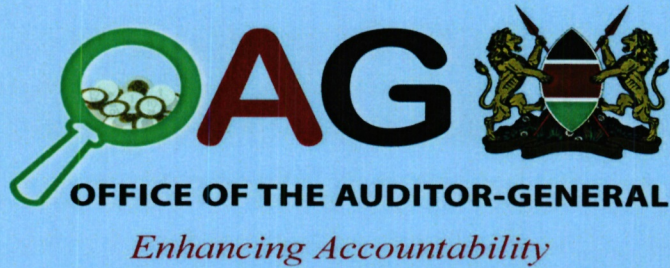


REPUBLIC OF KENYA

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## REPORT

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**THE AUDITOR-GENERAL**

ON

**AMATSI WATER SERVICES  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2019**



**AMATSI WATER SERVICES CO. LTD**

---

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR  
ENDING 30<sup>TH</sup> JUNE, 2019**

---

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

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## KEY COMPANY INFORMATION

### Background Information

The company was established by the 2002 Water Act of Parliament on 13<sup>th</sup> November 2005. At Local level, the company is represented by the Managing Director for the Board of Directors, who is responsible for the general policy and strategic direction of the company.

### Principal Activities

The principal activity of the company is to provide water services to urban areas and some sections of the rural parts of Vihiga County.

### Directors

The Directors who served the company during the year/period were as follows:

1.	Rev. Peter Adolwa	Chairman	- Appointed on 6 <sup>th</sup> Aug. 2014.
2.	Mr. Collins Amuhaya	Managing Director	- Appointed on 1st August 2018.
3.	Mr. Boaz Amuhaya	Director	- Appointed on 6 <sup>th</sup> Aug. 2014.
4.	Mr. Isaiah Arula	Director	- Appointed on 6 <sup>th</sup> Aug. 2014
5.	Mrs. Grace Idala	Director	- Appointed on 6 <sup>th</sup> Aug. 2014
6.	Mr. Luke Andeka	Director	- Appointed on 6 <sup>th</sup> Aug. 2014

### Registered Office

P.O. Box 740 (50300) - Maragoli.  
Lunyerere Water Station.  
Mbale – Chavakali Road.  
Vihiga, KENYA

### Corporate Contacts.

Telephone: 0799945300

E-mail: [amatsiwaterco@gmail.com](mailto:amatsiwaterco@gmail.com)  
Website: <https://amatsiwater.co.ke>

### Corporate Bankers.

1. Kenya Commercial Bank - Mbale Branch

P.O. Box 344 – (50300).

Maragoli.

2. Safaricom Kenya LTD( M- Pesa paybill).

Amatsi Water Services Company Ltd  
Annual Reports and Financial Statements  
For the Year Ended JUNE 30, 2019

**Independent Auditors**

Auditor General

Office of Auditor General

Anniversary Towers, University Way

P.O. Box 30084-00100

Nairobi, Kenya

**Principal Legal Advisors**

1. The County Attorney.  
County Headquarter (VIHIGA).

P.O. BOX. 344 –50300.

Maragoli

**THE BOARD OF DIRECTORS**

<b>Name</b>	<b>Position Within Organization</b>	<b>Academic Qualifications</b>	<b>Professional Qualification</b>	<b>Current Occupation</b>	<b>Age (yrs.)</b>	<b>Gender</b>
REV.PETER ADOLWA	Chairman of B.O.D	Master of Arts (MA) Bachelor of Theology Diploma HRM CPA I	Administrator	Administrator	48	Male
MR.COLLINS AMUHAYA	Managing Director	Msc. Statistics Bsc. Mathematics & Computer Science	Administrator	Managing Director	38	Male
MR. BOAZ AMUHAYA	Director – Technical	Phd Distance Education M.A Education	Lecturer	Lecturer Nairobi University	61	Male
MRS.GRACE IDALA	Director – Finance	Bachelor of Arts – Education	Teacher (Tutor)	Retired TTC Principal	70	Female
MR. ISAIAH ARULA	Director – Audit	Cambridge School Certificate Div 2 Teacher ATS 1	Teacher	Retired Teacher	69	Male
HON.CPA ALFRED INDECHE	CECM FINANCE	MBA(FINANCE)BBA (ACCOUNTING) CPA(K)	Administrator	CECM Finance – Vihiga County		Male
MR.DOMINIC LUVAVO	Chief Officer	Bachelor of Economics &Business Studies MBA CPA(Part 11)	Administrator	Chief Officer Water-Vihiga County		Male

**Amatsi Water Services Company Ltd**  
**Annual Reports and Financial Statements**  
**For the Year Ended JUNE 30, 2019**



**REV. PETER ADOLWA**  
**CHAIRMAN BOARD OF DIRECTORS**

Master of Arts  
Bachelor of Theology  
Dipoma in HRM, CPA 1



**MR LUKE ANDEKA**  
**DIRECTOR HUMAN RESOURCE/LEGAL**

Master of HRM  
Bachelor of Commerce



**MRS GRACE IDALA**  
**DIRECTOR FINANCE & ADMINISTRATION**  
Bachelor of Arts - Education



**MR. ISAIAH ARULA**  
**DIRECTOR AUDIT**  
Cambridge School Certificate

Div 2 Teacher ATS 1



**MR. BOAZ AMUHAYA**  
**DIRECTOR TECHNICAL**  
PHD Education - Distance Learning  
Master of Arts - Education



**CPA. ALFRED INDECHE**  
**CECM. FINANCE AND PLANNING**  
MBA FINANCE.  
BBA ACCOUNTING OPTION  
CPAK



**MR. DOMINIC LUVAVO**  
**CHIEF OFFICER WATER**  
PHD (FINANCE) ONGOING  
MBA FINANCE  
Bachelors of Economics & Business studies  
CPA (Part II)

**MANAGEMENT TEAM**

Name	Position Within Organization
MR COLLINS AMUHAYA	Managing Director <ul style="list-style-type: none"> <li>➤ Msc. Statistics</li> <li>➤ Bsc of. Mathematics &amp; Computer Science</li> </ul>
MR JAMES ODIERO	Technical Manager <ul style="list-style-type: none"> <li>➤ Msc. in Water Engineering(ongoing)</li> <li>➤ Degree in Civil Structural Engineering</li> <li>➤ Diploma in Water Technology</li> </ul>
MISS OLYVIA MURUNGA	Commercial Manager <ul style="list-style-type: none"> <li>➤ MBA</li> <li>➤ Bachelor of Law</li> <li>➤ CPS section four finalist</li> </ul>
MR PROTUS WASIKE	Procurement Officer <ul style="list-style-type: none"> <li>➤ Diploma in Procurement</li> </ul>
MR JULIUS KEBOHERE	Operations and Maintenance Officer <ul style="list-style-type: none"> <li>➤ Diploma in Plumbing</li> </ul>
MR.KELVIN MADEGWA	Finance Officer <ul style="list-style-type: none"> <li>➤ Bachelor of Business Management</li> <li>➤ C.P.A (K)</li> <li>➤ C.P.S finalist</li> </ul>
MRS GRACE OKILA	HR Assistant <ul style="list-style-type: none"> <li>➤ Diploma in Business Administration</li> <li>➤ Diploma in HRM</li> </ul>



**MR. COLLINS AMUHAYA**  
**MANAGING DIRECTOR**  
 Msc. Statistical Science  
 Bachelor Mathematics  
 Computer Science



**MR JAMES ODIERO**  
**TECHNICAL MANAGER**  
 Msc. Water Engineering - Ongoing  
 Bachelor of Civil & Structural Engineering  
 Diploma in Water Technology



**MISS OLYVIA MURUNGA**  
**COMMERCIAL MANAGER**  
 MBA  
 Bachelor of Law  
 CPS section 4 Finalist



**MRS GRACE OKILA**  
**HR ASSISTANT**  
 Diploma in Business  
 Administration  
 Diploma in HRM



**MR JULIUS KEBOHERE**  
**OPERATIONS &  
 MAINTENANCE OFFICER - Ag**  
 Diploma in Plumbing



**MR. KELVIN MADEGWA**  
**FINANCE OFFICER**  
 Bachelors of Business Management  
 CPA (K) & CPS FINALIST



**MR. PROTUS WASIKE**  
**PROCUREMENT OFFICER**  
 Diploma in Procurement

## **CHAIRMAN'S STATEMENT**

### **Board's composition and activities**

After promulgation of the Constitution of Kenya 2010, Water Service Provision was devolved to the County Government. The Company constitutionally became a county agency for water services provision. In this regard, we are yet to amend the Memorandum and Articles of Association to incorporate the County Government of Vihiga as the new shareholder in this financial reporting period.

Vihiga County Assembly committee of Water should fast track the county regulations of the County Water Act to pave way for the amendment of the Memorandum and Articles of Association.

The board has set up four committees namely, Technical, Finance, Human Resource/Legal and Administration, and the Audit Committees. Most of the activities take place within the committees and ratification done at the full Board of Directors level.

The Company has observed good corporate governance principals during the financial year.

### **Financial and Operational Performance**

#### **a) Sales versus Expenditure for the year**

Sales for the 12 months period ended 30<sup>th</sup> June 2019 was Kshs.44,905,882 /= compared to Kshs. 32,876,966/= for the twelve months period ended 30<sup>th</sup> June 2018. This represents 36.58% increase. The increase was due sms payment and billing and proactive collection strategies. During the financial year the Non-revenue water still remained a challenge, most of it being attributable to old dilapidated pipelines and damaging of pipelines due to road construction works.

#### **b) Reliance on County Government subsidy for electricity bills payment**

The Company continues to rely heavily on the County Government of Vihiga to pay its electricity bills. The company without this subsidy cannot run and efficiently discharge its mandate as all the five schemes are pumping schemes with terrain challenges. If we would be able to do away with pumping schemes and harness a gravity water source and green energy, then we would reduce high electricity bill and thereby be able to break even and meet other financial obligations which remain a challenge.

Signed

  
.....  
**Board Chairman**

**REPORT OF THE MANAGING DIRECTOR**

The company offices are situated at Lunyerere along Mbale-Chavakali road. The company signed a service provision agreement (SPA) of five years with LVNWSB on 16<sup>th</sup> March 2006 and assumed full operations on 1<sup>st</sup> May 2006.

The company was governed by a seven member Board of Directors drawn from various stakeholders and a Managing Director.

All the schemes have pumping stations for the conveyance of water. Maseno, Kaimosi and Mbale Supplies whose sources are rivers have full treatment plants. Sosiani and Vihiga draw their water from protected springs and therefore have partial treatment that involves nominal chlorine dosing.

The sales for the year ended 30<sup>th</sup> June 2019 increased by 36.58%. This was due to Sms billing and collection of revenue through M-pesa

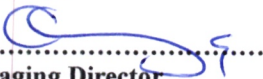
There was an increase in expenditure from 38,518,995/= to 43,930,994/=.

The company is in the process of acquiring a new tariff to increase revenue to be able to cover the high operational costs.

The main focus of the company is to achieve the following:-

1. Increase water coverage
2. Have a continuous supply of water
3. Provide safe and affordable water to the residence
4. Have a good working environment for staff in terms of remuneration and working conditions.
5. Generally increase revenue towards self-sustainability.

Signed by:

  
.....  
Managing Director

## **CORPORATE GOVERNANCE STATEMENT**

### **Governance framework and accountability**

In pursuance of its ongoing commitment to ensure that Amatsi Water Services Company is managed in an efficient, responsible and ethical manner and in the interests of all its stakeholders and public, AWASCO remains committed to achieving the highest standards of corporate governance and corporate citizenship, by adhering to the relevant codes of best practice, principles of fairness, accountability, responsibility, transparency and integrity. We strive for continuous improvement, recognising that the achievement of sustainability in service provision is dependent on stable, well-functioning and well-governed environmental, social, economic and governance practices.

Our governance framework is structured to ensure compliance with the laws, regulations and codes of best practice applicable in the country, including the Companies Act.

In addition, our business operations are guided by the principles contained in the Water Act 2016, International Labour Organisation (“ILO”), Declaration on Fundamental Principles and Rights at Work and the Voluntary Principles on Security and Human Rights.

The Board of Directors committees and management are responsible for embedding practices into our businesses, consistent with these principles in the mandated area in which AWASCO operates. This is achieved through AWASCO policies and guidelines, as well as audit and assurance procedures, which ensure compliance by all public companies with the applicable laws and regulations as well as the recognised codes of good practice. During the year under review, more emphasis was considered to enhance governance framework, with the aim of ensuring that AWASCO activities are well-managed and driven by socio-economic imperatives producing responsible, accountable and sustainable outcomes.

The board has four active committees, i.e. Audit committee, Technical and Finance and Administration/Human Resource and Legal committees. Each committee has met four times and after which the Board meets in a Full Board meeting to receive board committee reports in view to making decisions on matters raised. During this year under review, the Full Board also met four times.

The Board has a succession plan; they have been inducted and are performing to task with guidance from Mwongozo guidelines.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The focus during the year was mainly two issues:

- ❖ Increasing coverage area through expansion of water services.
- ❖ Reviving of dry lines.

With increased coverage and reduced burden on overheads, the organization was able to meet its obligations on both the customers and other key players at a much lower cost hence progressively moving towards sustainability.

The company as a water service provider in Vihiga envisages an improved service provision and coverage in the next financial year when the following areas will be prioritized.

- Expansion of water services through laying of new pipelines in upcoming urban setups and upgrading of dilapidated infrastructure.
- We intent to serve all our customers and ensure that all get the basic commodity. This will be done through rationing schedule to cover most parts of the County.
- We have a metering plan to cover all customers to account for all the water we produce and supply to them. We have started by metering institutions then cascade down to small household consumers, this, we, believe will increase revenue whereby all customers brought on board will be billed
- Upgrading the entire supply, distribution and service lines and facilities would ensure proper controls and efficient services. This would involve laying an untapped rising main to the distribution tanks, upgrading the tanks to bigger capacities i.e. from 100m<sup>3</sup> to 250m<sup>3</sup> to 500 m<sup>3</sup>, laying return lines to service lines, installing necessary fitting along the pipes i.e. the pressure, air and gate valves. This exercise will eliminate illegal connections, improve supply to all customers and activate other dormant connections.
- We are currently improving revenue collection measures and by tapping into the potential in technology. This includes SMS payment and billing, improving our billing system and proactive collection strategies. We have categorized consumers in regard to their consumption patterns and their metering in future. We propose to have digital meters that could be monitored from the office when interfaced with our computers.

### **Management was responsible for:**

- Overall planning, implementing, monitoring and evaluating company performance, productivity and customer satisfaction
- Ensuring that the Company's policies, plans and programme are implemented as directed by the Board of Directors
- Ensuring that the company has adequate resource capacity (human and non-human) to make its business profitable
- Advising the Board on all matters of the company and reporting to the Board on the same regularly
- Responsible for overall growth and development of the company.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

Amatsi Water Services Company Limited is working in the water sector services provision. We identified that water is a social good, therefore; we apply our core competencies to advance social change and improvement in our area of jurisdiction in a way that will contribute to business oriented results and enhance service delivery to citizens.

During the financial year ended 30<sup>th</sup> June 2019, the company embraced the CSR in its actions to encourage positive impacts through its activities on environment, consumer, employee, communities and other stakeholders.

On employee recruitment and retention, the company previously had faced exodus of core competent employees both in management and technical fields. This was occasioned by the challenges we were facing. To ensure we build confidence in our staff, we went down to implement strategies to improve their terms and internal environment.

To ensure that we improve customer loyalty, we organized clinics in our respective Vihiga cluster areas and also during the outreach exercises. We facilitated the citizens on awareness of some retrogressive social cultural behavior. HR wing took them through some basic knowledge on HIV/AIDS, drug abuse and other risk behaviors.

The company also has pro-poor policy with an objective of ensuring affordable access to clean and safe water to the less privileged and poor members of the community.

This we have done through;

1. Providing water to Community Kiosks to improve water coverage to poor homesteads
2. Providing them with water meters without requesting them to pay for the meter during connections.
3. Staggering installation meter payments on agreement.
4. We have decentralized pay points to Scheme level and small urban set ups to reduce distance to pay points.
5. We introduced mobile payment platform. This helps to save time and cost incurred to commute for payments.

In addition to improving product quality, Amatsi took various steps to improve the responsiveness in line with the commitment as set forth in our legal framework and our service charter. Among them includes responding to customer needs and promptly solving customer complaints. Customer care desk is in place in all the five Schemes and a register opened to register complaints. There is a laid down procedure to expedite complaint resolution

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2019.**

The directors submit their report together with the audited financial statements for the financial year ended 30<sup>th</sup> June 2019 which discloses the state of affairs of the company.

**PRINCIPAL ACTIVITIES**

The principal activity of the company is that of offering Water and Sanitation Services to the residents of Vihiga in the five cluster schemes namely Mbale, Kaimosi, Maseno (Emuhaya and Luanda) Sosiani and Vihiga and their environs.

Amatsi Water Services Company Limited (AWASCO) was licensed by the Lake Victoria North Water Services Board (LVNWSB) to operate and maintain Maseno, Mbale, Kaimosi, Sosiani and Vihiga Water supplies previously run by the Ministry of Water and Irrigation. The five water supplies form the Vihiga cluster and serve approximately 92,700 people. The cluster had three shareholders with equal shareholding namely; County Council of Vihiga, Municipal Council of Vihiga and Town Council of Luanda which is yet to be changed in line with the Constitution of Kenya 2010.

**RESULTS**

The result of the company for the year ended June 30, 2019 are set out on page 17

**DIRECTORS**

The members of the Board of Directors who served during the year are shown on page 5 in accordance with Regulation clause of Amatsi Water Services Company Articles of Association.

**AUDITORS**

The Auditor General is responsible for the statutory audit of Amatsi Water Service Company in accordance with article 229 of the constitution of Kenya and the Public Audit Act 2015.

Signed for the board



Secretary  
Board of Directors

**STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2019**

The Companies Act require the Directors to prepare financial statements in respect of Amatsi Water and Sanitation Company, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

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


The Directors accept responsibility for Amatsi Water Services Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act 2012 and the State Corporations Act.

The Directors are of the opinion that the Amatsi Water Services Company financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2019, and financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Amatsi Water Services Company Ltd, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that Amatsi Water Services Company will not remain an ongoing concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

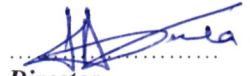
The company's financial statements were approved by the Board on 26/05/ 2020 and signed on its behalf by:

  
.....  
*Managing Director*

Date: 26/05/2020

  
.....  
*Board Chairman*

Date: 26/05/2020

  
.....  
*Director*

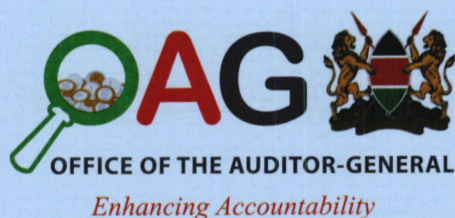
Date: 26/05/2020

Amatsi Water Services Company Ltd  
Annual Reports and Financial Statements  
For the Year Ended JUNE 30, 2019

**REPORT OF THE INDEPENDENT AUDTORS ON THE COMPANY**

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON AMATSI WATER SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Amatsi Water Services Company Limited set out on pages 1 to 30, which comprise the statement of financial position as at 30 June, 2019, the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Amatsi Water Services Company Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015 and the Water Act, 2016.

#### Basis for Qualified Opinion

##### 1.0 Trade and Other Receivables

The statement of financial position reflects trade and other receivables totalling Kshs.63,683,288, as further disclosed in Note 12 to the financial statements. However, the receivables have not been analyzed to indicate how long they had been outstanding as at 30 June, 2019 and therefore the prospects for their recovery could not be assessed. As a result, the level of recoverability of the total receivables balance totalling Kshs.63,683,288 could not be confirmed.

##### 2.0 Customer Deposits

The statement of financial position reflects a customer deposits balance totalling Kshs.11,959,690 as at 30 June, 2019, as further disclosed in Note 18 to the financial

statements. However, the identities of the customers who made the deposits were not disclosed. Further, the deposits' bank account reflected a balance of Kshs.1,003,749 as at 30 June, 2019, as indicated in Note 13 to the financial statements. The variance amounting to Kshs.10,955,941 between the two sets of records was not reconciled. Consequently, the accuracy, existence and completeness of the customer deposits balance totalling Kshs.11,959,690 as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Amatsi Water 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 qualified opinion.

### **Key Audit Matters**

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

### **Other Matter**

#### **1.0 Failure to Transfer the Company to the County Government**

The Company was incorporated in 2005 by the three local authorities in the County, which, however, were dissolved after and their functions were taken over by the County Government of Vihiga on pronouncement of the 2010 Constitution and the County Governments Act, 2012. However, the shares were still registered under the defunct authorities as at 30 June, 2019, as indicated below:

<b>Name</b>		<b>Shares</b>	<b>Ownership Ratio</b>
1.	County Council of Vihiga	1,667	33.34%
2.	Municipal Council of Vihiga	1,667	33.33%
3.	Town Council of Luanda	1,666	33.33%
		5,000	100

Management did not provide a satisfactory explanation for the omission which has resulted in the breach of the law.

#### **2.0 Previous Year Issues**

The audit report for the year ending 30 June, 2018 highlighted several unsatisfactory issues relating to account balances, lawfulness and effectiveness in use of public resources and effectiveness of internal control, risk management and governance. In the report of Management on progress made in resolving the issues reflected in Appendix 1

of these statements, Management has indicated that several of the issues had been resolved as at 30 June, 2019, while work on others was ongoing. The actual status of the issues shall be determined after they are deliberated upon 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, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Unaccounted for Water (UFW)**

During the year under review, the Company produced 1,531,468 cubic meters(m<sup>3</sup>) of water out of which only 1,014,170m<sup>3</sup> were billed to customers. The balance totalling 517,298m<sup>3</sup> or 33.7% of the total volume produced was designated as Non-Revenue Water (NRW). The NRW was 8.7 percentage points above the threshold of 25% prescribed in guidelines set by the Water Services Regulatory Board (WASREB). Had the NRW been billed at the rate of Kshs.44.28 per cubic meter applied in the year under review, the Company would have recorded additional revenue totalling Kshs.22,905,157.

Management has not disclosed the measures it plans to reduce the volume of NRW.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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.

## 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 are in agreement with the accounting records and returns.

### **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) 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.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the Company 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 review is planned and performed to express a conclusion with limited assurance as to 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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

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 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 Company's 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 or to sustain its services. 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 to sustain its services.
- 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 January, 2022**

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018-2019	2017-2018
		Kshs	Kshs
<b>REVENUES</b>			
Revenue	6A	44,905,882	32,876,966
Cost of sales	6B	( 33,552,679)	(26,576,584)
Gross profit		<b>11,353,203</b>	<b>6,300,382</b>
Grants from the County Government	7	32,642,580	17,977,110
Other Income	8	-	4,634,700
<b>NET REVENUES</b>		<b>43,995,783</b>	<b>28,912,192</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	9A	42,619,867	38,518,995
Depreciation	10	690,451	654,975
<b>TOTAL OPERATING EXPENSES</b>		<b>43,310,318</b>	<b>39,173,970</b>
<b>PROFIT/(LOSS)</b>	<b>9B</b>	<b>685,465</b>	<b>(10,261,778)</b>

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2018/19	2017/18
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	10	727,678	1,283,249
<b>Total Non-Current Assets</b>		<b>727,678</b>	<b>1,283,249</b>
<b>Current Assets</b>			
Inventories	11	65,900	154,600
Trade and other receivables	12	63,683,288	63,174,123
Bank and cash balances	13	990,825	(196,212)
Prepaid electricity		1,685,999	
<b>Total Current Assets</b>		<b>66,426,012</b>	<b>63,132,511</b>
<b>TOTAL ASSETS</b>		<b>67,153,690</b>	<b>64,415,760</b>
<b>EQUITY AND LIABILITIES</b>			
Ordinary share capital	14	100,000	100,000
Share premium	15	29,400	29,400
Revenue reserve	16	2,848,749	414,058
<b>Total non current liabilities</b>		<b>2,978,149</b>	<b>543,458</b>
<b>Current Liabilities</b>			
Trade and other payables	17	51,837,267	52,123,536
Retirement benefit obligations		-	100,000
customer deposits	18	11,959,690	11,288,855
Provision for leave pay	19	378,584	359,911
<b>Total Current Liabilities</b>		<b>64,175,541</b>	<b>63,872,302</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>67,153,690</b>	<b>64,415,760</b>

The financial statements were approved by the Board on 26/05/2020 2020 and signed on its behalf by:

**MANAGING DIRECTOR**

NAME: Colline Musingi Amuhaya

SIGN: [Signature]

**HEAD OF FINANCE**

NAME: KELVIN MAREGWA

ICPAK MNO: 24386

SIGN: [Signature]

**CHAIRMAN OF BOARD**

NAME: B.M. Amuhaya

SIGN: [Signature]

**STATEMENT OF CHANGES IN EQUITY**

<b>2019</b>				
	<b>Ordinary share capital</b>	<b>share premium</b>	<b>Revenue reserve</b>	<b>Total</b>
	Kshs	Kshs	Kshs	Kshs
At July 1 2017	100,000	29,400	12,425,062	12,554,462
Total comprehensive income 2018			(10,261,778)	(10,261,778)
At June 30, 2018	100,000	29,400	2,163,284	2,292,684
At July 1, 2018	100,000	29,400	2,163,284	2,292,684
Total comprehensive income 19			685,465	685,465
At June 30, 2019	100,000	29,400	2,848,749	2,978,149

<b>2018</b>				
	<b>Ordinary share capital</b>	<b>share premium</b>	<b>Revenue reserve</b>	<b>Total</b>
	Kshs	Kshs	Kshs	Kshs
At July 1 2016	100,000	29,400	15,103,761	15,233,161
Total comprehensive income 2017			(2,678,699)	(2,678,699)
At June 30, 2017	100,000	29,400	12,425,062	12,554,462
				-
At July 1, 2017	100,000	29,400	12,425,062	12,554,462
Total comprehensive income 18			(10,261,778)	(10,261,778)
At June 30, 2018	100,000	29,400	2,163,284	2,292,684

**STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2019**

	Note	2018/19	2017/18
		kshs	kshs
<b>OPERATING ACTIVITIES</b>			
Cash generated from / (used in ) operation	20A	(427,309)	(859,099)
<b>Net cash generated from /(used in) operating activities</b>		<b>(427,309)</b>	<b>(859,099)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of Computer and furniture .	10	(134,880)	(177,000)
<b>Net cash generated from/ (used in) investing activities</b>		<b>(134,880)</b>	<b>(177,000)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of borrowing	20B	1,749,226	-
<b>Net cash generated from/(used in ) financing activities</b>		<b>1,749,226</b>	<b>-</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,187,037</b>	<b>(995,099)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>(196,212)</b>	<b>798,887</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>20C.</b>	<b>990,825</b>	<b>(196,212)</b>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUALS AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2019**

SNO	DETAIL				
A	INCOME/COLLECTION FROM SCHEMES	ACTUAL	BUDGETED	VARIANCE	%
		kshs	kshs	kshs	
1	Income(Billing)	43,210,790	48,840,000	(5,629,210)	(11.53)
2	Other income(sewer charges))	1,695,092	1,200,000	495,092	41.26
	<b>TOTAL</b>	<b>44,905,882</b>	<b>48,960,000</b>	<b>(4,054,118)</b>	<b>(8.28)</b>
B	EXPENDITURE			-	
1	Directors' emoluments	1,106,100	1,630,000	523,900	32.14
2	SALARY COST	19,477,619	22,308,000	2,830,381	12.69
3	BANK CHARGES	136,157	180,000	43,843	24.36
4	LEVIES	1,874,050	3,600,000	1,725,950	47.94
5	Rent	101,450	84,000	(17,450)	(20.77)
6	WSTF	-	-		
7	OFFICE ELECTRICITY	-	-		
8	SECURITY	459,360	480,000	20,640	4.30
9	OPERATIONS AND MAINTENANCE	1,552,583	1,800,000	247,417	13.75
10	MATERIALS	1,488,210	1,200,000	(288,210)	(24.02)
11	PRINTING AND STATIONARY	315,182	360,000	44,818	12.45
12	REFUNDS OF CUSTOMER DEPOSIT	177,825	480,000	302,175	62.95
13	TELEPHONE AND POSTAGE	43,905	24,000	(19,905)	(82.94)
14	BILLING EXPENSES	55,200	120,000	64,800	54.00
15	FUEL	592,886	1,200,000	607,114	50.59
16	INTERNET CHARGES	234,424	264,000	29,576	11.20
17	INTERNET FIBRE (INSTALATON CHARGES)	250,000	250,000	-	-
18	WATER QUALITY	24,570	300,000	275,430	91.81

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19	MOTOR VEHICLE EXPENSES	459,761	700,000	240,239	34.32
20	BENEVOLENT	50,000	200,000	150,000	75.00
21	FEES	325,000	55,000	(270,000)	(490.91)
23	TRAVELLING AND SUBSITENCE	2,977,781	2,760,000	(217,781)	(7.89)
24	ANNUAL STAFF MEETING	231,000	200,000	(31,000)	(15.50)
25	REVENUE COLLECTION EXPENSES	181,050	225,000	43,950	19.53
26	NSSF	1,535,869	1,680,000	144,131	8.58
27	NHIF	533,250	-	(533,250)	-
28	PAYE	1,722,084	-	(1,722,084)	-
27	CONTIGENCIES	80,000	50,000	(30,000)	(60.00)
28	CONTRIBUTION TO WELFARE	245,400	200,000	(45,400)	(22.70)
29	TRAINING COST	124,600	300,000	175,400	58.47
28	STAFF UNIFORM	111,300	200,000	88,700	44.35
29	LEAVE ALLOWANCES	381,186	300,000	(81,186)	(27.06)
30	GRATUITY	1,255,423	1,199,458	(55,965)	(4.67)
29	RETIREMENT EXPENSES	100,000	100,000	-	-
30	CHEMICALS	3,484,398	3,600,000	115,602	3.21
31	ELECTRICITY	31,665,580	30,000,000	(1,665,580)	(5.55)
30	Office furnitures	45,380	355,000	309,620	87.22
31	Computers	89,500	120,000	30,500	25.42
32	Consultancy fees	15,000	200,000	185,000	92.50
	<b>TOTAL EXPENDITURE</b>	<b>73,622,358</b>	<b>76,964,458</b>	<b>3,342,100</b>	

**NOTES**

There was underspending in most activities. This was characterized by power disruptions thus making it not possible for the company to have constant supply of water to customers.

Frequent machine breakdowns also led to low billing. The company also uses an old billing software that requires review so as to increase revenue to meet budgetary allocation.

The financial statement 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Amatsi water company ltd is established by and derives its authority and accountability from 2002 water Act. The company is wholly owned by the County Government of Vihiga and is domiciled in Kenya. The company's principal activity is to provide water services to Urban areas and some rural parts of Vihiga county.

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 judgment in the process of applying the company's accounting policies.

The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Notes

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.

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

#### i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

There were no new and revised IFRSs that were effective in the current year that had impact on the amounts reported in these financial Statements.

#### ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

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

#### iii) Early adoption of standards

The company did not early – adopt any new or amended standards in year 2019

#### 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 recognized to the extent that it is probable that future economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the company's activities as described below.

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

##### (B) In-kind contributions

In-kind contributions are donations that are made to the company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment 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

##### (C) Property, plant and equipment

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

##### (D) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line 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:

Buildings and civil works	25 years or the unexpired lease period	-2%
Plant and machinery	12.5 years	- 10%
Motor vehicles, including motor cycles	4 years	- 25%
Computers and related equipment	3 years	- 33.3%
Office equipment, furniture and fittings	12.5 years	- 12.5%

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

**(E) Finance and operating leases**

Leases which confer substantially all the risks and rewards of ownership to the company are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease

**(F) Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

**(G) 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.

**(H) Taxation**

***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.

***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

**(I) Cash and cash equivalents**

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

**(J) Trade and other payables**

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

**(K) Retirement benefit obligations**

The company 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.

**(L) Provision for staff leave pay**

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

**(M) Budget information**

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.

**(N) 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.

**(O) Comparative figures**

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

**(P) 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, 2019.

**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.

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

- **Provisions**

Provisions were raised and management determined an estimate based on the information available.

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.

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**6.(A)SALES/TURNOVER**

	<b>2018/2019</b>	<b>2017/2018</b>
	<b>kshs</b>	<b>kshs</b>
KAIMOSI	9,921,940	7,672,567
MASENO	14,216,742	9,988,093
MBALE	11,955,827	9,410,937
SOSIAN	3,072,895	2,375,774
VIHIGA	2,343,781	1,972,415
CHANGO	817,255	322,600
BUMBO/SHAMAKHKHO	882,350	-
<b>SUB TOTAL</b>	<b>43,210,790</b>	<b>31,742,386</b>
WATER BOWSER		1,134,580
SEWER CHARGES	1,695,092	-
<b>GROSS SALES</b>	<b>44,905,882</b>	<b>32,876,966</b>
COST OF SALES	33,552,679	26,576,584
<b>NET SALES</b>	<b>11,353,203</b>	<b>6,300,382</b>

**6(B)COST OF SALES**

	2018/2019		2017/2018	
	kshs	kshs	kshs	kshs
OPENING STOCK		154,600		80,500
ADD PURCHASES				
ELECTRICITY	29,979,581		23,241,032	
CHEMICALS	3,484,398	33,463,979	3,409,652	26,650,684
TOTAL		33,618,579		26,731,184
LESS				
CLOSING STOCK		(65,900)		(154,600)
COST OF SALES		33,552,679		26,576,584

## 7. TRANSFERS FROM COUNTY GOVERNMENT

	2018/2019	2017/2018
	Kshs	Kshs
Reccurent grants received	31,665,580	17,977,110
Capital grants realized	-	-
In Kind contributions/ donations	977,000	-
<b>Total</b>	<b>32,642,580</b>	<b>17,977,110</b>

Name of the Company sending the grant	Amount recognized in the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund.	Total grant income during the year	2018-2019
	KShs	KShs	KShs	KShs	KShs
Ministry/State Department					
Ministry of Finance -Vihiga county	32,642,580	-	0	32,642,580	32,642,580
<b>Total</b>	<b>32,642,580</b>	<b>-</b>	<b>0</b>	<b>32,642,580</b>	<b>32,642,580</b>

(Grants refers to electricity bills paid by the County Government of Vihiga. Inkind contributions refers to chemicals donated by Vihiga County)

## 8. OTHER INCOME

	2018/2019	2017/2018
	kshs	kshs
COMPENSATION FOR DAMAGED PIPES	-	4,634,700
<b>TOTAL</b>	<b>-</b>	<b>4,634,700</b>

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9.ADMINISTRATION COSTS

	2,019	2,018
Description	Kshs	Kshs
CHAIRMANS HONORORIA	240,000	234,000
Directors' allowance	866,100	976,750
SALARY COST	19,477,619	16,951,899
BANK CHARGES	136,157	129,117
LEVIES	6,652,360	4,979,359
Rent	101,450	94,960
WSTF		112,410
OFFICE ELECTRICITY		14,145
SECURITY	459,360	421,020
OPERATIONS AND MAINTENANCE	1,552,583	4,453,236
MATERIALS	1,488,210	-
PRINTING AND STATIONARY	315,182	224,973
REFUNDS OF CUSTOMER DEPOSIT	177,825	
TELEPHONE AND POSTAGE	43,905	34,808
BILLING EXPENSES	55,200	
FUEL	592,886	770,500
INTERNET CHARGES	234,424	386,500
INTERNET FIBRE	250,000	
WATER QUALITY	24,570	42,000
MOTOR VEHICLE EXPENSES	459,761	479,451
BENEVOLENT	50,000	50,000
FEES	325,000	360,223
GENERAL OFFICE EXPENSES	119,275	-
TRAVELLING AND SUBSITENCE	2,977,781	858,468
ANNUAL STAFF MEETING	231,000	
REVENUE COLLECTION EXPENSES	181,050	409,550
NSSF	1,535,869	1,554,530
NHIF	533,250	479,950
PAYE	1,722,084	1,287,837
CONTIGENCIES	80,000	
CONTRIBUTION TO WELFARE	245,400	167,800
TRAINING COST	124,600	112,100
STAFF UNIFORM	111,300	142,200
LEAVE ALLOWANCES	381,186	372,286

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GRATUITY	774,480	623,371
RETIREMENT EXPENSES	100,000	
<b>Total</b>	<b>42,619,867</b>	<b>28,626,677</b>
<b>The average number of employees at the end of the year was:</b>		
Contracted employees – Management	3	2
Permanent employees – Unionisable	58	55
Temporary and contracted employees	9	8
<b>Total</b>	<b>70</b>	<b>65</b>

**9(b) OPERATING PROFIT/(LOSS)**

	<b>2018/2019</b>	<b>2017/2018</b>
	<b>KSHs</b>	<b>KSHs</b>
<b>The operating profit/(loss) is arrived at after charging/(crediting):</b>		
Administrative cost	42,619,867	38,518,995
Depreciation	690,451	654,975
<b>Total</b>	<b>43,310,318</b>	<b>39,173,970</b>

**10(a).PROPERTY, PLANT  
AND EQUIPMENT  
2018/2019**

<b>2019</b>	<b>PLANT &amp;MACHINARY</b>	<b>MOTOR VEHICLE</b>	<b>COMPUTERS</b>	<b>OFFICE EQUIPMENT&amp; FURNITURES</b>	<b>TOTAL</b>
<b>COST OR VALUATION</b>	<b>Kshs</b>	<b>kshs</b>	<b>kshs</b>	<b>Kshs</b>	<b>kshs</b>
At July 1, 2018	376,850	1,290,400	876,696	22,000	2,565,946
Additions	-	-	89,500	45,380	134,880
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
At June 30, 2019	376,850	1,290,400	966,196	67,380	2,700,826
<b>DEPRECIATION</b>					
At July 1, 2018	61,770	645,200	570,227	5,500	1,282,697
Charge for the year	37,685	322,600	321,743	8,423	690,451
Impairment loss	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-
At June 30, 2019	99,455	967,800	891,970	13,923	1,973,148
<b>NET BOOK VALUE</b>					
<b>At June 30, 2019</b>	<b>277,395</b>	<b>322,600</b>	<b>74,226</b>	<b>53,457</b>	<b>727,678</b>

BB/  
Property, plant and equipment include the following items that are fully depreciated:

<b>CATEGORY</b>	<b>COST</b>	<b>ACCUMULATED DEPRECIATION CHARGE</b>
	<b>Kshs</b>	<b>kshs</b>
Plant and machinery	376,850	99,455
Motor vehicles, including motor cycles	1,290,400	967,800
Computers and related equipment	966,196	891,970
Office equipment, furniture and fittings	67,380	13,923
<b>TOTAL</b>	<b>2,700,826</b>	<b>1,973,148</b>

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10(b) 2017/2018

2018	PLANT AND MACHINERY	MOTOR VEHICLE	COMPUTERS	OFFICE EQUIPMENT AND MACHINERY	TOTAL
COST OR VALUATION	kshs	kshs	kshs	kshs	kshs
At July 1, 2017	240,850	1,290,400	835,696	22,000	2,388,946
Additions	136,000		41,000		177,000
Transfers					
Disposals					
At June 30, 2018	376,850	1,290,400	876,696	22,000	2,565,946
DEPRECIATION					
At July 1, 2017	24,085	322,600	278,287	2,750	627,722
Charge for the year	37,685	322,600	291,940	2,750	654,975
Impairment loss					
Eliminated on disposal					
At June 30, 2018	61,770	645,200	570,227	5,500	1,282,697
NET BOOK VALUE					
At June 30, 2018	315,080	645,200	306,649	16,500	1,283,249

Property, plant and equipment include the following items that are fully depreciated:

CATEGORY	Cost or valuation	Normal annual depreciation charge
	kshs	kshs
Plant and machinery	376,850	61,770
Motor vehicles, including motor cycles	1,290,400	654,975
Computers and related equipment	876,696	570,227
Office equipment, furniture and fittings	22,000	5,500
<b>TOTAL</b>	<b>2,565,946</b>	<b>1,282,697</b>

#### 11. INVENTORIES

	2018/2019	2017/2018
	kshs	kshs
Aluminum phosphate	2,150	73,100
Chlorine	56,250	45,000
Solvent cement	7,500	35,000
Box files	-	1,500
<b>TOTAL</b>	<b>65,900</b>	<b>154,600</b>

#### 12. TRADE AND OTHER RECEIVABLES

	2018-2019	2017-2018
	Kshs	Kshs
<b>BAL B/F AS JULY</b>	63,174,124	64,712,948
<b>ADD</b>		
CREDIT SALES FOR THR YEAR (BILLING)	39,896,832	32,876,966
SEWER CHARGES	1,695,092	
<b>SUB TOTAL</b>	<b>104,766,048</b>	<b>97,589,914</b>
<b>CASH RECEIPTS AS PER BANK STATEMENT</b>	(39,660,844)	(32,876,966)
<b>RECONCILED FIGURE AS AT 30TH JUNE 2019</b>	<b>(1,421,916)</b>	<b>(1,538,824)</b>
Trade receivables	63,683,288	63,174,124

**13. BANK AND CASH  
BALANCES**

	<b>2018/2019</b>	<b>2017/2018</b>
	<b>KSH</b>	<b>KSH</b>
<b>CASH AT BANK</b>	990,825	(196,212)
CASH AT HAND	0	0
<b>TOTAL</b>	<b>990,825</b>	<b>(196,212)</b>

The bulk of the cash at bank was held at Kenya Commercial Bank, the company's main bankers.

Cash at bank balances are non-interest bearing.

The make-up of bank balances is as follows:

Detailed analysis of the cash and cash equivalents

<b>FINANCIAL INSTITUTION</b>	<b>ACCOUNT NUMBER</b>	<b>2018/2019</b>	<b>2017/2018</b>
<b>KCB</b>		<b>kshs</b>	<b>kshs</b>
a) Revenue account	KCB A/C NO. 1110554516	(101,572)	(713,413)
b) Customer deposits account	KCB A/C NO. 1170433855	1,003,749	344,997
c) Water Bowser	KCB A/C NO. 1170433928	17,318	123,322
<b>d) Others</b>			
M pesa (PAYBILL)	803783	71,330	48,883
<b>Grand total</b>		<b>990,825</b>	<b>(196,212)</b>

**14. ORDINARY SHARE CAPITAL**

<b>NAME</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>KSH</b>	<b>KSH</b>
County council of Vihiga(1,667 shares	33,360	33,360
Municipal Council of Vihiga(1,667 shares	33,320	33,320
Town council of Luanda(1,667 shares	33,320	33,320
<b>TOTAL</b>	<b>100,000</b>	<b>100,000</b>

[The shareholding of each member is limited to 1,667 shares of kshs 20 each as at June 2019]]

**15. SHARE PREMIUM**

	<b>2018/2019</b>	<b>2017/2018</b>
<b>NAME</b>	<b>KSH</b>	<b>KSH</b>
County council of Vihiga(1,667 shares	9,773	9,773
Municipal Council of Vihiga(1,667 shares	9,814	9,814
Town council of Luanda(1,667 shares	9,814	9,814
<b>TOTAL</b>	<b>29,400</b>	<b>29,400</b>

**16. REVENUE RESERVE**

	<b>2018/2019</b>	<b>2017/2018</b>
<b>REVENUE RESERVE</b>	<b>kshs</b>	<b>kshs</b>
BAL B/F	2,163,284	12,425,062
PROFIT/LOSS FOR THE YEAR	685,465	(10,261,778)
<b>BAL C/D AS AT JUNE 30,2019</b>	<b>2,848,749</b>	<b>2,163,284</b>

(The revenue reserve represent amounts available for distribution to the company shareholders.

Undistributed retained earnings are utilized to finance the company's business activities.)

**17. TRADE AND OTHER PAYABLES**

	2018-2019	2017-2018
	Kshs	Kshs
WARMA	3,437,019	8,261,728
LVNWSB	23,024,829	20,000,074
WASREB	3,252,662	2,892,524
BROADPARK	61,700	61,700
KINETICS LTD	240,380	345,530
GRATUITY	76,605	557,548
ASEMBO BAY		95,050
SACCO RTNS	945,922	945,922
WELFARE DEDUCTIONS		105,900
NEW FRIENDS MOTORS	136,150	136,150
PRIDE KINGS	76,560	114,840
JOY MUDETE (STAFF UNIFORM)		94,800
TELEPHONE	6,000	13,065
KENAO	3,246,000	2,922,000
BORROWINGS FROM DEPOSIT	533,465	711,289
LOAN FROM LVNWSB	3,000,000	3,000,000
NYANZA LTD	30,000	30,000
ROTALINK	40,850	40,850
UNISOURCE ENERGY AUDIT	148,348	148,348
VICTORIA ENTERPRISES	133,200	133,200

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LIQUID TELECOM	48,257	297,897
BENEVOLENT		50,000
OFFICE ELECTRICITY		14,145
PRODUCTION ELECTRICITY	6,513,866	5,263,922
RETIREMENT OBLIGATION		
SOSA COTTAGES	79,200	
READERS	19,535	
BOADA	280,880	
GUSANGA	39,000	
KEBS	4,246,961	4,336,378
<b>SUB TOTAL</b>	<b>49,617,389</b>	
<b>OTHER PAYABLES</b>		
LEGAL CASE	2,219,878	
<b>Trade payables</b>	<b>51,837,267</b>	<b>52,892,737</b>

**18. CUSTOMER DEPOSITS**

	<b>2018/2019</b>	<b>2017/2018</b>
<b>CUSTOMER DEPOSITS</b>	<b>kshs</b>	<b>kshs</b>
Balance at 1st July 2018	11,288,855	11,655,147
Additional during the year	670,835	344,997
Borrowing during the year	-	(711,289)
<b>Balance at 30th June 2019</b>	<b>11,959,690</b>	<b>11,288,855</b>

(Customer deposits refers to Deposits received from customers to mitigate the company against losses which may arise from non payment of water consumed and bills raised. The deposits are refundable on demand by the customers in case of transfer or movement from the Premises.

The company inherited customers from the water ministry. Previously ,the ministry was using one account for both revenue collection and customer deposits

In 2015 the company opened a separate account to cater for customer deposit which had a balance of kshs 1,003,749 as at end of reporting period.)

**19. PROVISION FOR LEAVE PAY**

	<b>2018/2019</b>	<b>2017/2018</b>
	<b>kshs</b>	<b>kshs</b>
Basic pay	1,261,947	1,199,703
30% provision at end of year	378,584	359,911

(Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year. The provision rate is 30%of basic pay annually)

**20. NOTES TO THE STATEMENT OF CASH FLOWS**

	<b>2018/2019</b>	<b>2017/2018</b>
	<b>kshs</b>	<b>kshs</b>
<b>A. Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Operating profit/(loss)	685,465	(10,261,778)
Depreciation	690,451	654,975
provision for leave		359,911
Operating profit/(loss) before working capital changes	<b>1,375,916</b>	(10,916,753)
(Increase)/decrease in inventories	88,700	74,100
(Increase)/decrease in trade and other receivables	(509,165)	(5,383,396)
Increase/(decrease) in trade and other payables	(286,269)	13,697,089
Increase/(decrease) in customer deposits	670,835	
Increase/(decrease) in provision for staff leave pay	18,673	
increase/decrease in retirement benefit obligation	(100,000)	
increase/decrease in Prepaid electricity	(1,685,999)	
<b>Cash generated from/(used in) operations</b>	<b>(427,309)</b>	<b>(859,099)</b>
<b>B. Analysis of changes in borrowing</b>		
Balance at beginning of the year	414,058	711,289
Operating profit/(loss)	685,465	
repayments during the year	1,749,226	-
balance at end of year	<b>2,848,749</b>	<b>711,289</b>
<b>C. Analysis of cash and cash equivalents</b>		
cash at bank	<b>990,825</b>	(196,212)
cash at hand	-	
<b>balance end of year</b>	<b>990,825</b>	<b>(196,212)</b>

**21A. RELATED PARTY DISCLOSURES**

County Government of Vihiga

The County Government of Vihiga is the principal shareholder of the company, holding 100% of the company's equity interest.

The county Government of Vihiga has provided full guarantees to all long-term lenders of the company.

**Other related parties include:**

- i) Key management;
- ii) Board of directors;
- iii) Water service Boards
- iv) Water service regulatory authority
- v) Water resource management authority
- vi) Water service provision association

**21B. Transaction with related party**

	2018/2019	2017/2018
	kshs	kshs
<b>A).Grants from County Government of Vihiga</b>		
Grants received	31,665,580	17,977,110
Donation in kind	977,000	-
<b>sub total</b>	<b>32,642,580</b>	<b>17,977,110</b>
<b>B).Expenses incurred on behalf of related party</b>		
Payment of salary and wages for Vihiga County water office employees	96,816	96,816
<b>sub total</b>	<b>96,816</b>	<b>96,816</b>
<b>C).Key management compensation</b>		
Directors emoluments	1,106,100	1,210,750
Compensation to Managing Director	1,087,557	736,855
Compensation to Key Management(TM&CM)	1,527,430	1,410,140
<b>sub total</b>	<b>3,721,087</b>	<b>3,357,745</b>
<b>TOTAL</b>	<b>36,460,483</b>	<b>21,431,671</b>

## 22. FINANCIAL RISK MANAGEMENT

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

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

### (i) Credit risk

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

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

### ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the company 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.

### iii) MARKET RISK

Market risk arises from changes in the market prices, the company has initiated measures to control market risk exposures within acceptable limits i.e. change of water tariff.

## 23. INCORPORATION

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

## 24. EVENTS AFTER THE REPORTING PERIOD

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

## 25. CURRENCY

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

**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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
1	Inaccuracy in financial statements	The financial statements were amended to correct the anomalies	Accountant	Resolved as per the management letter	one week after audit
2	Grants from County Government	Grants received were Kshs.17,149,595 and supporting schedules were availed	Accountant	Resolved as per the management letter	one week after audit
3	Trade and other Receivables	Minutes authorizing bill adjustment of ksh 1,538,824 were availed	Accountant	Resolved as per the management letter	one week after audit
4	Trade and other Payables	Supporting invoices and demand notices from Warma, Wasreb, Kenao and service agreement with lvnwsb were availed	Accountant	Resolved as per the management letter	one week after audit
5	Customer deposits	The company inherited customers from parent ministry which used to bank both deposits and revenue in the same bank account. The money was never surrendered back to the company hence ksh 11,288,855 cannot be accounted for by the company	Management	Resolved as per the management letter	one week after audit
6	Unaccounted for water	Measures have been put in place to reduce non-revenue water eg formation of NRW team, proposal to acquire new metres, procurement of new billing system among others	Technical manager	Replies was made on measures undertaken by the company to reduce non-revenue water	Ongoing

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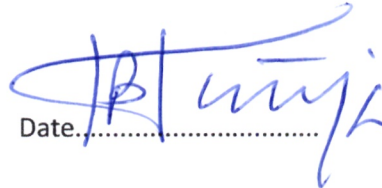
7	Shareholding	Vihiga County passed Water Act which is yet to be enacted	Management	Not resolved	Ongoing
8	Purchase of chemicals	Documents were availed detailing the procurement process	Procurement officer	Resolved as per the management letter	one week after audit
9	Audit fee	Outstanding Audit fee resulted from financial constraints the company is experiencing. Currently we are paying KSH70,000 monthly to reduce the arrears	Management	Replies were done as per the management letter	Ongoing

Managing Director



Date 26/5/2020

Chairman of the Board



Date

*Appendix 2.*

**Projects**

Projects implemented by the Amatsi water service company, Funded by development partners

Project title					Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements
	Project Number	Donor	Period/duration	Donor commitment		(Yes/No)
1	BO32E.00037	FINEXDO BANK BELGIUM	30MONTHS	15,500,017EUROS	YES	NO

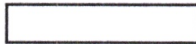
# Appendix 3(a)

## TRIAL BALANCE FINANCIAL YEAR 30TH JUNE 2019

S.NO	DETAILS	2018-2019	
		DR	CR
		KSHS	KSHS
1	SALES		44,905,882
2	SHARE CAPITAL		100,000
3	SHARE PREMIUM		29,400
4	BORROWING		533,464
5	GRANTS FROM COUNTY GVT		32,642,580
6	ACCOUNTS PAYABLES		49,617,389
7	CASH & BANK	990,825	
8	LEGAL CASE		2,219,817
9	ACCOUNTS RECEIVABLE	63,683,288	
10	PPE	727,678	
	Bank charges	136,157	
11	Directors' emoluments	866,100	
12	general office expenses	119,275	
13	honoraria	240,000	
14	printing and stationary	315,182	
15	PAYE	1,722,084	
16	NSSF	1,535,869	
17	INSUARANCE	293,708	
18	GRATUITY	1,255,423	
19	SALARY	19,477,619	
20	REVENUE COLLECTION EXPENSES	181,050	
21	SECURITY	459,360	
22	RENT	101,450	
23	BENEVOLENT	50,000	
24	COMPUTER HARD WARE	89,500	
25	MOTOR VEHICLE EXPENSES	459,761	
26	LEVIES	6,652,360	
27	CHEMICALS	3,484,398	
28	FUEL	592,886	
29	TELEPHONE	43,905	
30	BILLING EXPESES	55,200	
31	FEES	325,000	
32	OPERATION & MAITENANCE	1,566,183	
33	SUBSISTENCE	2,977,781	
34	ANNUAL STAFF GENERAL MEETING	231,000	
35	WATER QUALITY	24,570	
36	TRAINING EXPENSES	124,600	
37	STAFF UNIFORMS	111,300	
38	PETTY CASH	613,408	
39	INTERNET TCHARGES	234,424	
40	INT FIRBRE	250,000	
41	FURNITURE	45,380	
42	CONTIGENCIES	80,000	

43	STAFF WELFARE	245,400	
44	PRODUCTION ELECTRICITY	29,979,581	
45	DEPRECIATION	690,451	
46	PROVISION FOR LEAVE		378,584
47	STOCK AS AT 30TH JUNE	65,900	
48	revenue reserve		2,163,284
49	customer deposit		11,959,690
50	STAFF RETIREMENT BENEFIT	100,000	
51	CUSTOMER DEPOSIT REFUNDS	177,825	
52	MATERIALS	1,488,210	
53	Prepaid electricity	1,685,999	
	<b>TOTALS</b>	<b>144,550,090</b>	<b>144,550,090</b>

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# Appendix 3 (b)

R SERVICES COMPANY LTD  
 STATEMENTS 2018/2019 FINANCIAL YEAR  
 STATEMENT FOR THE MONTH OF JUNE

			KSHS	KSHS
Balance as per updated cashbook				(101,571.81)
ADD				
DATE	UNPRESENTED CHEQUES			
	Details	Cheque No.	Amount	
03/4/19	PAN AFRICA CHEMICALS	3399	90,712	
05/06/19	INSUARANCE	3537	34,980	
26/06/19	UKULIMA SASA SHARES	3532	44,060	
25/06/19	UKULIMA SASA SALARIES	3531	957,057.81	1,126,809.81
Balance as per bank statement				1,025,238.00

Prepared By: KEVIN MADEGWA Sign: [Signature] Date: 11/5/2020  
 Checked By: Mutira Herbert Sign: [Signature] Date: 11/5/2020  
 Counter Checked By: Collins Amuhaya Sign: [Signature] Date: 11/5/2020

Appendix 3 (c)

**AMATSI WATER SERVICES COMPANY LTD**  
**JOURNAL 2018/2019 FINANCIAL YEAR**

Journal			
Date	Particulars	Dr	Cr
11.05.2020	revenue a/c chemicals a/c (being understatement of donation received from Vihiga county )	977,000	977,000
11.05.2020	cost of sales chemicals a/c being donations of chemicals received	977,000	977,000
11.05.2020	levies	238,066	
	Nssf		767,934
	Grants from Vihiga County	7,490,866	
	accounts receivables	3,313,958	
	accounts payables		6,949,144
	Prepaid electricity		1,685,999
	Donation of chemicals		977,000
	Customer deposits		800
	Bank & Cash		662,012
	being correction of understatement and overstatement		
	<b>TOTALS</b>	<b>12,996,890</b>	<b>12,996,889</b>

Prepared By: KEVIN MADEGWA Sign: [Signature] Date: 5/11/2020  
 Checked By: Mutiva Herbent Sign: [Signature] Date: 11/5/2020  
 Counter Checked By: Collins Amuhang Sign: [Signature] Date: 11/5/2020

