

REPUBLIC OF KENYA

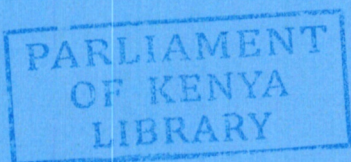


Enhancing Accountability

REPORT

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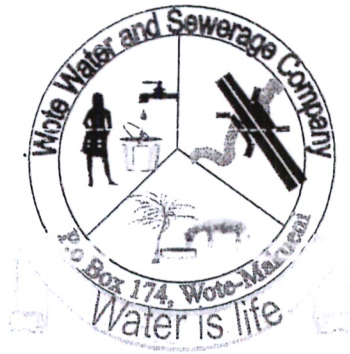
ON

**WOTE WATER AND SEWERAGE
COMPANY LTD**

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

10





OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.

27 JAN 2023

RECEIVED

WOTE WATER AND SEWERAGE COMPANY LIMITED (WOWASCO)

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

Wote Water and Sewerage Company Ltd (*WOWASCO*)
Annual Report and Financial Statements for the year ended June 30, 2022

Wote Water and Sewerage Company Ltd (WOWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

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I. Key Entity Information

Background information

Wote Water and Sewerage Company Limited was established by the Company's Act of Parliament on 28th June 2006 and operate as a county entity of County Government of Makueni pursuant to section 78 of Water Act 2016. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya.

Principal Activities

The principal activity of the Company is water service provision.

Vision

Access to quality, reliable and affordable water and sewerage services for all

Mission

To provide clean, safe, reliable, affordable and sustainable water and sewerage services through collaborative processes within Wote and its environs.

Core Values

Integrity, Professionalism and commitment, accountability and transparency, Customer focus, Equity, Team work.

Core Objectives

- Increase access to water and sanitation services and coverage within area of jurisdiction
- Institutional strengthening of the company
- Ensure operational efficiency and sustainability of the company
- Attain financial sustainability of the company
- Ensure optimal utilization of available water/ optimizing water usage
- Mainstreaming cross-cutting issues of poverty, gender , environment and HIV/AIDS which impact on water and sanitation

Directors

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

- | | | | |
|-----|-----------------|---------------------|--|
| 1. | Juliana Mutisya | - Chairperson | - Appointed on 25 th September 2021 |
| 2. | Becorace Wambua | -Managing Director | - Appointed on 9 th February 2022 |
| 3. | Rosemary Maundu | -CECM Water | - Appointed on 25 th September 2021 |
| 4. | Mary Kimanzi | -CECM Finance | - Appointed on 25 th September 2021 |
| 5. | Rose Musyoka | | -Appointed on 25 th September 2021 |
| 6. | Daniel Mututa | | -Appointed on 25 th September 2021 |
| 7. | Titus Uswii | -Chairperson | -Left on 25 th September 2021 |
| 8. | Elijah Mzungu | -Managing Directors | -Left on 9 th February 2022 |
| 9. | Janet Nzuki | | -Left on 25 th September 2021 |
| 10. | Juliana Muli | | -Left on 25 th September 2021 |
| 11. | Joseph Ndunga | | -Left on 25 th September 2021 |

Registered office

Makueni sub county offices

Opposite Makueni County Referral Hospital

P.O. Box 174-90300

Makueni, Kenya

Corporate Contacts

Telephone: (254) 04433087

E-mail: wowascowote@yahoo.com

wowascofinance21@gmail.com

Customer care Line: 0790833100/0783833100

Corporate Bankers

Equity Bank Limited

Wote Branch

P.O Box 450-90300

Makueni, Kenya

Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

Principal Legal Advisers

The Attorney General


State Law Office, Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

II. The Board of Directors






Ref	Directors	Details
1.	<p>CPA Juliana Mutisya</p>  <p>Chairperson</p>	<p>Age:48</p> <p>Academic Qualification: Master in Business Administration</p> <p>Key Professional Qualification:CPA (K), CPS(K),IHRM</p> <p>Work Experience: Over 15 Years in Financial administration and Management</p>
2.	<p>Becorace Wambua</p>  <p>Managing Director</p>	<p>Age:53</p> <p>Academic Qualification: Master in Business Administration</p> <p>Key Professional Qualification: EIA/EA Expert</p> <p>Work Experience: Over 12 Years in Management</p>
3.	<p>Rosemary Maundu</p> 	<p>Age:55</p> <p>Academic Qualification: Master in Business Administration</p> <p>Key Professional Qualification: Business Administration</p> <p>Work Experience: Over 10 Years in Executive Management</p>
4.	<p>CPA Mary Kimanzi</p> 	<p>Age:50</p> <p>Academic Qualification: Master in Business Administration</p> <p>Key Professional Qualification: CPA(K)</p> <p>Work Experience: Over 10 years in financial planning and management</p>

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<p>5.</p>	<p>Dr. Rose Musyoka</p> 	<p>Age:56 Academic Qualification: PHD-Public policy Key Professional Qualification: Registered planner Work Experience: Over 20Years in Land Management, Policy and Research</p>
<p>6.</p>	<p>Eng. Daniel Mututa</p> 	<p>Age:51 Academic Qualification: Master in Business Administration Key Professional Qualification: Engineer Work Experience: Over 15 Years in water engineering and Project Management</p>

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III. Management Team

Ref	Management	Details
1.	<p>Managing Director</p>  <p>Becorace Wambua Master in Business Administration</p>	<ul style="list-style-type: none"> • Develop and recommend to the organization long term strategies, business plans and annual operating budgets and establishments of proper internal monitoring and control systems. • Identify financial requirements for the functions and activities of WOWASCO • Attend to all matters related to the functions and policies of the organization.
2.	<p>Commercial Manager</p>  <p>James Manthi Certificate in water technology Advanced certificate in Business Management</p>	<p>Main Responsibility To ensure that the strategies for services delivery and revenue generation of WOWASCO is carried out in accordance with laid down procedures in a more efficient and effective manner.</p>
3.	<p>Finance Manager</p>  <p>CPA David Maingi BCOM (Finance), CPA (K)</p>	<p>Main Responsibility To ensure that all financial resources of the company are acquired, disbursed, prudently invested, fully accounted and reported for a financially sound company.</p>
4.	<p>Technical Manager</p>  <p>Gideon Munyao Diploma in water Engineering</p>	<p>Main responsibility</p> <ul style="list-style-type: none"> • To oversee the company's Technical operations • To provide strategic and technical leadership in the Technical department to ensure provision of high quality services.
5.	<p>Elijah Mzungu</p>  <p>Managing Director Certificate in water supplies</p>	<p>Left on 9th February 2022</p>

IV. CHAIRMAN'S STATEMENT

As we transit into the new fiscal year, I have the pleasure to present the financial statements for the year ended 30th June 2022.

In the year under review we remained focused and committed to meeting our obligation to satisfy our customer needs in line with the company's mission of providing clean, safe, reliable, affordable and sustainable water and sewerage services. This was achieved through collaborative process with stakeholders within Wote town and its environs.

The company's main challenges have been limited surface water sources and low yields in the ground sources available. This result in to a demand that is surpasses supply of water required to meet the desired population and coverage. The limited water sources translate to low revenue that is equally insufficient to meet the company needs.

Other challenges include a dilapidated infrastructure with high maintenance costs and an all pumping system that results into high cost of power.

Despite all these challenges, service delivery remained uninterrupted throughout the year. Thanks to the determination and responsiveness of the Directors, Management and staff for their concerted performance in their mandate.

Being the biggest town in the county, Wote town is undergoing rapid growth. The demand for water too is on a steady growing trajectory. This therefore calls for an equally matched expansion of the existing pipeline network coverage which is only achievable if stakeholders pool their resources together to support the initiative. The board of directors will continue to uphold good governance that will steer the Water Service Provider to expand and develop from its current small status to the next categories of medium and large in the next few years.

I am sincerely grateful to all stakeholders, Government of Kenya, Government of Makueni County, our esteemed customers, fellow directors, management team, staff and all our suppliers for the continued support to our water service provision endeavour.

.....
Juliana Mutisya
Chairperson Board of Directors

Date : 23/01/2023

V. REPORT OF THE MANAGING DIRECTOR

It is with great pleasure, that I present the Company's report of service delivery and financial performance for the year ended 30th June 2022.

Our service provision agreement mandates the company to provide water and sanitation services to Wote town and its environs that includes parts of Nziu, Kilala, Ukia, mukuyuni, muvau, kathonzweni and Kako, sub wards with a population of approximately 120,000 people

During the year under review the company relied on two main water sources and three other minor sources for provision of water namely: -

These main sources are;

1. Mwaani Intake with three boreholes
2. Kaiti I sand dam sump and treatment works

The two sources had a combined daily average production of 1,400 cubic meters of water during the wet season. During dry season the production can drop to an average of 600 cubic meters per day.

The minor sources are;

1. Kaiti Borehole with a daily production capacity of 32 cubic meters
2. Kilala borehole with a daily production capacity of 96 cubic meters
3. Mukuyuni swaa sand dam with a daily production capacity of 100 cubic meters
4. Kiti kyumu borehole

The three had a combined average production of 550m³ per day.

Kitikyumu borehole has 22 private water connections and 8 public water kiosks. It serves water trucks also. Plans are underway to distribute the water to Malivani and Mwanzo areas.

The company's operations faced various challenges during the year that contributed negatively to its financial strength as outlined below: -

- The continued dry spell has affected negatively on our revenue collection.
- The high operational cost related to the rising cost of repair materials and fuel
- The unfavourable cost of water production given that we rely on an all-pumping option that is subject to cumulative high electricity, fuels and pumping plant maintenance costs.
- Low water production in our sand dam sump intake due to the low rainfall during the year.

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- Road opening and expansion works that damaged our pipeline infrastructure resulting to major water losses.
- There were also several cases of water losses caused by vandalism of our flow control valves at night and other-related malpractices.
- Total water available for distribution was below 2000m³/day while the estimated demand for Wote town alone is above 4,000m³/day.

However, the company remained operational and delivered services throughout the year despite all the above challenges and constraints.

I wish therefore to express my thanks to all stakeholders for their very valued support. These were:

- The Government of Kenya
- The Government of Makueni County
- Our development partners i.e. WASREB, WRA, TWWDA, WASPA and KIWASH
- WOWASCO Board of Directors
- WOWASCO management and staff
- Our suppliers, Customers and entire community

May we maintain the same spirit and determination during the new financial year 2022/2023. God bless you.

Thanks you.



Becorace Wambua

Managing Director

Date: 23/01/2023

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED

OBJECTIVES FOR FY 2021/2022

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Wote Water and Sewerage Company has 5 strategic pillars and objectives within the current Strategic Plan for the FY 2017/2018- FY 2021/2022. These strategic pillars are as follows:

Pillar 1: Water and Sewerage Infrastructure development

Pillar 2: Operational Efficiency and Customer Service

Pillar 3: Financial Sustainability

Pillar 4 Institutional Capacity Strengthening

Pillar 5: Corporate Governance

Wote Water and Sewerage Company Ltd develops its annual work plans based on the above 5 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2021/2022 period for its 2 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Water and Sewerage Infrastructure development	Increase water supply coverage from 27% to 32% by the year 2022	Increase water production from 1500M ³ /day to 2,750M ³ /day	. Develop Kaiti I source	Current average water production is 1,500M ³ /Day
			. Develop Kaiti II & III	
			. Rehabilitate Kamunyolo dam and Treatment works	Dam rehabilitated waiting for rains
		Rehabilitation of existing network	. New Rising main from Kaiti I	. 6" Kaiti I Rising main functional . Treatment Works at Kaiti I functional
			. New Rising main at Kaiti II . Rehabilitate mwaani old	

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			rising main	
			Rehabilitate old Kamunyolo Rising main	
		Pipeline extension	Kitikyumu-mwanzo pipeline extension	On progress
		Increase Storage facilities	Construct 200M ³ extra tank at Makueni Boys	
			Construct 200M ³ tank at Unoa	200M ³ tank in place
			Construct 2NO 150M ³ tanks at Kilala	2NO 150M ³ at Kilala in place
	Increase Sanitation/Sewerage Coverage from 70% to 90%	Introduce exhauster services	Procure an exhauster	
		Develop a Decentralized Treatment Facility(DTF)	Proposal prepared for WTF assistance	Proposal forwarded to WTF
		Develop a new sewer system for Wote town	Mandate depends on County Government plans.	
		Ensure effective waste water treatment		
Pillar 2: Operational Efficiency and Customer Services	Reduce Non-Revenue Water from 37% to 35%	Active leak detection	Physical pipeline patrols along Mains and zonal networks	Continuous
		Eliminate illegal connections	Search to identify illegal connections in each zone	Continuous
		Pressure Management	Construction of Break Pressure Tanks	Installed along Mukuyuni/s waa distribution and Kiiaia return distribution
		Improve meter accuracy	Servicing of meters	Continuous
			Replacement of Non-functional meters	Continuous
			Do meter sealing to check tempering	Meter sealing equipment in place and in use
			Install high efficiency water meters	Installation is on going
		Develop NRW	Formation of NRW team	Team

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		Reduction framework	(Technical and Commercial)	functional
			Operational schedule of NRW Team	Defined schedule in place
	Put in place all operating manuals and necessary systems and procedures	Strengthen Internal Controls	Develop at least five (5) operating manuals	HR Manual in place
				Finance Manual in place
	Ensure 100% automation and integration of all business processes by 2022	Increase efficiency through automation	Develop a billing system	Computerised billing system in use
			Introduce smart meter reading	In place
			Install bill querying function	
		Ensure all systems are integrated		
	Increase Customer Satisfaction level from 53% to 65% by June 2022	Improve Service delivery	Sensitize staff on Customer Service approach	Efficiency improved -Billing -New connections -Re-connections -Complaints handling
		Develop and implement a customer Service charter	Fully Developed	In use
		Develop and implement a Customer Service Management System		
		Enhance Customer and Stakeholder communication and engagements	Develop a company website	
Pillar 3: Financial Sustainability	Achieve 100% O&M Cost Coverage	Increase revenues collection from Kshs 3 Million to Kshs 4Million per month	Observe strict water rationing schedule	Achieved Kshs 3.5 Million revenue per month

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			Accuracy in meter reading and posting has been stepped up	Continuous
			Response to curb technical and commercial water losses also stepped up	Continuous
			Exhaustive meter reading and Billing	Continuous
			Curb commercial and technical losses	Continuous
		Grow revenues from Sewer/exhauster trucks/DTF	Develop a Proposal for funding and submit to WSTF for funding	Proposal not funded
	Increase current revenue base from Kshs 3 Million to Kshs 4.5 Million per month by December 2022	Develop and implement appropriate tariff	Apply for a regular tariff	Still using old tariff
		Source for external financial and non-financial resources	Shared challenges with County Government, TWWDA and other partners like KIWASH County government has developed Kaiti 1 by constructing a collector sump 400m ³ and rehabilitated Kamunyolo earth dam	County Government/ TWWDA partnering in sources development i.e., Kaiti I, II, Kamunyolo dam rehab. KIWASH on Mukuyuni/s waa rehab.
	Improve billing efficiency from 98% to 100%	Introduction of smart meter reading	Ensure that all meters are read	Continuous process
		Sensitize the customers on the need for access during meter readings	-Ensure that all meters are easily accessed -Cleaning of stopped meters -Replacing of stalled meters	Continuous process
	Reduce account receivables by 45% from Kshs 6.8Million to	Reduce amount of debtors	Discus and agree payment on instalment where applicable	Total indebtedness on reducing trend

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	3.7million by December 2022	Reduction of overdue days from current to less than 30 days		
		Provide for bad and doubtful debts	Carryout an analysis of these debts	Provision made
	Strengthen Financial Management Systems	Implement an integrated financial management system	To seek consultancy on the same when funds are available	Idea in place
		Formulate and implement financial and audit policies	Formation of financial documents with KIWASH assistance	Financial documents in place
Pillar 4: Institutional Capacity Strengthening	Meet the WASREB acceptable level for number of staff per 1000 connections by December 2022	Implement desired organization structure	Develop a structure	Organogram in place
	Improve employee satisfaction level from 43% to 60%	Carry out staff rationalization	<ul style="list-style-type: none"> Carry out job evaluation Carry out employee satisfaction survey 	Evaluation not done
		Improve employee capacity and competencies	Improved to levels within the company's financial capability	Staff deployed according to their competencies
		Improve on working conditions and environment	Improved within the company's financial capability Carryout work environment survey	Working conditions fair
		Provide office infrastructure	Office equipping as need be	Office equipped within the company's financial capability
		Facilitate employee mobility	Have a company's vehicle and motor bikes	
		Improve employee terms and conditions of service	Develop a job evaluation document	Document in place

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	Improve WOWASCO's image and visibility through branding	Identify and implement appropriate branding for WOWASCO	Improvement of branding in progress	Activity continuous
		Develop a website	Publicise company	
	Develop Risk Management Framework	Asset protection	Tag all assets	
		Develop a Risk Management Strategy		
Pillar 5: Corporate Governance	Embed good Governance practices	Strengthen Capacity of the Board on Corporate Governance	One training done to the current Directors	Understanding of the Board's mandate
		Develop structures and instruments of good Corporate Governance	Relevant documents preparation in progress	Strategic plan, Finance manual and HR manual are the documents complete so far.
	Improve Stakeholder relations	Improve Stakeholder engagements/collaborations	Hold stakeholders meeting forums	Continuous

VII. CORPORATE GOVERNANCE STATEMENT

During the year under review the board held four (4) full board meetings and six (6) Board of directors committee meetings this translating to a total of thirteen (13) meetings. The attendance of the members was 99%.

The succession plan of the directors is as guided by the Water Services Regulatory Board (WASREB) guidelines and the Memorandum and Articles of association of Wote water & sewerage Company Limited. These require that after the third year from the date of boards inauguration, a third of the director's number shall retire and be replaced. This shall continue by rotation every successive year.

The new board of directors was appointed in observance of the Water Act 2016, Makueni county water act 2020 and WASREB regulations. This current board was inaugurated in September 2021 after a successful competitive process by the County government. Effectively replacing the interim one that had served from 2018.

The roles of the board is mainly policy formulation. The new board went through induction training on corporate governance to prepare it appropriately for both board and individual performance and competence.

The boards' remuneration is mainly sitting allowance for all members for each meeting attended and a monthly honorarium for the chairperson of the board.

The members are subject to observance and adherence to integrity tenets that include, conflict of interest, code of ethics and conduct and other issues related to governance as stipulated in the WASREB corporate governance guidelines for the water sector 2018.

The current board is focused on addressing issues relating to compliance to WASREB guidelines 2018. Application process for a licence has commenced with the requisite fee having been paid. The board is also keen on addressing issues relating to quality and standards as stipulated by the regulator.



.....
Becorace M Wambua

Managing Director

Date : 23/01/2023.....

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

The company's operations relied on 2 No. main sources and 4 No minor sources as outlined below: -

Major Sources (2 No)

Mwaani pumping station (3No boreholes)

The source produced around 800m³/day. The water is pumped to a booster station 3 Km away from where it is lifted 160m head to the storage tanks for distribution.

Kaiti I pumping station and treatment works:

- In the FY 2021-2022 very little rainfall was received which affected the water storage in the Kaiti sand dam therefore an average production of 500m³/day.
- During the year a surface pump was installed in Kaiti 1 as a backup in case of any breakdowns of the one in use.

Minor water sources

Kilala borehole:

Was operational all the year round and its water is used to serve the kilala town, Itangini market and the surrounding environs.

Kaiti borehole

It's a minor source that relies on diesel pumping and serves only Malivani secondary school and a few residents. The borehole yield is less than 6m³ per day

Mukuyuni/Swaa

A sand dam source that pumps water to Mukuyuni and parts of Okia. The volume produced is quite low (about 120m³/day)

Kitikyumu Borehole

The source is fully operational and has a yield of 16m³ per day. The source serves the area residents of Kitikyumu, Itandi, Nganza, and Kavila villages.

Kamunyolo Dam

Rehabilitation of the dam was completed by December 2021. No sufficient rains have been received to fill water in the dam to enable utilisation.

The rehabilitation of the dam was done by the Makueni county government in partnership with Tanathi water works development agency.

Ongoing projects

Kaiti IV –Last mile connectivity (TWWDA)

Started in the 2nd half of the FY 2020-2021.

- 160mm diameter, 6Km rising main- 80%
- Sand dam weir- not started
- Collection sump- not started

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- 150M³ storage tank – substantially completed
- 160mm diameter – Not started
- 110mm diameter – 4km done

Augmentation of Wote water supply

The project was started early January 2020

Project scope

- Construction of a 1km raising main of HDPE 75mm diameter to an elevated tank
- Pipeline extension of 5km distribution line of HDPE 75mm diameter
- Construction of 100m³ steel elevated storage tank
- Construction of 3no. water kiosks

Compliance to statutory obligations

The company complied with statutory obligations i.e. KRA, NSSF NHIF.

The WSP owes outstanding amounts of abstraction levy WRA and regulatory levy to WASREB and TWWDA

The management however entered into a M.O.U of gradual monthly payments of the debt which is being honoured.

Risks;

Major risks have been: -

- Limitation of the existing sources production to meet the rapidly rising demand
- The reliance of the sand dam sources on rains with risk of reducing or drying up during droughts.

Financial performance

The company has been experiencing financial constraints majorly due to high operational costs attributed to a all water pumping system needing power for pumping. This has been reflected in the statement of profit or loss and other comprehensive income. Subsequently, the same has had effect to increase in creditors and other payables thereby resulting to a negative working capital which threatens the going concern aspect of the company.

Below is a summary of the key financial indicators for the last three (3) years.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Profit/(loss) before taxation	(586,416)	(1,206,742)	(5,932,220)
Working capital	(6,577,186)	(6,500,464)	(5,862,274)
Trade and other payables	21,878,793	19,884,695	20,036,295

However, in view of the above, the company is working closely with the County Government of Makueni and other development partners to solarize our pumping stations in order to reduce on the water production cost.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Wote water and sewerage company Ltd exists to transform lives. This is our purpose: the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

- The company ensured maintenance of the current water sources
- The company with assistance of the county government enhanced also on the improvement of the current water sources i.e. Kaiti I sump construction and weir rising
- Works also continued on the development of new sources i.e. the Kitikyumu borehole, the Kamunyolo dam rehabilitation and the Kaiti IV last mile connectivity ongoing construction.
- This is geared towards increasing water distribution for domestic use.

ii) Environmental performance

The policy centres on dealing with the areas of

1. Cost of water production
2. Water pollution, security and quality
3. Quantity of water produced
4. Semi-arid nature of the area with surface water scarcity
5. Seasonal rivers with dry sand beds

The few achievements regarding the above areas have been: -

1. Knowledge that green energy can lower the operation cost if applied i.e. in Mukuyuni swaa
2. intake pumping
3. Water quality has been ensured through water treatment at Kaiti I station
4. Strategies are in place to improve on water production and its distribution quantity.
5. The scarcity of surface water has been addressed partly through investment in ground water hydro survey and production from the boreholes sunk
6. Concrete sand dam weirs structures and upstream collection sump intakes are investing in the existing sand beds of seasonal rivers.

iii) Employee welfare

Hiring of staff is done competitively, observing gender equality to the best extent in a technical company.

The WSP though small is still in the process of developing all the relevant operational manuals. The HR and Finance manuals as well as the strategic plan are in place.

iv) Market place practices-

Responsible competition practice.

In line with ensuring competition practices the WSP has put in place the following. -

- A displayed service charter providing a summary of service processes
- The charter also displays the core values enhancing integrity and anti-corruption.
- The company ensures that water is treated to make it potable as opposed to water venders from unknown sources.

v) Corporate Social Responsibility / Community Engagements

The company donated free water from Kamunyolo earth dam to Muambani self-help group concerned with planting and growth of tree seedlings that include fruit trees. The group has grown tree nurseries of different varieties near the dam and they supply to the community members with seedlings whenever they demand. The free water enabled the seedlings to survive the long drought witnessed in the year.

X. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the company's affairs.

i) Principal activities

The principal activity of the Company is water service provision

ii) Results

The results of the company for the year ended June 30, 2022 are set out on page 1. Below is summary of the profit or loss made during the year.

	<u>2022</u>	<u>2021</u>
Total Revenue	46,845,401	41,193,921
Total Expenses	(47,431,817)	(42,400,663)
Profit/(Loss) before tax	(586,416)	(1,206,742)

iii) Dividends

The directors do not recommend payment of dividends due to the ownership of the company being a county government entity.

iv) Directors

The members of the Board of Directors who served during the year are shown on page v In accordance with Regulation 58 of the company's Articles of Association.

v) Auditors

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

By Order of the Board

Becorace Wambua

Signature.....

Date.. 23/01/2023.....

Managing Director/Secretary to the Board

XI. Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of 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 Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

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

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

Approval of the financial statements

The company financial statements were approved by the Board on 23rd January 2023 and signed on its behalf by:



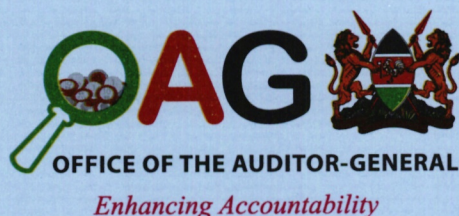
.....
Juliana Mutisya
Chairperson of the Board



.....
Becorace Wambua
Managing Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON WOTE WATER AND SEWERAGE COMPANY LTD FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal control, 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 Wote Water and Sewerage Company Limited set out on pages 1 to 46, which comprise the statement of financial position as at 30 June, 2022 and statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the 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 Wote Water and Sewerage Company Limited (WOWASCO) as at 30 June, 2022 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 Water Act, 2016 and Companies Act, 2015.

Basis for Qualified Opinion

1. Unsupported Trade and other Payables

The statement of financial position and as disclosed in Note 26 to the financial statements reflects total current liabilities balance of Kshs.21,878,793 which includes Kshs.16,621,744 on other payables. The balance includes accrued electricity expenses totalling Ksh.11,304,174. However, the electricity bills in support of the liabilities were not presented for audit review.

In the circumstances, the accuracy, regularity and fair statement of trade and other payables balance of Kshs. 21,878,793 as at 30 June, 2022 could not be confirmed.

2. Inadequate Provision for Long Outstanding Trade and Other Receivables

The statement of financial position and as disclosed in Note 20 the financial statements reflect trade and other receivables balance of Kshs.12,145,498. Review of the analysis provided under Note 20(a) and 20(b) and the documents provided in support of the balance revealed that trade receivables balance was net of provision for bad debts of Kshs.708,927 which is equivalent to 10% of gross receivables balance. However, note 20(a) shows that trade receivables totalling Kshs.7,089,268 out of a total of Kshs.12,830,159 (or 55%) of the gross trade receivables had been outstanding for more than 120 days, implying that their collectability was doubtful. Consequently, the adequacy of the 10% provision for bad debts may not be representative of the impairment levels of debtors. Management did not indicate the strategies being put in place to promptly collect the long outstanding debts.

In the circumstances, the accuracy and fair statement of trade and other receivables balance of Kshs.12,145,498 as at 30 June, 2022 could not be confirmed.

3. Non-Disclosure of Operational Revenue

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflect operating revenue of Kshs.41,422,868 for the year under review. Included in this amount were water sales totalling to Kshs.37,047,326 and billing for other services of Kshs.4,375,542. However, review of the Company records and

documents revealed that the Company did not record any revenue from water sales and other services (trucking water sales) during the months of April - June 2022. The Company did not explain the reason for non-receipt of this category of revenue in the period despite being operational and continuing to render the said services.

In the circumstances, the accuracy and completeness of the operating revenue of Kshs.41,422,868 reflected in the financial statements for the year ended 30 June, 2022 could not be confirmed.

4. General and Operational Expenses

During the financial year under review, the company reported expenditure of Kshs.17,526,165 under general and operations expenses. However, analysis of the payment schedules and supporting documents to the payment vouchers revealed the following anomalies;

- i. The water company used request for quotation method of procurement but the seven firms contracted for the supplies of goods and services were not in the list of registered suppliers for the period 2021-2022.
- ii. Invoices and payment receipts in support of the expenditures were not attached to the vouchers.
- iii. Local Purchase Orders were not issued to the suppliers as required.
- iv. Inspection and acceptance committee reports were not provided for audit review.

In the circumstances, the accuracy, regularity and validity of expenditure on general and operation expenses totalling Kshs.17,526,165 for the year ended 30 June, 2022 could not be confirmed.

5. Maintenance Costs

The statement of profit or loss and other comprehensive income and Note 12 to the financial statements for the year ended 30 June, 2022 reflects maintenance expenses of Kshs.3,851,271. However, review of documents provided for audit in support of the expenditure showed some errors and misstatements as detailed here below;

- i) Included in the maintenance costs is Kshs.2,265,492 incurred in maintenance of the water supply system. However, board and management minutes approving maintenance of the water system was not provided. Further, the procurement process for the engineers who carried out the maintenance and their terms of engagement was not provided.
- ii) Included in the maintenance costs is expenditure of Kshs.786,348 incurred on maintenance of motor vehicles, trucks and motor cycles. However, it was noted that motor vehicle repairs and service done during the financial year on motor vehicle registration no. KCJ 321A were not recorded under reports and defects in the driver's work tickets.

- iii) Maintenance expenses amounting to Kshs.514,729 were not supported by electronic trading receipts from merchants.

In the circumstances, the accuracy, regularity and validity of expenditure totalling Kshs.3,851,271 on maintenance expenses as at 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Wote Water and Sewerage Company Ltd 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. Unresolved Prior Year Matters

In the audit report for the previous year several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in the Use of Public Resources. However, the Management has not resolved the issues or provided an explanation for the delay in resolving the prior year audit issues.

2. Declining Financial Performance

The statement of profit or loss and other comprehensive income indicates that the operations of the company for the year resulted in loss before taxation of Kshs.586,416. Further, the statement of financial position further reflects current liabilities totalling Kshs.21,878,793 which exceed current assets of Kshs.15,301,607 by Kshs.6,577,186 which indicates that, the company is technically insolvent. The statement also indicates that trade and other receivables increased from Kshs.11,636,028 in the prior period to Kshs.12,145,498 by Kshs.509,470.

Similarly, the statement of financial position reflects trade and other payables totalling Kshs.21,878,793 denoting an increase of Kshs.1,994,098 from the previous year's balance of Kshs.19,884,695. The increase may be reflective of the inability by the company to settle its obligations as and when they arise. In addition, the management borrowed Kshs.3,240,391 from customer deposits account for operation activities. Management has not made specific disclosures in the financial statements in regard to these matters.

All these are indicative of the company's declining financial performance and its ability to sustain its operations in the near future is uncertain.

3. Budget formulation and performance

The statement of comparison of budget and actual amounts reflect final revenue budget and actual on a comparable basis of Kshs.51,470,000 and Kshs.46,845,401 respectively resulting to an under-funding of Kshs.4,624,599 (or 9%) of the budget. Similarly, the Company expended Kshs.48,292,462 against an approved budget of Kshs.53,776,880 resulting to an under-expenditure of Kshs.5,484,418 or (13%) of the budget.

In the circumstances, the underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Makueni County.

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

Basis for Conclusion

1. Late Submission of Financial Statements

The management of the company submitted the financial statements for the year ended 30 June, 2022 on 12 October, 2022 which was two weeks later than the due date of 30 September, 2022 contrary to Section 164 (1 &2) of the Public Finance Management Act, 2012.

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

2. Irregular Customer Deposits Withdrawals

The statement of financial position and as disclosed in Note 25 to the financial statements reflects customers' deposits balance of Kshs.5,017,350. However, the corresponding bank account had a balance of Kshs.1,776,959 as at 30 June, 2022 resulting to customer deposits deficit of Kshs.3,240,391. The difference represents funds borrowed by the company to fund operational activities. Further, board meeting minutes approving the withdrawals from customer deposit account were not provided for audit review.

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

3. Non-Compliance with Public Sector Accounting Standards Board Reporting Framework

Review of the financial statements presented for audit revealed errors of presentation and disclosures under management discussion and analysis. Further, the management did not make use of tables, curves, pie charts and other descriptive tools to make the information as understandable as possible as required. This was contrary to the requirements of the template prescribed by the Public Sector Accounting Standards Board

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

4. Excessive Non-Revenue Water

Note 6 to the financial statements reflect sales of water totalling to Kshs.37,047,326 as at 30 June, 2022. Review of water production records revealed that the company produced 454,460 M3 of water during the year under review. Out of this volume only 307,998 M3 (or 68%) was billed to customers. The balance of 146,228 M3 or approximately 32% of total production represents non-revenue water (NRW) valued at Kshs.17,588,934 which is above the allowable loss of 25%. No satisfactory explanation was provided for the high level of NRW and the measures put in place by Management to reverse the trend.

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

4. Non-Compliance with a Third Deductions Rule

Analysis of the payroll records provided showed that six (6) employees of the Company earned a net pay below one third of their basic pay in the financial year under review contrary to Section 19 (3) of the employment Act 2007 which states that the total amount of deduction of the wages of an employee shall not exceed 2/3 of such wages.

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

5. Non-Adherence to National Cohesion and Integration Act

Review of the Company's staff establishment revealed a total of forty (40) employees out of which, thirty-eight (38) or 95% were from the dominant ethnic community in the County. This is contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act 2008 and Section 65(1)(e) of the County Government Act 2012 states that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

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

6. Non-Compliance with the Two-Thirds Gender Rule

Review of the Company's personnel records showed that, as at 30 June, 2022, the company had a total of 40 employees out of which only 10 were female representing 25% of the total workforce contrary to Section B.22 (2) of the Human Resource Policies and

Procedures Manual for the Public Service, 2016, which states that the County Government will endeavor to have a gender balanced civil service by ensuring that not more than two thirds of positions in its establishment are filled by either gender.

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

7. Lack of Approved Water Sales Tariff

Wote Water and Sewerage Company Ltd. reported water sales amounting to Kshs.37,047,326 in the year under review and Kshs.33,442,838 during the previous year. However, this amount was unsupported by a gazette water tariff by Water Services Regulatory Board (WASREB).

In the absence of an updated and approved tariff structure, the accuracy of the water tariff being applied by the water Company and the actual revenues collected maybe inaccurate.

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

8. Unclear Ownership of the Company

Page IV of the financial statements on background information indicate that the Company is an entity owned by the County Government of Makueni. According to the Memorandum and articles of Association reviewed during the audit, the Company was initially owned by Town Council of Wote, but the ownership position changed upon enactment of Water Act, 2016 which vested ownership of water Companies under County Governments. The management did not provide details of the ownership structure of the Company and no document was provided to show that ownership transferred to the County Government of Makueni.

In the circumstances, the legal status and ownership of the Company could not be ascertained.

9. Gazettement of the Board of Directors

The statement of profit or loss and other comprehensive income and Note 11 to the financial statements reflects board expenses of Kshs.1,177,600. Review of the appointment process showed that although due process was followed in the appointment of the board of directors, they were yet to be gazetted.

In the circumstances, the Management was in contravention of Chapter 1.1.11 of the Mwongozo State Corporations Advisory Committee of 2015 which states that each board member shall be formally appointed to the Board through a Gazette Notice and thereafter an appointment letter.

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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, 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

1. Lack of a Risk Management Policy

Review of documents presented for audit review by the Company show that it lacked a Risk Management Policy thus does not have a framework for management of risk and hence not possible for the entity to identify, assess and control risk.

In the circumstances, Management was in contravention of Section 158. (1) of the Public Finance Management (County Governments) Regulations, 2015, stipulates that the Accounting Officer of the County Government should develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

2. Lack of an Internal Audit Function

During the year under review, the water Company did not have an internal audit function to perform risk assessment processes and evaluate operational effectiveness of the Company through reviews of the internal controls in the Company. The Company risks having financial accountability and risk assessment challenges in the absence of an internal audit unit.

In the circumstances, Management was in contravention of Section 155 of the Public Finance Management Act, 2012 requires every county government entity to establish an internal audit unit for the purpose of carrying out in depth reviews of the internal controls and the internal audit process.

3. Lack of a Disaster Recovery Plan

It was also observed that the Company did not have in place a disaster recovery and business continuity plans for the financial year under review. In the absence of a disaster recovery/business continuity plan, the Company lacks a blue print for mitigating against disasters and ensuring that its operations are not interrupted.

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

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 Companies Act,2015 I report based on my audit, that:

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) 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 matters related to going concern and using the applicable basis of accounting unless Management is aware of 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 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 governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

31 March, 2023

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
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31 March, 2023

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CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 March, 2023

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

31 March, 2023

- 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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31 March, 2023

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
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- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

31 March, 2023

Wote Water and Sewerage Company Ltd. (WOWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

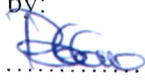
XIII. Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2022.

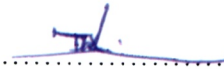
	Note	2021-2022 Kshs	2020-2021 Kshs
Revenue			
Operating Revenue	6	41,422,868	36,028,967
Grants Income	7	4,188,783	4,130,344
Other Income	8	1,233,750	1,034,610
Finance income		0	0
Other gains/(losses)		0	0
Total Revenue		46,845,401	41,193,921
Expenses			
Staff Costs	9	23,729,442	21,690,609
General and Operations expenses	10	17,526,165	18,366,906
Board Expenses	11	1,177,600	685,200
Maintenance Expenses	12	3,851,271	1,432,396
Depreciation and Amortization expenses	13	1,147,339	225,552
Finance Costs		0	0
Total Expenses		47,431,817	42,400,663
Profit/(Loss) Before Taxation		(586,416)	(1,206,742)
Income Tax Expense/(Credit)	14	0	0
Profit/(Loss) After Taxation		(586,416)	(1,206,742)
Earnings Per Share – Basic And Diluted	15	(117.28)	(241.35)
Dividend per share	16	0	0
Other Comprehensive Income			
Profit/ (Loss) After Taxation		(586,416)	(1,206,742)
Surplus Or Deficit On Revaluation Of PPE		0	0
Remeasurement Of Net Defined Benefit Liability		0	0
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI		0	0
Total Comprehensive Income For The Year		(586,416)	(1,206,742)

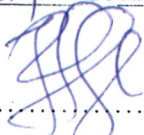
XIV. Statement Of Financial Position As at 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	17	5,365,390	1,729,984
Intangible assets	18	0	0
Total Non-Current Assets		5,365,390	1,729,984
Current Assets			
Inventories	19	43,384	66,858
Trade and receivable	20	12,145,498	11,636,028
Bank and cash balances	21	3,112,725	1,681,345
Total Current Assets		15,301,607	13,384,231
TOTAL ASSETS		20,666,997	15,114,215
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	22	40	40
Capital reserve	23	3,815,088	(107,012)
Retained earnings	24	(10,044,274)	(9,457,858)
Total Capital and Reserves		(6,229,146)	(9,564,830)
Non-Current Liabilities			
Customer Deposits	25	5,017,350	4,794,350
Total Non-Current Liabilities		5,017,350	4,794,350
Current Liabilities			
Trade and other payables	26	21,878,793	19,884,695
Total Current Liabilities		21,878,793	19,884,695
TOTAL EQUITY AND LIABILITIES		20,666,997	15,114,215

The financial statements were approved by the Board on 23rd January 2023 and signed on its behalf by:


 BECORACE WAMBUA
 Managing Director


 DAVID K. MAINGI
 Head of Finance
 ICPAK M/No: 14658


 JULIANA MUTISYA
 Chairperson of the Board

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

	Notes	Ordinary share capital	Revaluatio n reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Developme nt Fund	Total
As at July 1, 2020	23	40	-	-	(8,251,116)	-	(107,012)	(8,358,088)
New capital issued		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(1,206,742)	-	-	(1,206,742)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
As at June 30, 2021		40	-	-	(9,457,858)	-	(107,012)	(9,564,830)
As at July 1, 2021		40	-	-	(9,457,858)	-	(107,012)	(9,564,830)

Wote Water and Sewerage Company Ltd (WOWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
Issue of new share capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(586,416)	-	-	(586,416)
Capital/Development grants received during the year	23	-	-	-	-	-	3,922,100	3,922,100
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
At June 30, 2022	23	40	0	0	(10,044,274)	0	3,815,088	(6,229,146)

XVI. Statement of Cash Flows for the Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash Flows From Operating Activities			
Receipts			
Operating Revenue		41,718,955	35,566,976
Non-Operating Revenue		0	0
Other Income		478,750	609,900
Finance Income		0	0
Grants		893,133	0
Customer Deposits		411,000	551,000
Total Receipts		43,501,838	36,727,876
Payments			
Staff Costs		20,110,288	18,630,250
Board Expenses		1,026,550	659,125
General And Operation Expenses		17,469,479	17,294,992
Maintenance		2,415,496	1,213,379
Finance Costs		0	0
Refund Of Customer Deposits		188,000	84,000
Total Payments		41,209,813	37,881,746
Net Cash From/(Used In) Operating Activities	28	2,292,025	(1,153,870)
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	17	(860,645)	(124,000)
Purchase Of Intangible Assets		0	0
Net Cash From/(Used In) Investing Activities		(860,645)	(124,000)
Cash Flows from Financing Activities			
Dividends Paid		0	0
Net Cash From/(Used In) Financing Activities		0	0
Increase/(Decrease) In Cash And Cash Equivalents		1,431,380	(1,277,870)
Cash And Cash Equivalents At Beginning Of Year		1,681,345	2,959,215
Effects Of Foreign Exchanges Rate Fluctuations		0	0
Cash And Cash Equivalents At End Of The Year	21	3,112,725	1,681,345

Wote Water and Sewerage Company Ltd (WOWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

XVII. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2022

	Original budget	Adjustment s	Final budget	Actual on comparable basis	Performanc e difference	% of utilization	**notes**
	2021-2022	2021-2022	2021-2022	2021-2022			
	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%	
Revenue							
Operating Revenue	50,096,000	0	50,096,000	41,422,868	(8,673,132)	17%	1
Non-Operating Revenue	0	0	0	0	0	0	
Grants	0	0	0	4,188,783	4,188,783	100%	2
Finance Income	0	0	0	0	0	0	
Other income	1,374,000	0	1,374,000	1,233,750	(140,250)	10%	3
		0	0	0	0	0	
Total Revenue	51,470,000	0	51,470,000	46,845,401	(4,624,599)	9%	
Expenses							
Staff Costs	22,297,880	0	22,297,880	23,729,442	(1,431,562)	6%	
Board Expenses	2,005,200	0	2,005,200	1,177,600	827,600	41%	4
General and operations Expenses	24,378,461	0	24,378,461	17,526,165	6,852,296	28%	5
Maintenance	1,698,000	0	1,698,000	3,851,271	(2,153,271)	127%	6
Depreciation and amortization	1,147,339	0	1,147,339	1,147,339	0	0	
Finance costs	0	0	0	0	0	0	
Total Recurrent Expenditure	51,526,880	0	51,526,880	47,431,817	4,095,063	8%	
Profit or Loss	(56,880)	0	(56,880)	(586,416)	(529,536)	0	
Capital Expenditure	2,250,000	0	2,250,000	860,645	1,389,355	61.75%	7
Total Expenditure	53,776,880	0	53,776,880	48,292,462	5,484,418	12.5%	

****Notes**:**

1. *Operating revenue- Production in One of our water sources was less than anticipated due to low rainfall during the year.*
2. *Grants- The grants were not budgeted for.*
3. *Other income – New connections were less than anticipated.*
4. *Board expenses- The BOD attended one workshop but did not go for benchmarking as was budgeted.*
5. *General and operational Expenses-Due to low production as in no 1 above, the cost of electricity was less than budgeted.*
6. *Maintenance-More was spend on repair and maintenance of our water system due to the age of our water networks and effect of road work construction.*
7. *Capital Expenditure – Most of the capital expenditure items wher2 budgeted to be financed by grants which were not received as anticipated.*

XVIII. Notes To the Financial Statements

1. General Information

Wote Water and Sewerage Company Ltd is established by and derives its authority and accountability from Company's Act. The Company is wholly owned by the Makueni County Government and is domiciled in Kenya. The Company's principal activity is water service provision.

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

2. Statement of Compliance and Basis of Preparation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

Wote Water and Sewerage Company Ltd (WOWASCO)
Annual Report and Financial Statements for the year ended June 30, 2022

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

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

iii. Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of Significant Accounting Policies

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

a) **Revenue recognition**

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

- i) **Revenue from water sales** is recognised in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services, invoiced/billed for the services and collectability of the related receivables is reasonably assured.
- ii) **Grants from Government Entities** are recognised in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **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, utilities or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded but disclosed.

c) **Property, plant and equipment**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Freehold Land		0%
Buildings and civil works	40	2.5%
Plant and machinery	8	12.5%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	3	33%
Office equipment, furniture and fittings	5	20%

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

g) Inventories

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

h) 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 at the rate of 10% of all debtors outstanding for more than 120 days. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

i) Taxation

i) Current income tax

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

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

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

j) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

k) Cash and cash equivalents

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

l) 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.

m) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered by Count Pension Fund (CPF) and is funded by contributions from both the company and its employees. In addition, the employees on contract are in a gratuity arrangement administered by CPF and is funded by the company.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

n) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 29th June 2021.

The Company's budget is prepared on the same 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, as well as the 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.

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, 2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

Some of the estimates and assumptions include:

- Depreciation of property, plant and equipment
- Amortization of intangible assets
- Provisions

a) Estimates and assumptions

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

- Depreciation on reducing balance method on an estimated useful life
- Amortization of intangible assets on straight line method on an estimated useful life.
-

b) Useful lives and residual values

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

c) 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.

Provisions applicable are: Provision for bad and doubtful debts at 10% of debtors above 120days and provision for audit fees based on the previous invoice.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

	2021-2022	2020-2021
	Kshs	Kshs
Water sales	37,047,326	33,442,838
Sewerage Services	0	0
Billing for other services	4,375,542	2,586,129
Total	41,422,868	36,028,967

7. Grants Income

	2021-2022	2020-2021
	Kshs	Kshs
Operational grants from Government entities-Electricity	0	1,500,000
Operational grants from Government entities-seconded staff	3,295,650	2,630,344
Recurrent/operational grants from other agencies-WSTF CLSG	893,133	0
Total	4,188,783	4,130,344

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2021-2022 KShs
Water Ministry	3,295,650	0	0	3,295,650	3,295,650
Water sector Fund (CLSG)	893,133	0	0	893,133	893,133
Water sector Fund (CLSG)-depreciation	177,763	0	1,244,337	0	1,422,100
USAID-KIWASH	625,000	0	1,875,000	0	2,500,000
Total	4,991,546	0	3,119,337	4,188,783	8,110,883

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Fines and penalties	755,000	371,700
Miscellaneous income (8b)	478,750	662,910
Total	1,233,750	1,034,610

8. b) Miscellaneous Income

	2021-2022	2020-2021
Description	Kshs	Kshs
Skilled labor	310,000	484,000
New connection fee	152,000	122,500
Disconnection on owners request	400	3,400
Change of name	8,000	0
Others	8,350	53,010
Total	478,750	662,910

9.(a) Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Salary and Allowances (9b)	20,975,221	20,664,404
Casual workers Wages	445,000	195,500
Medical Insurance Scheme	350,950	361,550
Employer's contributions to social security schemes	83,200	87,200
Employer's contributions to pension scheme	377,132	32,269
Gratuity provisions	1,270,193	104,346
Staff welfare	10,000	30,000
WIBA	217,746	215,340
Total	23,729,442	21,690,609
The average number of employees during the year	43	40

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.(b) Gross salaries & Allowances

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries for Company staff	14,975,241	15,284,950
Salaries top-up for seconded staff	2,704,330	2,749,110
Seconded staff Salaries paid by Government	3,295,650	2,630,344
Total	20,975,221	20,664,404

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. General and Operations Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Chemicals	24,960	146,126
Electricity	11,304,174	12,865,766
Fuel, oil, lubricants, and gases	283,783	336,031
Office supplies	352,123	506,383
Uniform and protective clothing	27,000	0
Telecommunication	236,560	320,648
Postage and courier	4,450	1,510
Domestic Traveling and subsistence	369,500	578,000
Bank Charges	58,732	42,716
Publicity and advertising	145,660	0
Audit fees-current provision	232,000	200,000
Audit fees-prior year under provision	64,000	0
Licensing	75,000	0
Levies-WASREB/WRA	2,160,492	1,939,787
Stakeholders' expenses	76,000	0
Operational allowances	241,750	94,688
Professional fees	11,200	11,200
Other administrative cost	273,526	156,189
Other operating/ general expenses	1,346,171	1,008,475
Provision for doubtful debts-(decrease)	(35,906)	(47,747)
Operating transport	274,990	207,134
Total	17,526,165	18,366,906

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Chairman Honoraria	223,200	223,200
Sitting allowances	593,000	300,000
Transport	120,000	0
Travel and accommodation	110,000	161,000
Other board expenses	131,400	1,000
Total Board Expenses	1,177,600	685,200

12. Maintenance Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Plant and Equipment	731,091	759,970
Infrastructural networks	2,265,492	263,548
Motor vehicles/bikes	786,348	392,158
Office equipment	68,340	16,720
Total Maintenance Expenses	3,851,271	1,432,396

13. Depreciation and Amortization Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant, and equipment	1,147,339	187,152
Intangible assets	0	38,400
Total Depreciation and Amortization	1,147,339	225,552

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Income Tax Expense/(Credit)

Current taxation

	2021-2022	2020-2021
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	(1,430,768)	(1,600,087)
Current tax: prior year under/(over) provision	0	0
Current year deferred tax charge	0	0
Prior year under-provision for deferred tax	0	0
Total	(1,430,768)	(1,600,087)
Current tax payable	0	0

Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	2021-2022	2020-2021
	Kshs	Kshs
Profit before taxation	(586,416)	(1,206,742)
Tax at the applicable tax rate of 30%	(175,925)	(362,023)
Current tax	0	0
Prior year under-provision	0	0
Tax effects of expenses not deductible for tax purposes	0	0
Tax effects of income not taxable	(1,256,635)	(1,239,103)
Tax effects of excess capital allowances over depreciation/amortization	1,792	1,039
Deferred tax prior year over-provision	0	0
Total	(1,430,768)	(1,600,087)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Earnings Per Share

The earnings per share is calculated by dividing the profit/(Loss) after tax of Kshs. (586,416) (2020-2021: KShs. 1,206,742) by the average number of ordinary shares in issue during the year of 5,000 (2020-2021: 5,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

16. Dividend Per Share

The directors do not recommend payment of dividends.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Property, Plant and Equipment

2021-2022	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Cost Or Valuation									
At July 1, 2021	150,000	661,800	0	1,404,595	0	209,880	62,072	0	2,488,347
Additions	0	0	1,422,100	215,106	3,145,539	0	0	0	4,782,745
Transfers	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At June 30, 2021	150,000	661,800	1,422,100	1,619,701	3,145,539	209,880	62,072	0	7,271,092
Depreciation									
At July 1, 2021	0	63,739	0	519,698	0	122,691	52,235	0	758,363
Charge For The Year	0	14,952	177,763	137,500	786,385	28,772	1,967	0	1,147,339
Impairment Loss	0	0	0	0	0	0	0	0	0
Eliminated On Disposal	0	0	0	0	0	0	0	0	0
At June 30, 2022	0	78,691	177,763	657,198	786,385	151,463	54,202	0	1,905,702
Net Book Value At June 30, 2022	150,000	583,109	1,244,337	962,503	2,359,154	58,417	7,870	0	5,365,390

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

2021	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment furniture & fittings	Capital work in progress	Total
COST OR VALUATION									
As at 1 July 2020	150,000	661,800	0	1,404,595	0	85,880	62,072	0	2,364,347
Additions	0	0	0	0	0	124,000	0	0	124,000
Transfers	0	0	0	0	0	0	0	0	0
Disposals	0	0		0	0	0	0	0	0
As at 30th June 2021	150,000	661,800	0	1,404,595	0	209,880	62,072	0	2,488,347
DEPRECIATION									
At July 1, 2020	0	48,404	0	393,284	0	79,747	49,776	0	571,211
Charge for the year	0	15,335	0	126,414	0	42,944	2,459	0	187,152
Impairment loss	0	0	0	0	0	0	0	0	0
Eliminated on disposal	0	0	0	0	0	0	0	0	0
As at 30th June 2021	0	63,739	0	519,698	0	122,691	52,235	0	758,363
NET BOOK VALUE									
At June 30, 2021	150,000	598,061	0	884,897	0	87,189	9,837	0	1,729,984

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 (b) Property, Plant and Equipment at Cost

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Computers and related equipment	14,480	4,827
Office equipment, furniture and fittings	4,880	976
Total	19,360	5,803

18. Intangible Assets

	2021-2022 Kshs	2020-2021 Kshs
COST		
At July 1	467,000	467,000
Additions	0	0
Disposals	0	0
At June 30	467,000	467,000
AMORTISATION		
At July 1	467,000	428,600
Charge for the year	0	38,400
Disposals	0	0
Impairment loss	0	0
At June 30	467,000	467,000
NET BOOK VALUE		
At June 30	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Inventories

	2021-2022	2020-2021
	Kshs	Kshs
General stores	0	
Chemicals & Laboratory items	39,861	64,821
Water fittings and Accessories		
Water meters	0	0
Uniform and protective clothing	0	0
Fuel, oil and lubricants	3,523	2,037
Motor vehicle spare parts	0	0
Goods in transit	0	0
Stationery and general stores	0	0
Finished goods	0	0
Work in progress	0	0
Less: Impairment of stocks	0	0
Total	43,384	66,858

20. Trade and Other Receivables

	2021-2022	2020-2021
	KShs	KShs
Trade receivables (note 20a)	12,121,232	11,623,248
Deposits and prepayments		
VAT recoverable		
Staff receivables (note 20 (b))	24,226	12,740
Other receivables	40	40
Gross trade and other receivables	12,145,498	11,636,028
Provision for bad and doubtful receivable	0	0
Net trade and other receivables	12,145,498	11,636,028

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20(a) Trade Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	12,830,159	12,368,081
Provision for doubtful receivables	(708,927)	(744,833)
Net trade receivables	12,121,232	11,623,248
at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	2,874,544	2,250,499
Between 30 and 60 days	360,481	1,196,637
Between 61 and 90 days	1,369,883	763,803
Between 91 and 120 days	1,135,983	708,816
Over 120 days	7,089,268	7,448,326
Total	12,830,159	12,368,081

20 (b) Staff Receivables

	2021-2022	2020-2021
	KShs	KShs
Staff surcharges	24,226	12,740
Total	24,226	12,740

21. Bank and Cash Balances

	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	2,724,586	1,575,938
Cash in hand	320	4,477
Mobile money account	387,819	100,930
Total	3,112,725	1,681,345

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2021-2022	2020-2021
		KShs	KShs
a) Current account			
Equity Bank - Expenditure	0670-291-950-577	176,408	72,707
Equity Bank – WSTF/CLSG	0670-280-469-759	1,853	0
Sub- total		178,261	72,707
b) On – call deposits			
Equity Bank - Revenue	0670-191-950-573	780,659	239,155
-Mwaani B/Hole	0670-191-171-962	4,207	4,207
-Deposits	0670-191-950-545	1,758,459	1,159,869
-Deposits	0670-371-162-155	0	100,000
Sub- total		2,543,325	1,503,231
c) Others			
Cash in transit		0	0
cash in hand		320	4,477
Mobile money account		387,819	103,930
Post Bank		3,000	0
Sub- total		391,139	105,407
Grand total		3,112,725	1,681,345

22. Ordinary Share Capital

	2021-2022	2020-2021
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of Kshs 20 par value each	100,000	100,000
Issued and fully paid:	0	0
Issued and NOT paid:		
2 ordinary shares of Kshs 20 par value each	40	40

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Capital Reserves

	2021-2022	2020-2021
	Kshs	Kshs
Initial capital inherited from previous scheme		
Accruals	(94,638)	(94,638)
Creditors	(79,201)	(79,201)
Customer Deposits used on operations	(340,350)	(340,350)
Inventories	1,093	1,093
Debtors	370,444	370,444
Cash and Bank Balances	35,640	35,640
Total Initial Capital	(107,012)	(107,012)
Water Sector Fund Grant - CLSG	1,422,100	0
USAID-KIWASH	2,500,000	0
Total Capital Grants	3,922,100	0
Total Capital Reserve	3,815,088	(107,012)

24. Retained Earnings

The retained earnings represent amounts available for the Company's business activities and expansion since No distributions are made. The amount is shown in the statement of changes in equity.

25. Customer Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Opening Balance	4,794,350	4,327,350
Add: deposits received during the year	411,000	551,000
Less: Refunded deposits during the year	(188,000)	.(84,000)
Closing balance	5,017,350	4,794,350

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Trade and Other Payables

	2021-2022	2020-2021
	Kshs	Kshs
Non-Current Payables		
Customer Deposits	5,017,350	4,794,350
Total Non-current Payables	5,017,350	4,794,350
Current Liabilities		
Trade payables	3,152,507	3,678,189
Revenue received in advance	281,783	220,167
Employee payables	1,822,759	1,687,495
Other payables	16,621,744	14,298,844
Total Current Liabilities	21,878,793	19,884,695
Total Trade and Other Payables	26,896,143	24,679,045

27. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	0	0	0	0	0
Non-current benefit obligation	0	0	0	0	0
Total employee benefits obligation	0	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Retirement benefit Asset/ Liability

The Company does NOT operate a defined benefit (DB) scheme but instead operates a defined contribution (DC) scheme.

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. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund (CPF). Employees contribute 5% while employer contribute 5% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Notes to The Statement of Cash Flows

	2021-2022	2020-2021
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	(586,416)	(1,206,742)
Depreciation	1,147,339	187,152
Amortisation	0	38,400
(Gain)/loss on disposal of property, plant and equipment	0	0
Operating profit/(loss) before working capital changes	560,923	(981,190)
(Increase)/decrease in inventories	23,474	19,934
(Increase)/decrease in trade and other receivables	(509,470)	(508,014)
Increase/(decrease) in trade and other payables	2,217,098	315,400
Increase/(decrease) in retirement benefit obligations	0	0
Increase/(decrease) in provision for staff leave pay	0	0
Cash generated from/(used in) operations	2,292,025	(1,153,870)
(b) Analysis of cash and cash equivalents		
Cash at Bank	2,724,586	1,575,938
Cash in hand	320	4,477
Mobile money account	387,819	100,930
Balance at end of the year	3,112,725	1,681,345

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other Disclosures

29. Related Party Disclosures

County Government of Makueni

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

Other related parties include:

- The County Department in charge of Water
- Government of Kenya
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

Transactions with related parties

	2021-2022	2020-2021
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies	7,822,320	7,401,814
Total	7,822,320	7,401,814
b) Grants from the Government		
Grants from National Govt Agencies	2,315,233	2,630,344
Grants from County Government	3,295,650	1,500,000
Donations in kind	2,500,000	0
Total	8,110,883	4,130,344
c) Key management compensation		
Directors' emoluments	1,177,600	685,200
Compensation to key management	5,605,950	5,796,560
Total	6,783,550	6,481,760

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	2021-2022	2020-2021
	Kshs	Kshs
d) Payables to related parties		
TANATHI Water works agency	7,513,228	7,513,228
WASREB	6,411,597	4,705,331
WRMA	982,703	996,366
OAG	1,333,720	1,037,720
Key Management Salary arrears	717,350	506,430
BOD allowances arrears	162,750	46,200
Total	17,121,348	14,805,275

30. Financial Risk Management

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2022				
Trade Receivables	12,830,159	5,740,891	7,089,268	0
Other Receivables	40	0	40	0
Investments	0	0	0	0
Bank balances	3,112,405	3,112,405	0	0
Total	15,942,604	8,853,296	7,089,308	0
At 30 June 2021 (previous Year)				
Receivables	12,368,081	7,424,666	4,943,415	0
Other Receivables	40	0	40	0
Investments	0	0	0	0
Bank balances	1,676,868	1,676,868	0	0
Total	14,044,989	9,101,534	4,943,455	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 4 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022 current year				
Trade payables	1,083,135	519,166	1,550,206	3,152,507
Other payables	1,524,308.50	310,746	4,876,350	6,711,404.50
Provisions	232,000	0	0	232,000
Payables to related parties	221,269	955,929	15,341,250	16,518,448
Customer pre-payments	0	281,783	0	281,783
Total	3,060,712.50	2,067,624	21,767,806	26,896,142.50
At 30 June 2021 previous year				
Trade payables	920,037	1,679,668	1,078,484	3,678,189
Other payables	1,756,695	30,000	4,541,349	6,328,044
Provisions	200,000	0	0	200,000
Payables to related parties	187,043	183,534	13,882,068	14,252,645
Customer pre-payments	0	140,542	79,625	220,167
Total	3,063,775	2,033,744	19,581,526	24,679,045

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Credit Risk (Continued)

(iii) Market risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Capital Risk Management

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

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	(10,044,274)	(9,457,858)
Capital reserve	3,815,088	(107,012)
Total funds	(6,229,186)	(9,564,870)
Total borrowings	0	0
Less: cash and bank balances	(3,112,725)	(1,681,345)
Net debt/(excess cash and cash equivalents)	3,112,725	1,681,345
Gearing		

31. Incorporation

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

32. Events After the Reporting Period

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

33. Currency

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

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XIX. Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unrefunded Customer Deposits	The company has been refunding the customer deposits in monthly instalments of Kshs 30,000, however, the instalment will be reviewed upwards in order to fully refund the borrowed amount	NOT RESOLVED	June 30, 2024
2	Long Outstanding Accounts Receivables	The debt collection unit was re-constituted to spearhead on revenue collection.	NOT RESOLVED	June 30, 2024
3	Long Outstanding Trade and other Payables	The company is committed in settling creditors as they fall due including paying the long outstanding some of which have a signed M.O.U	NOT RESOLVED	June 30, 2024
4	Failure to Disclose Material Uncertainty Related to Going Concern	The management is working on strategies to improve the company's financial status such as reducing non-revenue water, reduce operational costs through solar installation at the pumping stations through the county government of Makueni and other development partners	NOT RESOLVED	June 30, 2024
5	Budgetary Control and Performance	Revenue collection strategies through the debt collection unit is expected to enhance company revenue base and thus be able to meet the budgeted items.	NOT RESOLVED	June 30, 2024
6	Unresolved Prior Year Matters	Action being taken	NOT RESOLVED	June 30, 2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
7	Failure to Observe One-Third Rule	The SACCO processed staff loan without proper consultations with the company.	RESOLVED	
8	Ethnic Composition of Employees	The management is committed to comply to the requirements in the next recruitment.	NOT RESOLVED	June 30, 2024
9	Non-Revenue Water	The management has introduced meter sealing technology to eliminate cases of meter tampering and the customers are being advised to replace the low efficiency meters with high efficiency meters	NOT RESOLVED	June 30, 2024
10	Lack of Segregation of Duties in Procurement Function	The management is in the process of streamlining the procurement process with the aim of segregating all procurement processes with proper checks as part of internal controls.	RESOLVED	
11	Failure to Automate Key Functions	The management is working on revenue improvement strategies thus be able to comply.	NOT RESOLVED	June 30, 2024
12	Lack of Risk Management Policy and Disaster Recovery Plan	The management has initiated the process of developing the policy manuals with commitment to have them ready by December 2022	NOT RESOLVED	June 30, 2023

Becorace Wambua

Signature..... 

Managing Director

Date..... 23/01/2023

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**Appendix II: Projects Implemented By The Company
 Projects**

There were no projects implemented by the company funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	0	0	0	0	0	0
2	0	0	0	0	0	0

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	0	0	0	0	0	0
2	0	0	0	0	0	0
3	0	0	0	0	0	0

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Appendix III- Inter-Entity Confirmation Letter

The company DID NOT disburse funds to another entity during the year.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 th June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022				Amount Received by [beneficiary entity] (KShs) as at 30 th June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

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Appendix IV: Reporting of Climate Relevant Expenditures

There were no expenditures on climate change

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
				0	0	0	0		

Appendix V: Disaster Expenditure Reporting Template

Date:						
Entity						
Period to which this report refers (FY)	Year			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
					0	

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Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive Income	Capital Fund	Deferred Income	Receivables	Others -	
Ministry/County department of Water		Recurrent	0	0	0	0	0	0	0
Ministry/County Department of water.		Development	0	0	0	0	0	0	0
USAID	11/11/2021	Motor Vehicle	2,500,000	0	2,500,000	0	0	0	2,500,000
Water Sector Trust Fund (CLSG)	7/9/2021	Donor Fund	2,315,233	893,133	1,422,100	0	0	0	2,315,233
Ministry planning and Devolution-National Government	30/06/2022	Direct Payment	3,295,650	3,295,650	0	0	0	0	3,295,650
Total			8,110,883	4,188,783	3,922,100	0	0	0	8,110,883

