

REPUBLIC OF KENYA



Enhancing Accountability

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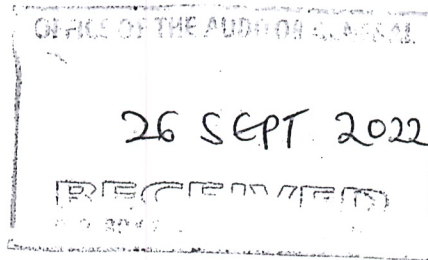
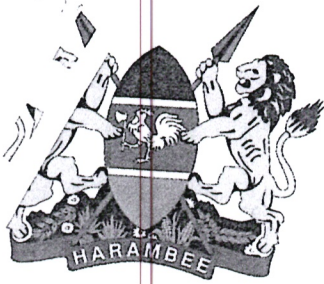
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THE AUDITOR-GENERAL

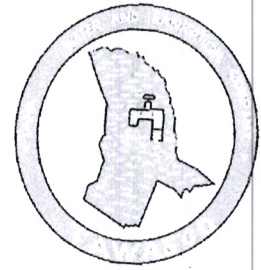
ON

**TANA WATER AND SANITATION
COMPANY LIMITED**

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



Issued on 30th June 2022



TANA WATER AND SANITATION COMPANY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022

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

Tana Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2022

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Tana Water and Sanitation Company Ltd.
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I. Key Entity Information

Background information

The *Tana Water and Sanitation company Ltd* was established by the Company Act (Cap 486) of Parliament on 1st September 2006. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Hola Tana River County and has water schemes such as, Madogo, Bura, Garsen and Ngao Water Schemes.

Principal Activities

The principal activity of the Company is the provision of water and sanitation services.

Vision

To be a water service provider that gives adequate and reliable water and sanitation services to residents of Tana River County.

Mission

To ensure provision of efficient and suitable water and Sanitation services.

Core Objectives

- Consumer focused and demand driven
- Effectiveness and efficiency
- Integrity
- Creativity and innovation
- Responsiveness
- Team work
- Professionalism.

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Directors

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

1. Zeitun A. Said	Chairperson	Appointed on 2018
2. William Jillo	Managing Director	Appointed on February 2021.
3. Yulia J. Yesse	V/Chairperson	Appointed on 2018
4. Roble Hussein	Member	Alternate to
5. Ambari Jillo	Member	Appointed on 2018
6. Said O. Waldea	Member	Appointed on 2018
7. Gladys Waithera	Member	Appointed on 2018
8. Omar D. Moroa	Member	Appointed on 2018
9. Idris Kolombo	Member	Appointed on 2018
10. Enock Galgalo	Member	Appointed on 2018

Corporate Secretary

Mr. William Jillo
P.O. Box 29, **Hola.**
0700281073

Registered Office

Tana water and sanitation Company Ltd
P.O. Box 29, Hola.
Nairobi, KENYA

Corporate Headquarters

P.O. Box 29,
Hola, KENYA.

Corporate Contacts

The Ag. Managing Director.

Telephone: (254) 700281073

E-mail: tanawaterco@gmail.com

Website: www.tanariverwater.co.ke

Corporate Bankers

Kenya Commercial Bank limited

P.O Box 100 code 70101

Hola, Kenya.

Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084 GPO 00100

Nairobi, Kenya

Principal Legal Advisers

The Attorney General

State Law Office, Harambee Avenue





P.O. Box 40112

City Square 00200





Nairobi, Kenya

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II. The Board of Directors

Ref	Directors	Details
1.	 Zeitun Ahmed Said Chairperson	Diploma in Early Childhood Development and Employed by Teacher's Service Commission (TSC).
2.	 Yulia Jillo Yesse Vice Chairperson	Degree In Development Studies. Mount Kenya University Kenya.
3.	 Roble Hussein Member	Diploma in Community Development Daystar University Kenya.
4.	 William Jillo Ag. Managing Director	BSc. Soil, Water & Environmental Engineering Registered Graduate Engineer, Engineers Board of Kenya, EBK- (B18737) Associate Expert NEMA (11753) Member of Institute of Engineers of Kenya (IEK) Member of the Environmental Institute of Kenya (EIK)

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5.		<p>Bachelor of Education University of San Juan De La Cruz-Costa Rica</p>
<p>Said Omara Waldea member</p>		<p>Bachelor of Arts In Leadership And Management. ST. Pauls University Kenya.</p>
6.	<p>Ambari Jillo Member</p>	<p>Diploma in mass Communication and Journalism. Consolata institute of Communication and Technology.</p>
7.		<p>Bachelor of Science Animal Production Diploma in Animal Science.</p>
8.		<p>Omar Dhadho Moroa Member</p>

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9.	 <p style="text-align: center;">Idris Kolombo Member</p>	Diploma in Education Secondary Option
10.	 <p style="text-align: center;">Enock Galgalo Member</p>	Bachelor of Arts And Economics. Kenyatta University

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III. Management Team

NAME	MANAGEMENT & QUALIFICATION	DATE & EXPERIENCE
William Jillo Soye Appointed: Feb 2021	Designation: Ag. Managing Director Qualification: BSc. Soil, Water & Environmental Engineering Registered Graduate Engineer, Engineers Board of Kenya, EBK- (B18737) Member of Institute of Engineers of Kenya (IEK) Associate Expert NEMA (11753) Member of the Environmental Institute of Kenya (EIK)	Date of Birth: 1991 Aldis Engineering Consultants – 6 Months Sunculture (K), Irrigation Engineer - 3 Yrs. Tana River County Department of Agric & Irrigation, County Irrigation Engineer – 2 Yrs. TAWASCO, MD – 1 Yr 7 Months
Abdi Rahman Ismail	Designation: Ag. Finance Manager Qualification: Bachelor of Business Management (Accounting Option) CPA (Section 3)	National Irrigation Authority – 1 year Tana Water & Sanitation Company – 2 Years
Salim Juma Makorane	Designation: Ag. Technical & Services Manager Qualification: Certificate in Power Plant Mechanic Grade 1	Tana Water and Sanitation Company – 15 Years
Kimera Thuva	Designation: Commercial Manager Qualification: High Dip. Water Engineering Dip. Water Engineering	Tana River County Government Tana Water and Sanitation Company-1 year 4 months
Mariam Rago	Designation: Human Resource & Admin Qualification: Dip. Business Management (HR Option)	Tana River County Government- 5 Years
Mohammed Korane	Designation: Procurement Officer Qualification: BBM (Procurement & Supply Chain Management Option) Member KISM	Tana River County Government – 9 years

IV. Chairman's Statement

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I present the annual financial statement for the Financial Year ending 30th June 2022 which outlines the company's financial and operational performance. The company struggled in performance while providing high quality water to the people in its jurisdiction.

Overview on Performance

The company has continued to expand the services in an effort to reach more customers in our coverage. During this year, Tana Water and Sanitation Company (TAWASCO) was successful in the Water Sector Trust Fund's 8th Urban Project Call and SWASAP Proposals.

In the year, we held various board meetings which met the threshold of the required minimum of quarterly meetings. We played our oversight and policy making roles. Therefore, I stand here to tell you that the business of the company was executed with due diligent and always ensuring the interests of the shareholder, which are also the interests of the community are taken into consideration.

Water Coverage

During the year, the company continued to work closely with Coast Water Works Development Agency to provide water and sanitation services to the residents of Tana River County and its environs.

It is our hope that with the availability of resources, the company will continue to grow and adopt new areas in the next Service Provision Agreement.

National Recognition

The company was ranked no. 68 in the WASREB Performance Impact Report of Kenya's Water Sector release for the year 2021/22. This is the first time the company is featuring in the Water Impact report.

Appreciation

We continue to enjoy incredible support and goodwill from diverse stakeholders, development partners and customers. I would like to appreciate and most sincerely thank my fellow directors for their selfless services. I also wish to note with appreciation the support extended to us by the County Government of Tana River, Water Services Trust Fund, Water Services Regulatory Board, and Coast Water Works Development Agency and local NGOs

We greatly value and appreciate this support and trust that we can continue to count on it in the future.

We look forward with the conviction that TAWASCO will remain not just a place but a good place to be.

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Sincerely.

Zaitun Ahmed Said
Chairperson – TAWASCO

V. Report of the Managing Director

I am delighted to present the report showing the performance of the company for the year 2021/22.

1. Water Supply Coverage

During the year, the company produced 2,040,000 cubic meters of water. The company billed for 600,000 cubic meters while the non-revenue water amounted to 1,440,000 cubic meters. This is 70%, a performance that is poor compared to the global benchmark of non-revenue water of 20%.

The company's water production averages 5,670 cubic meter per day against a capacity of 14,210 cubic meters per day, a capacity utilization of about 40%. The reserve capacity is not met because of some of the systems like Hola Water Supply having under-capacity pumps. In Bura Water Supply, there is limited supply of raw water from the source that is controlled by National Irrigation Authority.

2. Financial Results for the Year 2021/22

The following is a summary of the key highlights of the financial statements.

a) Turnover

The company's sales turnover during the year 2021-22 was KShs. 38,391,693 against KShs. 50,016,080 for the year 2020-21. This is about 23.24% decrease. The decrease was because the company failed to attract external funding compared to the FY 2020-21. The revenue of the year was 23,986,693 against 20,474,620 for the year 2020-21. The increase in revenue is as a result of an internal growth within the service area provision. The management has applied for Proposals at County Government, Water Sector Trust Fund and the Coast Water Works Development Agency to upgrade water infrastructure and digitise the water billing system as a way to improve revenue.

b) Expenses

The operating expenses during the year under review was KShs. 46,188,784 against KShs. 47,995,710 reported in the year 2020-21.

c) Profits

The company made a loss of KShs. 7,797,091 before and after tax compared to a profit of KShs. 1,414,259 after taxation made in the year 2020-21. While we recognize that there is a loss in the FY 2021-22, it is important to note that in the said year, the company did not attract funding from donors.

3. Challenges

3.1 Revenue Collection

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The revenue growth rate is slow because of manual systems of water billing, old dilapidated conveyance systems, low metering ratio (currently 42% in WASREB ratings), and under-capacity pumps.

3.2 Water Supply

Inadequate funds to implement various pipeline extensions to serve the areas not served.

TAWASCO's maximum water production is limited to 5670 m³/day. At times production is hitting 2900 m³/day and area of supply continues to grow without corresponding measures being put to ensure continued sufficiency of water.

4.0 Way Forward

The future of the company seems excellent assuming that the operating environment is improved. The company could grow to provide clean and safe water to all the major towns in the county. The key areas to focus on include;

- Capacity building
- Improving water supply reliability
- Digitise the water billing system

Thank you.



William Jillo,
Ag. Managing Director
TAWASCO

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VI. Statement Of Performance Against Predetermined Objectives for FY 2021/2022

Strategic Pillar	Objective	KPI	Activities	Achievements
Increase Water Coverage	100%	%		32%
Increase the hours of supply from 12 to 15 hours per day.	15	hrs	i. Drill boreholes and improve production	12
Ensure drinking water quality compliance with residual chlorine	100	%	i. Procure water quality assessment kits	
Reduce Non-Revenue Water (NRW)	20%	%	i. Procure meters to improve metering ratio ii. Set up a NRW unit iii. Training and benchmark for staffs.	70%
Enhance customer awareness on products and services through establishment of customer contact centre.	100%	No. of reports		20%
Establish automation of HRM System and Water Billing System	100	%	i. Procure a water billing system	0
Revenue Collection Efficiency	100	%.	ii. Reduce NRW iii. Improve metering ration iv. install a water billing system	32%
Ease of Doing Business	100	%		
Disaster Management	100	%		
Automation	100	%		
Customer Satisfaction	100	Report		20
Compliance with statutory obligations	100	%		70
Youth Empowerment Initiatives	100	%		80
Project completion rate	100	%		100

VII. Corporate Governance Statement

The role of the Board of Directors is to determine the Company's policy and strategy, to monitor the attainment of company objectives and ensure that the company meets its obligations to its customers, stakeholders and shareholders. The Board is also responsible for overseeing the company's internal control systems designed to safeguard the company's assets and to ensure the reliability of the financial information provided by the company. The Board has 3 committees namely:

- (a) Finance and Administration Committee
- (b) Audit Committee.
- (c) Human Resource Committee

Finance Planning and Administration Committee

The Finance and Administration Committees' main duties are to ensure that Company's budget is prepared, approved and enforced, that there is harmony within the organization. The Committee is responsible for reviewing and setting medium- and long-term strategic directions and financial prudence. The Committee includes all aspects of projects planning.

Audit And Risk Committee

The main duty of the Internal Audit Committee is to ensure that the systems of internal controls are effectively administered. The committee defines the responsibilities of the Internal Auditors and to review and recommend to the Board the approval of interim financial results and annual financial statements. The Internal Audit is a department operating independently of other departments and sections of the Company.

Human Resource Committee

The main duty of the Human Resource Committee is to clearly define the Company's organizational structure within which individual responsibilities are defined in relation to the Company's mandate. The structure will be complemented by documented policies. The Committee deals with appointments, dismissal, conflicts, dispute, promotion and demotion.

During the year under review the board of directors held an Annual General Meeting where there was retirement of directors and reappointment of new directors to hold office for a period of three years. The directors hold meetings in accordance to the board charter which requires review in every quarter of the

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financial year. The new board of directors were taken through an induction process and later signed code of ethics before taking up their roles as directors.

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VIII. Management Discussion and Analysis

a) Operation and Financial Performance

1) Number of Consumer Accounts Billed

The number of consumer accounts continued to increase steadily largely attributable to the new pipelines provided by the minor works improvement.

Total Number of Consumer Accounts

Month/ Period	Accounts On Supply			New Con- nections Paid For	Total A/C Disconnected	Total Registered A/c's
	Actual Reading	Estimated Reading	Total Billed			
	(1)	(2)	(3) = (1)+(2)			
AVG FY 2021-22	1,576	2,202	3,778	20	3,122	6,920
AVG FY 2020-21	20,259	1,935	22,184	171	9,415	31,599

2) Water Production and Billing Efficiency

There was an increase in water production and sales in the financial year under review compared to the previous year. The non-revenue water loss reduced compared to the last financial year as a result of concerted efforts by the management.

Water Production, Billed and Billing Efficiency

Month/Period	Water Production	Water Sales	Billing Efficiency	Unaccounted for Water (UfW)
	m ³	m ³	%	%
Total 2021-22	2,040,000	600,000	30%	70%
Total 2020-21	2,000,000	576,100	28.8%	71.2%

3. Revenue and Collection Efficiency

There was an increase in total billing and collection efficiency in the current financial year compared to last year. The management has formed a non-revenue water unit and is expected to improve the efficiency even more from the arrears.

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Revenue Collection and Collection Efficiency

BILLING (KShs)						COLLECTION (KShs)					
Month/Period	Actual Metered Billing	Flat Rate	Meter Rent	Average Assessment Billing	Total Billing	Water sale	Bulk Water Sale	Reconnecti on Fee	Application Fee	Deposit/Ne w Connection	Total
FY 2021-22	4,360,050	8,134,110	2,461,320	8,077,200	23,032,680	21,340,393	2,537,000	101,500	4,800	1,483,110	25,466,83
FY 2020-21	3,980,000	7,987,160	2,328,780	7,980,000	22,275,940						19,726,20

IX. Environmental And Sustainability Reporting

i. Sustainability strategy and profile -

Service Provision Agreement

The Company operates under a Service Provision Agreement with the Coast Water Works Development Agency which is approved by the regulator. The renewal process for the service provision agreement for the period July 2019 to June 2024 is underway and is expected to be completed in the first quarter of the 2020/21 financial year.

Tariff Regime

The Company operates a tariff that is not gazetted by Water Services Regulatory Board (WASREB). TAWASCO and WASREB are working on a tariff for the period 2023.

ii. Environmental performance

TAWASCO is mandated to ensure efficient availability, continuity and quality of water and sanitation services for its customers. To better fulfil its mandate, TAWASCO vision, mission and core values have been aligned with a focus on building partnerships, valuing its customers, spur business growth as well as promoting environmental conservation to better support the Kenya's Vision 2030 that envisages a high quality of life.

TAWASCO has noble initiatives towards addressing the impact of Climate Change while striving to achieve international corporate standards that will allow it to operate in ways that meet minimum fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption.

As part of the Governor's Greening Initiative, therefore, TAWASCO is supporting the Hola Municipality in the provision of water to grow trees beside the town roads. The company is also working with Kenya Forestry to create a green zone at the TAWASCO headquarters.

iii. Employee welfare

The Company contributes towards NSSF and NHIF for its staff.

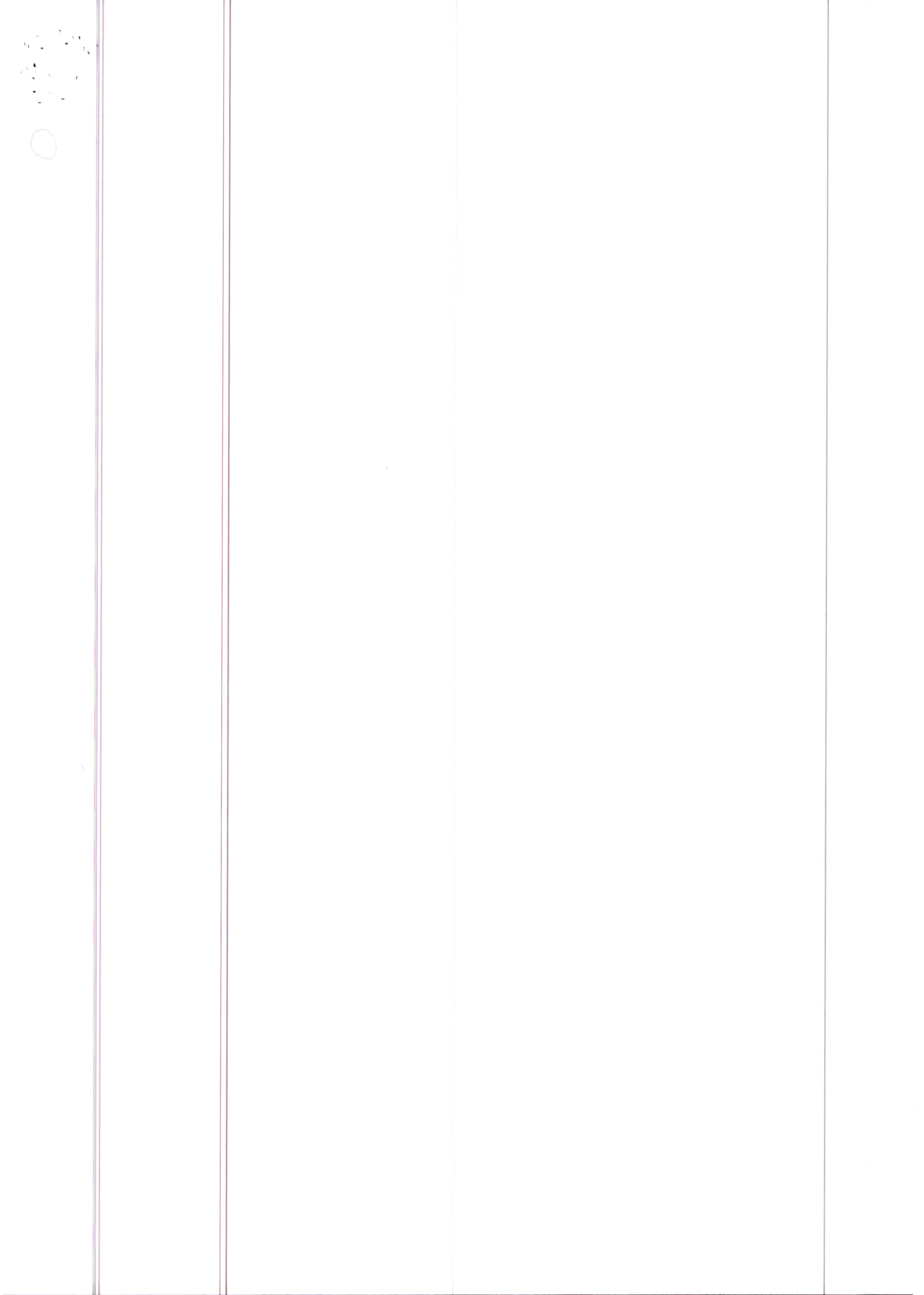
iv. Market place practices-

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The company complies with the Public Procurement and Disposal Act and also has a website that has information for customer grievances and resolution.

v. Corporate Social Responsibility / Community Engagements

The company has been keen to provide water and sanitation services to the pro-poor residents of Tana North Sub- County in the Adele region. In response to this, TAWASCO has established a pro-poor unit tasked with the responsibility of developing appropriate strategies for effective services delivery to the poor.



Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of Tana water and sanitation Company limited affairs.

i) Principal activities

The principal activities of Tana water and sanitation Company limited are to provide adequate and reliable water and sanitation services to the residents of County Government of Tana River.

ii) Results

The results of Tana water and sanitation Company limited for the year ended June 30, 2022 are set out on page 13 Below is summary of the profit or loss made during the year.

iii) Dividends

Tana water and sanitation company limited has not declared dividends for the year ended June 30, 2022 due to low incomes

iv) Directors

The members of the Board of Directors who served during the year are shown on page 4-5 In accordance with Regulation ... of the company's Articles of Association.

X. Statement Of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and section 14 of the corporation Act 2015, require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2022. 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 Tana water and sanitation company limited; (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 TAWASCO; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

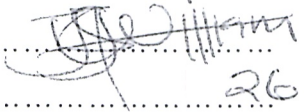
The Directors responsibility for the TAWASCO financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM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

Tana Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2022

v) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Company for the year/period ended June 30, 2022, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Name..... WILLIAM JILLO SOTE
Signature..... 
Date..... 26.09.2022

Corporate Secretary/Secretary to the Board

X. Statement Of Directors' Responsibilities

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Annual Report and Financial Statements for the year ended June 30, 2022

Statement Of Directors' Responsibilities (Continued)

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2022, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company financial statements were approved by the Board on 26.09 2022 and signed on its behalf by:

Signature

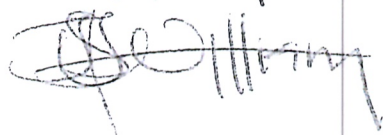
Name

Chairperson of the Board

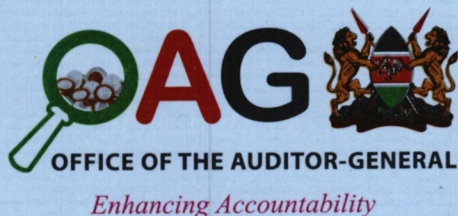
Signature

Name

Managing Director

WILLIAM JILLO


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 TANA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Tana Water and Sanitation Company Limited set out on pages 1 to 40, which comprise the statement of financial position as at 30 June, 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of

Report of the Auditor-General on Tana Water and Sanitation Company Limited for the year ended 30 June, 2022

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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Anomalies in the Presentation and Disclosure of Financial Statements

Review of the financial statements submitted for audit revealed the following anomalies:

- i. They were not signed by the chairman of the Board of Directors and the Head of Finance.
- ii. The passport size photographs for the Management team were not appended in the relevant section of the financial statements.
- iii. A schedule of transfers from other Government entities was not included under appendices section of the financial statements.
- iv. Guidance notes provided in the financial reporting template were not customized or deleted where not applicable while some pages in the financial statement were blank.
- v. Cross referencing of the disclosure notes to the statement of financial position and statement of cash flows was not correctly done as summarized below:

Item	Corresponding Note as Per Financial Statements	Correct Note Reference
Statement of Financial Position:		
Retained Earnings	36	-
Taxation	261	26
Statement of Cash Flows:		
Customer Deposits	15	24
Trade and Other Receivables	13	16
Creditors	14	23

In the circumstances, the financial statements were not compliant with the annual financial reporting template (Revised June, 2022) issued by the Public Sector Accounting Standards Board.

3. Incorrect Opening Balances

Review of the financial statements revealed variances between the opening balances in the current year financial statements and the balances reflected in prior year audit certificate for the year ended 30 June, 2021 as summarized below:

Component	Comparative Balance in the 2021/2022 Financial Statements (Kshs.)	Closing Balance in the 2020/2021 Financial Statements (Kshs.)	Variance (Kshs.)
Casual Wages	7,524,500	7,997,100	427,600
Depreciation	1,515,383	18,889,557	17,374,174
Trade and Other Receivables	3,381,443	3,415,373	33,930
Grant	29,501,460	53,008,061	23,506,601
General and Operating Expenses	26,169	51,422,567	51,396,398
Maintenance Expenses	11,320,164	3,570,427	(7,749,737)
Depreciation and Amortization	1,659,640	18,889,557	17,229,917
Staff Costs	8,222,034	8,238,534	16,500
Property, Plant and Equipment	24,002,094	368,845,964	344,843,870
Trade and Other Receivables	53,009,475	53,316,882	307,407
Cash and Cash Equivalents	957,758	1,537,316	579,558
Share Capital	5,000,000	100,000	(4,900,000)
Development Grants	62,441,881	424,897,677	362,455,796
Retained Earnings	3,989,042	(8,036,758)	(12,025,800)
Trade and Other Payables	3,381,443	3,415,373	33,930
Taxation	606,111	-	(606,111)

In the circumstances, the accuracy of the opening balances reflected in the financial statements could not be confirmed.

4. Failure to Prepare and Submit a Trial Balance

During the year under review, Management did not prepare and submit a trial balance to support the balances reflected in the financial statements.

In the circumstances, the accuracy balances could not be confirmed.

5. Non-Submission of Prior Years Financial Statements

According to the certificate of incorporation, the Company was incorporated in the year 2006. However, Management has not submitted to the Auditor-General the financial statements for fourteen (14) financial years from 30 June, 2007 to 30 June, 2020. This is contrary to the provisions of Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

6. Lack of an Approved Budget

The statement of comparison of budget and actual amounts reflects total revenue and recurrent expenditure budget of Kshs.55,000,000. However, Management did not provide evidence of approval of the budget by the County Executive Member for Water, the County Executive Member for Finance and the County Assembly as required by

Section 149(2)(j) of the Public Finance Management Act, 2012, which provides that an accounting officer shall, in respect of the entity concerned submit the estimates of an entity, which is a county corporation, to the Executive Committee Member responsible for the entity who, after approving it, shall forward it to the County Executive Committee Member for Finance.

In the circumstance, Management was in breach of the law.

7. Revenue

7.2 Under Collection of Revenue

The statement of comparison of budget and actual amounts reflects actual revenue of Kshs.38,391,693 against final budget of Kshs.55,000,000, resulting to an under collection of Kshs.16,608,307 or 30% of the budget.

The under collection may have negatively affected implementation of the Company's planned programs.

7.3 Excessive Non-Revenue Water

Review of records revealed that the Company produced a total of 2,034,457 cubic meters of water. However, only 600,000 cubic meters of water were billed to customers. The balance of 1,434,457 cubic meters representing 70% of the total volume of water produced were not billed hence considered as Non-Revenue Water. This was above the limit of 25% recommended by Water Service Regulatory Board Guidelines. The 1,434,457 cubic meters of Non-Revenue Water may have resulted into an estimated loss of Kshs.54,509,366 at the price of Kshs.38 per cubic meter.

It was also noted that the Company operated without a master meter and therefore the accuracy of quantities of water produced could not be confirmed.

In the circumstances, the effectiveness of controls on water production and billing could not be confirmed.

7.4 Weak Controls in Revenue Collection

During the year under review, the Company operated without an approved tariff from the Water Service Regulatory Board (WASREB). In addition, revenue was collected through a manual system and the Company did not have a billing system with necessary controls to facilitate effective revenue collection and reporting.

In the circumstances, the existence of effective systems and processes of revenue collection and reporting in the Company could not be confirmed.

8. Unsupported Staff Costs

The statement of profit or loss and other comprehensive income and as disclosed in Note 9 to the financial statements reflects staff costs of Kshs.9,150,309, which includes casual workers wages and interns allowances of Kshs.8,053,200. However, the supporting ledger reflected Kshs.8,197,855, resulting to an unreconciled difference of Kshs.144,655. In addition, the Management did not provide documentary evidence to support recruitment of the contractual employees.

In the circumstances, the accuracy and validity of casual wages expenditure of Kshs.8,053,200 for the year ended 30 June, 2022 could not be confirmed.

9. Unsupported General and Operations Expenses

The statement of profit or loss and other comprehensive income reflects general and operations expenses of Kshs.28,871,298 as disclosed in Note 10 to the financial statements. However, review of records revealed the following unsatisfactory matters:-

9.1 Unsupported Expenditure

Included in the general and operations expenses of Kshs.28,871,298 are expenditures of Kshs.2,493,043 in respect of five (5) account balances for which the payment records and the supporting documents were not provided for audit review. The details are as tabulated below:

No.	Details	Amount (Kshs.)
1.	Bank Charges	404,043
2.	Domestic Travel and Subsistence	1,120,700
3.	Publicity, Advertising, Printing and Photocopying	322,000
4.	Borehole expenses	388,800
5.	Staff Training and Development	257,500
Total		2,493,043

In the circumstances, the accuracy and completeness of expenditure amounting to Kshs.2,493,043 for the year ended 30 June, 2022 could not be confirmed.

9.2 Unsupported Electricity Expenses

Included in the general and operations expenses of Kshs.28,871,298 is electricity expenses of Kshs.19,100,016. However, the supporting schedule provided for audit reflected Kshs.740,813, resulting to unreconciled variance of Kshs.18,359,203. In addition, supporting documents such as invoices from Kenya Power and Lighting Company and payment vouchers of Kshs.102,813 were not provided for audit review.

Further, it was noted that amounts of Kshs.30,000 and Kshs.8,000 were paid to two (2) individuals instead of the power supplier.

In the circumstances, the accuracy and validity of electricity expenses of Kshs.19,100,016 could not be confirmed.

9.3 Unsupported Domestic Travel and Subsistence

Included in the general and operations expenses of Kshs.28,871,298 is domestic travel and subsistence allowances of Kshs.2,391,960. However, payments of Kshs.890,400 lacked supporting documents such as attendance registers, signed payment schedules, motor vehicle work tickets, imprest warrants and certificates of participation.

In the circumstances, the accuracy and validity of domestic travel and subsistence allowance of Kshs.890,400 for the year ended 30 June, 2022 could not be confirmed.

10. Unsupported Expenditures on Maintenance of Plant and Equipment

The statement of profit or loss and other comprehensive income reflects maintenance expenses of Kshs.6,534,194 as disclosed in Note 12 to the financial statements.

However, items for plant and equipment maintenance worth Kshs.301,720 and pipes and fittings worth Kshs.1,470,650 were not received vide S13 and taken on charge on the stores' ledger. In addition, Management did not provide for audit review Inspection and Acceptance Committee report for the delivered items.

In the circumstances, the accuracy and completeness of maintenance expenses of Kshs.1,772,370 for the year ended 30 June, 2022 could not be confirmed.

11. Unsupported Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.51,484,791 as disclosed in Note 16 to the financial statements. However, the Management did not provide for audit review an updated debtors ledger with proper age analysis. In addition, demand notes were not issued to customers with long outstanding water bills and provision for bad and doubtful debts was not made.

In the circumstances, the accuracy and recoverability of the trade and other receivables balance of Kshs.51,484,791 as at 30 June, 2022 could not be confirmed.

12. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.484,111 as at 30 June, 2022 as disclosed in Note 17 to the financial statements. The Company operated four (4) bank accounts during the year under review. However, bank reconciliation statements, bank statements, cash books and certificates of bank balances for the four (4) accounts were not provided for audit review. In addition, the names of the bank accounts were not disclosed in Note 17 to the Financial Statements.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.484,111 as at 30 June, 2022 could not be confirmed.

13. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.6,181,710 as disclosed in Note 23 to the financial statements. However, the balance was not supported with invoices, local service orders/local purchase orders and creditor's statements. In addition, the aging analysis for the payables was not prepared. Further, employee payables balance of Kshs.1,030,200 included in the trade payables was not supported with a list of employees and the amounts owed.

In the circumstances, the accuracy and completeness of the trade and other payables and customer deposit balances of Kshs.6,181,710 as at 30 June, 2022 could not be confirmed.

14. Unsupported Customer Deposits

The statement of financial position reflects customer deposits balance of Kshs.1,483,110 as disclosed in Note 24 to the financial statements. However, the Management did not provide the supporting documents for the deposits.

In the circumstances, the accuracy and completeness of customer deposit balance of Kshs.1,483,110 as at 30 June, 2022 could not be confirmed.

15. Lack of Share Certificates and Variance in Ordinary Share Capital

According to the Certificate of Incorporation and Memorandum and Article of Association, the Company was incorporated in the year 2006 with issued and paid-up share capital of Kshs.100,000 divided into 5,000 shares of Kshs.20 each. These shares were previously issued to the defunct County Council of Tana River. However, the shares were never transferred to the County Government of Tana River after the advent of devolution. In addition, the Company had not revised its Memorandum and Articles of Association in line with the Water Act, 2016 and Water Regulation, 2016.

Further, the statement of changes in equity reflects ordinary share capital of Kshs.5,000,000 as at 30 June, 2022 resulting to unreconciled variance of Kshs.4,900,000.

In the circumstances, the accuracy, completeness and validity of ordinary share capital balance of Kshs.5,000,000 as at 30 June, 2022 could not be confirmed.

16. Material Uncertainty Relating to Going Concern

The statement of profit or loss and other comprehensive income reflects deficit of Kshs.7,797,091 decreasing the revenue reserves balance by Kshs.7,797,091. This condition indicates existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern. The material uncertainty relating to going concern and the measures put in place to improve the Company's financial performance were not disclosed in the financial statements.

In the circumstances, the Company's going concern is doubtful and its continued operations is dependent on the support from the County Government of Tana River and grants from development partners.

17. Lack of Audit Committee and Internal Audit

During the year under review, the Company operated without an Audit Committee and an internal audit department to support the accounting officers with regard to their responsibilities for issues of risk control, governance and associated assurance. This was contrary to Section 155(5) of the Public Finance Management Act, 2012 which provides that a County Government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, it was not possible to confirm existence of effective governance structure in the Company.

18. Lack of Risk Management System

During the year under review, the Company did not have a Risk Management Policy in place. Further, Management did not carry out risk assessment during the year under review. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the accounting officer shall ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanisms and develop a system of risk management and internal control that builds robust business operations.

In the circumstances the Management could not be able to identify, assess and control threats that may affect achievement of the Company objectives.

19. Lack of Staff Establishment and Scheme of Service

During the year under review, the Company did not have in place an approved staff establishment and scheme of service. It was therefore not possible to confirm whether the Company was operating within optimal staff levels. This was contrary to Paragraph 3.9 of the Corporate Governance Guidelines for the Water services Sector, 2018 which requires that the Board of Directors shall ensure that it has a staff establishment showing in-post and vacancies based on sector standard competencies.

In the absence of the two documents, it was not possible to confirm the existence of internal controls on staff recruitment and promotions in the Company

20. Lack of Debt Management and Bad Debt Policies

During the year under review it was noted that the Company did not have a debt management policy as well as a policy on provision for bad and doubtful debts.

In the circumstances, the effectiveness in the monitoring and recovery of the trade and other receivables could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and overall governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Companies Act, 2015, Because of the significance of the matters under the Basis for Disclaimer of Opinion section of my report, I report based on my audit, that:

- i. I have not 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 not been kept by the Company, so far as appears from the examination of those records; and,

- iii. The Company's financial statements are not 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 Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to 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 resources are applied in an effective way.

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


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

processes and systems in order to give an assurance on the effectiveness of Internal Controls, Risk Management and Governance 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. However, because of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources and on effectiveness of internal controls, risk management and governance.

I am independent of the Tana Water and Sanitation 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 June, 2023

Tana Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

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

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue			
Operating Revenue	6	23,986,693	20,474,620
Grants Income	7	14,405,000	29,501,460
Other Income	8	00.00	40,000
Total Revenue		38,391,693	50,016,080
Expenses			
Staff Costs	9	9,150,309	8,222,034
General and Operations expenses	10	28,871,298	26,169,872
Board Expenses	11	117,600	624,000
Maintenance Expenses	12	6,534,194	11,320,164
Depreciation and Amortization expenses	13	1,515,383	1,659,640
Total Expenses		46,188,784	47,995,710
Profit/(Loss) Before Taxation		(7,797,091)	2,020,370
Income Tax Expense/(Credit)	26	00.00	606,111
Profit/(Loss) After Taxation		(7,797,091)	1,414,259
Profit/ (Loss) After Taxation		(7,797,091)	1,414,259
Total Comprehensive Income For The Year		(7,797,091)	1,414,259

Tana Water and Sanitation Company Ltd
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XIII. Statement Of Financial Position As at 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	22,486,711	24,002,094
Total Non-Current Assets		22,486,711	24,002,094
Current Assets			
Trade and receivable	16	51,484,791	53,009,475
Bank and cash balances	17	484,111	957,758
Total Current Assets		51,968,902	53,967,233
Total Assets		74,455,613	77,969,327
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	18	5,000,000	5,000,000
Development Grants		62,441,881	62,441,881
Retained earnings	36	(3,808,049)	3,989,042
Capital and Reserves		63,633,832	71,430,923
Non-Current Liabilities		00.00	00.00
Current Liabilities			
Trade and other payables	23	6,181,710	3,381,443
Customer Deposits	24	4,033,960	2,550,850
Taxation	261	606,111	606,111
Total Current Liabilities		10,821,781	6,538,404
TOTAL EQUITY AND LIABILITIES		74,455,613	77,969,327

The financial statements were approved by the Board on 26.09 2022 and signed on its behalf by:

WILLIAM JILLO

.....
Name

Managing Director

.....
Name

Head of Finance

ICPAK M/No:

.....
Name

Chairman of the Board

Tana Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

XIV. Statement Of Changes In Equity For The Year Ended 30 June 2022

	Notes	Ordinary share capital	Retained earnings	Capital/ Development Fund	Total
As at July 1, 2020		5,000,000	2,574,783	43,651,543	51,226,326
New capital issued		00.00			00.00
Profit for the year		-	1,414,259	-	1,414,259
Capital/Development grants received during the year		-	-	18,790,338	18,790,338
As at June 30, 2021		5,000,000	3,989,042	62,441,881	71,430,923
As at July 1, 2021		5,000,000	3,989,042	62,441,881	71,430,923
Issue of new share capital		00.00			00.00
Profit for the year		-	(7,797,091)	-	(7,797,091)
Capital/Development grants received during the year		-	-	00.00	00.00
At June 30, 2022		5,000,000	(3,808,049)	62,441,881	63,633,832

Tana Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

XV. Statement Of Cash Flows for The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash Flows From Operating Activities			
Receipts			
Operating Revenue	6	23,986,693	20,474,620
Other Income	8	00.00	40,000
Grants	7	14,405,000	29,501,460
Customer Deposits	15	1,483,110	662,350
Total Receipts		39,874,803	50,678,430
Payments			
Staff Costs	9	9,150,309	8,222,034
Board Expenses	11	117,600	624,000
General And Operation Expenses	10	28,871,298	26,169,872
Maintenance	12	6,534,194	11,320,164
Total Payments		(44,673,401)	(46,336,070)
Net Cash From/(Used In) Operating Activities		(4,798,598)	4,342,360
Changes in working capital			
Trade and other receivables	13	1,524,684	(7,532,174)
creditors	14	2,800,267	1,710,975
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		00.00	(4,126,780)
Net Cash From/(Used In) Investing Activities		00.00	(4,126,780)
Cash Flows from Financing Activities			
Proceeds From Issues Of New Share Capital		00.00	00.00
Dividends Paid	41	(00.00)	(00.00)
Net Cash From/(Used In) Financing Activities			00.00
Increase/(Decrease) In Cash And Cash Equivalents		(473,647)	(5,605,619)
Cash And Cash Equivalents At Beginning Of Year		957,758	6,563,377
Cash And Cash Equivalents At End Of The Year		484,111	957,758

Tana Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

XVI. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 20xx

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2021-2022	2021-2022	2021-2022	2021-2022		
	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%
Revenue						
Operating Revenue	25,000,000	00.00	25,000,000	23,986,693	1,013,307	95.95%
Non-Operating Revenue	00.00	00.00	00.00	00.00	00.00	00.00
Grants	30,000,000	00.00	30,000,000	14,405,000	15,595,000	48.02%
Finance Income	00.00	00.00	00.00	00.00	00.00	00.00
Other gains	00.00	00.00	00.00	00.00	00.00	00.00
Total Revenue	55,000,000	00.00	55,000,000	38,391,693	16,608,307	69.80%
Expenses						
Staff Costs	9,150,309	00.00	9,150,309	9,150,309	00.00	100%
Board Expenses	350,000	00.00	350,000	117,600	232,400	33.6%
General and operations Expenses	36,884,308	00.00	36,884,308	28,871,298	8,013,010	78.28%
Maintenance	7,000,000	00.00	7,000,000	6,534,194	465,806	93.34%
Depreciation and amortization	1,515,383	00.00	1,515,383	1,515,383	00.00	100%
Finance costs	100,000	00.00	100,000	00.00	100,000	00.00%
Total Recurrent Expenditure	55,000,000	00.00	55,000,000	46,188,784	8,811,216	83.98%
Profit or Loss	00.00	00.00	00.00	(7,797,091)	(7,797,091)	
Capital Expenditure	00.00	00.00	00.00	00.00	00.00	00.00%
Total Expenditure	55,000,000	00.00	55,000,000	46,188,784	8,811,091	83.98%

XVII. Notes To the Financial Statements

1. General Information

Tana Water and sanitation Company Ltd is established by and derives its authority and accountability from the company Act (Cap 486) of Parliament on 1st September 2006. The Company is wholly owned by the people of County Government of Tana River and is domiciled in Kenya.

The principal activities of Tana water and sanitation Company limited are to provide adequate and reliable water and sanitation services to the residents of County Government of Tana River .

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

2. Statement of Compliance and Basis of Preparation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when	The amendments are effective for annual periods beginning on or after

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

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

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Title	Description	Effective Date
February 2021)		
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

iii. Early adoption of standards

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

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Bore hole	2020	4,20 %
Plant and machinery	2018	12.5 %
Motor vehicles, including motor cycles	2018	20 %
Office equipment, furniture and fittings	2018	12.5 %

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

g) Investment property

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

Summary of Significant Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

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

m) Trade and other receivables

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

Summary of Significant Accounting Policies

n) Taxation

i) Current income tax

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

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

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

o) Deferred tax

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

Summary of Significant Accounting Policies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) Cash and cash equivalents

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

Summary of Significant Accounting Policies

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The Company does not operate a defined contribution scheme for all full-time employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 400 per employee per month (200/= employee contribution and 200/= for employer contribution).

u) Provision for staff leave pay

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

Summary of Significant Accounting Policies

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 21st June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company did not record additional appropriations on the 2021-2022 budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section xii of these financial statements.

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

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

State all judgements, estimates and assumptions made: e.g.

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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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NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

	2021-2022	2020-2021
	Kshs	Kshs
Water sales		
-Madogo water scheme	2,405,508	2,410,320
-Hola water scheme	10,869,829	11,054,540
-Garsen water scheme	3,937,342	3,869,019
-Ngao water scheme	2,819,228	2,392,391
-Bura water scheme	1,308,486	
-Bulk water sales	2,537,000	
Billing for other services		
-Reconnection fees	101,500	362,350
-New connection charges		383,200
-Application fees	4,800	2,800
Total	23,983,693	20,474,620

7. Grants Income

	2021-2022	2020-2021-1
	Kshs	Kshs
Operational grants from Government entities		
- Water sector trust fund (nanighi project)	00.00	1,850,730
- Water sector trust fund (kipao project)	00.00	1,850,730
Donations from County Governments		
- County government of Tana River	14,405,000	25,800,000
Total	14,405,000	29,501,460

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Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2021-2022 KShs
County Government of Tana River	14,405,000	00.00	00.00	14,405,000	14,405,000
Total	14,405,000	00.00	00.00	14,405,000	14,405,000

8. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Sale of Tender		
Fine and penalties (turn on fees)	00.00	40,000
Rental income		
Miscellaneous income (specify)		
Total	00.00	40,000

9. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Top up Allowances from TAWASCO	467,209	112,834
Casual workers' Wages and intern's allowances	8,053,200	7,524,500
Payroll deductions	629,900	584,700
Total	9,150,309	8,222,034
The average number of employees during the year	63	51

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10. General and Operations Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Chemicals	829,176	694,400
Electricity	19,100,016	16,229,798
Fuel, oil, lubricants, and gases	1,814,900	2,562,000
Bulk water Costs	1,489,687	
Uniform and protective clothing	152,050	
Electrical appliances	85,700	
Rent and Rates	200,000	280,000
Hire of Equipment and vehicles	41,000	68,500
Domestic Traveling and subsistence	2,391,960	799,300
Staff training and development	257,500	
Bank Charges	404,043	262,054
Publicity, advertising, printing and photocopying	689,350	891,147
Audit fees		
Bore hole expenses	388,800	
Consultancy fees	87,000	
Licensing and levies	542,216	25,000
Sports and recreation		
Project sanitation costs		917,325
Project accompanying measures		2,812,058
Hospitality expenses	347,900	69,990
Research and Development	50,000	558,300
Total	28,871,298	26,169,872

11. Board Expenses

	2021-2022	2020-2021
Description	KShs	KShs
Chairman Honoraria		40,000
Sitting allowances	50,400	300,000
Induction and Training		
Travel and accommodation	67,200	284,000
Total Board Expenses	117,600	624,000

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12. Maintenance Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Plant and Equipment	2,292,554	1,532,500
Buildings	118,800	135,000
Motor vehicle and motor cycle expenses		707,524
Office maintenance	45,000	115,000
Soft ware maintenance	30,000	
Project sanitation costs		917,325
Water tank with gutter and platform		498,350
Computer	92,200	
Pipes and fittings	3,955,640	7,414,465
Total Maintenance Expenses	6,534,194	11,320,164

13. Depreciation and Amortization Expenses

	2021-2022	2020-2021
Description	KShs	KShs
Property, plant, and equipment	1,659,640	1,515,383
Total Depreciation and Amortization	1,659,640	1,515,383

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14. Property, Plant and Equipment

2021-2022		Plant and machinery	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Bore Hole	Total
Cost Or Valuation		12.5%	20%	12.5%	4.20%	
As at July 1, 2020		6,525,678	153,600	192,118	00.00	6,871,396
Additions					18,790,338	18,790,338
Disposals					00.00	00.00
Cost as at June 30, 2021		6,525,678	153,600	192,118	18,790,338	25,661,734
Depreciation						
As at July 1, 2020		7,482,322	146,400	245,882	00.00	7,874,604
Charge For the Year		815,710	30,720	24,015	789,195	1,659,640
Eliminated On Disposal				00.00		00.00
Depreciation as at June 30, 2021		8,298,031	177,120	269,897	789,195	9,534,244
N.B.V as at June 30, 2021		5,709,968	122,880	168,103	18,001,143	24,002,094
Cost as at July 1, 2021		5,709,968	122,880	168,103	18,001,143	24,002,094
Additions						
Disposals						
Cost as at June 30, 2022.		5,709,968	122,880	168,103	18,001,143	24,002,094
Depreciation						
As at July 1, 2021		8,298,031	177,120	269,897	789,195	9,534,244
Depreciation charge for the year		713,746	24,576	21,013	756,048	1,515,383
Elimination on disposal		00.00	00.00	00.00	00.00	00.00
Depreciation as at June 30, 2022		9,011,777	201,696	290,910	1,776,032	11,049,627
N.B.V as at June 30, 2022		4,996,222	98,304	147,090	17,245,095	22,486,711

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15. Valuation

Land and buildings were not valued by an independent valuer as basis of valuation.

(b) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Plant and machinery	14,008,000	9,011,777	4,996,222
Motor vehicles, including motorcycles	300,000	201,696	98,304
Bore Holes	18,790,338	1,776,032	17,245,095
Office equipment, furniture, and fittings	438,000	290,910	147,090
	33,536,338	11,280,415	22,486,711

16. Trade and Other receivables

	2021-2022	2020-2021
	KShs	KShs
Trade receivables (note (17))	51,484,791	52,945,436
Deposits and prepayments		
Gross trade and other receivables		
Provision for bad and doubtful receivable	(00.00)	(00.00)
Net trade and other receivables	51,484,791	52,945,436

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17. Bank and Cash Balances

	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	484,111	957,758
Cash in hand	00.00	00.00
Mobile money account	00.00	00.00
	484,111	957,758

Detailed analysis of the cash and cash equivalents

		2021-2022	2020-2021
Financial institution	Account number	KShs	KShs
a) Current account			
Commercial banks	1122965575	133,188	957,758
	1276625936	146,343	00.00
	1276671334	82,940	00.00
	1276688423	121,640	00.00
others		00.00	00.00
Grand total		484,111	957,758

18. Ordinary Share Capital

	2021-2022	2020-2021
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of Kshs 1,000 par value each	5,000,000	5,000,000
Issued and fully paid:		
5,000 ordinary shares of Kshs 1,000 par value each	5,000,000	5,000,000

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19. Revaluation Reserve

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

20. Fair Value Adjustment Reserve

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

21. Retained Earnings

The retained earnings represent amounts available for distribution to the *Tana Water and sanitation company limited* shareholders. Undistributed retained earnings are utilised to finance the *Tana Water and sanitation company limited* business activities.

22. Retirement Benefit Obligations

The entity does not operate a defined benefit scheme .

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 400 per employee per month. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

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23. Trade and Other Payables

	2021-2022	2020-2021
	Kshs	Kshs
Kel chemicals	677,600	677,600
Raboja enterprise	180,000	350,000
Ismail Jilo Algi	140,000	160,000
Dube Masha	240,000	120,000
Kenm motors	248,000	48,800
Open arch	60,000	30,000
Saudi motor cycle	94,644	
Revenue received in advance		64,039
Employee payables	1,030,200	895,700
KCB- 1122965516 Current Account	1,260	780
KCB - 1240409346	1,260	
KCB - 1240409176	1,260	
KPLC	3,507,486	1,034,474
Total	6,181,710	3,381,443

24. Customer Deposits

	2021-2022	2020-2021
	Kshs	Kshs
3Opening Balance	2,550,850	1,888,500
Add: deposits received during the year	1,483,110	662,350
Less: Refunded deposits during the year	(00.00)	(00.00)
Closing balance	4,033,960	2,550,850
Total	4,033,960	2,550,850

25. Dividends Payable

There was no dividends payable during the financial year 2021/2022

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26. Taxation

	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	606,111	00.00
Income tax charge for the year	00.00	606,111
Under/(over) provision in prior year/s	00.00	00.00
Income tax paid during the year	(00.00)	(00.00)
At end of the year	606,111	606,111

27. Notes to The Statement of Cash Flows

	2021-2022	2020-2021
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	(7,797,091)	2,020,370
Depreciation	1,515,383	1,659,640
Operating profit/(loss) before working capital changes	(6,281,708)	3,680,010
(Increase)/decrease in trade and other receivables	1,524,684	(7,532,174)
Increase/(decrease) in trade and other payables	2,800,267	1,710,975
Cash generated from/(used in) operations	(1,956,757)	(2,141,189)

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Other Disclosures

28. Related Party Disclosures

County Government of Tana River

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

Other related parties include:

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

Transactions with related parties

a) Grants from the Government		
Grants from National Govt Agencies		
Grants from County Government	14,405,000	
Donations in kind		
Total		
b) Key management compensation		
Directors' emoluments		
Compensation to key management	117,600	624,000
Total	117,600	624,000

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29. Capital Commitments

There was no Capital commitments at the year- end.

30. Financial Risk Management

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

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

(i) Credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any

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potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due from

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

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

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

(iii) Market risk (*Tailor as appropriate*)

The board has put in place an internal audit function to assist it in assessing the risk faced by the Company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

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a) Foreign currency risk

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

(iii) Market risk (Continued)

The Company does not manages foreign exchange risk form future commercial transactions .

b) Foreign currency sensitivity analysis

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

c) Interest rate risk

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

i) Management of interest rate risk

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

ii) Sensitivity analysis

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

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Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs (2020: KShs). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs (2020 – KShs)

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

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

Financial instruments not measured at fair value

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

iv) Capital Risk Management

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

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	2021-2022	2020-2021
	Kshs	Kshs
Retained earnings	(3,808,049)	3,989,042
Capital reserve	5,000,000	5,000,000
Total funds	1,191,951	8,989,042
Total borrowings		
Less: cash and bank balances	484,111	957,758
Net debt/(excess cash and cash equivalents)		
Gearing	246%	939%

31. Incorporation

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

32. Events After the Reporting Period

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

33. Currency

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

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XVIII. Appendices


APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report.

Name WILLIAM JIHO SOTE
 Signature 
 Managing Director
 Date 26.09.2022

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Appendix II: Projects Implemented By The Company
Projects

Projects implemented by the Company Funded by development partners.

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

Status of Projects completion

(Summarise the status of project completion at the end of the reporting period, i.e. total costs incurred, stage which the project is etc)

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

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Appendix IV: Reporting of Climate Relevant Expenditures

Name of the Organization

Telephone Number

Email Address

Name of CEO/MD/Head

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

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

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Appendix V: Disaster Expenditure Reporting Template

Date:

Entity

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

