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OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE AUDITOR-GENERAL

ON

**LODWAR WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2020**



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LODWAR WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020**

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

MANAGING DIRECTOR
LODWAR WATER & SANITATION CO.
26 APR 2021
P. O. Box 144 - 30500,
LODWAR

FINANCE OFFICER
LODWAR WATER & SANITATION CO.
26 APR 2021
P. O. Box 144 - 30500,
LODWAR

Table of Contents

Page

KEY ENTITY INFORMATIONii-iii

THE BOARD OF DIRECTORS..... iii

MANAGEMENT TEAM.....iii

CHAIRMAN’S STATEMENT.....iii

REPORT OF THE CHIEF EXECUTIVE OFFICER.....iii

CORPORATE GOVERNANCE STATEMENT.....iii

MANAGEMENT DISCUSSION AND ANALYSIS.....v-v

CORPORATE SOCIAL RESPONSIBILITY STATEMEN.....vvi

STATEMENT OF DIRECTORS’ RESPONSIBILITIES..... vii

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**Error! Bookmark not defined.**

STATEMENT OF FINANCIAL POSITION **Error! Bookmark not defined.**

STATEMENT OF CHANGES IN EQUITY **Error! Bookmark not defined.**

STATEMENT OF CASH FLOWS..... **Error! Bookmark not defined.**

NOTES TO THE FINANCIAL STATEMENTS.....5-25

MANAGING DIRECTOR
LODWAR WATER & SANITATION CO
26 APR 2021
P. O. Box 144 - 30500,
LODWAR

FINANCE OFFICER
LODWAR WATER & SANITATION CO.
26 APR 2021
P. O. Box 144 - 30500,
LODWAR

KEY ENTITY INFORMATION

Background information

Lodwar Water and Sanitation company Ltd was established in 2007 under the provision of the companies Act Cap 486 of the Laws of Kenya, and later moved from there and now operates from Kanamkemer area within the ministry of water in the county government offices .

The company took over the management of Water supply as a service provider from 2007 to date after signing a Service Provider Agreement(SPA) with Rift Valley Water Services Board(license) on 3rd July 2007.

Principal Activities

The principal activity of lodwar water and sanitation company ltd is to provide water and sanitation services to residents of Lodwar.

Vision

- i. To achieve excellence in the provision of quality water and sanitation services with the aim to be the leading water service provider in the rift valley water services board area.

Mission

- ii. To provide adequate ,portable, affordable and sustainable water and sanitation services to residents in lodwar and its environs through continuous improvement and extension.

Core values

- iii. External respect with a focus on customers
- iv. External and internal integrity honesty transparency accountability and partnership through networking
- v. internal teamwork , innovativeness and commitment.

Directors

There were no Board of Directors during the financial year under consideration.

Secretary

There was no corporate secretary during the Financial year under consideration

Registered Office

Lodwar Handcraft Building
P.O. BOX 144-30500
Lodwar Kenya

Contacts

Telephone: (254) 725059737

E-mail: mdlowasco@gmail.com



Bankers

Kenya Commercial Bank,
Lodwar Branch.
P.O. BOX 150-30500
Lodwar

Independent Auditors

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

Principal Legal Advisers

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





THE BOARD OF DIRECTORS

The company did not have the Board of Directors during the Financial year under consideration

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26 APR 2021
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MANAGEMENT TEAM

Passport size	Name	Qualification	Area of responsibility
	BENEDICT EKERU	Diploma in Water engineering water option	TEAM LEADER
	BONFACE ONYANGO	Diploma in Electromechanical engineering power option	ELECTROMECHANICAL
	AARON KOKIRO	Diploma in human resource/diploma in banking and finance/ higher diploma in human resource management/ Cpa section 2	HUMAN RESOURCE AND ADMIN
	THOMAS IGULE	Diploma in accountancy	FINANCE SECTION

MANAGING DIRECTOR
LODWAR WATER & SANITATION CO.
26 APR 2021
P. O. Box 144 - 30500,
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iv

FINANCE OFFICER
LODWAR WATER & SANITATION CO.
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P. O. Box 144 - 30500,
LODWAR

CHAIRMAN'S STATEMENT

There was no chairman during the Financial year under consideration

REPORT OF THE CHIEF EXECUTIVE OFFICER

There was no Chief Executive Officer (CEO) during the Financial period under consideration

CORPORATE GOVERNANCE STATEMENT

There was no Board of Directors during the Financial period under consideration

MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The entity's operation and financial performance

OVERVIEW

Lodwar Water and Sanitation Company Limited (LOWASCO) was incorporated by 3 stakeholders namely: Municipal council of Lodwar, Lake Turkana Out source company Limited and Rift Valley Water Services Board. The company was officially registered and incorporated under the companies Act (Cap 486) -Certificate of incorporation No. C.135044 dated 9th February 2007. A Service Provision Agreement between Rift Valley Water Services which mandate Lodwar Water and Sanitation Company Limited to take over the operation of former Lodwar Urban Water Supply which was signed in July, 2007.

GENERAL DESCRIPTION OF THE AREA

LOCATION

Lodwar Water and Sanitation Company Limited operate as a Water Service Provider for the residents of Lodwar Township and its environs within the municipality.

The municipality covers an area equivalent to 706 square kilometres and it is cut through from West to East by two major seasonal rivers - Kawalase on the Northern and Turkwel on the Southern side. The residential areas covered include Kawalase to the North of Kawalase River, Napetet and Natotol to the East, Township and California market and Nakwamekwi Centrally, but between the two seasonal rivers, toward the south across Turkwel River, the residential areas covered include Kanamkemer and Nawoitorong. All the aforesaid areas served by the LOWASCO have been grouped into upper and Lower Zones.

CHALLENGES/RISKS FACING THE COMPANY

- i) Electricity bill is still high at an average of Ksh. 1,200,000
- ii) The company still uses old infrastructure (pumps, pipes etc)
- iii) Unaccounted for water is still high at a rate of 37%
- iv) Illegal connections
- v) High operations and Maintenance costs
- vi) Water production cost is Ksh. 45.00 per cubic meter while water tariff is Ksh. 33.00 per cubic meter resulting to a loss of Ksh. 12.00 per cubic meter.

WAY FORWARD

- Improving and increasing water supply
- Expansion of area covered



v



- proposals to donors for further investment e.g Water Services Trust Funds
- Rehabilitation of existing water supply system
- Alternative water supply systems i.e Solar power
- o put in place strong organisation policies
- improve remuneration of workers for better performance

SECTION B

Company's compliance with statutory requirements

The company complies in paying tax and remitting statutory deductions for every employee every month.

SECTION C

Key projects and investments decisions the entity is planning/implementing

The company did not have any investment during the Financial year under consideration

SECTION D

Material arrears in statutory/financial obligations

The company also have an outstanding staff obligations ie gratuity and court case award amounting to **kes.2,529,974.14**

SECTION E

The entity's financial probity and serious governance issues

The company has never experienced any negative financial probity.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The company passively participates on social responsibility

Dividends

Since there were no Directors during the Financial year under consideration, dividend was not paid

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. Kenya National Audit Office was nominated by the Auditor General to carry out the audit of the company for the year/period ended June 30, 2018 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.

MANAGING DIRECTOR
LODWAR WATER & SANITATION CO.
26 APR 2021
P. O. Box 144 - 30500,
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26 APR 2021
P. O. Box 144 - 30500,
LODWAR

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that entity, 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's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2018. 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 entity; (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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity'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.

Approval of the financial statements

The entity's financial statements were approved by the Board on _____ 2020 and signed on its behalf by:

Date.....
Benedict Ekeru
Team Leader
LOWASCO

Date.....
Thomas Igule
Accountant
LOWASCO
REG NAC/324761



REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON LODWAR WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Lodwar Water and Sanitation Company Limited set out on pages 1 to 25, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows 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.

I do not express an opinion on the accompanying financial statements. 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 an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Presentation of the Financial Statements

1.1. Non Compliance with Public Sector Accounting Standards Board (PSASB)

The financial statements for the Company presented for audit do not comply with the template issued by the Public Sector Accounting Standards Board (PSASB) Vide circular Ref AG. 4/16/3 Vol.1 (9) dated 24 June, 2020. The financial statements were prepared and approved by a caretaker team instead of the Board of Directors as required by Section 635(1) of the Companies Act, 2015 which states that "the Directors of every Company shall prepare financial statements for the Company for each financial year" and Section 691(1) which states that "an abbreviated financial statement of Company is not valid until it has been approved by Company's Board of Directors and signed on behalf of the Board by a Director of the Company".

1.2. Lack of Header in the Financial Statements

The financial statements do not contain a header reading; "Lodwar Water and Sanitation Company Limited, Annual Reports and financial statements for the year ended 30 June, 2020".

1.3. Undefined and Unnumbered Pages

Page numbering from the statement of profit and loss and other comprehensive income up to Notes to the financial statements has not been defined in the table of contents. Also, the use of the roman numbers reflected in the table of contents is not aligned to the content of the financial statements referred.

1.4. Lack of Chairman's Statement and Statement of Directors' Responsibility

There is no chairman's statement owing to the absence of a Board of Directors during the year under review while key activities during the year, successes consolidated, challenges being faced and a way forward/future outlook for the Company have not been highlighted. Further, the statement of Directors' Responsibilities is not signed by the Chairman and the Chief Executive Officer, owing to the absence of a Board of Directors during the year under review. Instead, the statement of Director's Responsibilities is signed by the Team Leader and the Accountant.

1.5. Lack of Report of the Chief Executive Officer

Report of the Chief Executive Officer has not been included in the financial statements. Although Management explained that there was no Chief Executive Officer during the year, no reason has been provided why the team leader has not provided a statement detailing the key activities during the year, successes, challenges being faced, a way forward/ future outlook for the company and also mention a high-level performance of the Company.

1.6. Lack of Review of Company's Performance

Review of Lodwar Water and Sanitation Company Limited's Performance for the year under review has been omitted. Consequently, there is no assessment of the Company's performance against strategic objectives, achievement against key performance indicators, performance against strategic pillars and performance contracts.

1.7. Corporate Social Responsibility Statement/Sustainability Reporting

The Corporate Social Responsibility Statement provided does not provide details of strategy pillars, sustainability strategy, environmental performance, employee welfare, market place practices, details of Corporate Social Responsibility activities engagements and impact on the society and how the company promotes education, sports, healthcare, labour relations, staff training and development and water and sanitation activities. Further, Corporate Governance Statement has been omitted.

1.8. Rounding Off to Nearest Cents

The financial statements reflect figures rounded off to the nearest cents instead of Kenya Shilling as stated under Note 2 to the financial statements of the statement of compliance and basis of preparation.

1.9. Non Signing of the Financial Statements

The statement of financial position, as at 30 June, 2020 is signed only by the Team Leader. Further, no report of the Managing Director was prepared and signed.

Consequently, the accuracy, completeness and ownership and responsibility of the financial statements as presented could not be confirmed.

2. Inaccuracies in the Financial Statements

2.1. Unbalanced Trial Balance

The Trial Balance submitted for audit reflects total debits and credits of Kshs.67,591,258 and Kshs.65,643,123 respectively resulting to an unexplained/unreconciled variance of Kshs.1,948,135. Further, the financial statements reflect balances that vary from those shown in the trial balance as detailed below;

Component	Financial Statements (Kshs.)	Trial Balance (Kshs.)	Variances (Kshs.)
Property, Plant and Equipment	14,475,923	-	14,475,923
Trade Receivables	65,543,123	-	65,543,123
Cash in Hand	-	14,280	(14,280)
Trade and Other Payables	11,989,437	-	11,989,437

Consequently, the accuracy and completeness of the financial statements could not be confirmed.

2.2. Erroneous Statement of Cash Flows

The statement of financial position reflects property, plant and equipment balance of Kshs.14,475,923 as disclosed in Note 17 out of which Kshs.281,500 is in respect to additions to assets. However, the statement of cash flows for the year ended 30 June, 2020 reflects Nil movement from investing activities. Further, the cash flows statement reflects cash and cash equivalents balance at beginning of the year of Kshs.1,983,233 which is at variance with the audited financial statements for the year ended 30 June, 2019 balance of Kshs.2,013,999.88 resulting to an unexplained/unreconciled variance of Kshs.30,766.88.

Under the circumstances, the accuracy and completeness of the statement of cash flows for the year ended 30 June, 2020 could not be confirmed.

2.3. Variance in Statement of Changes in Equity

The statement of changes in equity for the year ended 30 June, 2020 reflects total equity of Kshs.100,000 while the statement of financial position as at 30 June, 2020 reflects total capital and reserves of Kshs.15,731,546 resulting to an unreconciled/unexplained variance of Kshs.15,631,546.

2.4. Erroneous Statement of Profit or Loss and Other Comprehensive Income

The statement is titled “statement of profit and loss and other comprehensive income for the year ended 30 June, 2020” instead of statement of profit or loss and other comprehensive income for the year ended 30 June, 2020. Further, the statement does not disclose separately, the gross profit, selling and distribution costs.

2.5. Omitted Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts for the period ended 30 June, 2020 has been omitted from the financial statements.

2.6. Variances between the Financial Statements and Notes to the Financial Statements

The financial statements reflect figures that vary significantly with the Notes to the financial statements as shown below;

Item	Note to the Financial Statement	Balance in Statement of Profit and Loss and Other Comprehensive Income (Kshs.)	Balance in the Notes to Financial Statements (Kshs.)	Variance (Kshs.)
Cost of Sales	9	13,600,523	11,692,504	1,908,019
Administration and Operating Expenses	10	50,310,745	-	50,310,745
Property, Plant and Equipment	12	6,155,788	14,475,923	(8,320,135)
Trade and Other Receivables	13	64,346,622	66,869,691	(2,523,069)
Borrowings (NIC Loan Balance)	16	-	110,710	(110,710)
Trade and Other Payables	17	19,233,085	11,989,437	7,243,648

2.7. Variance between the Financial Statements and Supporting Schedules

The financial statements reflect figures which vary with the supporting schedules as detailed below;

Component	Financial Statement Figure (Kshs.)	Supporting Ledger (Kshs.)	Variance (Kshs.)
Sales/Turnover	64,342,622	65,543,123	(1,200,501)
Salaries	30,691,010	30,696,429	(5,419)
Fuel and Lubricants	1,340,200	2,049,000	(708,800)
Travelling and Accommodation	874,000	849,000	25,000
Stationery and office supplies	1,060,830	1,126,110	(65,280)
Repairs and Maintenance	6,532,241	7,356,823	(824,582)
Telephone and Postage	2,064,981	1,819,373	245,608
Training and Development	1,573,300	1,548,300	25,000

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be confirmed.

3. Erroneous Movement of Borrowings - National Investment Corporation (NIC)

The statement of financial position reflects Nil borrowings from the National Investment Corporation (NIC). However, Note 21 reflects loan balance of Kshs.110,710. Also the note reflects opening balance of Kshs.1,983,233 while the comparative closing balance reflects Kshs.766,398. The variance of Kshs.1,216,835 has not been explained or reconciled. In addition, the loan repayment movement during the year is not included in the statement of cash flows as cash flows from financing activities.

Consequently, the accuracy and completeness of the Nil borrowings balance could not be confirmed.

4. Variances in Revenues and Un Billed/Invoiced Customers

The statement of Profit and loss and other comprehensive income for the year ended 30 June, 2020 reflects sales/turnover of balance of Kshs.65,543,125. Review of the customer movement schedule reflected that 1,538 metered customers were not billed/invoiced out of the 8,469 metered customers. Further, the invoices raised amounted to Kshs.64,716,757 whereas the amount disclosed in the financial statements is Kshs.65,543,125 resulting to a variance of Kshs.826,368 which has not been reconciled.

In addition, the Company operates a collection bank account maintained at Post Bank which deducts Kshs.40 per transaction under a two year service agreement that was signed on 05 December, 2014. However, for unexplained reasons, the Company has

continued to use the services of the bank based on an invalid service agreement during the year under review.

Further, the Company did not have an approved and gazetted tariff from the Water Services Regulatory Board during the year under review as required under Section 72(b) of the Water Act, 2016. Had the tariffs been reviewed and approved, the revenues would have been higher.

Consequently, the accuracy and completeness of the revenue of Kshs.65,543,125 for the year ended 30 June, 2020 could not be confirmed.

5. Unbilled and Unaccounted for Water

A review of water records revealed that 2,210,656 cubic meters (m³) of water was produced by the Company during the year under review out of which 1,068,728 cubic meters (m³) equivalent to 48% of water production was billed for Kshs.64,716,757 thus leaving out 1,141,928 cubic meters (m³) or 52% of total volume water produced Unaccounted for Water (UFW) which is 27% over and above the Water Services Regulatory Board (WASREB) guidelines allowable loss of 25%. The significant level of the unaccounted for water of 1,141,928 cubic meters (m³) saleable at rate of Kshs.33.3 per cubic meter may have resulted to a loss of revenue estimated at Kshs.37,683,624.00.

Consequently, the Company is likely to continue losing huge revenue in future for to failure to collect revenue accruing from the unaccounted-for water.

6. Administration and Operating Costs

6.1. Variance in Administration and Operating Costs

The statement of profit and loss and other comprehensive income reflects administration and operating expenses of Kshs.57,798,485 while the corresponding Note15 reflects Kshs.53,180,247 resulting to unexplained/unreconciled variance of Kshs.4,618,238.

6.2 Unsupported Bank charges

The statement of profit and loss and other comprehensive income for the year ended 30 June, 2020 reflects administration and operating expenses figure of Kshs.57,798,485 which includes bank charges balance of Kshs.110,710 as disclosed in Note 15 to the financial statements. However, Management did not provide supporting ledgers and transactions for audit.

6.3 Excluded Depreciation Charge

The statement of Profit and Loss and other comprehensive income for the year ended 30 June, 2020 reflects administration and operating cost of Kshs.57,798,485 which excludes depreciation charge for the year contrary to the provisions of paragraphs 43 and 48 of International Accounting Standards No 16 – Property, Plant and Equipment.

Consequently, the accuracy and completeness of the administration and operating expenses of Kshs.57,798,485 and undetermined depreciation expenditure could not be confirmed.

7. Omitted Values in Property, Plant and Equipment

The statement of financial position as at 30 June, 2020 reflects property, plant and equipment balance of Kshs.14,475,923 which includes various categories of property, plant and equipment as disclosed in Note 12 to the financial statements. A review of the asset register reveals that net book values for reservoir tanks, solar panels, boreholes and equipment are not indicated. Further, Note 17 to the financial statements do not reflect the depreciation charge for the year and the net book value as at 30 June, 2020.

Consequently, the accuracy, completeness and valuation of the property, plant and equipment of Kshs.14,475,923 could not be confirmed.

8. Variance in Trade and Other Receivables

The statement of financial position as at 30 June, 2020 reflects trade and other receivables balance of Kshs.65,543,123. However, a review of debtors' ledger as at 30 June, 2020 indicates that 7,080 customers had outstanding debt of Kshs.342,692,506 as at 30 June, 2020 resulting to unexplained/unreconciled variance of Kshs.279,345,584. The breakdown and ageing analysis for the balance was not provided for audit review. In addition, the deposits and prepayments of Kshs.2,523,069 disclosed under Note 18 to the financial statements had no supporting documents. The trade and other debtors also includes an amount of Kshs.89,170,464 owed by dormant and disconnected customers. The Company has not made provision for bad and doubtful debts in respect of outstanding trade and other debtors of Kshs.65,543,123 as at 30 June, 2020.

No evidence has been provided to confirm that the trade and other receivables were assessed for impairment on a continuing basis, an estimate is made of doubtful receivables based on review of all outstanding amounts at the year end and bad debts are written off after all efforts at recovery have been exhausted, as stated under summary of significant accounting policy (h).

Consequently, the accuracy, completeness and recoverability of the trade and other receivables of Kshs.65,543,123 could not be confirmed.

9. Unsupported Bank and Cash Balances

The statement of financial position reflects bank and cash balance of Kshs.3,600,523 as disclosed in Note 19 to the financial statements. A review of available records revealed that the Company operates five (5) bank accounts; four (4) with Kenya Commercial Bank (KCB), Post Bank and an MPESA utility account. However, Management did not disclose bank balance for Post Bank account, bank reconciliation statement for the month of June, 2020. Further, Management did not disclose the closing balance in the MPESA utility account as at 30 June, 2020.

Consequently, the accuracy, validity and completeness of the bank and cash balance of Kshs.3,600,523 as at 30 June, 2020 could not be confirmed.

10. Un-Availed Aging Analysis in Trade and Other Payables

The statement of financial position reflects trade and other payables figure of Kshs.11,989,437 as at 30 June, 2020 as disclosed in Note 22 to the financial statements. However, trade and other payables ageing analysis was not provided for audit review. Further, invoices were not availed to support the figure.

Consequently, the accuracy and completeness of trade and other payables figure of Kshs.11,989,437 could not be confirmed.

11. Fixed Assets Transfer from Rift Valley Water Services Board (RVWSB)

The statement of financial position reflects property, plant and equipment net book value of figure Kshs.14,475,923 as at 30 June, 2020 which includes buildings, water and sewer works, meters and equipment, motor vehicles and motor cycles, computers and related equipment and office furniture and fittings as disclosed in Note 17 to the financial statements. However, the property, plant and equipment net book value balance of Kshs.14,475,923 does not include transfers of assets which includes motor vehicles, motorcycles, furniture and fitting and computers of undisclosed value from Rift Valley Water Services Board (RVWSB) contrary to 153(1) of the Water Act ,2016.

Consequently, the accuracy and completeness of property, plant and equipment figure of Kshs.14,475,923 could not be confirmed.

12. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

13. Lack of Annual Procurement Plan

The statement of profit and loss and other comprehensive income reflects total operating expenses amounting to Kshs.65,793,465 while asset movement schedule reflects asset acquisitions during the year amounting to Kshs.281,500 all totalling to Kshs.66,074,965. However, the procurement of the goods, works and services was done without an annual procurement plan contrary to Section 53(2) of the Public Procurement and Asset Disposal Act, 2015 which states that an accounting officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation

process and Regulation 114(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that every year a procurement plan shall be prepared by Accounting Officers to form the basis for procurement activities undertaken by government entities in the fiscal year.

Consequently, Management was in breach of the law.

14. Non Filing Company Annual Returns

The Company Limited was incorporated under the Companies Act Cap 486 of the laws of Kenya and issued with incorporation certificate number C.135044 on 9 February, 2007 as reported in the previous year. However, there was no evidence provided to show that the Company has been filing annual returns to the Registrar of Companies contrary to section 705(1) of the Companies Act, 2015 which states that every Company shall submit to the registrar successive annual returns each of which is made up to a date not later than the date that is from time to time the Company's return date.

Consequently, the Management was in breach of the law.

15. Lack of Approved Budget

The Company's annual budget for the year ended 30 June, 2020 submitted for audit review was not approved by the Board and The National Treasury contrary to Section 4 2(a) State Corporations Cap 446, 2010 which states that the Board of a state corporation shall implement budgets approved by the Treasury and the parent Ministry.

Consequently, Management was in breach of the law .

16. Irregular Ethnic Composition

The statement of profit and loss and other comprehensive income reflects administrative and operating expenses figure of Kshs.53,180,248 for the year ended 30 June, 2020 which includes salaries and wages figure of Kshs.30,691,429. Review of the June, 2020 payroll revealed that Lodwar Water and Sanitation Company Ltd has a staff establishment of 74, out of which 62 or 83 % of staff are from the dominant ethnic community leaving 12 or 17 % from other ethnic communities contrary to section 65(e) of the County Government Act, 2012 and section 7(1)(2) of the National Cohesion and integration Act, 2008.

Consequently, Management was in breach of the law.

17. Lack of Board of Directors

The Company is registered and incorporated under the Companies Act (Cap 486) vide Certificate of incorporation No. C.135044 dated 9 February, 2007 with Defunct Municipal

Council of Lodwar, Lake Turkana out Source Company Ltd and Rift Valley Water Services Board (RWWSB) as the company shareholders.

During the year under review, a Board of Directors had not been appointed and there was no evidence that the term of the Caretaker Board had been extended. Further, at the time of audit in February, 2021, the Water Environment and Mineral Resources County Executive Member had not appointed the Company Board members contrary to Section 24(1)(2)(3) of the Turkana County Water Act, 2019 which requires the County Government to establish one or more Water and Sanitation services companies to serve as water and sanitation service providers for urban and rural areas in the county. The shareholding of the company shall be held by the County Government and shall have a Board of Directors who shall be appointed by the County Executive Member.

The Water Environment and Mineral Resources County Executive Member is in breach of the law and the Company is not likely to effectively meet its mandate and objectives in the absence of a Board of Directors.

18. Lack of an Audit Committee

The Company did not have an Audit Committee in place during the year ended 30 June, 2020 for monitoring the entity governance process, accountability process and control systems offering objective advice on issues concerning implication, control, regulatory requirement and governance of the Company and oversight to general operations of the company contrary to Section 104(i) of Public Finance Management Act, 2012 which states that each County Treasury shall put in place proper management and control of, and accounting for finances of County Government and its entities in order to promote efficient use of county's budgetary resources.

Consequently, Management was in breach of the law.

19. Lack of an Internal Audit Function

The Company did not have an internal audit function during the year ended 30 June, 2020 responsible for reviewing the governance mechanisms of entity, conducting risk – based, value for money and systems audits, verifying the existence of assets administered by the entity and ensuring that there are proper safeguards for their protection, providing assurance that appropriate institutional policies and procedures and good business practices are followed by entity and evaluating the adequacy and reliability of information available to management for making decisions with regard to the entity and its operations contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which states that a county government entity to have in place appropriate arrangement in place for conducting internal audit according to the guidelines of the Public Sector Accounting Standards Board (PSASB).

Consequently, Management was in breach of the law.

20. Lack of Information Technology Strategic Committee

Audit review of the company's Information and Communication Technology (ICT) revealed that the Company has ICT infrastructure which includes computers and laptops. However, the Company does not have an IT strategic committee, IT strategic plan and policy, IT training policy and programme and approved user management standards and procedures in the organization to manage upgrades and system changes made to all financial/ performance information systems.

To the extent, the Management was in breach of the law.

21. Lack of Debt Management Policy

The statement of financial position reflects trade and other receivables figure of Kshs.65,543,123 as at 30 June, 2020 as disclosed in Note 13 to the financial statements relating to outstanding water billing. However, the organization does not have a Debt Management Policy to provide guidance in management of debts due to the company.

In the circumstances, effectiveness in management and collection of debts could not be confirmed.

22. Lack of Monthly Payroll Reconciliation Statements

The statement of financial performance reflects administrative and operating expenses amount of Kshs53,180,248 which includes salaries, wages and statutory deductions amounting to Kshs.30,691,429 as disclosed in Note 15 to the financial statements. During the year under review, monthly payroll reconciliation statements explaining month to month payroll payment changes were not prepared contrary to Section 158(1)(a)(b) of the Public Finance Management County Government regulations which states that the Accounting Officer shall ensure that— the County Government entity develops risk management strategies, which include fraud prevention mechanism; and the county government entity develops a system of risk management and internal control that builds robust business operations.

To the extent, Management was in breach of the law.

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 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 the Companies Act, 2015, 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 (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

17 February, 2022

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Kshs	2019 Kshs
REVENUES			
Sales/Turnover	8	65,543,123.00	82,495,178
TOTAL REVENUES		65,543,123.00	82,495,178
OPERATING EXPENSES			
Cost of sales	9	7,744,638.00	14,129,426
Administration and operating expenses	10	57,798,485.0	51,664,039
TOTAL OPERATING EXPENSES		57,798,485.00	65,793,465
OPERATING PROFIT/(LOSS)		0.00	16,701,713
Bank charges	11	110,710.00	266,010
PROFIT/(LOSS) BEFORE TAXATION		0.00	16,435,703

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 Kshs	2019 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	14,475,923.00	14,467,764
Total Non-Current Assets		14,475,923.00	14,467,764
Current Assets			
Trade and other receivables	13	65,543,123.00	43,997,009
Bank and cash balances	14	3,600,523.41	5,111,197
Total Current Assets		69,143,646.41	49,108,206
TOTAL ASSETS		69,143,646.41	63,575,970
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	15	100,000.00	100,000
Capital reserve		0.00	2,568,129
Revenue reserve		00.00	18,838,754
Total capital and Reserve		0.0	16,170,625
Non-Current Liabilities			
Borrowings(NIC Loan balance)	16	-	766,398
Total Non-Current Liabilities		-	766,398
Current Liabilities			
Trade and other payables	17	11,989,437.00	65,162,190
Total Current Liabilities		11,989,437.00	65,162,190
TOTAL EQUITY AND LIABILITIES		11,989,437.00	49,757,963

The financial statements were approved by the Board on _____ 2020 and signed on its behalf by:
Date.....

Benedict Ekeru
Team Leader
LOWASCO

Date.....
Thomas Igule
Accountant
LOWASCO

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Capital/Development Grants/Fund	Total
At July 1, 2018	100,000.00	-	-	-	100,000
Total comprehensive income		-	-	-	(6,113,230.24)
At June 30, 2019	100,000.00	-	-	-	100,000
At July 1, 2020	100,000.00	-	-	-	100,000
Issue of new share capital	-	-	-	-	-
Total comprehensive income		-	-	-	(6,113,230.24)
Dividends paid – 2018	-	-	-	-	-
Interim dividends paid – 2018	-	-	-	-	-
Proposed final dividends	-	-	-	-	-
At June 30, 2020	-	-	-	-	100,000

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Kshs	2019 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations		65,543,123.35	106,534,623.00
Interest received			
Interest paid			
Dividends paid			
Taxation paid			
Other expenses		(64,346,622)	(105,011,644)
Net cash generated from/(used in) operating activities		1,733,447.35	1,522,978.95
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment			
Proceeds from disposal of property, plant and equipment			
Net cash generated from/(used in) investing activities		1,733,447.35	1,522,978.95
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital grants			
Repayment of borrowings			
Net cash generated from/(used in) financing activities		1,733,447.35	1,522,978.95
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,733,447.35	1,522,978.95
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,983,233.00	4,376,654.32
Effects of foreign exchanges rate fluctuations			
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		3,600,523.41	2,013,999.88

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NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The company is established by and derives its authority and accountability from the Companies Act. The entity is private company limited by shares and is domiciled in Kenya. The entity's principal activity is provision of Water and sanitation services.

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 entity's accounting policies.

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

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

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

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

Amendment/Interpretation to a standard	Effective date	Impact
IFRS 9: Financial Instruments (Issued 24 July 2014)	Effective for annual periods beginning on or after 1 January 2018	<p>Finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>The standard contains requirements in the following areas:</p> <ul style="list-style-type: none"> Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified by reference to the business model under IAS 39, however there are differences in the

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5
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Amendment/Interpretation to a standard	Effective date	Impact
		<p>requirements applying to the measurement of an entity's own credit risk.</p> <ul style="list-style-type: none"> • Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized • Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures • Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39
<p>IFRS 15: Revenue from Contracts with Customers <i>(Issued 28 May 2014)</i></p>	<p>Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018</p>	<p>IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.</p> <p>The five steps in the model are as follows:</p> <ul style="list-style-type: none"> • Identify the contract with the customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contracts • Recognize revenue when (or as) the entity satisfies a performance obligation. <p>Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced</p>
<p><i>Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)</i> <i>(Issued 19 January 2016)</i></p>	<p>Effective for annual periods beginning on or after 1 January 2017</p>	<p>Amends <u>IAS 12</u> <i>Income Taxes</i> to clarify the following aspects:</p> <ul style="list-style-type: none"> • Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the instrument's holder expects to recover the carrying amount of the debt

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Amendment/Interpretation to a standard	Effective date	Impact
		<p>instrument by sale or by use.</p> <ul style="list-style-type: none"> The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.
<p><i>Disclosure Initiative (Amendments to IAS 7)</i> <i>(Issued 29 January 2016)</i></p>	<p>Effective for annual periods beginning on or after 1 January 2017</p>	<p>Amends <u>IAS 7 Statement of Cash Flows</u> to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.</p>
<p><i>Clarifications to IFRS 15 'Revenue from Contracts with Customers'</i> <i>(Issued 12 April 2016)</i></p>	<p>Effective for annual periods beginning on or after 1 January 2018</p>	<p>Amends <u>IFRS 15 Revenue from Contracts with Customers</u> to clarify three aspects of the standard (identifying performance obligation, principal versus agent considerations, and license) and to provide some transition relief for modified contracts and completed contracts.</p>
<p><i>Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)</i> <i>(Issued 20 June 2016)</i></p>	<p>Effective for annual periods beginning on or after 1 January 2018</p>	<p>Amends <u>IFRS 2 Share-based Payment</u> to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.</p>

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ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Amendment/Interpretation to a standard	Effective date	Impact
<i>IFRS 16: Leases</i> (Issued 13 January 2016)	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
<i>IFRIC 23: Uncertainty over Income Tax Treatments</i> (Issued 7 June 2017)	Applicable to annual reporting periods beginning on or after 1 January 2019	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances
<i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> (Issued 12 December 2017)	Annual periods beginning on or after 1 January 2019	Makes amendments to the following standards: <ul style="list-style-type: none"> • IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. • IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the

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8
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Amendment/Interpretation to a standard	Effective date	Impact
<i>IFRS 16: Leases</i> (Issued 13 January 2016)	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
<i>IFRIC 23: Uncertainty over Income Tax Treatments</i> (Issued 7 June 2017)	Applicable to annual reporting periods beginning on or after 1 January 2019	<p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances
		<p>paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.</p> <ul style="list-style-type: none"> • IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows <i>generally</i> when calculating the capitalisation rate on general borrowings.
<i>Plan Amendment, Curtailment or Settlement</i> (Amendments to IAS 19) (Issued 7 February 2018)	Annual periods beginning on or after 1 January 2019	<p>The amendments in <i>Plan Amendment, Curtailment or Settlement</i> (Amendments to IAS 19) are:</p> <ul style="list-style-type: none"> • If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for

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Amendment/Interpretation to a standard	Effective date	Impact
<i>IFRS 16: Leases</i> (Issued 13 January 2016)	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
<i>IFRIC 23: Uncertainty over Income Tax Treatments</i> (Issued 7 June 2017)	Applicable to annual reporting periods beginning on or after 1 January 2019	<p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances
		<p>the remeasurement.</p> <ul style="list-style-type: none"> • In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The Directors shall be applying the above and relevant standards as they become effective.

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

Early adoption of standards

The company has adopted any new or amended standards where relevant to its operations on Financial period beginning on or 1st January 2014.

5. 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 recognised 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 recognised 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 recognised 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 National Government** 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 lease agreements.
- vi) **Other income** is recognised 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.



6.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a)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.

b)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 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
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

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)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

d) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

e) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

f) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity 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 recognised 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 recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) 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.

h) Trade and other receivables

Trade and other receivables are recognised 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.

i) 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 Entity 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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Taxation (Continued)

Current income tax (Continued)

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. Current income tax relating to items recognized directly in net assets is recognized in net assets and

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.

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Taxation (Continued)

Deferred tax (Continued)

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.

l) Cash and cash equivalents

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

M) Borrowings

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

n) 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.

o) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2017. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently ~~at Kshs.200~~ per employee per month.



q)Provision for staff leave pay

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

r)Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters in to in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

s)Comparative figures

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

t)Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

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11. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity'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.

12. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 Entity 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 Entity. 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 Entity
- 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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

13.SALES/TURNOVER

sales amount is inclusive of reconnection fees and other charges

	2020	2019
	Kshs	Kshs
Sales/Turnover	65,543,123.00	82,495,178
TOTALS	65,543,123.00	82,495,178

14. COST OF SALES

	2020	2019
	Kshs	Kshs
Electricity for pumping water	7,744,638.00	13,836,946
Chemicals	-	292,480
TOTALS	7,744,638.00	14,129,426

15. ADMINISTRATION AND OPERATING COSTS

	2020	2019
	Kshs	Kshs
Salaries, wages and statutory deductions	30,691,429.00	28,043,831
Telephone and postage	1,819,373.64	1,794,589
Travel and Accommodation	2,417,000.00	2,530,000
Stationary and office supplies	1,126,110.00	687,812
Training and development	1,548,300.00	1,060,000
Bank charges	110,710.00	135,802
Depreciation	-	3,946,032
Regulatory/Water Levies	-	1,780,225
Hire charges	123,450.00	60,700
Repair and maintenance	8,426,323.00	6,510,748
Operation cost	5,089,200.00	3,057,280
Fuel and lubricant	1,145,000.00	876,550
Insurance costs	186,152.00	166,170
Cleaning Expenses	115,200.00	51,300
Auditors' remuneration	382,000.00	382,000
Sales and marketing	528,500.00	581,000
Platinum	-	-
Total	53,180,247.6	51,664,039

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16. FINANCE COSTS

	2020	2019
	Kshs	Kshs
Interest expense on loans	110,710.00	266,010.00
Asset repossession order cancellation		
Total	110,710.00	266,010.00

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17. PROPERTY, PLANT AND EQUIPMENT

2019	Freehold land	Buildings, Water & Sewer Works	Meters and equipment	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST OR VALUATION							
July 1, 2017	Kshs. -	Kshs. 16,748,352	Kshs. 1,329,089	Kshs. 11,147,250	Kshs. 736,687	Kshs. 185,351	Kshs. 30,146,729
Additions	-	-	-	-	633,243	406,750	1,039,993
Total assets cost As At June 30, 2018	-	16,748,352	1,329,089	11,147,250	1,369,930	592,101	31,186,722
DEPRECIATION							
Accumulated depreciation As At July 1, 2017	-	-	947,079	7,615,250	639,503	140,589	9,342,421
Charge for the year	-	418,709	166,136	2,786,813	279,314	61,033	3,712,005
Accumulated depreciation As AT 30th June 2018	-	418,709	1,113,235	10,402,063.00)	918,817	201,622	13,054,437
At June 30, 2019	-	-	-	-	-	-	-
NET BOOK VALUE		17,167,061.00	2,442,324.00	21,549,313	2,288,747.00	793,723.00	44,241,159.00
2018/2019							
Total Asset cost As At 30TH JUNE 2018		16,748,352	1,329,089	11,147,250	1,369,930	592,101	31,186,722
ADDITION IN THE YEAR					281,500	18,500	281,500
ASSET COST AS AT 30TH JUNE 2019		16,748,352	1,329,089	11,147,250	1,632,930	610,601	31,468,222
DEPRECIATION							
ACCUMULATED DEPRECIATION AS AT 1ST JULY 2018		418,709	1,113,235	10,402,063	918,817	201,622	13,054,437

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 26 APR 2021

CHARGES FOR YEAR	-	418,709	-	166,136	-	2,786,812	-	489,879	-	76,325	-	3,937,862
ACCUMULATED DEPRECIATION AS AT 30TH JUNE 2019	-	837,418	-	1,279,371	-	13,188,876	-	1,408,696	-	277,947	(16,,992,298.63)	
NET BOOK VALUE	-	15,910,934		49,718	-	2,041,626		224,234		332,654		14,475,923

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18. TRADE AND OTHER RECEIVABLES

	2020	2019
	Kshs	Kshs
Trade receivables	65,543,123.00	42,017,594
Deposits and prepayments	2,523,069.00	1,979,415
VAT recoverable		-
Other receivables		-
Gross trade and other receivables	68,066,192.00	43,997,009

19. BANK AND CASH BALANCES

	2020	2019
	Kshs	Kshs
Cash at bank	3,600,523.41	5,054,137
Cash in hand	-	57,060
	3,600,523.41	5,111,197

20. ORDINARY SHARE CAPITAL

	2020	2019
	Kshs	Kshs
Issued and fully paid:	100,000.00	100,000

21. BORROWINGS

	2020	2019
	Kshs	Kshs
Balance at beginning of the year	1,983,233.00	1,900,388
Domestic borrowings during the year	-	-
Repayments of domestics borrowings during the year		1,400,000
Interest due	110,710.00	266,010
Balance at end of the year	110,710.0	766,398

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24

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22. TRADE AND OTHER PAYABLES

	2019	2018
	Kshs	Kshs
Trade payables	11,989,437.00	65,162,190
Accrued expenses		
	11,989,437.00	65,162,190

23. FINANCIAL RISK MANAGEMENT

The entity'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.

24. INCORPORATION

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

25. EVENTS AFTER THE REPORTING PERIOD

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

26. CURRENCY

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

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2

