed to increased sales volume.

Turnover

The company sales turn over during the year was Kshs 93,063,731 against Kshs 82,941,060 for the year 2020/2021. This is about 10% increase. The increase in sales turnover was primarily as a result of enhanced production at the newly rehabilitated Central Water Treatment Plant. The improved pump efficiency, new filter media and additional line extensions significantly improved the water sales volume. Water charges remained the same during the year. The current tariff has expired and the company has applied for a new tariff that will incorporate sewer charges as well. The approval of the licence has already been granted and the RTA application process has already been finalized and gazetted by WASREB on 3rd February 2023. High pumps’ maintenance cost, electricity and chemicals cost have continued to pose a great challenge to the company. The increase in maintenance and repairs cost is mainly attributed to aging pumps at the water intake facility, massive destructions/or vandalisms of the systems’ distribution components and subsequent replacement of the vandalized water pipelines and other appurtenances. The sewer service related expenditures have also contributed to the increased maintenance costs.

Service Delivery

During the year, as envisaged in our core values of customer focus, the company continued to maintain satisfactory levels in service delivery. We managed to progressively invest in our distribution network through the last mile connectivity program under the sewerage Project and the fixed cost component of the Conditional Liquidity Support Grant. Additional lines’ extensions in Kipankas, Olpopongi, Medicatia, Pulung’a and Majengo areas as well establishment of Sectional valves in Basabra and St. Mary’s areas significantly

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Improved our service delivery within Narok Town Municipality. However, the unserved areas are also expanding at the same rate due to the increasing population growth thus there is need for additional water sources in order to meet the current and future water demands of the municipality. The water produced was distributed to customers equitably through a rationing program.

During the period the average water supply was 12hrs/day and the amount of water provided was an average of 3,200m³/day – pumps' efficiency has significantly dropped also during the period. Despite the operational and financial challenges during the period as a result of the pandemic, generally, there was a remarkable improvement in service delivery and in mitigation of the negative effects of the global pandemic.

Staff Development

The current number of staff is Eighty eight including the contract and the permanent and pensionable staff. During the period, the company regretfully lost one member of staff. However, a procurement officer was also seconded from the County Government of Narok. The various guidelines and protocols issued by government ministries and more so the Ministry of Health affected staff and their development. Social distancing and other measures at the work place called for the suspension of planned staff trainings and other related social gatherings.

However, NARWASSCO has continued to improve staff competence in an effort to maintain good service delivery. Staff refresher courses on non-revenue water and board and management benchmarking activities with other service providers were conducted during the period. A number of trainings on Non-Revenue Water, project management and trainings on sustainable water and sanitation were conducted. All these were carried out to ensure a healthy motivated and satisfied staff workforce which will in turn contribute immensely to the growth of the company.

Business Development

During the reporting period, NARWASSCO has continued to partner with the development partners through the Water Sector Trust Fund and the Central Rift Valley Water Works Development Agency in funding some of its projects and programs. The construction of the Narok Town Sewerage Project, the provision of Exhauster trucks, line extensions and additional pumps acquisition are all geared to improve the NARWASSCO business.

The Pinyiny/Ntulele Water supply project co - funded by Water Sector Trust Fund and the County Government of Narok will be an additional business development component once commissioned and operationalized. These projects when completed and commissioned will increase the company's revenue and customer base as well as improve access to water and sanitation services.

Appreciation

I would like to appreciate all our stakeholders, more so the County Government of Narok, Water Sector Trust Fund and its development partners, the Water Services Regulatory Board, the Japanese International corporation Agency (JICA) and the Central Rift Valley Water Works Development Agency for the continuous partnership and support during the year ended 30th June 2022.

To our customers and NARWASSCO staff, thank you for your loyalty and support – we would not have achieved this without you. It is through the hard work, dedicated effort and remarkable resilience of our staff that we are able to celebrate our achievements for the Financial Year 2021/2022. I urge you all to continue embracing our core values of customer focus, professionalism, teamwork and integrity to the delight of our customers so as to make a difference in our service delivery.

God bless you all.

Justus Parsamae Lemein
Ag. Managing Director

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VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

NARWASSCO has three (3) strategic pillars and objectives within its five (5) Strategic Plan for the FY 17/18-FY 2021/2022. These strategic pillars/themes are as follows:

1. Increased water service coverage for Narok town and its environs;
2. Improved Customer satisfaction; and
3. Increased financial sustainability.

NARWASSCO develops its annual work plans based on the above pillars/themes. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2021/2022 period for its strategic pillars, as indicated in the diagram below:

Strategic Pillar/theme.	Objective	Key Performance Indicators	Activities	Achievements
Increased water service coverage	To ensure effective and efficient water and sanitation services in the plan period.	- Additional households connections on water; - New/additional sewer household connections.	- construction of sewerage treatment plant - construction of sewerage network - Constructions of water supply/last mile connectivity	-New 2000 water connection; -Over 81km line extensions; and -530 sewer connection
Increased financial sustainability	To enhance financial and commercial sustainability in order to facilitate infrastructure development and operational efficiency of the company	- Review and application of the new tariff; - Acquisition of operational licence from the water services regulatory board.	- Gazettement of the new tariff by WASREB done - Public participation done on licence and tariff	• Licence approved • RTA approved and gazetted for operations

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Improved customer satisfaction	To ensure the provision of high-quality water and sewerage services at a cost-effective rate to the satisfaction of the stakeholders.	- To increase production of water volume from the current 785,675m³ to approx. 1,000,000m³ to cater for the increased number of connections within the households which currently stands at 6000, - Increase supply hours	- Rehabilitate the Central Water Treatment plant and rising main - Major servicing of the water intake facility pumps; - Continuous pumping even during power shortage hours to avoid service disruptions; - Construction of sectional control valves and chambers.	- Replaced pumping sets at the central plant; - Constructed four number sectional control valves and chambers, additional pipeline extensions; - More than twelve hours of sustained safe water supply
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VII. CORPORATE GOVERNANCE STATEMENT

The Board of Directors was composed of seven (9) Board members representing different stakeholders. The County Government of Narok is represented by two directors while the other 7 directors represent stakeholders within our area of service delivery – business and manufacturing communities, resident institutions and representative of the professional bodies.

Every year, two directors retire in succession to ensure retention of institutional memory.

The company Directors have been appointed once and the rotational basis is implemented in the next two years.

To support the business of the Board, there are three committees namely, Finance and Administration Committee, Audit, Risk and Governance Committee and Technical Services Committee. The three Committees meet every quarter and the Full Board meets once every quarter.

The business of the Board is guided by the Board Charter and the members of the Board are evaluated at the end of the year. The evaluation is carried out by an independent member and the recommendations are shared and implemented the following year.

The roles and functions of the Board are well articulated by the Board, the Chairperson, the Committees, the Directors and the Managing Director are well documented in the Board charter and are respected. Through the involvement of the County Government and supporting donor agencies, the members are put through a training process and they sign a code of conduct for Board Members.

The remuneration of the Board is guided by Water Services Regulatory Board's guidelines and the resolution of the company shareholders.

Going Concern

Evident by the surplus realized during the period, the directors confirm that Narok Water and Sewerage Services Company Limited has adequate resources to continue in business for the foreseeable future and therefore the continued use of the going concern as a basis when preparing financial statements.

Signed:



Hon. Rapanke Ole Samante
Chairperson - NARWASSCO

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

Operational performance

Staffing

The company has adequate staffing capacity both skilled and unskilled that has ensured steady supply of clean and safe drinking water to the residents of Narok town municipality and its environs. Although some essential positions e.g. internal audit is not yet filled the company has ensured proper internal control measures are in place.

The staffing capacity has maintained at eighty nine as at last year. However, the company also engaged some casuals on need basis to help in attending our vast distribution network.

Overall performance

The company has realized a progressive performance in terms of the general operations as it has shown a significant improvement;

The management consider several factors that has contributed to this significant performance;

- Institutionalization of the non-revenue water reduction team;
- Rehabilitation of the Central Treatment Plant and additional line extensions;
- Additional Water Quality Equipment's;
- Establishment and operationalization of the sewer laboratory;
- Prompt billing and enhanced revenue collection strategies.

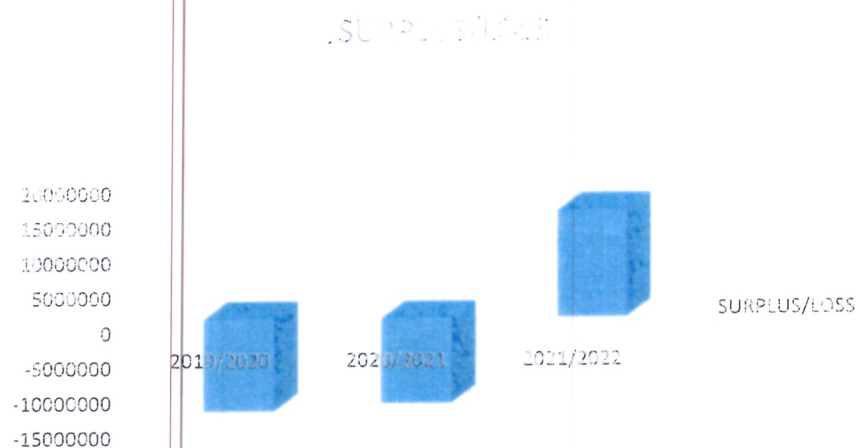
Future Plans.

The Company has focused on implementation of small projects both in the short term and in the long term in order to attain the following objectives:

- Increasing production of clean and safe drinking water through increasing the sources of supply by introducing borehole(s) and augmentation of Ilmashariani water supply;
- Increase coverage to over 90% through construction of new/replacing distribution lines in existing and new areas;
- Reduce production costs by 50% by exploring solar and other renewable sources of energy in our production sites;
- Construct new reservoirs and increase supply hours to all serviced areas;
- Reduce Non Revenue Water to the industry acceptable standard of 25%;
- Improve collection efficiency to over 95%; and
- Increase sewer connectivity/households connections to 32%.

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Table 1.

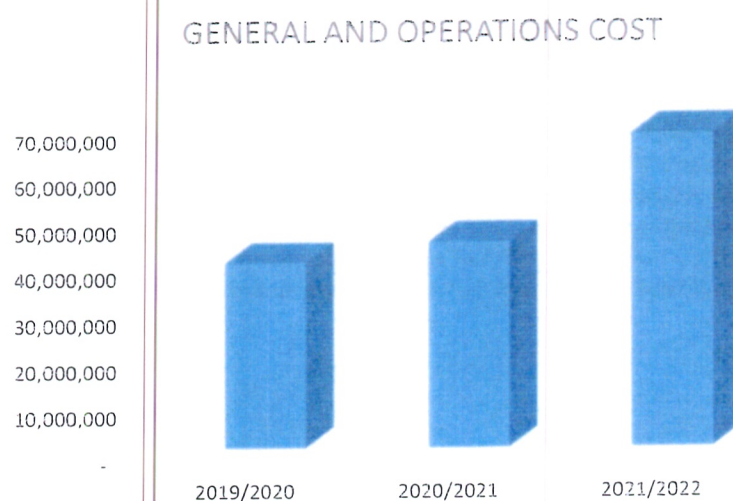


The chart represent change in the surplus over the last three financial years

Operation and maintenance cost

The cost of production and maintenance is directly proportional to water produced and billed
As the volume of water produced and sold increases the company incur cost on chemicals, pipes and other major cost, as shown in the table 1.2 below.

Table 1.2



The chart represent the change in o&m cost over the last three years

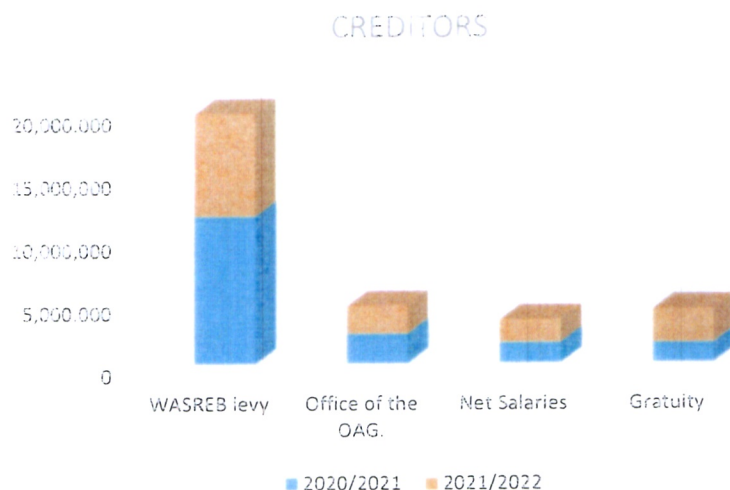
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This includes salaries and other administrative expenses. The company has experience an increase in administration cost due to high cost of personnel, trainings and development, public relations, new technology etc.

As shown in the table below.

Table 1.3



The chart represent the change in creditors cost over the last three years.

Creditors

The management has significantly improved on remitting statutory deductions and has also repaid 90% of the outstanding liabilities and unpaid staff salaries.

OTHER MANAGEMENT ANALYSIS ON KEY FINANCIAL RATIOS, FINANCIAL AND OPERATION RISKS

The company has put measures in place to ensure proper and timely collections of the revenues are in place.

- Activation of dormant connections.
- Flexible repayment plan with customers with outstanding arrears
- Use of reminders Short Messages and feedback;
- Flexible payment options e.g. MPESA Pay bill No. and National and Cooperative Bank;
- Physical visits to customer premises; and
- Enforcing payments through actual disconnections of service and prompt reconnections;
- The company is also considering procuring a more efficient billing system preferably an Enterprise Resource Planning system (ERP) to ensure efficient billing and collections.

These are the major strategies the company has put in place to ensure outstanding arrears are collected on a timely manner.

Operational risks

- Unaccounted for water (UFW) this risk is posed by aging and highly dilapidated infrastructure, vandalisms and obsolete billing system and other commercial losses;
- Pumps' failure risk due to persistent power surges, obsolescence and flash floods due to poor drainage due to poor planning and human activities interfering the water ways in Narok Town.
- Environmental degradation. The catchment of Enkare Narok River which is the main source of water supply to the company is facing a great threat of destruction due to human activities i.e. farming and destruction of the Mau forest.
- Irrigation activities and pollution of Enkare Narok and Ewaso Ng'iro River have affected the turbidity and PH of water resulting to high chemicals usage and regular maintenance.

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- Also increased the plant maintenance cost since regular dislodging and drainage of the ponds, cleaning of Water Intake Facility components and treatment basins.

IX. ENVIRONMENTAL SUSTAINABILITY REPORTING

Environmental and Sustainability Reporting

Narok water and sewerage Services Company limited exists to transform lives. This is our purpose; the principal activity of NARWASSCO is to supply affordable, clean water and sewerage services to Narok town, Ololulunga town and its environs in a financially sustainable manner and within government regulations.

Objectives

- To maintain and expand water and sanitation infrastructure so as to increase water service coverage
- To ensure Effective and Efficient Water Supply and Sanitation in the plan period
- To enhance financial and commercial sustainability in order to facilitate infrastructure development and operational efficiency of the company.
- To strengthen internal processes and build a strong and committed team of human resource that enhances efficiency in service delivery
- To ensure the Provision of high-Quality Water and Sewerage Services at a cost -Effective Rate to the Satisfaction of the Stakeholders.
- To enhance Environmental Management.
- To enhance Social Inclusivity.
- To foster collaboration with actors and stakeholders for increased commitment and participation towards delivering the mandate of the company.

i) Sustainability strategy and profile -

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

ii) Environmental performance

The company is on advance stage in developing strategic plan that incorporates the environmental performance.

iii) Employee welfare

The management has also advance its efforts in improving its staff welfare

Under the 2021/2022 budget the management has budgeted for staff welfare and it's in an advance stage in developing human resource policy.

iv) Market place practices-

a) Responsible competition practice.

Under the area of jurisdiction the company has maintain the best practices in safeguarding the products to best standards.

b) Responsible Supply chain and supplier relations

Flexible repayment plans and observe the PPRA regulations.

c) Responsible marketing and advertisement

The company maintain best practices in marketing its products.

d) Product stewardship

Frequent surveillance to make sure the water supplied meets the standards

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e) Corporate social responsibility

We are committed to continuous improvement in our corporate and social responsibility by acting in a socially responsible way and encouraging our staff and customers to be mindful of the effect of their actions on any natural resource.

NARWASSCO ensures that all projects that are implemented by the company as well as activities under its operations comply with the National Environmental Management Authority (NEMA) requirements.

We consider the community we operate in as a key stakeholder in our business initiatives and our corporate social responsibility activities aim to make a difference in the achievement of vision 2030. The community is given priority during recruitment of the company employees.

During the period under review, our staff, management and the board participated in activities of tree planting at the new Limanet sewer treatment plant. Additionally, the company supplied water by use of trucks with the support of CRVWWDA to the communities living downstream of the sewer treatment plant, schools in lower Narok North, East and West sub counties and including the Maasai cultural Manyattas.

Table 1.1

Staff engaged at tree planting at the sewerage project at Limanet



NAROK WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Report and Financial Statements for the year ended June 30, 2022

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June 2022 which show the state of the NARWASSCO' affairs.

Principal activities

The company's main activity is the provision of affordable clean water and sewerage services to the residents of Narok Town Municipality and its environs.

Results

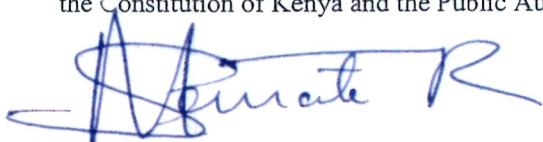
The results of the NARWASSCO for the year ended June 30, 2022 are set out on page 1 below.

Directors

The members of the Board of Directors who served during the year are shown on page (viii and ix). In accordance with Regulation of NARWASSCO's Articles of Association, All the Board Members have been appointed at once.

Auditors

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



By Order of the Board Chairperson
On 20/03/2023

XI. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Companies Act, 2015, require the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of Narok Water And Sewerage Company Limited at the end of the financial year/period and the operating results of the company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets. The Board of Directors are responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of firm for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; 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; Safeguarding the assets of Narok water and sewerage company limited; Selecting and applying appropriate accounting policies; and Making accounting estimates that are reasonable in the circumstances. The Board of Directors accept responsibility for 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 Companies Act, 2015. The Board of Directors are of the opinion that financial statements give a true and fair view of the state of its transactions during the financial year ended June 30 2022, and of its financial position as at that date. The Board of Directors further confirm the completeness of the accounting records maintained 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 Board of Directors to indicate that Narok Water And Sewerage Services Company Limited will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

The Narok Water And Sewerage Services Company Limited financial statements were approved by the Board on _____ 2023 and signed on its behalf by:

Signature

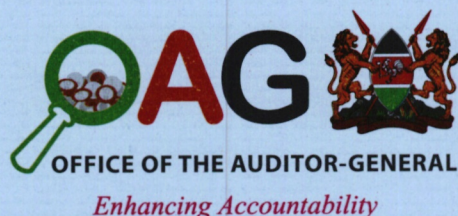
Hon. Rapanke Ole Samante
Chairperson of the Board

Signature

Mr. Justus P. Lemein
accounting officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NAROK WATER AND SEWERAGE SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Narok Water and Sewerage Services Company Limited set out on pages 1 to 101, which comprise the statement of

financial position as at 30 June, 2022 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Narok Water and Sewerage Services Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Irregular Water Sales

The statement of profit and loss and other comprehensive income reflects operating revenue of Kshs.93,063,731 and as disclosed in Note 6 to the financial statements. The amount includes water sales of Kshs.91,994,725. However, 414 connections were sharing meter numbers with only one account billed while the other accounts were unbilled. Further, the customers were billed using tariffs that had expired in the year 2014.

In the circumstances, the accuracy and completeness of the reported water sales totalling to Kshs.91,994,725 for the year ended 30 June, 2022 could not be confirmed.

2. Board Expenses

The statement of profit or loss and other comprehensive income reflects board expenses amounting to Kshs.5,069,100. The amount relates to sitting allowances expenditure as disclosed in Note 13 to the financial statements. However, the sitting allowances expenditure was not supported with notice of meetings, board meetings calendar, allowances paid to each member, attendance lists and approved sitting allowances rates. Further, sitting allowance amounting to Kshs.433,000 was paid to ex officio members.

In the circumstances, the accuracy and validity of sitting allowances totalling to Kshs.5,069,100 for the year ended 30 June, 2022 could not be confirmed.

3. General and Operating Expenses

The statement of profit or loss and other comprehensive income reflects general and operating expenses amounting to Kshs.68,071,060 as disclosed in Note 12 to the financial statements. The following anomalies were however noted:-

3.1 Fuel, Oils and Lubricants

Included in the amount is fuel, oil and lubricants expenditure of Kshs.6,756,169 which includes expenditure of Kshs.1,600,000 that was not supported with user requisitions, local purchase orders, invoices, motor vehicle work tickets and quotations.

3.2 Hospitality and Entertainment

Included in the general and operating expenses is hospitality and entertainment expenditure totalling to Kshs.1,427,782. However, the payment vouchers, user requisitions, quotations, local services orders, invitation letters and attendance registers in support of the expenditure were not provided for audit review. Further, the hospitality and entertainment expenditure includes Kshs.941,860 which varied with the supporting invoice amounts of Ksh.469,140 resulting to an overpayment of Kshs.472,720. No explanation has been provided for the overpayment.

In the circumstances, the accuracy and validity of general and operating expenses amounting to Kshs.68,071,060 for the year ended 30 June, 2022 could not be confirmed.

4. Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.58,111,258 as disclosed in Note 29 to the of financial statements. The following unsatisfactory matters were however noted:-

4.1 Provision for Bad and Doubtful Debts

The balance is net of provision for bad and doubtful debts of Kshs.6,253,362 or 11% of the trade and receivable balance of as at 30 June, 2022. However, the basis for the provisions for the bad and doubtful debts policy has not been documented or disclosed in the financial statements.

4.2 Long outstanding Receivables

The trade receivables balance includes long outstanding receivables of Kshs.6,253,362 as reflected in Note 29(a) of the financial statements which have remained uncollected for over 120 days.

In the circumstances, the accuracy and fair statement of the trade and other receivables balance of Kshs.58,111,258 as at 30 June, 2022 could not be confirmed.

5. Property, Plant and Equipment

5.1 Depreciation Charge

The statement of financial position reflects property, plant and equipment balance of Kshs.54,625,186 and as disclosed in Note 20 to the financial statements. The balance is net of depreciation charge for the year of Kshs.7,583,148. However, policy 4(d) to the financial statements does not clearly indicate the method used in computing the depreciation charge. Further, depreciation on plant and machinery balance of Kshs.443,195 differs with the recomputed balance of Kshs.692,492 resulting to an unexplained and unreconciled variance of Kshs.249,297.

5.2 Capital Work in Progress

The statement of financial position and as disclosed in Note 20 to financial statements reflects property, plant and equipment balance of Kshs.54,625,186. Included in the

balance is work-in-progress of Kshs.498,193 in respect of a water kiosk in Olpopongi whose construction was completed but has not been put into use or capitalized under building and civil works.

In the circumstances, the accuracy, valuation and fair statement of the property, plant and equipment balance of Kshs.54,625,186 as at 30 June, 2022 could not be confirmed.

6. Repairs and Maintenance

The statement of profit or loss and other comprehensive income reflects maintenance expenses of Kshs.16,381,451 as detailed in Note 14 to the financial statements. The amount includes plant and equipment expenditure totalling to Kshs.15,793,525. However, the expenditure included Kshs.2,904,828 that was not supported with user requisitions, local purchase/service orders, ETR receipts and inspection and acceptance reports.

In the circumstances, the accuracy and propriety of the repairs and maintenance expenditure of Kshs.2,904,828 for the year ended 30 June, 2022 could not be confirmed.

7. Cash and Bank Balances

The statement of financial position reflects a bank and cash balances of Kshs.846,734 as disclosed in Note 32 to the financial statements. The amount includes bank balance of Kshs.770,000 which differed with the cashbook balance of negative Kshs.630,418 resulting into an unexplained and unreconciled variance of Kshs.1,400,418. Further, the statement of cash flows is not accurately presented. In addition, no journal entries were provided to correct an overdraft of Kshs.2,484,915 which had not been approved.

In the circumstances, the accuracy and fair statement of the cash and bank balance of Kshs.770,000 as at 30 June, 2022 could not be confirmed.

8. Capital Reserves

The statement of financial position reflects capital reserve balance of Kshs.71,853,453. The amount includes grants from Water Services Trust Fund and Rift Valley Water Services Board of Kshs.3,297,100 and Kshs.23,000,100 respectively totalling to Kshs.26,297,200. However, the grant agreement with the Trust Fund was not provided. Further, the Water Service Board grant relates to donation of two exhausters and two motorcycles. However, the possession and ownership of the two exhausters and two motorcycles have not been transferred to the Company.

In the circumstances, the accuracy and fair statement of capital reserve balance of Kshs.71,853,453 as at 30 June, 2022 could not be confirmed.

9. Inaccuracies in the Statement of Cash Flows

A review of the statement of cash flows revealed the following anomalies:

- i) The statement reflects cash generated from operations amounting to negative Kshs.465,900 which includes increase in trade and other receivables amount of Kshs.965,120 as reflected in Note 49 to the financial statements. However, the

amount differs with the recomputed amount of Kshs.1,083,644 resulting to an unexplained and unreconciled variance of Kshs.118,524.

- ii) The statement reflects purchase of property, plant and equipment amount of Kshs.3,976,864 which varies with the additions to property, plant and equipment of Kshs.26,976,964 as per Note 20 to the financial statements resulting to an unexplained and unreconciled variance of Kshs.23,000,100.
- iii) The statement reflects increase in deposit amount of Kshs.685,050 which vary with the computed amount of Kshs.1,583,243 resulting to an unexplained and unreconciled variance of Kshs.898,193.
- iv) The statement reflects suspense amount of negative Kshs.1,854,062 which was not supported or explained.

In the circumstances, the accuracy and completeness of the statement of cash flows balances could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

During the financial year ended 30 June, 2022, a comparison of the Company's approved budget and actual results shows that it realized a total revenue amounting to Kshs.157,276,472 against a budget amount of Kshs.180,168,980 resulting to under performance of Kshs.22,892,508 mainly contributed by the under collection of Kshs.28,417,050 from sale of water and transfers from National Government of approximately 13%.

In the circumstances, under performance may hinder the Company from providing services to the public as intended.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on

Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Customer Deposits

The statement of financial position reflects customer deposits balance of Kshs10,860,364. However, the amount varies with the deposits bank balance of Kshs.34,888 reflected in the analysis of the cash and bank balances in Note 32 to the financial statements resulting to a shortfall of Kshs.10,825,476. A review of supporting ledger revealed that the customer deposits were utilized on operational costs. However, the approval by the board to borrow from the customer deposits account as required by Clause 73 of the Articles of Association was not made available for review. This is contrary to Clause 73 of the Articles of the Association which states that, the Directors may borrow or raise money, and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as security (principal or collateral) for any debt, liability or obligation of the company or any third party.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Failure to Develop a Risk Management Strategy

The Company does not have a risk management policy to guide management in risk evaluation and decision making. This is contrary to Regulation 158(1) of the Public Finance Management (County Government) Regulations, 2015 which requires the accounting officer to develop risk management strategies, which include fraud prevention mechanism and internal control that builds robust business operations.

In the circumstance, the effectiveness of the risk management, strategies and controls in place 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 control, 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. in my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements agree with the accounting records and returns.

Responsibilities of 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 and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 April, 2023

NAROK WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Report and Financial Statements for the year ended June 30, 2022

XIII. Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2022.

	Note	2021-2022 Kshs	2020-2021 Kshs
Revenue			
Operating Revenue	6	93,063,731	82,941,060
Grants Income	7	64,212,741	15,820,156
Other Income	8	-	-
Finance income	9	-	-
Other gains/(losses)	10	-	-
Total Revenue		157,276,472	98,761,216
Expenses			
Staff Costs	11	44,849,107	39,263,311
General and Operations expenses	12	68,071,060	49,006,525
Board Expenses	13	5,069,100	7,143,271
Maintenance Expenses	14	16,381,451	13,076,341
Depreciation and Amortization expenses	15	7,583,148	2,293,128
Finance Costs	16	-	-
Total Expenses		141,953,866	110,782,576
Profit/(Loss) Before Taxation		15,322,606	(12,021,360)
Income Tax Expense/(Credit)	17	-	-
Profit/(Loss) After Taxation		15,322,606	(12,021,360)
Earnings Per Share – Basic And Diluted	18	-	-
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		15,322,606	(12,021,360)
Surplus Or Deficit On Revaluation Of PPE		-	-
Remeasurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI		-	-
Total Comprehensive Income For The Year		15,322,606	(12,021,360)

NAROK WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Report and Financial Statements for the year ended June 30, 2022

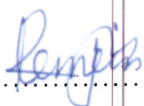
XIV. Statement of Financial Position as at 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	20	54,625,186	35,856,990
Intangible assets	21	-	-
Investment property	22	-	-
Right- of -use assets	23	-	-
Biological Assets	24	-	-
Fixed interest investments	25	-	-
Quoted investments	26	-	-
Unquoted investments	27	-	-
Total Non-Current Assets		<u>54,625,186</u>	<u>35,856,990</u>
Current Assets			
Inventories	28	166,330	-
Trade and receivable	29	58,111,258	57,027,614
Tax recoverable	30	-	-
Short-term deposits	31	-	-
Bank and cash balances	32	846,734	(1,495,218)
Total Current Assets		<u>59,124,322</u>	<u>55,608,848</u>
TOTAL ASSETS		<u>113,749,508</u>	<u>91,465,838</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	33	100,000	100,000
Revaluation reserve	34	-	-
Fair value adjustment reserve	35	-	-
Capital Grants	47	71,853,453	45,556,253
Retained earnings	36	(17,443,882)	(32,766,488)
Capital and Reserves		<u>54,509,571</u>	<u>12,789,765</u>
Non-Current Liabilities			
Deferred tax liability	37	-	-
Borrowings	38	-	-
Lease Liability	39	-	-
Provisions	40	-	-
Retirement Benefits	41	-	-
Total Non-Current Liabilities		-	-
Current Liabilities			

NAROK WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Report and Financial Statements for the year ended June 30, 2022

Total Non-Current Liabilities		-	-
Current Liabilities			
Borrowings	38	10,573,118	9,452,293
Lease Liability	39	-	-
Provisions	40	-	-
Retirement benefit obligations	41	-	-
Trade and other payables	42	37,806,455	60,046,659
Customer Deposits	43	10,860,364	9,277,121
Deferred Income	44	-	-
Dividends payable	45	-	-
Taxation	46	-	-
Total Current Liabilities		59,239,937	78,776,073
TOTAL EQUITY AND LIABILITIES		<u>113,749,508</u>	<u>91,465,838</u>

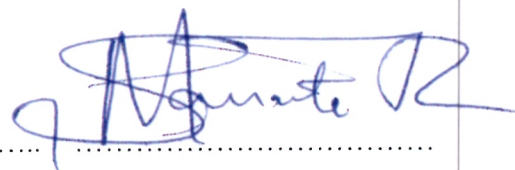
The financial statements were approved by the Board on 20/03 2023 and signed on its behalf by:



JUSTUS P. LEMEIN
Managing Director



JOEL TARAKWAI
Commercial Manager



OLE SAMANTE
Chairman of the Board

NAROK WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Report and Financial Statements for the year ended June 30, 2022

XV. Statement of Changes in Equity For The Year Ended 30 June 2022

	Ordinary share capital	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2020	100,000	(20,745,127)	45,556,253	24,911,126
Revaluation gain	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-
Total comprehensive income	-	(12,021,360)	-	(12,021,360)
Capital/Development grants received during the year	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
Capitalization of provision-for earlier years	-	-	-	-
At June 30, 2021	100,000	(32,766,487)	45,556,253	12,889,766
At July 1, 2021	100,000	(32,766,487)	45,556,253	12,889,766
Issue of new share capital	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-
Total comprehensive income	-	15,322,606	26,297,200	41,619,806
Capital/Development grants received during the year	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
At June 30, 2022	100,000	(17,443,881)	71,853,453	54,509,572

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XVI. Statement of Cash Flows for The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	49 (a)	(465,900)	(1,495,218)
Net cash generated from/(used in) operating activities		(465,900)	(1,495,218)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		3,976,864	625,620
Proceeds from disposal of property, plant and equipment		-	-
Purchase of intangible assets		-	-
Net cash generated from/(used in) investing activities		3,976,864	625,620.
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of new share capital			-
Proceeds from borrowings			-
Deposits		685,050	2,222,700
Repayment of borrowings			-
Net cash generated from/(used in) financing activities		685,050	2,222,700
CASH AND CASH EQUIVALENTS FOR THE YEAR	49(b)	4,196,014	(1,495,218)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(1,495,218)	(2,871,839)
Suspense		(1,854,062)	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		846,734	(1,495,218)

XVII. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue	102,876,800	-	102,876,800	93,063,731	9,813,069	10%
Transfers from NCG/National Government	77,292,180	-	77,292,180	58,688,199	18,603,981	24%
Donations in kind	0	0	0	5,524,542	-5,524,542	0
Total income	180,168,980	0	180,168,980	157,276,472	22,892,508	13%
Expenses						
Personnel expenses	40,003,007	0	40,003,007	44,849,107	-4,846,100	-12%
General & operations expenses	72,300,240	0	72,300,240	68,071,060	4,229,180	6%
Expenses on board of directors	4,000,000	0	4,000,000	5,069,100	-1,069,100	-27%
Maintenance expenses	10,150,530	0	10,150,530	16,381,451	-6,230,921	-61%
Purchase of pipes and fittings	2,812,000	0	2,812,000	0	2,812,000	
Purchase of Motorcycles	0	0	0	0	0	
Total expenditure	129,265,777	0	129,265,777	134,370,718	-5,104,941	
Surplus for the period				22,905,754	-5,104,941	

NB: Provisions for both depreciation and bad debts are not included

Notes

1. The under collections of revenues was due to pumps inefficiency and NRW,
2. The over expenditure on staff cost was due to secondment of expert staff from county government.
3. There were over expenditure on repairs and maintain ace vote due to change in template major repairs were relocated to general and operations expenses

XVIII. Notes To the Financial Statements

1. General Information

Narok Water and Sewerage services Company Limited is established by and derives its authority and accountability from water Act. The Company is wholly owned by the Narok County Government and is domiciled in Kenya. The Company's principal activity is Narok, Ololulunga and Suswa.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2022*

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Title	Description	Effective Date
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2022.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, 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, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

Title	Description	Effective Date
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 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. Early adoption 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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognised in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognised in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 costs of ongoing but incomplete works on buildings and other civil works and installations.

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

Item	Years	Rates
Freehold Land	-	-
Leasehold Land	-	-
Buildings and civil works	25 years	4%
Infrastructure works	25 years	4%
Plant and machinery	12.5 years	8%
Motor vehicles, including motor cycles	4 years	25%
Computers and related equipment	3 years	33 1/3%
Office equipment, furniture and fittings	12.5 years	8%

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

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

e) Intangible assets

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

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

g) 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 on 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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.

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 and when the necessary approval to write off is granted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant 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 statement of financial performance.

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable on settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised 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 amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

t) Retirement benefit obligations

The Company is yet to operate a defined contribution scheme for all full-time employees from July 1, 2023. The scheme will be 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. 200 per employee per month.

u) Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 recognised in profit or loss.

w) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 16.06.2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company did not record additional appropriations. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section XV of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

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, 2022.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 29

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.

Provision for bad and doubtful debts are estimated using aging analysis shown in note 29(a) as Kshs. 6,253,362

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

	2021-2022	2020-2021
	Kshs	Kshs
Water sales	91,994,725	82,556,560
Sewerage Services	1,069,006	384,500
Billing for other services	-	-
Total	93,063,731	82,941,060

7. Grants and in-kind donation Income

	2021-2022	2020-2021
	Kshs	Kshs
Operational grants from County Government and WSTF	58,688,199	11,452,313
Recurrent/operational grants from other agencies	-	-
Capital grants amortized	-	-
Donations from County Governments	5,524,542	4,367,843
In Kind contribution/donations from other agencies	-	-
Total	64,212,741	15,820,156

7(a) Operational grants from County Government and WSTF

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2021-2022 KShs
Narok County Government-Electricity	8,164,800	-	-	8,164,800	8,164,800
WSTF-conditional liquidity support grants	50,223,399	-	-	50,223,399	50,223,399

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WSTF Fixed cost Quick Start Quick Finish water trucking	300,000	-	-	300,000	300,000
Total	58,688,199	-	-	58,688,199	58,688,199

7(b) Donations from County Governments

Name of the Entity sending the in-kind donations	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2021-2022 KShs
Narok County Government-seconded personnel	2,323,440	-	-	2,323,440	2,323,440
Japanese international corporation(JICA) Chemicals Supply	3,201,102	-	-	3,201,102	3,201,102
Total	5,524,542	-	-	5,524,542	5,524,542

8. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Sale of Tender	-	-
Fine and penalties	-	-
Rental income	-	-
Insurance compensation	-	-
Miscellaneous income (specify)	-	-
Total	-	-

9. Finance Income

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest income from treasury bonds	-	-

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Interest income from treasury bills	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	-	-
Interest on staff loans	-	-
Dividends	-	-
Total	-	-

10. Other Gains and Losses

	2021-2022	2020-2021
Description	Kshs	Kshs
Foreign exchange gains / (losses)	-	-
Loss/gain on disposal on sale of investments	-	-
Gain on sale of fixed assets	-	-
Fair value gain/loss on biological Assets	-	-
Fair value gain or losses on revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Unrealized foreign exchange gains/(losses)	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Salary and Allowances	38,999,161	33,584,006
Casual workers Wages	136,308	890,525
Medical insurance schemes	-	-
Employer's contributions to social security schemes	200,200	172,400
Employer's contributions to pension scheme	-	-
Provisions for Leave pay	-	306,000
Gratuity provisions	1,337,526	797,940
Fringe Benefit tax	-	-
Staff welfare	616,800	166,300
Gross salaries-Seconded employees	2,337,680	2,115,920
Top-Up Allowances	1,221,432	1,230,220
Total	44,849,107	39,263,311
The average number of employees during the year		

[The company has 88 No. Staff three are on contract, three are seconded from county government and eighty one (81) are permanent and pensionable]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. General and Operations Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Electricity	10,793,525	11,686,886
Chemicals	15,674,823	12,656,311
Fuel, Oils and Lubricants	6,756,169	3,159,236
Local transport	3,530,167	1,837,522
Electricity and water	59,412	67,771
Performance guarantee	981,868	-
Water Abstraction fees-WARMA	716,035	778,728
Provision for WASPA Fees	55,000	55,000
Provision for WASREB Fees	4,006,142	3,260,382
Telephone and postage expenses	259,886	203,840
Travelling, accommodation and subsistence	7,510,321	3,119,270
Advertising and communication	152,680	194,000
Rent expenses	180,000	576,000
Staff training and benchmarking	446,200	22,800
Insurance costs	271,016	231,075
Bank charges and commissions	119,196	108,680
Office and general supplies and services	2,862,392	1,208,940
Provision for Auditors' remuneration	232,000	232,000
Computer and internet expenses	1,265,230	208,927
Consultancy fees	0	750,000
Security expenses-contracted	2,949,250	1,482,200
Stationeries and computer peripherals.	895,604	934,567
Bulk SMS.	97,400	142,000
Hospitality and entertainment.	1,427,782	785,182
Staff uniform.	107,400	-
Miscellaneous expenses.	418,200	343,900
Subscription to WASCO	50,000	55,000
Provision for bad and doubtful debts	6,253,362	4,893,208
Total	68,071,060	48,993,425

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Chairman Honoraria	-	-
Sitting allowances	5,069,100	7,143,271
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	-	-
Other allowances	-	-
Total Board Expenses	5,069,100	7,143,271

14. Maintenance Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Plant and Equipment	15,793,525	12,540,897
Buildings	-	-
Infrastructural networks	-	-
Grounds	-	-
Motor vehicles	587,926	535,444
Software	-	-
ICT	-	-
Furniture	-	-
Water Meter	-	-
Access roads	-	-
Total Maintenance Expenses	16,381,451	13,076,341

15. Depreciation and Amortization Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant, and equipment	7,583,148	2,293,128
Right of Use Assets	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total Depreciation and Amortization	7,583,148	2,293,128

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Finance costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Others (specify)	-	-
Total	-	-

17. Income Tax Expense/(Credit)

Current taxation

	2021-2022	2020-2021
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	-

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

	2021-2022	2020-2021
	Kshs	Kshs
Profit before taxation	-	-
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs. - (2019-2020: KShs-) by the average number of ordinary shares in issue during the year of - (2019-2020: -). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

19. Dividend Per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2021, a final dividend in respect of the year ended June 30, 2021 of Kshs. - (2020: Kshs-) for every ordinary share of par value of KShs. - is to be proposed. An interim dividend of Kshs. - (2020: Kshs. -) for every ordinary share of par value of KShs. - was declared and paid during the year. This will bring the total dividend for the year to KShs. - (2020: KShs. -).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Property, Plant and Equipment

2021	Buildings and civil works	Freehold land	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital works in progress	Total
COST OR VALUATION								
At July 1, 2020	32,990,683	1,500,000	7,465,384	6,340,000	1,216,554	1,084,935	498,193	51,095,749
Additions	-	-	-	625,620	-	-	-	625,620
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2021	32,990,683	1,500,000	7,465,384	6,965,620	1,216,554	1,084,935	498,193	51,721,369
DEPRECIATION								
At July 1, 2020	2,586,469	-	2,997,694	6,227,500	901,719	857,868	-	13,571,250
Charge for the year	1,319,627	-	597,231	184,530	104,945	86,796	-	2,293,128
At June 30, 2021	3,906,096	0	3,594,925	6,412,030	1,006,664	944,664	-	15,864,379
NET BOOK VALUE	29,084,587	1,500,000	3,870,459	553,590	209,890	140,271	498,193	35,856,990
At June 30, 2021	29,084,587	1,500,000	3,870,459	553,590	209,890	140,271	498,193	35,856,990

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

2022	Buildings and civil works	Freehold land	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital works in progress	Total
COST OR VALUATION								
At July 1, 2021	32,990,683	1,500,000	7,465,384	6,340,000	1,216,554	1,084,935	498,193	51,095,749
Additions	1,545,500	-	1,669,476	23,000,100	-	761,888	-	26,976,964
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2022	34,536,183	1,500,000	9,134,860	29,340,100	1,216,554	1,846,823	498,193	78,072,713
DEPRECIATION								
At July 1, 2021	3,906,096	-	3,594,925	6,412,030	1,006,664	944,664	-	15,864,379
Charge for the year	1,225,203	-	443,195	5,732,017	69,963	112,770	-	7,583,148
At June 30, 2022	5,131,299	0	4,038,120	12,144,047	1,076,627	1,057,434	-	23,447,527
NET BOOK VALUE	29,404,884	1,500,000	5,096,740	17,196,053	139,927	789,389	498,193	54,625,186
At June 30, 2022	29,404,884	1,500,000	5,096,740	17,196,053	139,927	789,389	498,193	54,625,186

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

Land and buildings were not valued by an independent valuer

20 (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:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	1,500,000	-	1,500,000
Buildings	34,536,183	5,131,299	29,404,884
Plant and machinery	9,134,860	4,038,120	5,096,740
Motor vehicles, including motorcycles	29,340,100	12,144,047	12,144,047
Computers and related equipment	1,216,554	1,076,627	139,927
Office equipment, furniture, and fittings	1,846,823	1,057,434	789,389
Work in progress	-	-	498,193
	77,574,520	23,447,527	54,625,186

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

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	-	-
Motor vehicles, including motor cycles	6,340,000	6,340,000
Computers and related equipment	-	-
Office equipment, furniture and fittings	-	-
Total	6,340,000	6,340,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Intangible Assets

	2021-2022	2020-2021
Software	Kshs	Kshs
COST		
At July 1	90,500	90,500
Additions	-	-
Disposals	-	-
At June 30	90,500	90,500
AMORTISATION		
At July 1	90,500	80,400
Charge for the year(30%87,000)+(30%3500)	-	10,100
Disposals	-	-
Impairment loss	-	-
NET BOOK VALUE AS AT 30TH JUNE 2022	-	-

22. Investment Property

	2021-2022	2020-2021
	Kshs	Kshs
Opening valuation	-	-
Movements during the year	-	-
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
Closing valuation	-	-
DEPRECIATION (IF AT COST)		
At July 1	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30	-	-
NET BOOK VALUE	-	-
At June 30	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Right-of-use assets

	Buildings	Plant	Equipment	Total
	Kshs	Kshs	Kshs	Kshs
Cost				
As at 1 July 2020	-	-	-	-
Additions	-	-	-	-
As at 30 June 2021	-	-	-	-
Additions	-	-	-	-
As at 30 June 2022	-	-	-	-
Accumulated Depreciation				
As at 1 July 2020	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2021	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2022	-	-	-	-
Carrying Amount				
As at 30 June 2021	-	-	-	-
As at 30 June 2022	-	-	-	-

24. Biological Assets

	2021-2022	2020-2021
	Kshs	Kshs
Cattle	-	-
Trees	-	-
Others	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Fixed Interest Investments (Bonds)

	2021-2022	2020-2021
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Bond	-	-
AB Corporate Bond (give details)	-	-
CD Corporate Bond (give details)	-	-
Total	-	-

Details	2021-2022	2020-2021
	Kshs	Kshs
Balance at 1 July	-	-
Additions during the year	-	-
Interest accrued during the year	-	-
Investment maturities during the year	-	-
Balance at 30 June	-	-

26. Quoted Investments

	2021-2022	2020-2021
	Kshs	Kshs
Opening valuation	-	-
Movements during the year		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
Closing valuation	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Name of entity where investment is held	No of shares			Nominal value of shares/purchase price	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	No	No	No	Shs	Shs	Shs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
	-	-	-	-	-	-

27. Unquoted Investments

	2021-2022	2020-2021
	Kshs	Kshs
COST		
At July 1	-	-
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	-	-
At June 30	-	-
IMPAIRMENT		
At July 1	-	-
Disposals	-	-
Impairment loss in the year	-	-
At June 30	-	-
NET BOOK VALUE	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Name of entity where investment is held	No of shares			Nominal value of shares/ purchase price	Value of shares less impairment	Value of shares less impairment
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	No	No	No	Shs	Shs	Shs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
Entity D	-	-	-	-	-	-
	-	-	-	-	-	-

28. Inventories

	2021-2022	2020-2021
	Kshs	Kshs
General stores	-	-
Chemicals & Laboratory items	166,330	-
Water fittings and Accessories	-	-
Water meters	-	-
Uniform and protective clothing	-	-
Fuel, oil and lubricants	-	-
Motor vehicle spare parts	-	-
Goods in transit	-	-
Stationery and general stores	-	-
Finished goods	-	-
Work in progress	-	-
Less: Impairment of stocks	-	-
Total	166,330	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 a) Reconciliation of Impairment Allowance for Inventories

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

29.) Trade and Other Receivables

	2021-2022	2020-2021
	KShs	KShs
Trade receivables (note (29a))	58,011,258	57,004,066
Unpaid shareholding	100,000	100,000
Deposits and prepayments	-	-
VAT recoverable	-	-
Staff receivables (note 29 (c))	-	-
Other receivables	-	-
Gross trade and other receivables	58,111,258	57,104,066
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	58,111,258	57,104,066

29 (a) Trade Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	64,264,620	61,897,274
Provision for doubtful receivables	(6,253,362)	(4,893,208)
Net trade receivables	58,011,258	57,004,066

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

Less than 30 days	-	-
Between 30 and 60 days	-	-
Between 61 and 90 days	-	-
Between 91 and 120 days	-	-
Over 120 days	6,253,362	4,893,208
Total	6,253,362	4,893,208

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

29 (c) Staff Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross staff loans and advances	-	-
Provision for impairment loss	-	-
Net staff loans	-	-
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

29 (d) Reconciliation of Impairment Allowance for Staff Receivables

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

30. Tax Recoverable

	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year (note 16)	-	-
Under/(over) provision in prior year/s (note 16)	-	-
Income tax paid during the year	-	-
At end of the year	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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31. Short Term Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Commercial banks		
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
Barclays Bank of Kenya	-	-
Others	-	-
	-	-

32. Bank and Cash Balances

	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	770,000	(1,495,218)
Cash in hand	-	-
Mobile money account	76,734	-
	846,734	(1,495,218)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Detailed analysis of the cash and cash equivalents

		2021-2022	2020-2021
Financial institution	Account number	KShs	KShs
a) Current account			
NATIONAL BANK-operations account	01003042177902	630,418	(2,517,244)
NATIONAL BANK-collection account	01003042177900	18,402	1,286,443
NATIONAL BANK-deposits account	01003042177901	34,888	(226,191)
b) NATIONAL BANK-exhauster account	01003042177906	86,292	38,226
Sub- total		770,000	(1,495,218)
On – call deposits			
Commercial banks		-	-
c) others		-	-
Sub- total		-	-
Fixed deposits account		-	-
Other Commercial banks		-	-
others		-	-
d) Sub- total		-	-
Sub- total		-	-
Others(specify)		-	-
Cash in transit		-	-
cash in hand		-	-
Mobile money account		76,734	-
Grant Total		846,734	(1,495,218)

33. Ordinary Share Capital

	2021-2022	2020-2021
	Kshs	Kshs
Authorized:		
5000 ordinary shares of Kshs. 20 par value each	100,000	100,000
Issued and fully paid:		
5000 ordinary shares of Kshs 20 par value each	100,000	100,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

35. Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

36. Retained Earnings

The retained earnings represent amounts available for distribution to the NARWASSCO shareholders. Undistributed retained earnings are utilised to finance the NARWASSCO business activities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2021-2022	2020-2021
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability	-	-

The movement on the deferred tax account is as follows:

	2021-2022	2020-2021
	Kshs	Kshs
Balance at beginning of the year	-	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-

38. Borrowings

Description	2021-2022	2020-2021
	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	9,452,293	6,723,293
Domestic borrowings during the year	1,120,825	2,729,000
Repayments during the year	-	-
Balance at end of the year	10,573,118	9,452,293
C) Total Balance at end of the period c = a+b	10,573,118	9,452,293

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2021-2022	2020-2021
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx Organization'	-	-
Sterling Pound denominated loan from 'organization'	-	-
Euro denominated loan from organization'	-	-
Domestic Borrowings	-	-
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Total balance at end of the year	-	-

Description	2021-2022	2020-2021
	KShs	KShs
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39. Lease Liability

Description	2021-2022	2020-2021
	KShs	KShs
At the start of the year	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
At end of the year	-	-

	2021-2022	2020-2021
Maturity analysis	Kshs	Kshs
Year 1	-	-
Year 2	-	-
Year 3	-	-
Year 4	-	-
Year 5	-	-
On wards	-	-
	-	-
Less: unearned interest	-	-
	-	-
Analysed as:		
Non-Current	-	-
Current	-	-

40. Provisions

Description	Leave Provision	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-	-
Additional Provisions	-	-	-	-	-
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Balance at the end of the year	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provisions details

Description	2021-2022	2020-2019
	Kshs	Kshs
Current Portion of Provisions	-	-
Long-term portion of Provisions	-	-
Total	-	-

41. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total employee benefits obligation	-	-	-	-	-

Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 2022. The scheme is administered by - while - are the custodians of the scheme. The scheme is based on -percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at 30 June 2022 by - actuarial valuers on this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021-2022	2020-2021
	Kshs	Kshs
Discount rates	-	-
Future salary increases	-	-
Future pension increases	-	-
Mortality (Pre- retirement)	-	-
Mortality (Post- retirement)	-	-
Withdrawals	-	-
Ill health	-	-
Retirement	-	-

Recognition of Retirement Benefit Asset/ Liability

a) Amounts recognised under other gains/ Losses in the statement of Comprehensive Income

	2021-2022	2020-2021
Description	Kshs	Kshs
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (Specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Remeasurement of the net defined benefit liability (asset)	-	-

b) Amounts recognised in the Statement of Financial Position

	2021-2022	2020-2021
Description	Kshs	Kshs
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded Status(=a-b)	-	-
Restrictions on asset recognized	-	-
Others	-	-
Net Asset or liability arising from defined benefit obligation	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 400 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by CPF Pension Fund. Employees contribute - while employers contribute - of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

42. Trade and Other Payables

	2021-2022	2020-2021
PAYABLES	Kshs	Kshs
WASREB levy	11,800,142	8,099,000
Office of the OAG.	2,424,000	2,192,000
Net Salaries	1,691,077	1,793,772
Gratuity	1,636,742	2,655,820
CPF Financial services Limited	279,282	-
Shree Hari.	-	143,900
HAB POWER and water ltd	296,970	788,960
Integrated great lakes	469,270	469,270
Milsem Enterprises Limited	482,400	604,288
Loshon Suppliers	-	144,000
Sian Enterprises Limited	100,000	198,220
WASCO	110,000	110,000
WASPA	290,300	235,300
First Machineries Limited	-	291,840

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Wear and Abrasions Solutions	-	511,230
Shield Park Villa Hotel	537,300	452,388
Minute Plus Holdings	-	186,294
Gravity Computer investments	-	121,800
Nosim Security Guards	-	247,050
Meirurua company limited	-	295,000
Consultancy fees- Rarinah Company Limited	746,874	1,493,748
EASYCHEM	1,464,240	-
Family Bank Loans	748,519	6,657,850
Mwalimu National Sacco	8,578	113,952
NCBA Loans	175,357	-
Platinum Credit Limited	10,641	34,116
PS Ministry of Housing	216,000	144,000
HELB	34,072	34,072
PAYE	338,403	12,980,752
NHIF	242,135	162,635
CRWWDA	4,367,604	4,367,604
KEL Chemicals	-	4,347,801
PAN Africa Chemicals	1,450,000	1,577,300
Sacco deductions	-	630,990
KPLC	2,229,436	1,359,746
NCG- rent arrears	4,908,000	4,908,000
APA insurance	379,893	517,909
WARMA-	369,220	1,103,111
NAIVASHA WATER	-	72,910
TOTALS	37,806,455	60,046,659

43. Customer Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Opening Balance	9,277,121	7,054,421
Add: deposits received during the year	1,583,243	2,222,700
Less: Refunded deposits during the year	-	-
Closing balance	10,860,364	9,277,121
Total	10,860,364	9,277,121

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. Deferred Income

Description	2021-2022	2020-2021
	KShs	KShs
National/County government	-	-
International funders	-	-
Public contributions and donations	-	-
Total deferred income	-	-

The deferred income movement is as follows:

	County government	International funders	Public contributions and donations	Total
Balance brought forward	-	-	-	-
Additions	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to income statement	-	-	-	-
Other transfers	-	-	-	-
Balance carried forward	-	-	-	-

45. Dividends Payable

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The balances are analysed in annual amount below.

	2021-2022	2020-2021
	Kshs	Kshs
At the beginning of the year	-	-
Additional declared during the year	-	-
Paid during the year	-	-
Balance at end of the year	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. Taxation

	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	-	-
At end of the year	-	-

47. CAPITAL GRANTS

	2021-2022	2020-2021
	Kshs	Kshs
Grant (WSTF)	45,556,253	45,556,253
Additions-WSTF	3,297,100	
Additional-RVWSB	23,000,100	-
	71,853,453	45,556,253

47(a) Capital grants during the year

	2021/2022	2020/2021
	Kshs	Kshs
Capital grants(WSTF)-Fixed cost	3,297,100	0
Capital grants(KTSWSP)-Funded by AfDB	23,000,100	0
Total	26,297,200	0

48. RETAINED EARNINGS

	2021-2022	2020-2021
	Kshs	Kshs
Balance b/f (deficit)	(32,766,488)	(20,745,128)
Surplus/deficit for the year	15,322,606	(12,021,360)
Totals	(17,443,882)	(32,766,488)

49. Notes to The Statement of Cash Flows

	2021-2022	2020-2021
	Kshs	Kshs
(a) Reconciliation of operating profit/ (loss) to cash generated from/ (used in) operations		
profit or loss before tax	15,322,606	(12,021,360)
Depreciation	7,583,148	2,293,128
Amortisation	-	10,100
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	22,905,754	(9,728,232)

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	2021-2022	2020-2021
	Kshs	Kshs
(Increase)/decrease in inventories	(166,330)	-
(Increase)/decrease in trade and other receivables	(955,120)	(6,760,705)
Increase/(decrease) in trade and other payables	(22,240,204)	13,773,186
Increase/(decrease) in retirement benefit obligations	-	
Increase/(decrease) in provision for staff leave pay	-	
Cash generated from/(used in) operations	(465,900)	(2,715,751)
(b) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank and MPESA	846,734	(1,495,218)
Cash in hand	-	-
Balance at end of the year	1,065,884	(1,495,218)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other Disclosures

50. Related Party Disclosures

County Government of Narok

The County Government of Narok is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Narok 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, energy, natural resources and climate change
- County Government of Narok
- Central Rift Valley Water Works Development Agencies(CRVWWDA)
- Water services regulatory board (WASREB)
- Water Resources Management Authority (WARMA)
- Water Sector Trust Fund (WSTF)
- Key management
- Board of directors

Transactions with related parties

	2021-2022	2020-2021
	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	-	-

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	2021-2022	2020-2021
	Kshs	Kshs
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	58,688,199	11,452,313
Donations in kind	5,524,542	4,367,843
Total	64,212,741	15,820,156
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

51. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	2021-2022	2020-2021
	Kshs	Kshs
Amounts authorised and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	-	-
	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

52. Contingent Assets and Liabilities

Contingent Assets

	2021-2022	2020-2021
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Others (Specify)	-	-
Total	-	-

Contingent Liabilities

	2021-2022	2020-2021
	Kshs	Kshs
Contingent liabilities	-	-
Court case xxx against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
Others (Specify)	-	-
Total	-	-

53. 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:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(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 2022				
Trade Receivables	-	-	-	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2021 (previous Year)	-	-	-	-
Receivables	-	-	-	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2022 current year				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2021 previous year				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

(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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(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 period are as follows:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022 Current Year			
Financial assets			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
Financial Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021 Previous year			
Financial assets			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
Financial Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 possible 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.

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2022 Current FY			
Euro	10%	-	-
USD	10%	-	-
2021 Previous FY			
Euro	10%	-	-
USD	10%	-	-

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 mainly 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 of KShs (2020: KShs xxx). A rate increase/decrease of -% would result in a decrease/increase in profit before tax of KShs (2020 – KShs -)

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

At 30 June 2022 Current FY	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-
At 30 June 2021 Previous FY				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

54. Incorporation

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

55. Events After the Reporting Period

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

56. Currency

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

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XIX. 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)
1.0	<u>Undisclosed Material Uncertainty in Relation to Going Concern</u> The statement of financial position reflects total current assets of Ksh.55, 608,848 as at 30th June 2021 against total current liabilities of Ksh78, 776,073 resulting to a negative working capital of Ksh. 23,167,225.	The Water Company had made losses until FY 2018/19. The trend for losses had been reduced three years to the FY 2018/19. During the FY 2019/2020, COVID -19 affected the performance since the company was directed to provide water for free to households and institutions, given the proximity of the service area to the urban Centre, which was highly affected.	RESOLVED	

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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)
	Further the company made a loss of Ksh.12,021,360 bringing the retained earnings to negative Kshs.32,766,488. This is an indication of the existence of material uncertainty which cast doubt on the company's ability to continue as a going concern and to meet its obligations as and when they fall due. The financial statement have been prepared on a going concern	However, the company has been granted earlier applied for, which is a Regular Tariff Adjustment (which is full cost recovery) from the Water Services Regulatory Board. This will enable the company meet its cost sustainably. In addition, the inclusion of sewer service charge in the new tariff and ring fencing of our revenues in the subsequent periods will also enhance and support the company to maintain solvency.		

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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 on the assumption that the company will continue to receive financial support from county government of Narok. However, the uncertainty in relation to going concern and the mitigation measures put in place by the company directors to reverse the situation have not been disclosed in the financial statements. In the circumstances, the existence of			

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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)
	the company is dependent on the financial support from the county government and its creditors			
2.0	<u>Inaccuracies in Water Sales</u> The statement of profit and loss and other comprehensive income and as disclosed in Note 6 to the financial statement reflects revenue balance of Ksh.82, 941,060 for the year ended 30th June 2021. The balance include revenue of kshs.4, 473,210	The company has been using an old billing system for its operations, the software we had did not accurately. However, the Company has now acquired a smart billing system in an effort to automate billing. This will go a long way in ensuring the bills are paid by customers.	RESOLVED	

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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)
	that was realized after billing one thousand one hundred sixty three (1,163) customers for the consumption of 43,084 units of water whose meter readings had remained constant during the financial year under review. Further, the company was billing customers using tariffs that had expired in the year 2014. In addition, the company produced 882,903 cubic meters (m3) of			

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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)
	water out of which 785,675 cubic meters were billed to customers at Kshs 82,556,560. The balances of 97,228 m3 (or 11%) represented unaccounted for water (UFW) of value Kshs. 10,201,256. However, a visit to the production plant in the month of February, 2022 revealed that the water meter in respect of 1,163 consumers were faulty. In the circumstances,			

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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)
	the accuracy and completeness of the water sales revenue of Kshs.82, 941, 060 for the year ended 30th june, 2021 could not be confirmed.			
3.0	<u>Inaccuracies in Bank and Cash Balances</u> The statement of financial position reflects and as disclosed in Note 13 to the financial statements negative balances of Kshs.1,495,218• This was at	The Company has Corrected the error to reflect the desired balances.	RESOLVED	

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Referen ce No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolve d / Not Resolve d)	Timefram e: (Put a date when you expect the issue to be resolved)
	variance with the detailed sum of the balances for the four bank accounts which had negative of Kshs. 1,418,766 resulting in an unexplained and unreconciled variance of Kshs. 76,452. Further, the bank reconciliation statement for the deposit account reflected unrepresented cheques of Kshs, Kshs 230,000 whose dates and numbers were not indicated, while the bank reconciliation,			

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Referen ce No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolve d / Not Resolve d)	Timefram e: (Put a date when you expect the issue to be resolved)
	statement for the operation account reflected ten (10) unrepresented cheques amounting to Kshs.2, 550,422 whose dates had not been indicated. Consequently, the accuracy and completeness of the bank and cash negative balance of Kshs.1, 495,218 as at 30 June, 2021 could not be confirmed.			
4.0	<u>Inaccuracies in Customer Deposits</u>	The company has a schedule of all the new customers and the	RESOLVED	

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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)
	The statement of financial position and as disclosed in Note 19 to the financial statements reflects customer deposits balance of Kshs.9, 277,121. However, the bank statement of the deposit account reflected a balance of Kshs.4, 529 resulting to a variance of Kshs.9, 272,592 which Management explained to be as a result of borrowings.	amount deposited during the year under review		

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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)
	Further, the balance has not been supported by a register indicating customer name, account number and the respective deposit amount. Consequently, the accuracy, completeness and existence of the customer deposits balance of kshs.9,277,121 as at 30 June,2021 could not be confirmed.			
5.0	<u>Inaccuracies in the Statement of Comparison of</u>	The Inaccuracies were subsequently corrected so as to reflect proper	RESOLVED	

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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)
	<u>Budget and Actual Amounts</u> The statement of comparison of budget and actual amounts reflects a final revenue budget of Kshs.93,324,671 against actual receipts of Kshs.98,761,216 resulting to a surplus of Kshs.5,436,545 which is erroneously reflected as Kshs.2,436,635 for the year ended 30 June, 2021. In the circumstances, the accuracy	balances in the following FY		

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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)
	revenue amount in the statement of budget and actual			
6.0	<u>Unsupported Staff Costs</u> The statement of profit or loss and other comprehensive income and as disclosed in Note 8 to the financial statements reflects administration costs balance of Kshs.63 803 464 for the year ended 30 June, 2021. Included in the balance is Kshs.39, 263,311 in respect of staff	The company had Technical staff from the county water department deployed to offer technical support to the company. The board of directors resolved to pay the said staff a top up allowance	UNRESOLVED	1 YEAR

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	costs, out of which Kshs.1, 230,220 was paid to four staff members seconded from the county Government of Narok. Management did not provide for audit verification of secondment letters. Consequently the validity of the staff costs of Kshs.1,230,220 paid to the secondment staff could not be confirmed.			
7.0	<u>Unsupported Board Expenses</u>	The Company paid allowances only when	RESOLVED	

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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)
	The statement of profit or loss and other comprehensive income and as disclosed in Note 8 to the financial statements reflects administration costs balance of Kshs.63, 803,464 for the year ended 30 June. 2021. The amount includes administration costs of Kshs.7, 143,271 incurred on Board of Directors' expenses that was not supported by way of Board	meetings were held outside the company boardroom. Management has since implemented the auditors' recommendation for the financial year 2021/2022.		

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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)
	meetings minutes, allowances paid to each member, attendance lists and approved sitting allowances rates. Further, the balance also includes irregular payments of Kshs.1, 352,700 to staff members assisting the Board as the Secretariat. Consequently, the accuracy and validity of Board expenses of Kshs.7, 143,271 for the year ended 30 June,			

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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)
	2021 could not be confirmed.			
8.0	<u>Unsupported Property, Plant and Equipment Balances</u> Asset Amount (Kshs) Missing Information Buildings and Civil Works. 29,084,587 Asset description and valuation/cost Leasehold Land 1,500,000 Ownership documents Plant and Machinery 3,870,459	Buildings and civil works includes masonry and water kiosks funded by the WSTF all the designs and other descriptions are held by the water fund. ii. The leasehold land - This includes a land on which the sewer office was build and the company has the ownership documents. iii. Plant and machinery - This also includes machines acquired from the Central Rift Valley Water Works Agency and their documents/books are kept by the agency;	RESOLVED	

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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)
	Description and their costs Motor Vehicles• 535,590 Description and cost Total 34,990,636 The statement of financial position and as disclosed in Note 10 to financial statements reflects property, plant and equipment balance of Kshs.35,356,990. Included in the amount are assets valued at Kshs.34,990,636	v. Motor vehicles – includes assets held by the agency Central Rift Valley Development Agency – yet to be transferred though the company has been operating the asserts.		

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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)
	which were not supported by way of cost, description or ownership documentation as detailed below: Further, the balance includes Work In Progress of Kshs.498, 193 in respect of a water kiosk in Olpopongi whose construction was completed but has not been put into use or capitalized under building and civil works. Consequently, the accuracy, completeness,			

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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)
	Ownership and valuation of the property, plant and equipment balance of Kshs.35, 488,829 as at 30 June, 2021 could not be confirmed. Responses			
9.0	Unsupported Trade and Other Payables The statement of financial position and as disclosed in Note 18 to financial statements as at 30 June. 2021 reflects trade and other payables balance of Kshs.60,	Most of trade payables are statutory deductions, levies and staff cost. For these we have attached payroll products. The documents relating to suppliers have since been presented to the auditors for verification.	RESOLVED	

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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)
	046,659. The balance has not been supported by way of opening balance, additions and payments for the year to arrive at the closing balance. Further, the balance includes Kshs.4,367,604 owed to Central Rift Valley Water Works Development Agency (formerly Rift Valley Water Services Board). This was at variance with the confirmation obtained from the			

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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)
	Agency indicating that the amount owed is Kshs.26, 150,361 resulting to unexplained and unreconciled variance of Kshs.21.782, 757. In the circumstances, the accuracy and completeness of the trade and other payables Balance of Kshs.60, 046,659 as at 30 June, 2021 could not be confirmed.			
10.	<u>Unsupported Share Capital Ownership</u>	The management is following up on the unpaid share capital	UNRESOLVED	

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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)
	The statement of financial position and as disclosed in Note 14 to the financial statements reflects ordinary share capital balance of Kshs.100, 000 in respect of 1,000 ordinary shares of Kshs.100 each. However, clause 5 of the Company's Memorandum of Association indicates that the company's share capital comprises 5,000 shares of Kshs.20 each and no documentary evidence was	from the county government who is the principal shareholder of the company.		

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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)
	provided for audit to confirm whether they are fully paid up. Consequently, the accuracy and completeness of the share capital balance of Kshs.100, 000 as at 30 June, 2021 could not be confirmed. Responses			
11.	<u>Budgetary Control and Performance</u> The statement also reflects a final expenditure budget of Kshs.96,155,323 against actual	The company had prepared its budget prior to the financial year 2020/2021. The effect of COVID-19 marred our revenue performance. Additionally, company experienced low revenue collection which were	RESOLVED	

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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)
	expenditure of Kshs.111,196,145 resulting to an over expenditure of Kshs.15,041,352 that has not been supported by approval of the Board of Directors contrary to Section 43 (2) of the Public Finance Management (County Governments) Regulations, 2015 which states that County Government entities shall execute their	occasioned by long rains which led to customers harvesting rain water for use. Operations and maintenance costs were comparatively high due to taking over the sewer operations after the completion of the Narok Town Sewerage Project.		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put in date when you expect the issue to be resolved)
	approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the contingencies fund , or supplementary estimates. This is an indication that the company management is unable to control costs and sustain company services:			

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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)
12.	<u>Registration of the Company</u> Review of the Company's Memorandum and Articles of Association provided for audit revealed that they did not bear the signatures of the Directors. This is contrary to Section 13(1) of the Companies Act, 2015, which requires a person wishing to register a company to lodge an application with the Registrar of Companies.	Arrangement to update the CR12 and their signatures of Directors are ongoing once the Company gets a new Board.	UNRESOLVED	6 MONTHS

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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)
	In the circumstances, the Management was in breach of the law.			
13.	<u>Narok Town Sewerage Project</u> The construction works for the Narok Town and Sewerage Project was implemented and completed on 15 December, 2020 by the Central Rift Valley Water Works Development Agency •However, the project has not been officially	The Narok water sewerage project was completed and handed over to the company for operations. However, WASREB is yet to approve the new Regular Tariff Adjustment (RTA) tariff for the company to commence charging for sewer services. Public participation and submission of the tariff has already been done.	RESOLVED	

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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)
	handed over to the Company, It was noted that the Company was using the project to provides a service to the residents and incurred operational costs Further, five hundred and twenty four (524) residents of Narok town had already been connected to the sewerage line even though they had not commenced paying for the service due to lack of an			

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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)
	approved tariff and operating license by the regulator, leading to loss of revenue. Consequently, the value for money has not been realized fully on the implementation of the project.			
14	<u>Failure to Develop Risk Management Strategy</u> The Company did not have a risk management policy that guides on assessment and evaluation of risk and subsequent	The Company has established an internal audit unit to mitigate risk. The unit will spearhead the process of preparation of the Risk Management Strategy.	UNRESOLVED	1 YEAR

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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)
	development of the strategies to mitigate them in the year under review and as reported in the previous period. This is contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officer shall ensure that the, county government entity develops Risk Management			

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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)
	Strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations. In the circumstances, the Company's Management operations may be adversely affected If the risks are not proactively identified and mitigated accordingly.			

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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)
15.	<u>Lack of Internal Audit Committee</u> The Company did not have an internal audit department to guide and evaluate its internal controls in the year ended 30 June, 2021 and as reported in the previous period. This is contrary to Section 155(1) of the Public Finance Management Act, 2012 which provides that a County Government shall ensure that it	The Company has established an internal audit unit to mitigate risk. The unit will spearhead the process of preparation of the Risk Management Strategy.	RESOLVED	

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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)
	complies with this Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board. In the circumstances, oversight over the company's operations may not be assured.			

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.

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Name *LEMAN JUSUS P.*

Signature *[Signature]*

Managing Director

Date *20th/03/2023*

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Appendix II: Projects Implemented By The Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

(

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

NAROK WATER AND SEWERAGE SERVICES COMPANY LIMITED

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Appendix III- Inter-Entity Confirmation Letter

The wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 th June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022				Amount Received by [beneficiary entity] (KShs) as at 30 th June 2022 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary entity:

Name Sign Date

Appendix IV: Reporting of Climate Relevant Expenditures

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Name of the Organization

Telephone Number

Email Address

Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications)

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

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Appendix V: Disaster Expenditure Reporting Template

Date:						
Entity						
Period to which this report refers (FY)	Year			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry/County department of Water	-	Recurrent	-	-	-	-	-	-	-
Ministry/County Department of water.	-	Development	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-
name of Development partner/County department etc.	-	Direct Payment	-	-	-	-	-	-	-
			-	-	-	-	-	-	-
Total			-	-	-	-	-	-	-