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REPORT

OF

THE AUDITOR-GENERAL

ON

**AMATSI WATER SERVICES COMPANY
LIMITED**

**FOR THE YEAR
ENDED 30 JUNE, 2021**



AMATSI WATER SERVICES CO. LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR
ENDING 30TH JUNE, 2021

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

Amatsi Water Services Company Limited
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

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KEY COMPANY INFORMATION

Background Information

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

Principal Activities

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

Directors

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

1. Mrs. Florence Janika Mbaya - Chairperson - Appointed on 5th May. 2021
2. Mr. Collins Amuhaya -Managing Director - Appointed on 1st August 2018.
3. Mrs. Josephine Vijehe Nyambasi -Director- Appointed on 5th May. 2021.
4. Dr. Omula Robert Kati-Director - Appointed on 5th May. 2021
5. Mr. Wycliff Obuhuma Imende-Director - Appointed on 5th May. 2021

Registered Office

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

Corporate Contacts

Telephone: 0799945300

E-mail: amatsiwaterco@gmail.com

Website: <https://amatsiwater.co.ke>

Amatsi Water Services Company Limited
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

Corporate Bankers.

1. Kenya Commercial Bank - Mbale Branch

P.O. Box 344 – (50300).

Maragoli.

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

3. Equity Bank ltd-Mbale Branch

Po Box 740

Maragoli

4.Cooperative Bank

Po Box 960

Maragoli

Independent Auditors

Auditor General

Office of Auditor General

Anniversary Towers, University Way

P.O. Box 30084-00100

Nairobi, Kenya

Principal Legal Advisors

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

P.O. BOX. 344 –50300.

Maragoli

Amatsi Water Services Company Limited
Annual Reports and Financial Statements
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THE BOARD OF DIRECTORS

Name	Position Within Organization	Academic Qualifications	Professional Qualification	Current Occupation	Age (yrs.)	Gender
1. Mrs. Florence Janika Mbaya	Chairperson of B.O.D	Bachelor of Arts-Literature & Governance	Administrator	Chairperson of B.O.D	63	Female
2. Mr. Collins Amuhaya	Managing Director	Msc. Statistics Bsc. Mathematics & Computer Science	Administrator	Managing Director	38	Male
3. Mrs Josephine Vijeha Nyambasi	Director	Bachelor of Development Studies Diploma in county Governance Diploma in ICT	Administrator	Director	61	Female
4. Dr. Omula Robert Kati	Director	Doctor of Philosophy-pedology (mathematics) Master of Science-Mathematics Education Bachelor of Education Science	Lecturer	Director	45	Male
5. Mr. Wycliffe Obuhuma Imende	Director	Bachelor of Education	Administrator	Director	69	Male
6. Dr. Arnold Mamadi	Director	MBCHB Heath Economics	Medical Doctor	Chief Officer-Water & Sanitation		Male
7. Hon. CPA Alfred Indeche	Director	MBA(Finance) BBA(Accounting) CPA(K)	Accountant	CECM Finance		Male
8. Hon. Mary Amalemba	Director			CECM Environment, Water & Natural Resources		Female



MRS. FLOENCE JANIKA MBAYA
CHAIRPERSON BOARD OF DIRECTORS
Bachelor of Arts literature governance



**MR. WYCLIFFE OBUHAMA
IMENDE**
Bachelor of Education



**MRS. JOSEPHINE VIJEHA
NYAMBASI**
Bachelor of Development Studies



DR. OMULA ROBERT KATI
PhD. Pedology (Mathematics)
MSc. Mathematics Education
Bachelor of Education Science



Dr. Arnold Mamadi
MBChB. Health Economics
MBChB. MSc Health Economics



Hon. CPA. Alfred Indeche
CECM. Finance and planning
MBA. Finance
BBA. Accounting Option



Hon. Mary Amalemba
CECM WATER AND
ENVIRONMENT

MANAGEMENT TEAM

Name	Position Within Organization
MR COLLINS AMUHAYA	Managing Director <ul style="list-style-type: none"> ➤ Msc. Statistics ➤ Bsc of. Mathematics & Computer Science ➤ Date of Appointed:01/08/2018
MR JAMES ODIERO	Technical Manager <ul style="list-style-type: none"> ➤ Msc. in Water Engineering ➤ Degree in Civil Structural Engineering ➤ Diploma in Water Technology ➤ Date of Appointed:15/01/2016
MRS OLYVIA MURUNGA	Commercial Manager <ul style="list-style-type: none"> ➤ Master of Business Administration ➤ Bachelor of Laws ➤ CPS Part 2 ➤ Diploma in Human Resource Management ➤ Date of Appointed:15/01/2016
MR PROTUS WASIKE	Procurement Officer <ul style="list-style-type: none"> ➤ Diploma in Procurement ➤ Date of Appointed:10/05/2011
MR JULIUS KEBOHERE	Operations and Maintenance Officer <ul style="list-style-type: none"> ➤ Diploma in Plumbing ➤ Date of Appointed:07/11/2006
MR.KELVIN MADEGWA	Finance Officer <ul style="list-style-type: none"> ➤ Bachelor of Business Management ➤ C.P.A (K) ➤ C.P.S (K) ➤ Date of Appointed:01/02/2019
MRS GRACE OKILA	HR Assistant <ul style="list-style-type: none"> ➤ Diploma in Human Resource Management ➤ Diploma in Business Administration ➤ Date of Appointed:01/04/2015



MR. COLLINS AMUHAYA
Msc. Statics
Bsc. Mathematics &
Computer Science



MR. JULIUS KEBOHERE
Ag: Technical Manager
Diploma: Plumbing



MISS: OLYVIA MURUNGA
COMMERCIAL MANAGER
MBA
Bachelor of Laws
CPS Section 4 Finalist



CPA KELVIN MADEGWA
FINANCE OFFICER
BBM ACCOUNTING
CPA (K)
CPS FINALIST



MRS. GRACE OKILA
HR ASSISTANT
Diploma Business Administration
Diplomã HRM

CHAIRPERSON'S STATEMENT

Board's composition and activities

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

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

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

Financial and Operational Performance

a) Sales versus Expenditure for the year

Sales for the 12 months period ended 30th June 2021 was Kshs.42,514,742 /= compared to Kshs. 43,373,831/= for the twelve months period ended 30th June 2020. The decrease was due to COVID-19 pandemic. During the financial year the Non-revenue water still remained a challenge, most of it being attributable to old dilapidated pipelines and damaging of pipelines due to road construction works.

b) Reliance on County Government subsidy for electricity bills payment

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

DTF PROJECT

The Water Sector Trust Fund (WSTF) and the company signed a financing contract for the implementation of Mbale Household Sanitation Project in Vihiga County in September 2019. WSTF gave out funds amounting to Kshs 17,214,223.40 to the company for the purpose of up scaling basic sanitation for the urban poor (UBSUP). The programme entailed subsidy for construction of 200 Safisan toilets with minimum standards given out by WSTF, a complete and functional Decentralized Treatment Facilities (DTF-50), and recruitment of 3 social animators and inspector of works. The project will benefit 25,000 people residing in the project areas which are in Vihiga County. The contract validity period was 12 months.

Signed


.....
Board Chairperson

REPORT OF THE MANAGING DIRECTOR

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

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

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

The sales for the year ended 30th June 2021 Decreased by Kshs. 859,089 .This is due to the impact of COVID 19 pandemic which lead to closure of Major institutions that the company rely on for its revenue.


There was an increase in expenditure from 47,875,007/= to 56,087,795/=. Mostly due to the pipes extensions done by the County Government of Vihiga, the DTF project expenses and CLSG expenses. During the reported financial period, the World Bank through Water Sector Trust Fund (WSTF) funded Water Service Providers (WSP's) through Business Continuity Plan Project to cushion water companies from the adverse financial effects of Covid-19 pandemic and to ensure continuity of water provision by WSP's to consumers.

The second and final term of service for the directors ended on 5th August 2020. After competitive recruitment process, the new Board of Directors were appointed on 21st May, 2021. The company is in the process of acquiring a new tariff to increase revenue to be able to cover the high operational costs.

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

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

Signed by:



Managing Director

CORPORATE GOVERNANCE STATEMENT

Governance framework and accountability

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

Our governance framework is structured to ensure compliance with the laws, regulations and codes of best practice applicable in the country. In addition, our business operations are guided by the principles contained in the Water Act 2016, International Labour Organisation (ILO), Declaration on Fundamental Principles and Rights at Work and the Voluntary Principles on Security and Human Rights.

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

The Board has three active committees which are Audit committee; Technical committee; and the Finance, Human Resource, Legal and Administration committee. The committees did not meet four times as per the regulations because the Board was not in place. The newly constituted Board was appointed on 5th May 2021 whereas the previous Board was in office till August 2020 when they held their last meeting. Each committee met twice times, after which the Board met in a Full Board meeting to receive board committee reports and recommendations in view to making decisions on matters raised. During this year under review, the Full Board held meetings three times to review Board committee reports, and three(3) times to review the company's Business Plan .

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

MANAGEMENT DISCUSSION AND ANALYSIS

The focus during the year was mainly two issues:

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

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

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

- Expansion of water services through laying of new pipelines in upcoming urban setups and upgrading of dilapidated infrastructure.
- We intent to serve all our customers and ensure that all get the basic commodity. This will be done through rationing schedule to cover most parts of the County.
- We have a metering plan to cover all customers to account for all the water we produce and supply to them. We have started by metering institutions then cascade down to small household consumers, this, we, believe will increase revenue whereby all customers brought on board will be billed
- Upgrading the entire supply, distribution and service lines and facilities would ensure proper controls and efficient services. This would involve laying an untapped rising main to the distribution tanks, upgrading the tanks to bigger capacities i.e. from 100m³ to 250m³ to 500 m³, laying return lines to service lines, installing necessary fitting along the pipes i.e. the pressure, air and gate valves. This exercise will eliminate illegal connections, improve supply to all customers and activate other dormant connections.
- We are currently improving revenue collection measures and by tapping into the potential in technology. This includes SMS payment and billing, improving our billing system and proactive collection strategies. We have categorized consumers in regard to their consumption patterns and their metering in future. We propose to have digital meters that could be monitored from the office when interfaced with our computers.

Management was responsible for:

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.

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

During the financial year ended 30th June 2021, the company embraced the CSR in its actions to encourage positive impacts through its activities on environment, consumer, employee, communities and other stakeholders.

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

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

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

We have done this through;

1. Providing water to Community Kiosks to improve water coverage to low-income areas
2. Providing them with water meters without requesting consumers to pay for the meter during connections.
3. We introduced a mobile payment platform. This saves time for consumers and reduces costs that would have been incurred while commuting to pay water bills.

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

REPORT OF THE DIRECTORS.

The directors submit their report together with the audited financial statements for the financial year ended 30th June 2021 which discloses the state of affairs of the company.

Principal Activities

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

Amatsi Water Services Company Limited (AWASCO) was licensed by the Lake Victoria North Water Works Development Agency (LVNWWDA) to operate and maintain Maseno, Mbale, Kaimosi, Sosiani and Vihiga Water supplies previously run by the Ministry of Water and Irrigation. The five water supplies form the Vihiga cluster and serve approximately 92,700 people. The company has four shareholders with equal shareholding namely; County Government of Vihiga (4997 shares), Department of Environment Water and Natural Resources (1 share), Department of Finance and Economic Planning (1 share) and Office of The County Secretary (1 share) which is changed in line with the Constitution of Kenya 2010.

Results

The result of the company for the year ended June 30, 2021 are set out on pages 1 to 28.

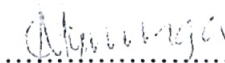
Directors

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

Auditors

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

Signed for the board


.....

Secretary
Board of Directors

STATEMENT OF DIRECTORS' RESPONSIBILITIES.

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

The Directors are responsible for the preparation and presentation of Amatsi Water Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on 30th June 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Company (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

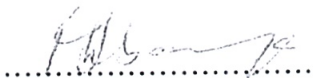
The Directors are of the opinion that the Amatsi Water Services Company financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2021, and financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Amatsi Water Services Company Ltd, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company's financial statements were approved by the Board on 23/09/2021 and signed on its behalf by:


.....
Director


.....
Director

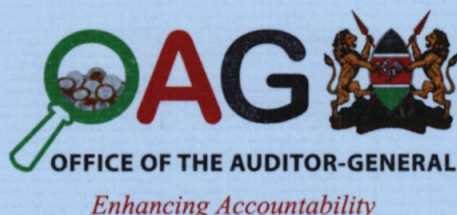

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Director

Amatsi Water Services Company Limited
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

REPORT OF THE INDEPENDENT AUDITORS ON THE COMPANY

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON AMATSI WATER SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

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 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

Qualified Opinion

I have audited the accompanying financial statements of Amatsi Water Services Company Limited set out on pages 1 to 28, which comprise of the statement of financial position as at 30 June, 2021, the statement of profit or loss and other comprehensive

income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Amatsi Water Services Company Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012, the Companies Act, 2015 and the Water Act, 2016.

Basis for Qualified opinion

1. Inaccuracies in Cost of Sales

The statement of profit or loss and other comprehensive income and as disclosed in Note 6(b) to the financial statements reflects cost of sales amounting to Kshs.17,651,131. However, analysis of this amount revealed electricity expenditure amounting to Kshs.29,542,898 was not apportioned to separate the actual cost of power used in production and power used for administration purposes. Further, the electricity schedule provided for audit reflected an amount of Kshs.28,514,752 resulting to an unexplained variance of 1,028,146.

In addition,, expenditure on compensation of staff who were directly involved in production was not included in the computation of cost of sales. Further, the staff cost disclosed amounted to Kshs.23,541,494 while the analysis of the actual payroll reflects an amount of Kshs.25,563,208 resulting to an unexplained variance of Kshs.2,021,714.

Further, others costs related to productions such as water quality costs of Kshs.33,855 were omitted in computation of cost of sales. In addition, the closing stocks of Kshs.22,656,439 were not supported by stock sheets completed as at 30 June, 2021.

In the circumstances, the accuracy and completeness of the cost of sales amount of Kshs.17,651,131 could not be confirmed.

2. Unsupported Other Income

The statement of profit or loss and other comprehensive income and as disclosed in Note 8 to the financial statements reflects other income amount of Kshs.36,421,291. However, the supporting ledgers reflects an amount of Kshs.32,323,176 resulting to an unexplained variance of Kshs.4,098,115.

Further, the Company received income from Water Service Trust Fund (CLSG) who are its financiers. However, the signed Financing Agreement or contract in support of this funding was not provided for audit.

In the circumstances, the accuracy, validity and completeness of other income amounting to Kshs.36,421,291 could not be confirmed.

3. Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects Property, Plant and Equipment balance of Kshs.363,209. The balance excluded value for decentralised waste water treatment facilities in Mbale and Kaimosi amounting to Kshs.9,624,973, unknown value of land where the waste water treatment facilities and office occupy and value attached to water pipeline system. In addition, ownership documents in respect waste water treatment facilities land and other assets transferred to the water provider were not provided for audit.

Further, the fixed asset register was not updated as it reflected assets balance of Kshs.369,209 while the supporting schedule showed a balance of Kshs.494,911 resulting to an unexplained variance of Kshs.130,902.

In the circumstances, the accuracy and completeness of Property, Plant and Equipment balance of Kshs.363,209 could not be ascertained.

4. Inaccuracies in Trade and Other Receivables

The statement of financial position and as disclosed in Note 12 to the financial statements reflects trade and other receivables balance of Kshs.77,959,654. However, Management did not provide policy on provision for bad and doubtful debt and an analyses of long outstanding receivables for audit. In addition, Note 12 to the financial statements reflects water bills collection amounting to Kshs.31,933,153 while the bank statements showed an amount of Kshs.33,645,852 resulting to an unexplained difference of Kshs.1,712,699.

Further, the receivable balance of Kshs.77,959,654 differs with the customer listing schedule amount of Kshs.87,688,170 resulting to an unexplained difference of Kshs.9,728,516.

In the circumstance, the accuracy and completeness of trade other receivables balance of Kshs.77,959,654, could not be confirmed.

5. Inaccuracies in Bank and Cash Balances

The statement of financial position reflects cash and bank balance of Kshs.5,029,251. However, the Cooperative Bank account balance of Kshs.2,208,186 differed with the reconciled cash book balance of Kshs.2,921,776 resulting to an unexplained variance of Kshs.713,590.

In the circumstances, the accuracy and completeness of the bank balances of Kshs.5,029,251 could not be confirmed.

6. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 18 to the financial statements reflects trade and other payables balance of Kshs.55,165,285. Included in this amount is Kshs.2,219,878 in respect of unsupported legal case. Further, an amount of Kshs.3,000,000 in respect of Loan from LVNWSB was not supported by signed loan agreement, invoice or demand notes.

In the circumstances, the accuracy and completeness of trade and other payables from legal case and loan from LVNWSB amounting to Kshs.2,219,878 and Kshs.3,000,000 respectively could not be confirmed.

7. Inaccuracies in Customer Deposits

The statement of financial position and as disclosed in Note 18 reflects a balance of Kshs.12,585,500 in respect of customer deposits. However, no analysis indicating the identities of the customers who made the deposits was provided for audit. Further, the deposits' bank account as disclosed in Note 13 to the financial statements reflects a balance of Kshs.1,612,253 resulting to an unreconciled variance of Kshs.10,973,247.

In the circumstances, the accuracy and completeness of the customer deposits balance of Kshs.12,585,500 could not be confirmed.

8. Unsupported Inventory

The statement of financial position and as disclosed in Note 11 to the financial statements reflects inventories amounting Kshs.22,656,439. Included in this amount is Kshs.20,523,586 in respect of water metres that was not supported with procurement documents.

In the circumstances, the accuracy and validity of the inventories balance of Kshs.20,523,586 could not be confirmed.

9. Unsupported Transfer from the County Government

The statement of profit or loss and other comprehensive income and as disclosed in Note 7 to the financial statements reflects Kshs.21,011,350 in respect of transfers from the County Government. Included in this amount is Kshs.16,459,725 being amount received by the Company as recurrent grants inform of payment of Kenya Power bills for the period July, 2020 to December, 2020. However, audit of Kenya Power bills for the month of July, 2020 reflects an amount of Kshs.3,291,920 whereas the supporting schedule showed an amount of Kshs.3,248,548 resulting to an unexplained variance of Kshs.43,372. In addition, payment of Kenya power bills was not supported with copies of payment vouchers and cheques or bank statements.

Further, the transfers from the County Government of Vihiga includes Kshs.4,551,625 in respect of grants received inform of chemicals that was not supported with copies of delivery notes.

In the circumstances, the accuracy and validity of transfers from the County Government of Kshs.21,011,350 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amount on comparable basis of Kshs.117,213,305 and Kshs.97,827,772, respectively resulting to a budget shortfall of Ksh19,385,533 or 17% of the budget. Similarly, the Company expended Kshs.88,379,344 against an approved budget of Kshs.104,086,154 resulting to under expenditure of Kshs.15,706,810 or 15% of the budget.

The underfunding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

In the audit report of the previous year, a number of paragraphs were raised. However, Management has not resolved the issues nor disclosed all the prior year matters in the financial statements as provided by the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness

and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non - Revenue Water Management

Review of revenue revealed that the Company produced 1,573,007 Cubic Meters of water out of which only 1,101,104.90 m³ was billed to customers. The balance of 471,902 m³ or 30% of the total volume of water produced represents unaccounted for water or non-revenue water. The non-revenue water was 25% above the allowable limit of 5% according to the Water Services Regulatory Board guidelines resulting to a loss of 78,650.33 m³. Had the Non-Revenue Water (NRW) been billed at the rate of Kshs.25 cubic meter applied in the year under review, the Company would have recorded additional revenue totalling Kshs.1,966,259.

In the circumstances, Management was in breach of water regulatory guidelines.

2. Non-Compliance with Law on Ethnic Composition

Scrutiny of the Company staff compliment for the year under review revealed that one ethnic group was at 96% of the staff population which is contrary to the provisions of 33% stipulated in the National Cohesion and integration Act.

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

3. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The Statement of Profit or Loss and Other Comprehensive Income and as disclosed in Note 7 to the financial statements reflects an expenditure of Kshs.23,541,494 on salary cost representing 55% of generated revenue of Kshs.42,514,742. This is contrary to the provisions of Regulation 25(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015.

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

4. Non-Compliance with the Public Sector Accounting Standards Board Requirements

The financial statement submitted for audit did not comply to the guidelines on preparation of the financial statements as per the reporting format prescribed by the Public Sector Accounting Standards Board (PSASB) revised on 30 June, 2021. Review of the annual report revealed that in that the statement of financial position was not signed by Managing director, Notes to financial statements were not aligned to the financial statements, the statement of Comparison of Budget and actual Amounts did not reflect original budget, adjustments and final budget and the variance percentages in this statement were

variance percentages in this statement were erroneously calculated using actual amount as the base year instead of final budget amounts.

In the circumstances, the presentation and disclosure of the financial statements did not comply with the prescribed format.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the companies Act 2015, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records;
- iii. The financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International 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 also responsible for overseeing the Company financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness

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

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

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

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

- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 September, 2022

Amatsi Water Services Company LTD
 Annual Reports and Financial Statements
 For the Year Ended June 30, 2021

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR
 THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2020
		Kshs	Kshs
REVENUES			
Revenue	6A	42,514,742	43,373,831
Cost of sales	6B	(17,651,131)	(37,371,120)
Gross profit		24,863,612	6,002,711
Transfers from the County Government	7	21,011,350	42,949,061
Other Income	8	36,421,291	4,896,404
NET REVENUES		82,296,253	53,848,176
OPERATING EXPENSES		82,296,253	
Administration Costs	9A	56,148,670	47,875,007
Depreciation	10	130,902	495,664
TOTAL OPERATING EXPENSES		(56,279,572)	(48,370,671)
PROFIT/(LOSS)		26,016,680	5,477,505

Amatsi Water Services Company LTD
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	363,209	494,111
Total Non-Current Assets		363,209	494,111
Current Assets			
Inventories	11	22,656,439	2,150,331
Trade and other receivables	12	77,959,654	67,378,065
Bank and cash balances	13	5,029,251	8,713,942
Total Current Assets		105,645,344	78,242,338
TOTAL ASSETS		106,008,554	78,736,449
EQUITY AND LIABILITIES			
Ordinary share capital	14A	100,000	100,000
Share premium	14B	29,400	29,400
Revenue reserve	15	34,342,934	8,326,254
Total non current liabilities		34,472,334	8,455,654
Current Liabilities			
Trade and other payables	16	55,165,285	50,210,379
customer deposits	17	12,585,500	12,287,200
Provision for leave pay	18	384,270	331,011
Deferred Income WSTF	19	3,401,164	7,452,205
Total Current Liabilities		71,536,219	70,280,795
TOTAL EQUITY AND LIABILITIES		106,008,554	78,736,449

The financial statements were approved by the Board on 25/4/2021 2021 and signed on its behalf by:

MANAGING DIRECTOR

NAME: John Mwangi

SIGN: [Signature]

Head of Finance

NAME: John Mwangi

ICPAK MNO. 24332

SIGN: [Signature]

CHAIRMAN OF BOARD

NAME: Flower Muri

SIGN: [Signature]

STATEMENT OF CHANGES IN EQUITY

2021	Ordinary share capital	share premium	Revenue reserve	Total
	Kshs	Kshs	Kshs	Kshs
At July 1 2019	100,000	29,400	2,848,749	2,978,149
Total comprehensive income 2020			5,477,505	5,477,505
At June 30, 2020	100,000	29,400	8,326,254	8,455,654
At July 1, 2020	100,000	29,400	8,326,254	8,455,654
Total comprehensive income 2021			26,016,680	26,016,680
At June 30, 2021	100,000	29,400	34,342,934	34,472,334

2020	Ordinary share capital	share premium	Revenue reserve	Total
	Kshs	Kshs	Kshs	Kshs
At July 1 2018	100,000	29,400	2,163,284	2,292,684
Total comprehensive income 2019			685,465	685,465
At June 30, 2019	100,000	29,400	2,848,749	2,978,149
At July 1, 2019	100,000	29,400	2,848,749	2,978,149
Total comprehensive income 2020			5,477,505	5,477,505
At June 30, 2020	100,000	29,400	8,326,254	8,455,654

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2021

	Note	2020/2021	2019/2020
		Kshs	Kshs
OPERATING ACTIVITIES			
Cash generated from / (used in) operation	21A	(3,684,691)	7,985,214
Net cash generated from /(used in) operating activities		(3,684,691)	7,985,214
INVESTING ACTIVITIES			
Purchase of Computer and furniture.	10	-	262,097
Net cash generated from/ (used in) investing activities		-	262,097
FINANCING ACTIVITIES			
Repayment of borrowing	21B	-	
Net cash generated from/(used in) financing activities		-	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(3,684,691)	7,723,117
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		8,713,942	990,825
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20C.	5,029,251	8,713,942

**STATEMENT OF COMPARISON OF BUDGET AND ACTUALS AMOUNTS FOR THE PERIOD
ENDED 30TH JUNE 2021**

SNO	DETAIL				
A	INCOME/COLLECTION FROM SCHEMES	BUDGETED	ACTUAL	VARIANCE	%
		Kshs	Kshs	Kshs	
1	Income(Billing)	47,640,000	39,146,782	8,493,218	22
2	Other income(sewer charges))	3,120,000	3,367,960	(247,960)	(7)
3	Electricity payment by Vihiga County	27,600,000	16,459,725	11,140,275	68
4	Grants from WSTF (CLSG)	26,659,238	26,659,238	-	-
5	WSTF DTF project	12,194,067	12,194,067	-	-
	TOTAL	117,213,305	97,827,772	19,385,533	82
B	EXPENDITURE				
1	CHAIRMAN'S HONORARIA	336,000	20,000	316,000	1,580
2	DIRECTORS ALLOWANCE	1,580,000	663,325	916,675	138
3	SALARY COST	26,940,000	23,541,494	3,398,506	14
4	BANK CHARGES	240,000	208,138	31,862	15
6	LEVIES	6,979,000	2,133,630	4,845,370	227
7	RENT	96,000	77,517	18,483	24
8	GENERAL OFFICE EXPENSES	120,000	50,040	69,960	140
9	SECURITY	720,000	306,240	413,760	135
10	OPERATIONS AND MAINTENANCE	8,900,000	6,540,816	2,359,184	36
11	PRINTING AND STATIONARY	144,000	110,990	33,010	30
12	TELEPHONE AND POSTAGE	36,000	35,431	569	2
13	BILLING EXPENSES	120,000	87,500	32,500	37

Amatsi Water Services Company LTD
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14	FUEL	300,000	255,000	45,000	18
15	INTERNET CHARGES	264,000	5,000	259,000	5,180
16	WORLD ENVIRONMENTAL DAY	75,000	50,000	25,000	50
17	WATER QUALITY	50,000	33,855	16,145	48
18	MOTOR VEHICLE EXPENSES	500,000	181,555	318,445	175
19	FEES	200,000	644,000	(444,000)	(69)
20	TRAVELLING AND SUBSITENCE	3,000,000	2,988,603	11,397	0
21	ANNUAL STAFF MEETING	200,000	185,000	15,000	8
22	WORLD WATER DAY	150,000	75,000	75,000	100
23	RECRUITMENT COST	1,550,000	1,612,230	(62,230)	(4)
24	GRATUITY	900,000	1,252,090	(352,090)	(28)
25	BOARD TRAINING	250,000	546,050	(296,050)	(54)
26	SUBSIDIES&SALARIES	1,376,870	1,376,870	-	-
27	DTF 50 INFRASTRUCTURE	10,082,544	9,624,972	457,572	5
28	EIA ASSESSMENT	200,000	193,296	6,704	3
29	PROJECT TASK TEAM ALLOWANCE	32,740	32,740	-	-
30	NSSF	840,000	1,598,988	(758,988)	(47)
31	TRAINING OF DTF OPERATORS	70,000	47,300	22,700	48
32	SUPERVISION TRANSPORT(FUEL)	24,000	24,000	-	-
33	COMMISIONING OF DTF	80,000	40,000	40,000	100
34	SOCIAL MARKETING PACKAGE	50,000	50,000	-	-
35	ELECTRICITY	29,580,000	24,613,333	37,092	20
36	CHEMICALS	4,800,000	8,614,341	(3,814,341)	(44)
37	CIS/WATER DEMAND ANALYSIS	3,500,000	1,400,000	2,100,000	150
	TOTAL	104,086,154	88,379,344	15,706,810	18

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Amatsi Water Services Company Ltd was established by and derives its authority and accountability from the Water Act 2002. The company is wholly owned by the County Government of Vihiga and is domiciled in Kenya. The company's principal activity is to provide water and sewerage services to urban areas and some rural parts of Vihiga County.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions.

It also requires management to exercise judgment in the process of applying the company's accounting policies.

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

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

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

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

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

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

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

iii) Early adoption of standards

The company did not early – adopt any new or amended standards in year 2021.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A.)Revenue recognition

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

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

(B)In-kind contributions

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

(C)Property, plant and equipment

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

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

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

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

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

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

(E)Finance and operating leases

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

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

(F)Inventories

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

(G)Trade and other receivables

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

(H)Taxation

Current income tax

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

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Deferred tax

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

(I)Cash and cash equivalents

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

(J)Trade and other payables

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

(K)Retirement benefit obligations

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time.

(L)Provisions for staff leave pay

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

(M)Budget information

The company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements.

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

(N)Service concession arrangements

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

Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

(O)Comparative figures

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

(P)Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

6.(A)SALES/TURNOVER

Amatsi Water Services Co. Ltd	2020/2021	2019/2020
Scheme Name	Kshs	Kshs
KAIMOSI	10,547,881	9,641,776
MASENO	9,956,054	11,751,643
MBALE	11,386,324	11,922,868
SOSIAN	2,982,807	3,076,316
VIHIGA	2,952,562	2,848,862
CHANGO	793,485	837,302
BUMBO/SHAMAKHKHO	509,254	603,210
MUDETE	18415	-
SUB TOTAL	39,146,782	40,681,977
OTHERS	-	-
WATER BOWSER	-	-
SEWER CHARGES	3,367,960	2,691,854
GROSS SALES	42,514,742	43,373,831
COST OF SALES	17,651,131	37,371,120
NET SALES	24,863,612	6,002,711

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6(B) COST OF SALES

	2020/2021		2019/2020	
	Kshs	Kshs	Kshs	Kshs
OPENING STOCK		2,150,331		65,900
ADD PURCHASES				
ELECTRICITY	29,542,898		29,986,073	
CHEMICALS	8,614,341	38,157,239	9,469,478	39,455,551
TOTAL		40,307,570		39,521,451
LESS CLOSING STOCK				
		(22,656,439)		(2,150,331)
COST OF SALES		17,651,131		37,371,120

7. TRANSFERS FROM COUNTY
GOVERNMENT

County Government Of Vihiga	2020/2021	2019/2020
	Kshs	Kshs
Recurrent grants received	16,459,725	29,986,073
Capital grants realized	-	-
In Kind contributions/ donations- Vihiga County- Chemicals	4,551,625	12,963,068
Total	21,011,350	42,949,141

	Amount recognized in the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2019/2020
	KShs	KShs	KShs	KShs	KShs
Ministry/State Department					
Ministry of Finance -Vihiga county electricitY	16,459,725	-	-	16,459,725	29,986,073
Ministry Of Finance-Vihiga County Chemicals	4,551,625		-	4,551,625	12,963,068
Total	21,011,350	-	-	21,011,350	42,949,141
(Grants refers to electricity bills paid by Vihiga County Government.Inkind contributions refers to chemicals donated by Vihiga county Government to the company&wstf)					

8.OTHER INCOME

Source Of Income	2020/2021	2019/2020
	Kshs	Kshs
WSTF(DTF Project)	11,001,089	3,502,304
WSTF(CLSG)	24,451,052	-
Compensation for damaged pipes(KERRA)	-	1,394,100
In-kind contribution/donations-WSTF Chemicals	969,150	-
TOTAL	36,421,291	4,896,404

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9.ADMINISTRATION COSTS		
	2020/2021	2019/2020
Description	Kshs	Kshs
CHAIRMANS HONORORIA	20,000	222,856
Directors' allowance	663,325	839,425
SALARY COST	23,541,494	23,737,469
BANK CHARGES	208,138	161,110
LEVIES	2,133,630	350,000
RENT	77,517	51,000
GENERAL OFFICE EXPENSES	50,040	
SECURITY	306,240	382,800
OPERATIONS AND MAINTENANCE	6,540,816	11,897,463
MATERIALS	-	815,222
PRINTING AND STATIONARY	110,990	260,050
TELEPHONE AND POSTAGE	35,431	57,630
BILLING EXPENSES	87,500	124,250
FUEL	255,000	540,000
INTERNET CHARGES	5,000	282,472
WORLD ENVIRONMENTAL DAY	50,000	
WATER QUALITY	33,855	91,936
MOTOR VEHICLE EXPENSES	181,555	299,890
BENEVOLENT	-	300,000
FEES	644,000	80,000
TRAVELLING AND SUBSITENCE	2,988,603	2,684,530
ANNUAL STAFF MEETING	185,000	170,000

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REVENUE COLLECTION EXPENSES	-	150,110
WORLD WATER DAY	75,000	
CONTRIBUTION TO WELFARE	157,000	139,600
TRAINING COST		20,000
RECRUITMENT COST	1,612,230	-
GRATUITY	1,252,090	572,880
BOARD TRAINING	546,050	-
SUBSIDIES&SALARIES	1,376,870	3,502,304
DTF 50 INFRASTRUCTURE	9,624,972	-
EIA ASSESSMENT	193,296	-
PROJECT TASK TEAM ALLOWANCE	32,740	-
NSSF	1,598,988	-
TRAINING OF DTF OPERATORS	47,300	-
SUPERVISION TRANSPORT(FUEL)	24,000	-
COMMISIONING OF DTF	40,000	-
SOCIAL MARKETING PACKAGE	50,000	-
CIS/WATER DEMAND ANALYSIS	1,400,000	
Total	56,148,670	47,875,007

9(b)OPERATING PROFIT/(LOSS)		2019/2020
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Administrative cost	56,148,670	56,148,670
Depreciation	130,902	130,902
Total	56,279,572	56,279,572

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10(a).PROPERTY, PLANT AND EQUIPMENT

2021	PLANT & MACHINERY	MOTOR VEHICLE	COMPUTERS	OFFICE EQUIPMENT & FURNITURES	TOTAL
COST OR VALUATION	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1, 2020	376,850	1,290,400	1,062,196	233,477	2,962,923
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
At June 30, 2020	376,850	1,290,400	1,062,196	233,477	2,962,923
DEPRECIATION					
At July 1, 2020	137,140	1,290,400	998,164	43,108	2,468,812
Charge for the year	37,685	-	64,032	29,185	130,902
Impairment loss	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-
At June 30, 2021	174,825	1,290,400	1,062,196	72,293	2,599,714
NET BOOK VALUE	202,025	-	-	161,184	363,209

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

CATEGORY	COST	ACCUMULATED DEPRECIATION CHARGE
	Kshs	Kshs
Plant and machinery	-	174,825
Motor vehicles, including motor cycles	1,290,400	1,290,400
Computers and related equipment	1,062,196	1,062,196
Office equipment, furniture and fittings	233,477	72,293
TOTAL	2,586,073	2,599,714

**10(b).PROPERTY,
PLANT AND
EQUIPMENT**

2020	PLANT &MACHI NARY	MOTOR VEHICLE	COMPUTERS	OFFICE EQUIPM ENT & FURNITU RES	TOTAL
COST OR VALUATION	Kshs	Kshs	Kshs	Kshs	Kshs
At July 1, 2019	376,850	1,290,400	966,196	67,380	2,700,826
Additions	-	-	96,000	166,097	262,097
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
At June 30, 2020	376,850	1,290,400	1,062,196	233,477	2,962,923
DEPRECIATION					
At July 1, 2019	99,455	967,800	891,970	13,923	1,973,148
Charge for the year	37,685	322,600	106,194	29,185	495,664
Impairment loss	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-
At June 30, 2020	137,140	1,290,400	998,164	43,108	2,468,812
NET BOOK VALUE	239,710	-	64,032	190,369	494,111

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

CATEGORY	COST	ACCUMULATED DEPRECIATION CHARGE
	Kshs	Kshs
Plant and machinery	376,850	137,140
Motor vehicles, including motor cycles	1,290,400	1,290,400
Computers and related equipment	1,062,196	998,164
Office equipment, furniture and fittings	233,477	43,108
TOTAL	2,962,923	2,468,812

11. INVENTORY

	2020/2021	2019/2020
	Kshs	Kshs
Aluminum phosphate	710,500	521,150
Chlorine	252,450	-
Solvent cement	-	-
Soda Ash	403,850	138,891
Pipes	766,053	1,490,290
Water Metres	20,523,586	
TOTAL	22,656,439	2,150,331

12 TRADE AND OTHER RECEIVABLES

	2020/2021	2019/2020
	Kshs	Kshs
BAL B/F	67,378,065	63,683,288
CREDIT SALES	42,514,742	43,373,831
TOTAL DEBTORS BALANCE	109,892,807	107,057,119
LESS		
BANK COLLECTION	(31,933,153)	(37,288,414)
RECONCILED FIGURE	-	(2,390,640)
GROSS DEBTORS AS AT 30TH JUNE 2021	77,959,654	67,378,065

13. BANK AND CASH BALANCES

	2020/2021	2019/2020
	Kshs	Kshs
CASH AT BANK	5,029,251	8,713,942
CASH AT HAND	-	-
TOTAL	5,029,251	8,713,942

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

Cash at bank balances are non-interest bearing.

The make-up of bank balances is as follows:

Detailed analysis of the cash and cash equivalents

FINANANCIAL INSTITUTION	ACCOUNT NUMBER	2020/2021	2019/2020
		Kshs	Kshs
KCB			
a) Revenue account	KCB A/C NO.		
	1110554516	(5,406)	(104,476)
b) Customer deposits account	KCB A/C NO.		
	1170433855	1,612,253	1,323,102
c) Water Bowser	KCB A/C NO.		
	1170433928	(2,926)	5,633
d)M-pesa (PAYBILL)	803783	24,166	37,478
	EQUITY A/C NO		
e) Equity Bank	960279357402	1,192,978	7,452,205
COOPERATIVE BANK			
	COOP A/C		
	01141246255400	2,208,186	-
BARCLAYS BANK			
	BARCLAYS A/C NO		
	2029623603	-	-
h)PETTY CASH		-	-
GRAND TOTAL		5,029,251	8,713,942

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14 ISSUED SHARE CAPITAL

	2020/2021	2019/2020
	KSHS	Kshs
COUNTY GOVERNMENT OF VIHIGA	4,997	4,997
DEPARTMENT OF ENVIRONMENT WATER & NATURAL RESOURCE(VIHIGA COUNTY)	1	1
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING(VIHIGA COUNTY)	1	1
OFFICE OF THE COUNTY SECRETARY(VIHIGA COUNTY)	1	1
TOTAL	5,000	5,000
The per value for share is Kshs 20		

15.SHARE PREMIUM

	2020/2021	2019/2020
	KSH	Kshs
COUNTY GOVERNMENT OF VIHIGA	29,397	29,397
DEPARTMENT OF ENVIRONMENT WATER & NATURAL RESOURCE(VIHIGA COUNTY)	1	1
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING(VIHIGA COUNTY)	1	1
OFFICE OF THE COUNTY SECRETARY(VIHIGA COUNTY)	1	1
TOTAL	29,400	29,400

16.REVENUE RESERVE

	2020/2021	2019/2020
	KSH	Kshs
REVENUE RESERVE		
BAL B/F	8,326,254	2,848,749
PROFIT/LOSS FOR THE YEAR	26,016,680	5,477,505
BAL C/D AS AT JUNE 30,2021	34,342,934	8,326,254

[The revenue reserve represent amounts available for distribution to the company shareholders.
Undistributed retained earnings are utilised to finance the company's business activities.]

17. TRADE AND OTHER PAYABLES

AMATSI WATER SERVICE COMPANY

PO BOX 740 MARAGOLI

CURRENT CREDITORS

SNO	NAME	AMOUNT	AMOUNT
		2021	2,020
		Kshs	Kshs
1	WARMA	5,708,342	5,030,512
2	LVNWSB	23,024,829	23,024,829
3	WASREB	5,972,420	5,207,191
4	BROADPARK	61,700	61,700
5	KINETICS LTD	240,380	240,380
6	GRATUITY	-	358,508
7	SACCO RINS	945,922	945,922
8	WELFARE DEDUCTIONS	-	26,800
9	NEW FRIENDS MOTORS	136,150	136,150
10	PRIDE KINGS	421,080	153,120
11	MUSIMBI AGENCY	5,590	29,080
12	CIZAH	25,520	-
13	KENAO	3,246,000	3,710,000
14	BORROWINGS FROM DEPOSIT	533,465	533,465
15	LOAN FROM LVNWSB	3,000,000	3,000,000
16	NYANZA LTD	78,000	30,000
17	ROTALINK	40,850	40,850
18	UNISOURCE ENERGY AUDIT	148,348	148,348
19	VICTORIA ENTERPRISES	133,200	133,200
20	LIQUID TELECOM	62,560	48,257
21	FRODAN	-	99,000
22	PAN AFRICAN CHEMICAL	-	300,403
23	HEMARA HOTEL	-	78,190
24	SOSA COTTAGES	142,300	29,800
25	BOADA	143,785	239,585
26	GUSANGA	49,000	88,000
27	KEBS	2,777,640	4,246,961
28	NEW AUTO GARAGE	98,750	20,650
29	LIKIFA	29,600	29,600
30	MOSOP SECURITY	76,560	-
31	SALWAN SQUAD	127,600	-

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32	LEGAL CASE	2,219,878	2,219,878
33	MICHI	5,800	-
34	LEXIDE	26,000	-
35	BETCO	25,755	-
36	VIHIGA FM	10,500	-
37	MINISTRY OF INFORMATION	547,316	-
38	GOVERNMENT PRINTERS	20,880	-
39	PRODUCTION ELECTRICITY	5,079,565	
	TRADE PAYABLES	55,165,285	50,210,379

18. CUSTOMER DEPOSITS

	2020/2021	2019/2020
	kshs	kshs
CUSTOMER DEPOSITS		
Balance at 1st July 2020	12,287,200	11,959,690
Additional during the year	298,300	382,510
TRANSFER TO REVENUE A/C	-	(55,000)
Balance at 30th June 2019	12,585,500	12,287,200

19. PROVISION FOR LEAVE PAY	2020/2021	2019/2020
	Kshs	Kshs
PROVISION FOR LEAVE PAY	384,270	331,011
	384,270	331,011

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

**20. DEFERRED INCOME GRANTS
 RECEIVED**

YEAR	AT THE START OF THE YEAR	DURING THE YEAR	TOTAL	WRITE BACK DURING THE YEAR TO INCOME	AT THE END OF THE YEAR
2020/2021	Kshs	Kshs	Kshs	Kshs	Kshs
WSTF(DTF PROJECT)	7,452,205	4,741,862	12,194,067	(11,001,089)	1,192,978
WSTF (CLSG)	-	26,659,238	26,659,238	(24,451,052)	2,208,186
TOTAL	7,452,205	31,401,100	38,853,305	(35,452,141)	3,401,164

YEAR	AT THE START OF THE YEAR	DURING THE YEAR	TOTAL	WRITE BACK DURING THE YEAR TO INCOME	AT THE END OF THE YEAR
2019/2020	Kshs	Kshs		Kshs	Kshs
WSTF(DTF PROJECT)	-	10,954,509	10,954,509	(3,502,304)	7,452,205
	-	-	-		
TOTAL		10,954,509	10,954,509	(3,502,304)	7,452,205

21. NOTES TO THE STATEMENT OF CASH FLOWS

	2020/2021	2019/2020
	Kshs	Kshs
A. Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	26,016,680	5,477,505
Depreciation	130,902	495,664
provision for leave		
Operating profit/(loss) before working capital changes	26,147,582	5,973,169
(Increase)/decrease in inventories	(20,506,108)	(2,084,431)
(Increase)/decrease in trade and other receivables	(10,581,589)	(3,694,777)
Increase/(decrease) in trade and other payables	4,954,906	(1,626,888)
Increase/(decrease) in customer deposits	298,300	327,510
Increase/(decrease) in provision for staff leave pay	53,259	(47,573)
increase/decrease in retirement benefit obligation	-	
increase/decrease in Prepaid electricity	-	1,685,999
increase/decrease in Deferred Income WSTF	(4,051,041)	7,452,205
Cash generated from/(used in) operations	(3,684,691)	7,985,214
B. Analysis of changes in borrowing		
Balance at beginning of the year	8,713,942	990,825
Operating profit/(loss)	26,016,680	5,477,505
repayments during the year	394,176	1,857,924
balance at end of year	35,124,798	8,326,254
C. Analysis of cash and cash equivalents		
cash at bank	5,029,251	8,713,942
cash at hand		-
balance end of year	5,029,251	8,713,942

22A. RELATED PARTY DISCLOSURES

County Government of Vihiga

The County Government of Vihiga is the principal shareholder of the company, holding 100% of the company's equity interest. The county Government of Vihiga has provided full guarantees to all long-term lenders of the company.

Other related parties include:

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

22.B.Transaction with related party

	2020/2021	2019/2020
A. Grants from National and county government of Vihiga	Kshs	Kshs
Grants received-Vihiga county electricity	16,459,725	29,986,073
In Kind contributions/ donations chemicals-Vihiga County	4,551,625	9,490,820
in Kind contributions/ donations chemicals WSTF	969,150	
WSTF CLSG	24,451,052	-
WSTF DTF Project	11,001,089	3,472,168
sub total	57,432,641	42,949,061
B. Expenses incurred on behalf of related party		
Payment of salary and wages for Vihiga County water office employees	-	74,893
sub total	-	74,893
C. Key management compensation		
Directors emoluments	683,325	1,062,281
compensation to Managing Director	1,833,000	1,740,000
compensation to Key Management (TM&CM)	2,036,100	2,436,000
sub total	4,532,425	5,238,281
TOTAL	61,985,066	48,262,235

22. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks including credit and liquidity risks. The company's risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge 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 an amount of money. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and for-sale financial investments.

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

ii) Liquidity risk management

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

iii) MARKET RISK

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

23. INCORPORATION

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

24. EVENTS AFTER THE REPORTING PERIOD

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

25. CURRENCY

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