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REPORT

OF

THE AUDITOR-GENERAL

ON

NOL-TURESH LOITOKITOK WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2019

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NOL-TURESH LOITOKITOK WATER & SANITATION COMPANY LIMITED

AMENDED FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2019**

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

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KEY ENTITY INFORMATION

Background information

NOLWASCO was registered as a limited Liability Company on 3rd August 2011 under the Companies Act cap 486 with shareholding from county governments of Kajiado, Machakos and Makueni. The company is an agent of Tanathi Water Works Development Authority which is a state corporation established under the Water Act 2002.

Principal Activities

The principal activity of the company is to provide water and sanitation services to the surrounding community.

Directors

The Directors who served the entity during the year under review were appointed on an interim basis by the three counties that the company serves namely Kajiado, Machakos and Makueni.

NAME	POSITION
MICHAEL SEMERA – CECM KAJIADO COUNTY	CHAIRMAN
ROSEMARY MAUNDU – CECM MAKUENI COUNTY	BOARD MEMBER
NAOMI MUTIE – CECM MACHAKOS COUNTY	BOARD MEMBER
JANE SIMANDO OLE SEIN – TANATHI REPRESENTATIVE	BOARD MEMBER
GEDION. K. KETENTE – MANAGING DIRECTOR	BOARD SECRETARY.

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REGISTERED OFFICE

Nol-turesh Loitokitok Water and Sanitation Co. Ltd
P. O. Box 379-90132
Sultan Hamud, Kenya

COMPANY CONTACTS

Tel.No. 0703203514

Email: nolturesh@gmail.com

info@nolturesh.co.ke

BANKERS

Kenya Commercial Bank.
Emali Branch,
P. O BOX 9,
EMALI.

Independent Auditors

Auditor General
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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THE BOARD OF DIRECTORS

NAME	LEVEL OF QUALIFICATIONS	DATE AND YEAR OF BIRTH
 MICHAEL SEMERA BOARD CHAIRMAN	MBA. Strategic Management. B.com Accounting Option.	01.07.1969
 NAOMI MUTIE BOARD MEMBER	Masters in Community Health and Development	11.02.1968
 ROSEMARY MAUNDU BOARD MEMBER	Master's Degree in Entrepreneurship from The Catholic University of Eastern Africa. Bachelor of Commerce Degree in Business Management from the same University	15.05.1966
 JANE SIMANDO OLE SEIN BOARD MEMBER.	Bachelor of Arts in project Planning Diploma in Water Technology	10.01.1968
 CEO/MD	Msc. Dryland Agriculture and Enterprise Development. (Ongoing) BSc Agricultural Land Use and Management. Cert in Procurement Processes and Public Finance Management Programme	30.12.1985

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MANAGEMENT TEAM

The Company's senior management team is as follows:

1.	<p>GEDION KETENTE</p> 	<p>Msc. Dryland Agriculture and Enterprise Development. (Ongoing) BSc Agricultural Land Use and Management. Cert in Procurement Processes and Public Finance Management Programme</p>	<p>Ag. MANAGING DIRECTOR</p>
2.	<p>TIMOTHY S. LOMPO</p> 	<p>B.com Accounting Option. CPA (K) - KASNEB Computerised Accountancy.</p>	<p>FINANCE AND ADMINISTRATION MANAGER</p>
3.	<p>DAVID MAKAU</p> 	<p>Msc. Environmental & Biosystems Engineering, Irrigation and Water Engineering Option – On going. Bsc. Environmental & Biosystems Engineering, Irrigation and Water Engineering Option – 1st Class Honours.</p>	<p>TECHNICAL SERVICES MANAGER</p>

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CHAIRMAN'S STATEMENT

To Our fellow stakeholders

We are pleased to present the annual report and financial statements of the Company for the financial year ended 30th June 2019.

The Company is not a profit making entity and its main source of revenue is water sale. It does not get any funding from the ex-chequer, besides the occasional support received from the counties by way of payment of electricity bills at our PS1 Station.

While we have naturally seen some of the effects of the slow economic growth in the recent years such as unpredictable energy costs and greater difficulty in recovering customer debt, we have been able to stay strong and focused. We have continued to educate customers and key influencers about the water industry and the solutions we provide every day to help ensure high-quality and reliable water service to Kenyans across the three counties that we serve.

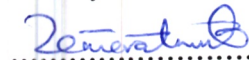
The drivers of our business, particularly those concerned with protecting the environment and improving water security, remain firmly in place.

We know success depends on our ability to shape the future by anticipating and responding to change. Looking forward, the board will continue to support investment in new projects to ensure the continued growth of the company and progress towards achieving the company's main objective, that of delivering superior value to its customers for socio- economic development.

With favourable operating environment, support from our stakeholders and financial partners, we expect to expand our water supply network to un-served areas such as Simba and Matiliku. We want to continue to be a leader in our field and to push beyond the boundaries of what it means to be a successful water company in the 21st century.

Finally, I would wish to extend my sincere gratitude to the NOLWASCO Board of Directors, County Government of Makueni, Kajiado and Machakos as well as Tanathi Water Services Board, the Ministry of Water and Irrigation and our customers for their support. I also thank the management and employees of NOLWASCO for their unrelenting hard work over the financial year.

Thank you.



.....
Michael Semera – CECM Kajiado County

Interim Chairman, Board of Directors

MANAGING DIRECTOR'S STATEMENT

Financial Highlights & Overview

The financial year under review recorded a substantial decrease in water sales. This was mainly attributed to the disruption of water supply through vandalism especially in the first quarter of F/Y 2018/2019.

Operations and maintenance costs are high because of aged pipeline system prone to regular exposure to damages. The company invested a lot in fighting high cases of vandalism and lack of order both amongst the staff members and the customers.

Cost Recovery

To achieve sustainability of our company, implementation of our cost recovery tariffs was paramount and Non-Revenue Water (NRW) has to be reduced to acceptable levels. However enormous amount of capital investment is required to realize this.

During the financial year 2019/20, we expect support from the National Government to enable us start the overhaul project.

Through partnership with WASPA and other partners, we have designed measures to bring down the NRW to acceptable levels.

Outlook

We are confident that our focus on bringing back the company to its past glory while ensuring sustainability is to be achieved through diversification of our revenue lines and bringing back the confidence we had lost with our development partners and suppliers. With this in mind, a good result is what we only look forward to.

Our objective is to continuously transform the lives of our citizens and ensuring that we fulfil our mandate by improving water and sanitation services to all our customers within our area of operation.

I take this opportunity to thank the Board of Directors and all other Stakeholders for the leadership and support they provide. I also thank all company staff members for their dedication to achieve the desired results



G. KETENTE
MANAGING DIRECTOR

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of **NOLWASCO** is responsible for the overall management of the Company and its commitment to ensuring that its business and operations are conducted with integrity, professionalism, and in compliance with the law, internationally accepted principles and best practices in corporate governance.

In the recent years various recommendations have been made in several legal and professional publications in an attempt to determine the most appropriate way for companies to be structured to achieve the highest standards of corporate governance. The Board is committed to full compliance of all the relevant laws including the Guidelines on Corporate Governance issued by the Regulator, WASREB

The Corporate Governance of **NOLWASCO** takes place within a framework, which exists to regulate and/or guide the conduct of Board members, staff, customers and members of public in assessing the Company's facilities and services. The objective of the framework is to provide for the effective, ethical and accountable governance and management of the Company. The key instruments within the governance framework are:

- The Kenya Constitution 2010
- The Water Act 2016
- The Public Financial Management Act (2012)
- The Public Procurement and Assets Disposal Act (2015)
- The Public Procurement and Disposal Regulations (2006)
- The **NOLWASCO** Service Charter
- Company approved policies and procedures

For the sake of coherence and legitimacy, it was in the best interest of the Company that its conduct be regulated by the most appropriate type of governance instrument.

The Board of Directors

The Company Board of Directors are appointed by Tanathi Water Works Development Authority.

The Board of Directors are responsible for the following:-

- Implementation of Memorandum and Articles of Association
- Provision of guidelines and control function of the Company
- Approval of the organisation structure and maintenance of staff terms and conditions of service
- Approval of business plans and budgets
- Provision of management guidelines
- Approval of major contracts/projects
- Approval of tariff adjustment
- Prudent investment of funds to ensure continuity of service

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- Appointment of Corporate Management Team

The Board is responsible for drawing and implementing strategies for the long term success of the company as well as carrying out the fiduciary duty of monitoring and overseeing the activities of management. The Board meets regularly guided by a formal schedule of meetings to discuss matters reserved for its decision with a view of determining and reviewing the strategies of the Company and overseeing the Companies compliance with statutory and regulatory obligations. Notices and agenda for all Board meetings are circulated to all board members on a timely basis together with the respective documents for discussion.

Composition of the Board

The Board is composed of 3 Directors from the three Counties and a representative from TAWWDA including an independent Chairman and one executive director who is also the Managing Director. The Directors represent various stakeholders. They have a wide range of skills and experience and each contributes independent judgement and knowledge to the Board's discussions.

On appointment, each Director is provided with a comprehensive and tailored induction process covering the Company's business and operations and also provided with information relating to their legal and regulatory obligations.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Nol-turesh Loitokitok Water & Sanitation Company Limited recognizes that it must be responsible towards its stakeholders, society and our environment in order to achieve a sustainable system in Kenya. As a Company we acknowledge our responsibility to the environment and to our local communities in which we operate. We aim to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including customers, employees, investors, communities and others. The Company actively encourages staff to recognise those responsibilities and behave in a responsible manner toward the society in which we function. We regard the setting of good examples as an important practice in this regard. Below are some examples of how the Company and its staff have shown commitment to practice responsible corporate behaviour and to establish and support initiatives in the offices.

Environment

The Company seeks to contribute to a cleaner environment and hence its involvement in community exercises which include clean up exercises especially in towns within its area of jurisdiction and by so doing reduces impact on the environmental pollution. The company also actively gets involved in tree planting in its various Stations. The company also contributes to the society by giving donations especially during public national holidays.

Employees

The success of the company is based on its people. The Company seek to recruit, retain, reward and develop the best talent in the company. It recognises the need to inculcate among our employees the culture of being sensitive to safety, security, society and the environment. This ensures that employees act with integrity and responsibility with the people they deal with and the environment they interact with. It trains employees to value each other, provide necessary support systems for people with different needs and have a system in place that encourages acceptance of cultural diversity. Further, it continually seeks to improve its employees through structured programs for personal and professional development.

Health and Safety

The Company aims at ensuring a safe and healthy working environment for all our employees and customers. The Company aims to comply with all relevant legislation or regulations and best practice guidelines recommended by national health and safety authorities. It also liaise with staff regarding policies and practices so that it can continue to maintain a healthy, safe and enjoyable work environment.

SIGN. 

G. KETENTE
MANAGING DIRECTOR

Nol-turesh Loitokitok Water & Sanitation Company Limited
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REPORT OF THE DIRECTORS

The Board of Directors has the pleasure in submitting their annual Report and Financial Statements for the period ended 30th JUNE 2019.

PRINCIPAL ACTIVITY

The company's main activity is the provision of wholesome clean water and sanitation services to the residents of Makueni, Kajiado and Machakos.

INCOME

The financial operations results of Nol-turesh Loitokitok Water & Sanitation Company for the year ended June 30th, June 2019 are set out in this financial report in their respective pages. The operational profit was as follows:

	2018/2019	2017/2018
	Kshs.	Kshs
Profit/ (Loss) for the year	(2,369,908.30)	(977,877)

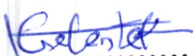
THE BOARD OF DIRECTORS

The board members who held office during the year were as indicated on page two of this report.

AUDITORS

The Auditor General was appointed as the company's independent auditor under article 229 of the constitution and has expressed willingness to continue in office in accordance with the public Audit Act 2015 and companies Act chapter 486 Section 159.

By order of the Board



.....
G. KETENTE
MANAGING DIRECTOR

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012 and section 147 of the Companies Act Cap 486 requires the Board of Directors to prepare financial statements for each year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results of the activities for that year. It also requires the Board to ensure that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Board is also responsible for safeguarding the assets of the Company.

The directors are responsible for preparation and presentation of the company's financial statements, which gives a true and fair view of the state of affairs of the company for and as at the end of the financial year 2018/2019 ended on 30th June 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continues to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time of the financial position of the company. (iii) designing, implementing and maintaining internal control environment relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Directors accepts responsibility for the company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the PFM Act and the requirements of the Companies Act. The Board is of the opinion that the company financial statements give a true and fair view of the state of company transactions during the financial year ended 30th June 2019 and the company financial position as at that date. The directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company financial statements as well as adequacy of the systems of internal financial control. Nothing has come to the attention of the Board of Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Approval of the financial statements

The company financial statements were approved by the board on _____ and signed on its behalf by:



MICHAEL SEMERA
CHAIRMAN



G. KETENTE
MANAGING DIRECTOR

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NOL-TURESH LOITOKITOK WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Nol-Turesh Loitokitok Water and Sanitation Company Limited set out on pages 14 to 29, which comprise the statement of financial position as at 30 June, 2019, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, statement of comparison of budget and actual amounts, 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, the financial position of the Nol-Turesh Loitokitok Water and Sanitation Company Limited as at 30 June, 2019, and 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 Water Act, 2016.

Basis for Adverse Opinion

1.0 Unconfirmed Balances

The general ledger from which components in the trial balance and the financial statements were extracted was not provided for audit. As a result, the validity, accuracy and completeness of the trial balance and the balances reflected in the financial statements could not be confirmed. In addition, significant anomalies were noted in respect to the following balances reflected in the financial statements:

1.1 Cash and Cash Equivalents

The statement of financial position reflects a cash and cash equivalents balance totalling Kshs.2,194,022. However, audit review of the balances indicated that

contrary to Regulation 100 of the Public Finance Management (County Governments) Regulations, 2015 , the Company did not maintain cashbooks for nine (9) of its bank accounts . Further, monthly bank reconciliation statements were not prepared contrary to Regulation 90(1) of the Public Finance Management (County Governments) Regulations, 2015.

In view of the missing records, the accuracy and completeness of cash and cash equivalents balance totalling of Kshs.2,194,022 as at 30 June, 2019 could not be confirmed.

1.2 Current Liabilities

The statement of financial position reflects current liabilities totalling Kshs.236,787,036 comprised of trade payables(Kshs.29,295,906) prepayments (kshs.9,649,949) and customer deposits (Kshs.578,445). However, analyses on the balances, including the creditors movement schedules showing the balances brought forward, creditors and customers paid and new ones that arose in the year under review were not provided for audit review.

Further, the names of the individual creditors and customers , amounts owed to them and the period for which the amounts had been owing were not disclosed.

In view of these issues, the accuracy and completeness of the disclosed current liabilities of the Company totalling Kshs.39,524,300 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

1.3 Outstanding Loans

The statement of financial position reflects loans amounting to Kshs.46,918,121 and Kshs.41,605,900 owed to a commercial bank and Konza Technopolis Development Authority (KOTDA) respectively. However, the respective loan agreements were not provided for audit review and as a result, the purposes and terms of repayment for the loans and their effect on the financial position of the Company as at 30 June 2020 could not be confirmed.

Further, the statement of comprehensive income includes finance costs totalling Kshs.12,920,635 being charges made in the year under review in relation to a commercial bank loan. However, the expenditure was not supported by a loan statement and therefore its validity and accuracy could not be confirmed. Further, the cash flow statement for the year does not reflect any cash outflows relating to loan repayments and as a result the accuracy of the cash flow statement could not be confirmed.

In view of these anomalies, the validity and accuracy of the two loan balances totalling Kshs.88,524,021 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

1.4 Accrued Expenses

The statement of financial position reflects accrued expenses totalling Kshs.148,263,014. However, the balance has not been analyzed to disclose how it was arrived at. As a result, the measurement and validity of the balance could not be confirmed.

1.5 Trade and Other Receivables

The statement of financial position as at 30 June, 2019 reflects trade debtors totalling Kshs.125,208,615. However, the debtors control ledger was not provided for audit reviewed. Further, the analysis of the balance provided for audit indicated that receivables totalling Kshs.109,430,509 or 87% of the balance had been outstanding for more than 180 days, and were therefore overdue for payment. No explanation was provided by Management for failure to collect the debts.

In view of these issues, the accuracy, completeness and recoverability of trade and other receivables balance totalling Kshs.108,794,039 as at 30 June, 2019 could not be confirmed. In addition, the bad and doubtful debts provision totalling Kshs.16,414,576 made to arrive at the balance could not be confirmed.

1.6 Operating and Maintenance Costs

The statement of comprehensive income reflects operational and maintenance costs totalling Kshs.15,543,338. The following anomalies were noted in relation to the following items included in the expenditure:

(i) Fuel Expenses

The balance includes Kshs.2,504,517 spent on purchase of fuel, gases and lubricants. However, examination of the fuel consumption records against work tickets indicated that Kshs.2,428,474 was spent on fueling five (5) Company vehicles which, however, the respective work tickets indicated were not in use when fueled.

In view of the anomaly, the propriety and measurement of the fuel expenditure could not be confirmed.

(ii) Travel and Subsistence Allowances

The balance further includes travelling and subsistence costs totalling Kshs.6,056,291. However, payment vouchers for the costs were not supported with relevant documents such as work tickets, approvals for the journeys and expenditure receipts.

Further records provided for audit indicated that the Company allowed members of staff to use their personal vehicles and thereafter present claims for re-imburement

based on distance and places travelled. However, there was no documented Company policy that governed these claims.

In the circumstances, the occurrence and propriety of the travel and subsistence expenditures totalling Kshs.6,056,291 could not be confirmed.

1.7 Property, Plant and Equipment

The statement of financial position reflects revalued property, plant and equipment totalling Kshs.147,020,336 as at 30 June, 2019. However, the audit revealed that the Company had other assets of undetermined value including land and water pipelines and water treatment plants that it used to generate revenue in the year under review, and ongoing infrastructure works, which were not included in the list of assets reflected in the financial statements.

No reasons were provided for non-disclosure of the assets in the financial statements. Further, the report on revaluation of the assets indicated in records to have been carried out during the year under review was not provided for audit review.

Consequently, the property, plant and equipment balance totalling Kshs.142,961,604 reflected in the financial statements as at 30 June, 2019 is not fairly stated.

2.0 Material Uncertainty on Going Concern Status

The statement of comprehensive income indicates that the Company posted an operating loss of Kshs.2,369,908 in the year under review, a 142% increase from the loss of Kshs.977,877 reported in the previous year. The loss followed the significant decrease in revenue to Kshs.64,656,867 from Kshs.90,107,914 in the previous year equivalent to a reduction of Kshs.25,451,047 or 28 %.

In addition, the current assets and current liabilities of the Company as at 30 June, 2019 amounted to Kshs.142,961,604 and current assets Kshs. 187,787,314 resulting in a negative working capital of Kshs. 44,825,710.

Therefore, the Company is technically insolvent and may not be able to meet its financial obligations as they fall due. Therefore the financial statements have been prepared on a going concern basis on assumption that the Company will continue to receive support from the County Government of Kajiado and creditors.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nol-Turesh Loitokitok Water and Sanitation Company 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. I have determined that there were no Key Audit Matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects budgeted revenue and expenditure totalling Kshs.81,890,568 and Kshs.117,302,000 resulting in a budget deficit of Kshs.35,411,432 or 43%. No explanation has been provided for approval of the unbalanced budget by the Management and Board of Directors. Further, no explanation was provided on how the Company had planned to fund the deficit.

The statement further indicates that actual expenditure amounted to Kshs.67,026,775 resulting to under-expenditure of Kshs.50,275,225 relative to the budget totalling Kshs.117,302,000. Similarly actual revenue totalled Kshs.64,656,867 against the budget totalling Kshs.81,890,568 resulting to a revenue shortfall of Kshs.17,233,701. No explanations were provided by Management for the revenue and expenditure shortfalls that constrained implementation of the Company's planned programmes and activities.

Prior Year Issues

The audit report for the previous (2016/2017) financial year raised several material issues relating to balances reflected in the financial statements, lawfulness and effectiveness in use of resources and effectiveness in internal control, risk management and governance. The progress made by Management in resolving the issues shall be confirmed after they are discussed by the Legislature.

Other Information

The Directors are responsible for the other information. The other information comprises the report of directors as required by the Companies Act, 2015, and the statement of the directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

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

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or

otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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, , I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non- Revenue Water

Water production records indicated that during the year under review, the Company produced 3,906,000 cubic meters(m³) of water. Out of this volume, only 996,847m³ valued at Kshs.87,611,546 was billed to customers. The balance totalling 2,909,153 m³ equivalent to 74% of total production represented Non-Revenue Water (NRW), which was forty-nine (49) percentage points above the threshold of 25% set in guidelines issued by the Water Services Regulatory Board (WASREB).

The extremely high level of NRW may have resulted in loss of sales estimated at Kshs.256,005,464 at the billing rate of Kshs.88 per cubic meter charged by the Company to its customers. Therefore, the NRW may have been the most significant contributor to the operating losses reported by the Company in the year under review. Management has not indicated how it intends to lower the NRW which is evidently a major threat to sustainability of the Company's operations.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, because of the significance of the matters described in the Basis for

Adverse Opinion and Basis for Effectiveness in internal control, risk management and governance sections of my report, I confirm that internal control , risk management and governance were not effective.

Basis for Conclusion

1.0 Failure to Appoint Audit Committee

During the year under review, the Company operated without an Audit Committee contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the absence of the Committee, oversight and governance was not properly established in the Company and therefore the risk of ineffective use of the public resources at its disposal may have been high.

2.0 Lack of Risk Management Policy

Contrary to Regulation 158(1) (a) and (b) of Public Finance Management (County Governments) Regulations, 2015, the Company did not have a documented risk management policy. As a result, Management lacked objective means to identify, measure and control operational and other risks that the Company may face.

3.0 Lack of an Information Communication Technology Policy

The Company had not prepared and implemented an Information Communication Technology (ICT) Policy. The policy would provide guidance on use of the technology investment and security of data and information and data recovery plans, among other guidelines. In the absence of the policy, the Company's investment in, and use of the technology, may not be economical and effective.

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 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.

Responsibilities of Directors and Board of Directors

The Directors are 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, the directors are responsible for assessing the ability of the Company 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 responsible for 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective manner.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity 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 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 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 internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

I communicate with 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 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

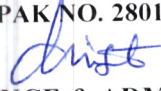
14 February, 2022

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30th June 2019


STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

INCOME	Note	2018/2019	2017/2018 (Restated)
		Shs.	Shs.
REVENUES.			
Turnover	1	62,398,867	89,611,546
Other Income	2	2,258,000.00	496,368.00
TOTAL REVENUES		64,656,867.00	90,107,914.00
OPERATING EXPENSES.			
Administration Costs	3	11,730,256.20	3,611,726.00
Personnel Costs	4 a	23,813,244.53	65,450,165.00
Statutory Deductions.	b	1,786,002.00	1,110,000.00
Operation & Maintenance Costs	5	15,543,338.00	14,061,702.00
Directors Allowances.	6	853,900.00	705,800.00
Regulatory Levies	7	350,000.00	819,708.00
Subscription & Professional Membership	8	29,400.00	-
Depreciation of PPE	17	-	1,466,214.00
TOTAL OPERATING EXPENSES		54,106,140.73	87,225,315.00
OPERATING PROFIT/(LOSS)		10,550,726.28	2,882,599.00
Finance Costs	9	12,920,634.57	3,860,476.00
PROFIT/(LOSS) BEFORE TAXATION		(2,369,908.30)	(977,877.00)
TAXATION		0	0
PROFIT/(LOSS) AFTER TAXATION		(2,369,908.30)	(977,877.00)

CPA. TIMOTHY S. LOMPO
 ICPAK NO. 28015


 FINANCE & ADMIN MANAGER.

GEDION K. KETENTE.


 MANAGING DIRECTOR

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30th June 2019

STATEMENT OF FINANCIAL POSITION
AS AT 30th JUNE 2019

	Note	2018/2019	2017/2018 (RESTATED)
		Shs	Shs
ASSETS :			
Non-Current Assets			
Property, plant and Equipment	17	142,961,604.00	142,961,604.00
Total Non-Current Assets		142,961,604.00	142,961,604.00
Current Assets			
Inventories		1,250,838.00	4,840,762.00
Trade and other receivables	10	108,794,038.74	132,447,334.00
Bank and cash balances	11	2,194,021.51	207,710.00
Total Current Assets		112,238,898.25	137,495,806.00
Total Assets		255,200,502.25	280,457,410.00
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Ordinary share capital		100.00	100.00
Capital reserve		25,324,043.00	25,324,043.00
Donations Reserve Fund.		11,974,370.00	11,974,370.00
Revenue Reserve		(201,370,950.95))	(199,001,041.70)
Revaluation Reserve		142,961,604.00	142,961,604.00
Capital and Reserves		(21,110,833.00)	(18,740,924.70)
Non-Current Liabilities			
Borrowings	12	88,524,021.00	101,444,656.00
Current Liabilities			
Trade payables		29,295,905.01	33,324,695.90
Other payables	13	158,491,409.00	164,428,982.00
Total Current Liabilities		187,787,314.01	197,753,677
TOTAL EQUITY AND LIABILITIES		255,200,502.25	280,457,410.00

CPA. TIMOTHY S. LOMPO
 ICPAK NO. 28015

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FINANCE & ADMIN MANAGER.

GEDION K. KETENTE.

[Signature]

MANAGING DIRECTOR

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30th June 2019

STATEMENT OF FINANCIAL POSITION
AS AT 30th JUNE 2019

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CPA. TIMOTHY S. LOMPO


 FINANCE & ADMIN MANAGER.

GEDION K. KETENTE.


 MANAGING DIRECTOR

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30Th June 2019

STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2019

	Note	2018/2019	2017/2018 (Restated)
		Shs	Shs
OPERATING ACTIVITIES.			
Net Income During the Year.		(2,369,909.00)	(977,877.00)
Cash generated from/(used in) operations		-	-
Depreciation.		-	1,466,214.00
Prior year Adjustment for Depreciation.			7,918,392.00
(Increase)/Decrease in Receivables		23,653,295.26	(8,549,479.00)
Increase/ (Decrease) in Payables.		(22,886,998.00)	(217,754.00)
Increase/(Decrease) in Inventories		3,589,922.00	300,000.00
Taxation paid			-
Net cash generated from/(used in) operating activities		1,986,310.26	(60,504.00)
INVESTING ACTIVITIES :		-	-
Purchase of property, plant and equipment		-	-
Purchase of investment property		-	-
Net cash generated from/(used in) Investing activities		-	-
FINANCING ACTIVITIES			
Donations from County Governments.		-	-
Prep repaid Income (KOTDA)		-	-
Net cash generated from/(used in) financing activities		-	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,986,310.26	-
Prior year Adjustment for Receivables			
CASH AND CASH EQUIVALENTS AT 1 JULY 2018		207,710.00	268,214.00
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		2,194,022.00	207,710.00

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30th June 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30th JUNE 2019

Description	Approved Budget(K.Shs)	Actual on Comparable basis (KShs)	Variance	Explanation of material variances.
Revenue				
Billing Income	72,000,000	47,680,957	24,319,043	Because of high levels of vandalism during staff illegal strike.
Kiosks and Drawpoints	9,600,000	9,717,910	- 117,910	Teamwork & coordination between management & Staff saw improved revenue collection
Government grants and subsidies	-	5,000,000	- 5,000,000	Grant received from Kajiado & Makueni County Governments in settlement of salaries arrears.
Other Income.	290,568	2,258,000	- 1,967,432	This include connection fees, sur charges, and reconnection fees and rent income.
Total Income	81,890,568	64,656,867	17,233,701	
Expenses				
Personnel Costs	49,400,000	23,813,245	25,586,755	The number of staff reduced significantly during the period under review.
Administrative Expenses	6,074,000	11,730,256	- 5,656,256	Increased admiration expenses as a result of illegal strike.
Operational Expenses	20,340,000	15,903,528	4,436,472	Teamwork & coordination between management & Staff saw reduction in operational cost.
Finance cost	21,600,000	12,920,635	8,679,365	Loan restructured to a monthly instalment of Kshs 1.075m as oppose to the initial Kshs 1.8m
Board Expenses.	1,488,000	853,900	634,100	The board was retired on September 2018 leading to reduction in board allowances
Other payments	18,400,000	2,165,402	16,234,598	This includes levies, other minor payments.
Total expenditure	117,302,000	67,386,965	49,915,035	
Surplus for the period	- 35,411,432	- 2,730,098	- 32,681,334	

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30th June 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

The financial statements have been prepared and presented in Kenya shillings, which is the functional and reporting currency of the company.

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

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28th February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the pronouncements made by the board have no significant impact on the entity's financial statement as Nol-turesh Loitokitok Water and sanitation company has been preparing its financial statements in accordance to IFRS.

b. Application of new and revised IFRS

- i. All new and revised standards and interpretations that have become effective for the first time in the financial year beginning July 2013 have been adopted by the company. Of those the following have had effect on the financial statement;
 - Amendments to IFRS 7 -The amendment requires disclosure of nature and extent of risk associated with financial instruments. A part from disclosure there were no any significant change in the amounts reported
 - Amendments to IAS 24 disclosure of related party transactions, the company has disclosed the related parties and their transactions.
- ii. Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2019

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30th June 2019

New and Amendments to standards	Effective for annual period
IFRS 15	1 January 2017
IFRS 9	1 January 2018
Amendment to IFRS 10, IFRS 12 and IAS 27	1 January 2018

iii. Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30th June 2019 and future annual reports

-The company has assessed the potential impact of the above and expects that they will not have significant impact of the financial statement for 2018/2019.

iv. Early adoption

The company did not adopt any new or amended standards in financial year 2018-2019.

c. Revenue Recognition

The company adopts the accrual basis of accounting for revenue. Revenue is recognized when it is earned and represents the amount received from the billings of Water and miscellaneous income received from the sale of tenders and new connections. Expenses are recognized when incurred net of VAT.

d. Property, Plant and Equipment

The water Act 2002 recognizes Tanathi Water Works Development Authority as the asset holder of assets held by Company in the financial year 2018/2019. The company pays TWADA administration cost of 9% based on the company revenue collected.

Property and equipment are stated at historical cost less accumulated depreciation.

e. Depreciation and impairment of Property, plant and Equipment

Depreciation is calculated on the reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30Th June 2019

<u>Asset</u>	<u>Rate %</u>
Office Equipment	25
Computers and Printers	30
Motorcycles	25
Plant & Equipment	25
Furniture	12.5
Intangible Assets	30

Depreciation is provided for the full year irrespective of the month of purchase but no depreciation charged to Works in progress and in the year of disposal.

f. Reserves

Reserves of the company comprise revenue reserves which represents the excess of the income over recurrent expenditure.

Capital reserves represent net assets capitalized at the formation of the company and represent the book values of those assets.

The water act 2016 and the company's Articles of association prohibit distribution of reserves to members and reserves are supposed to be ploughed back to the system in accordance with the water act.

g. Retirement benefits

The company and employees contribute to a National water conservation & pipeline corporation staff Superannuation Scheme.

The company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are by the requirements of local statute and are currently limited to Kshs 200 per employee per month. The company's contributions to the above schemes are charged to profit or loss in the year to which they relate.

h. Taxation

The company water services are zero rated for V.A.T and the company pays income tax at the rate of 30%.

i. Related party transactions

The company is related to

- i) County Government of Makueni, Kajiado and Machakos
- ii) Water Service trust fund

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30Th June 2019

- iii) WASREB
- iv) WRA
- v) TAWWDA
- vi) Key management
- vii) Board of directors

j. Cash and Cash Equivalent

Cash and cash equivalents include cash and bank balances and current assets.

k. Trade and other Payables.

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

l. Financial risk management

The board of directors is the primary risk supervisor, exercising its role through various board approved committees. The company's internal audit section plays a vital role within governance processes by keeping the Board and senior management aware of risk and control issues and assessing the effectiveness of risk management. Reporting to the Audit and risk management committee of the Board, the section objectively and independently evaluates the existing risk and control framework and analyses department's processes and associated controls.

Allowance for credit risk

At the end of financial year the trade debtors amounted to Kshs 125,208,615 and the highest percentage was owed by the Government institution and the default risk is assessed as low. The company provides allowance for credit risk at 15% against outstanding water debts aged above 180 days.

Liquidity risk management

The company has various obligations and liabilities as outlined in notes of the accounts.

The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flow.

Market risk

The company had no any interest bearing financial instrument or obligation as at the end of financial year and there was no significant currency risk as no foreign transaction ensued during the year.

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30Th June 2019

m. Comparative figures

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

n. 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 30th June 2019.

o. Significant Judgments and sources of estimation.

The directors are responsible for selecting and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liability within the next financial year are.

a) Taxation

Judgment is required in determining the tax liability due to the complexity of legislation. There are many transactions and calculations for which tax determination is uncertain during ordinary course of business. The company recognizes tax liability for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from amounts that were initially anticipated, such difference will impact the income tax in the period in which such determination is made.

b) Useful lives and residual values of Property plant and equipment

The company tests annually whether the useful life and residue value were appropriate and in accordance with its accounting policy. Useful lives and residual values of PPE have been determined based on previous experience and anticipated disposal values when asset are disposed.

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30Th June 2019

NOTES TO THE FINANCIAL STATEMENTS.

	2018/2019	2017/2018
	Shs	Shs
1. TURNOVER.		
Water Sales (Billing).	47,680,957.00	69,292,995.00
Kiosks & Draw Point	9,717,910.00	18,318,551.00
Grants from Government.	5,000,000.00	2,000,000.00
	62,398,867.00	89,611,546.00
2. OTHER INCOME		
Fines and penalties.		-
Miscellaneous Income.	1,306,000.00	208,800.00
Connection Fees.	952,000.00	-
Payroll Deductions		290,568.00
	2,258,000.00	496,368
3. ADMINISTRATION COSTS.		
Rent expenses	94,665.00	126,000.00
Office Stationary & Printing	516,257.00	362,275.00
Office Tea	109,260.00	-
Telephone Costs.	720,800.00	734,300.00
Postage & Courier Costs	34,883.00	6,200.00
Computer expenses	424,060.00	607,511.00
ICT Expenses	955,165.00	-
Fines & Commissions	1,379,800.00	85,600.00
Legal fees	-	50,000.00
Staff training expenses	124,900.00	2,000.00
Corporate Social Responsibility	-	42,000.00
Insurance costs	552,748.00	735,273.00
Library Expenses	-	21,600.00
Consultancy fees	328,500.00	79,000.00
Staff Uniforms.	-	21,000.00
Electricity and water	195,651.30	202,000.00
Transportation, Travelling and subsistence	-	183,402.00
Bank charges and commissions	396,955.26	92,207.00
Conference facilities	558,665.00	-

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30th June 2019

Repairs & maintenance - Buildings	72,344.00	-
Provision for bad and doubtful debts	5,265,602.64	261,358.45
	11,730,256.20	3,611,726.45
4. a) PERSONNEL COSTS		
Salaries and allowances of permanent employees	20,083,937.30	58,053,844.00
Wages of temporary employees	3,534,607.23	7,186,321.00
Leave pay and gratuity provisions	64,700.00	-
Staff welfare	130,000.00	210,000.00
	23,813,244.53	65,450,165.00
4 (b). STATUTORTY DEDUCTIONS		
PAYE - KRA.	1,245,817.00	-
Compulsory national health insurance schemes	385,385.00	1,057,200.00
Compulsory national social security schemes	154,800.00	52,800.00
	1,786,002.00	1,110,000.00
5. OPERATIONAL & MAINTAINANCE COSTS		
Maintenance Of Plant and Equipment.	225,000.00	1,772,613.00
Maintenance of Water Supplies.	300,000.00	-
Maintenance of Motor Vehicle / Motor Cycle	1,369,498.00	610,852.00
Electricity Power Cost - PS1	500,000.00	2,000,000.00
Purchase of Water Chemicals	1,106,790.00	1,539,120.00
Transport Expenses - Operating	67,500	326,200.00
Contracted - Security Services	917,767.00	1,590,983.00
Fuel/ Gases and Lubricants.	2,504,517.00	3,700,000.00
Hire of Plant, Machinery, and Equipment		22,000.00
Purchase of Consumer Water Fittings	1,531,371.00	1,595,330.00
Purchase of Bulk Water Meters / Master Meters.		-
Travelling & Subsistence.	6,056,291.00	628,804.00
Water Quality Tests.	38,000.00	-
Advertisement	251,604.00	-
Tyres and Tubes	215,000.00	-
Purchase of Tools and Equipment.		275,800.00
Minor investments	450,000.00	-
Office signboard & Branding.	10,000.00	-
	15,543,338.00	14,061,702.00

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30th June 2019

6. BOARD ALLOWANCES.		
Board Allowances	853,900.00	394,800.00
Chairman's Honoraria		311,000.00
	853,900.00	705,800.00
7. LEVIES.		
WARMA - Abstraction Fee	300,000.00	819,708.00
NEMA- License Renewal	50,000.00	
	350,000.00	819,708.00
8. SUBSCRIPTION & PROFESSIONAL MEMBERSHIP.		
Professional membership	29,400.00	-
9. FINANCE COSTS		
Loan Repayment.	12,920,634.57	3,860,475.00
10. TRADE AND OTHER RECEIVABLES		
Trade Debtors.	125,208,615.10	154,127,513.00
Provision for bad and doubtful receivables	(16,414,576.37)	(21,680,179.00)
Net trade and other receivables	108,794,038.73	132,447,334.00
11. BANK AND CASH BALANCES		
Cash at bank		
KCB - Expenditure Account - 1130831272	150,671.82	(330.00)
KCB - Deposits Account - 1130830926	578,445.10	24,865.60
KCB - Revenue Account - 1130831515	(3,599.00)	40,800.00
KCB - Rent Account - 1130831361	-	2,113.35
Mpesa Collection Account	-	119,623.00
SIDIAN- Revenue Acc - 01021020003100	1,392,028.00	-
SIDIAN- Expenditure Acc - 01021020003500	25,769.86	-
SIDIAN- Account - 01021070031789	36,576.32	-
KCB - KOTDA - 1178476189	(338.87)	1,147.70
KCB - UBSUP Account -1181677688	14,468.28	19,490.35
Total Cash & Bank	2,194,021.51	207,710.00

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12. BORROWINGS		
SIDIAN BANK	46,918,121.43	59,838,756
KOTDA	41,605,900.00	41,605,900
	88,524,021.43	101,444,656
13. OTHER PAYABLES		
Prepayments	9,649,949.00	9,649,949.00
Accrued expenses	148,263,015.00	154,754,168.80
Customer Deposits	578,445.00	24,865.00
	158,491,409	164,428,982.8

16. DISCLOSURES

a) Fixed assets

The company fixed assets were fully depreciated as at end of FY 2017/18, therefore no further depreciation was calculated during the year under review.

b) Capital Reserves

The Capital reserves refers to an amount of profits sets a side by the company from its non- operating activities, for implementation of future long term goals. The company has consistently reported a capital reserve of Kshs 25,324,043, given the current status of the company these reserves are non-existent and therefore we have deemed it fit to drop them from our balance sheet to give a true and Fairview of the company financial position.

c) Donation reserve fund

The Donation reserve fund of Kshs 11,974,370 has also been consistently reported in our books. Given the current financial status of the company, such funds would have supported the operations if they indeed existed.

d) Revenue reserve

We have also restated the revenue reserve funds to reflect the last three audited financial years, which is currently reported as Kshs (201,370,950.95)

e) Other Payables (Customer Deposits)

The figure of Kshs 9,674,814 represents an unsupported liability in our creditor's ledger which has been outstanding over the years without any claim from our known trade partners and a customer deposits of Kshs 578,445. This figure is misleading in nature and had been picked as Customer deposits during the audit exercise.

The prudence concept requires a degree of caution in the preparation of financial statements in order to avoid the overstatement of income and assets and the understatement of liabilities and expenses, in addition

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IFRS 9 *Financial Instruments* states that financial liabilities should only be de-recognized by an entity when the related contractual obligation is 'discharged, cancelled or expired', in this regard therefore having stated that there is no claimant, and we chose to derecognize the liability.

17. PROPERTY, PLANT AND EQUIPMNET MOVEMENT SCHEDULE

	Office Equip	Computers	Motor Cycle	Furni & fittings	Land & Buildings	Intangible Assets	Total
COST	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Year ended June 30 2017	50,706	214,116	564,375	4,114,205	46,367,414	89,672	51,400,489
Additions	-	-	-	-	-	-	-
Transfers/Disposals	-	-	-	-	-	-	-
At 1st July 2018	50,706	214,116	564,375	4,114,205	46,367,414	89,672	51,400,489
Additions	-	-	-	-	-	-	-
Transfers/Disposals	-	-	-	-	-	-	-
At 30th June 2019	50,706	214,116	564,375	4,114,205	46,367,414	89,672	51,400,489
DEPRECIATION							
Accumulated Depreciation as At 1 July 2017	38,029	149,881	423,281	2,133,715	34,775,560	62,770	37,583,236
Charge for the year	12,677	64,235	141,094	514,276	11,591,854	26,902	12,351,036
Accumulated depreciation as at June 30, 2018	50,706	214,116	564,375	2,647,991	46,367,414	89,672	49,934,274
Charge for the year	-	-	-	1,466,214			1,466,214
Accumulated Depreciation as At June 30th 2018	50,706	214,116	564,375	4,114,205	46,367,414	89,672	51,400,489
Revaluation (2019)	21,444,240.60	11,436,928.32	17,155,392.48	25,733,088.72	52,895,793.48	14,296,160.40	142,961,604
NBV as at June 30, 2019	21,444,240.60	11,436,928.32	17,155,392.48	25,733,088.72	52,895,793.48	14,296,160.40	142,961,604

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INVENTORIES

ITEM	AMOUNT
Opening Inventory.	4,840,760
Purchases	2,369,800
Total	7,210,560
Issued	5,959,722
Closing Inventory	1,250,838