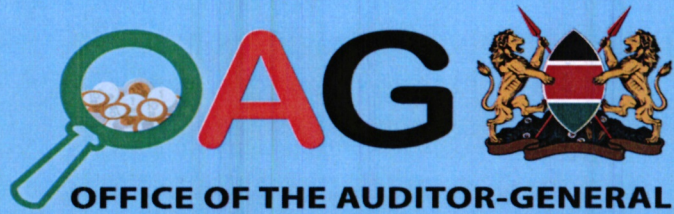


REPUBLIC OF KENYA

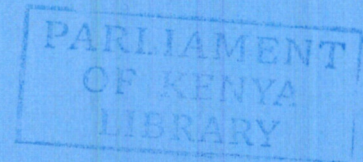


*Enhancing Accountability*

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COMMITTEE	—
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**REPORT**

**OF**

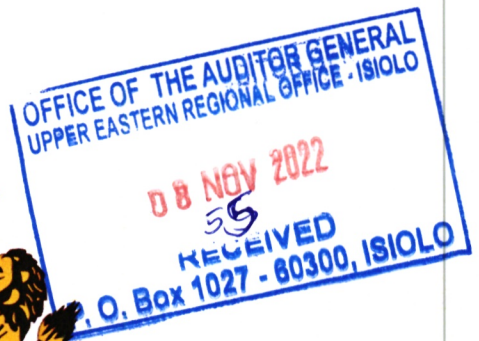


**THE AUDITOR-GENERAL**

**ON**

**SAMBURU WATER AND SANITATION  
COMPANY LIMITED**

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



**International Financial Reporting Standards (IFRS)  
Annual Financial Reporting Template for  
Commercial Government Owned Entities**

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**SAMBURU WATER AND SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2022**

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2022**

<b>Table of Contents</b>	<b>Page</b>
KEY ENTITY INFORMATION .....	iii
KEY ENTITY INFORMATION (Continued) .....	iv
THE BOARD OF DIRECTORS .....	v
MANAGEMENT TEAM.....	v
CHAIRMAN'S STATEMENT .....	vi
REPORT OF THE CHIEF EXECUTIVE OFFICER .....	vi
CORPORATE GOVERNANCE STATEMENT .....	viii
MANAGEMENT DISCUSSION AND ANALYSIS .....	
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING .....	
REPORT OF THE DIRECTORS .....	x
STATEMENT OF DIRECTORS' RESPONSIBILITIES .....	xii
REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY ( <i>specify entity name</i> ) .....	
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020.....	1
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 .....	2
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022 .....	3
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022 .....	5
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022.....	6
NOTES TO THE FINANCIAL STATEMENTS .....	7
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS .....	52
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY .....	53
APPENDIX III: INTER-ENTITY TRANSFERS.....	54
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES ...	55

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements For the year ended June 30, 2022

### KEY ENTITY INFORMATION

#### Background information

The Samburu Water and Sanitation Company Ltd was established by the company Act (Cap 486) on 1.10.2013. The company is fully owned by the County Government of Samburu. At the executive level, it is represented by the County Executive Committee member for Water and Sanitation who is responsible for the general policy and strategic direction of Samburu water and sanitation company Ltd.

Samburu water and sanitation company Ltd is domiciled in Kenya.

#### Principal Activities

The principal activity of Samburu Water and Sanitation Company Limited is to sustainably provide quality and affordable water and sanitation services efficiently and effectively to Samburu County Urban Residents and the surrounding environments.

#### Directors

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

- |                           |                     |                          |
|---------------------------|---------------------|--------------------------|
| 1. Mr. Raphael Leshalote  | - Chairman          | - Appointed on 19.12.17  |
| 2. Mr. Paul k Leringato   | - Managing Director | - Appointed on 05.5.22   |
| 3. Mrs. Dorcas Lekisanyal |                     | - Appointed on 19.12.17  |
| 4. Mr. Samuel Nakope      |                     | - Appointed on 18.6.2020 |
| 5. Mrs Pauline Lenguris   |                     | -Appointed on 19.12.17   |
| 6. Mr Bosco Sambu         |                     | -Appointed on 19.12.17   |
| 7. Mr Andrew Lanyasunya   |                     | -Appointed on 19.12.17   |
| 8. Mr Simon Lekimain      |                     | -Appointed on 18.6.2020  |
| 9. Mr Mathew Leyiele      |                     | -Appointed on 18.6.2020  |
| 10. Mrs Faith lelekoiten  |                     | -Appointed on 18.6.2020  |
| 11. Mrs Eunice Njeru      |                     | -Appointed on 18.6.2020  |

#### Corporate Secretary

Paul Leringato, HSC  
P.O. Box 438  
Maralal

#### Corporate Headquarters

P.O. Box 428  
NDMA Compound

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

Maralal, KENYA

**KEY ENTITY INFORMATION (Continued)**

**Corporate Contacts**

0723860683

**Corporate Bankers**

Equity Bank  
Maralal Branch

**Independent Auditors**

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

**Principal Legal Advisers**

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

# SAMBURU WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements  
For the year ended June 30, 2022

## THE BOARD OF DIRECTORS

Name	Academic Qualification	Professional Qualifications	Current occupation-	Age; gender
PAUL K LERINGATO	Masters	BA	MD	54, Male
EUNICE NJERU	DIPLOMA	HR	BUSINESS	24, Male
PAULINE LENGURIS	DEGREE	NURSE	BUSINESS	43, Female
LEKIMAIN SIMON	DIPLOMA	FINANCE	BUSINESS	54, Male
LEYIELE MATHEW	DIPLOMA	SOCIAL	BUSINESS	62, Male
FAITH LELEKOITEN	DIPLOMA	BM	FARMER	33, Female
RAPHAEL LESHALOTE	DEGREE	BA	KNUT	60, Male
BOSCO SAMBU	DEGREE	BA	COUNTY S	59, Male
SAMUEL NAKOPE	DEGREE	BM	CEC-Water	36, Female
ANDREW ROPILO	MASTERS	BMA	CO-Water	56, Male
DORCAS LEKISANYAL	DEGREE	CPA K	CEC-Finance	38, Female

## MANAGEMENT TEAM

Name	Department / Key responsibility	Academic Qualifications	Professional Qualifications
PAUL LERINGATO	ADMINISTRATION	Masters	MBA
SIMON LEMERELE	COMMERCIAL	DIPLOMA	BM
YONA LEKOPIEN	TECHNICAL	DEGREE	B.SC
MAXWEL LOLKINYATI	CUSTOMER CARE	DEGREE	BA

# **SAMBURU WATER AND SANITATION COMPANY LIMITED**

## **Annual Reports and Financial Statements**

**For the year ended June 30, 2022**

### **CHAIRMAN'S STATEMENT**

On behalf of the Board of Directors, it is with great honour that I present to you an overview of the annual report and financial statements of the Company for the year ended 30th June 2022. The strong foundation that we have laid over time by embracing our vision to be the leading Water Utility in Kenya; supported by a robust governance structure; continue to drive sustainability of SAWASCO, providing momentum for a secure future in service delivery.

#### **Operating Environment**

Kenya economy is being hit hard through supply and demand shocks on external and domestic fronts, interrupting its recent broad-based growth path.

#### **Challenges**

In the water industry, the cost of electricity which is the most common input was maintained due to intervention by the Government to lower the electricity tariff. The cost of chemicals went slightly high because of the depreciation of the Kenya Shilling against the US dollar. Despite these and many other challenges, SAWASCO continued to deliver on its mission of providing quality water and sanitation services for improved livelihoods

#### **Moving Forward**

As we look into the future, we reflect on gains we have made, strategies and investments that we have made to improve efficiency in service delivery and also accelerate customers connections for supply.

We desire to achieve the following priorities in our medium strategy

- 1) Water infrastructure development
- 2) Operational efficiency
- 3) Customer service
- 4) Financial sustainability
- 5) Corporate governance

In addition, we will leverage on goodwill from our stakeholders including county government and development partners to foster growth as we work towards achieving our corporate mission of providing quality water and sanitation services for improved livelihood.

#### **Appreciation**

I would like to appreciate all our stakeholders, more so the County Government of Samburu and Development partners for the solid commitment and support during the year under review.

To our esteemed Customers, thank you for your loyalty and support. I also thank the management and staff of SAWASCO, let us practice our core values of Customer focus, Professionalism, Teamwork, Integrity, and Innovation and Creativity to the delight of our customers so as to make a difference in our county.

We hope for continued cooperation from all the stakeholders in the coming years.

Thank you and May God Bless You all

**RAPHAEL LESHALOTE**  
**CHAIRMAN, BOARD OF DIRECTORS**

### **REPORT OF THE CHIEF EXECUTIVE OFFICER**

I am pleased to present the Annual Report and Financial Statements of SAWASCO for the year ended 30th June 2022.

#### **Results**

# **SAMBURU WATER AND SANITATION COMPANY LIMITED**

## **Annual Reports and Financial Statements**

**For the year ended June 30, 2022**

Despite some macro-economic uncertainties during the year, the business remained resilient and delivered on its core mandate. The operating environment continues to be challenging and this is mainly attributed to increased efficiency in resource utilisation and cost management. The cost of electricity has been the main challenge even leading to service interruptions for a prolonged time. Administrative expenses increased due to staff salaries and other administrative expenses to support operations and maintenance of water infrastructures.

### **Service Delivery**

During the year, as envisaged in one of our core values of customer focus, the company continued to maintain satisfactory levels in service delivery. The water produced was distributed to customers equitably through a rationing programme.

The company currently uses only one source of water; Nomotio dam which has low volume capacity. The challenge that has been facing the town is inadequate distribution network to rapidly cover many people we need to be reached out but cannot without the expansion of the distribution network. The distribution network in some areas are aged and there are therefore many areas of weaknesses in the network that requires rehabilitation and replacement. We need resources to commit to this important initiative to help alleviate the losses currently suffered through frequent pipe bursts.

Generally, there was a remarkable improvement in service delivery and the following activities were carried out: -

- (i) Installation of meters to help curb the Non-Revenue Water.
- (ii) Maintenance of distribution network
- (iii) Installation water kiosks at the low-income areas.

### **Pro-poor Services**

The Company has in place a social connection policy which seeks to intervene in the challenges of accessibility, affordability, and reliability of clean safe water and sanitation in the low-income areas. Some of the areas if left on their own may not access the services. The constitution of Kenya 2010 confirmed water as a basic human right. It is because of this we pay attention to the poor and ensure all have access to quality drinking water and are not disadvantaged due to their status. Strategies to realize this goal shall include

- Enhanced community participation
- Development of partnerships
- Implementing sustainable initiatives
- Improve access in low income areas

### **Staff Development**

During the period, the company continued to improve staff competence in an effort to maintain good service delivery. Staffs attended seminars and workshops. Other soft programs included the training of peer educators on HIV and Environmental Health & Safety activities were also carried out. All these were carried out to ensure a healthy, motivated and satisfied workforce who will in turn contribute immensely to the growth of the company

### **Future Plans**

The Company has however faced many challenges that include infrastructure, high operational costs, water reservoir capacity limitation and facilities support due to low funding.

# **SAMBURU WATER AND SANITATION COMPANY LIMITED**

## **Annual Reports and Financial Statements For the year ended June 30, 2022**

These are being addressed through other mechanisms that include partnerships with County Government and other Development Partners.

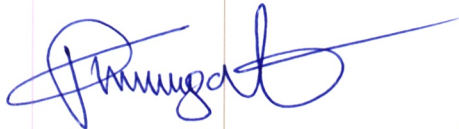
Through the National Government, the construction of the Yamo Dam Water Project is ongoing and on course and will help, once complete, to meet the growing demand of water in Maralal and its environs. The current water production source is insufficient to meet the demand of the rapidly expanding and growing town.

### **Appreciation**

I take this opportunity to thank the County Government, Shareholders, Board of Directors, Management, Staff, and other stakeholders for their mutual cooperation, trust and continued support.

**Thank you and best wishes to you**

**PAUL LERINGATO  
MANAGING DIRECTOR**



### **CORPORATE GOVERNANCE STATEMENT**

The Board of Directors of SAWASCO is responsible for the overall management of the Company and is committed to ensuring that its business and operations are conducted with integrity, professionalism, and in compliance with the law, internationally accepted principles and best practices in corporate governance.

In the recent years various recommendations have been made in several legal and professional publications in an attempt to determine the most appropriate way for companies to be structured to achieve the highest standards of corporate governance. The Board is committed to full compliance of all the relevant laws including the Guidelines on Corporate Governance issued by the regulator WASREB

The Corporate Governance of SAWASCO takes place within a framework which exists to regulate and/ or guide the conduct of Board members, staff, customers and members of public in assessing the

# **SAMBURU WATER AND SANITATION COMPANY LIMITED**

## **Annual Reports and Financial Statements For the year ended June 30, 2022**

Company's facilities and services. The objective of the framework is to provide for the effective, ethical and accountable governance and management of the Company. The key instruments within the governance framework are:

- The Kenya Constitution
- The Water Act 2002
- The Public Financial Management Act (2012)
- The Public Financial Management Regulation (2014)
- The Public Procurement and Asset Disposal Act (2015)
- Employment Act
- The SAWASCO Service Charter
- Company approved policies and procedures

For the sake of coherence and legitimacy, it was in the best interest of the Company that its conduct be regulated by the most appropriate type of governance instrument.

### **The Board of Directors**

The Company Board of Directors are appointed in accordance with the Company's Articles of Association

The Board of Directors are responsible for the following: -

- Implementation of Memorandum and Articles of Association
- Provision of guidelines and control function of the Company
- Approval of the organisation structure and maintenance of staff terms and conditions of service
- Approval of business plans and budgets
- Provision of management guidelines
- Approval of major contracts/projects
- Approval of tariff adjustment
- Prudent investment of funds to ensure continuity of service
- Appointment of Corporate Management Team

The Board is responsible for drawing and implementing strategies for the long-term success of the company as well as carrying out the fiduciary duty of monitoring and overseeing the activities of management. The Board meets regularly and has a formal schedule of meetings to discuss matters reserved for its decision with a view of determining and reviewing the strategies of the Company and overseeing the Companies compliance with statutory and regulatory obligations.

Notices and agenda for all Board meetings are circulated to all Directors on a timely basis together with the respective documents for discussion.

### **Composition of the Board**

The Board is composed of 10 non-executive Directors including an independent Chairman and one executive director who is also the Managing Director. The Directors represent various stake holding.

# **SAMBURU WATER AND SANITATION COMPANY LIMITED**

## **Annual Reports and Financial Statements**

### **For the year ended June 30, 2022**

They have a wide range of skills and experience and each contributes independent judgement and knowledge to the Board's discussions. On appointment, each Director is provided with a comprehensive and tailored induction process covering the Company's business and operations and also provided with information relating to their legal and regulatory obligations.

All the Directors except the Managing Directors and representatives of the County Government are required to submit themselves for re-election in accordance with the Company's Articles of Association.

### **Board Meetings**

The Board meets from time to times in one financial year.

### **Board Committees**

The Board appoints committees as and when necessary

## **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 Samburu Water and Sanitation Company Limited affairs.

### **Principal activities**

The principal activities of the entity are (continue to be) to provide water services within the area of Samburu county.

### **Results**

The results of the entity 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.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**Dividends**

The company has no share capital and is limited by guarantee

**Directors**

The members of the Board of Directors who served during the year are shown on page vi.

**Auditors**

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

**By Order of the Board**

**Corporate Secretary**

Maralal

Date.....



# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

For the year ended June 30, 2022

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, I require the Directors to prepare financial statements in respect of Samburu water and sanitation company, which give a true and fair view of the state of affairs of Samburu water and Sanitation Company at the end of the financial year and the operating results of for Samburu water and Sanitation Company that year. The Directors are also required to ensure that Samburu water and Sanitation Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Samburu water and sanitation company limited. The Directors are also responsible for safeguarding the assets of Samburu water and Sanitation Company.

The Directors are responsible for the preparation and presentation of Samburu water and Sanitation Company financial statements, which give a true and fair view of the state of affairs of Samburu water and Sanitation Company for and as at the end of the financial year ended on June 30, 2022. This responsibility includes:

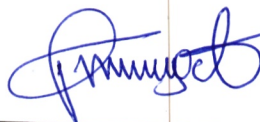
- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Samburu water and Sanitation Company;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of Samburu water and Sanitation Company;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

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

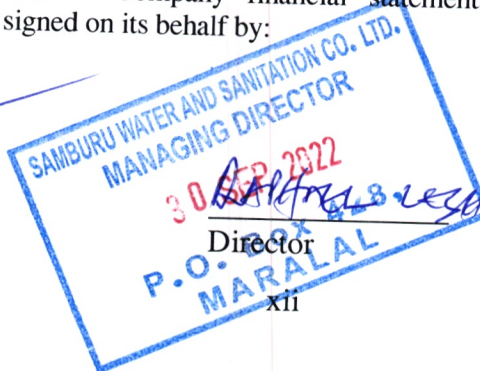
Nothing has come to the attention of the Directors to indicate that Samburu water and Sanitation Company will not remain a going concern for at least the next twelve months from the date of this statement.

#### Approval of the financial statements

The Samburu water and Sanitation Company financial statements were approved by the Board on \_\_\_\_\_ 2022 and signed on its behalf by:



Director



Director

Director

# REPUBLIC OF KENYA



*Enhancing Accountability*

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

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

## **REPORT OF THE AUDITOR-GENERAL ON SAMBURU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Adverse Opinion**

I have audited the accompanying financial statements of Samburu Water and Sanitation Company Limited set out on pages 1 to 52, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of

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

significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Samburu Water and Sanitation Company Limited 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 do not comply with the Public Finance Management Act, 2012, the Companies Act, 2015 and the Water Act, 2016.

### **Basis for Adverse Opinion**

#### **1. Trade and Other Receivables**

Note 27 (a) to the financial statements reflects Kshs.21,651,413 in respect to trade and other receivables. However, debtors age analysis showing individual debtors and age of the debts was not provided for audit review.

In the circumstances, the authenticity, age and recoverability of these receivables could not be confirmed.

#### **2. Material Uncertainty in Relation to Going Concern**

The statement of financial position as at 30 June, 2022 reflects Kshs.22,138,220 in respect to total current assets and Kshs.54,272,678 in respect to total current liabilities resulting to a negative working capital of Kshs.32,134,458. In addition, the water company received grants of Kshs.45,544,400 from Samburu County Government as compared to its own generated revenue from water sales of Kshs.6,661,905. This implies that the water company may not be able to meet its current obligations as and when they fall due. This is an indication that the company may be experiencing difficulties in meeting its maturing obligations and therefore the company's financial position appears precarious. However, the financial statements have been prepared on a going concern basis on the assumption that the company will continue to receive support from the County Government and its creditors. Additionally, measures being put in place to improve the Company's financial performance have not been disclosed by way of notes to the financial statements as required by the standards and, therefore, the existence of this material uncertainty casts a significant doubt on the Company's ability to continue as a going concern.

In the circumstances, the recurring negative working capital threatens the going concern of the water company.

#### **3. Inaccuracies in the Financial Statements**

The statement of changes in equity reflects retained earnings balance brought forward of negative Kshs.11,837,671. However, the reported closing balance in the 2020/2021 certified financial statements reflects a negative balance of Kshs.13,120,225 resulting in an unexplained and unreconciled variance of Kshs.1,282,554. In addition, the statement of financial position reflects general reserves balance of Kshs.51,823,589 whereas the balance reflected in the statement of changes in equity is Kshs.67,617,994 resulting in an unexplained variance of Kshs.15,794,405.

Further, the statement of financial position reflects a negative balance of Kshs.15,443,548 in respect to retained earning whereas the statement of changes in equity reflects a negative balance of Kshs.15,794,405 resulting to unexplained variance of Kshs.350,857.

In the circumstances, the accuracy and completeness of the balances reflected in the financial statements could not be ascertained.

#### **4. Consumer Deposits**

The statement of financial position reflects consumer deposits balance of Kshs.7,126,249 and referenced under Note 39. However, Note 39 relates to provision for leave pay. Further, Management did not maintain records such as customer deposits ledger, separate bank account for customer deposits and register of the individual customers whose deposits it is holding.

In the circumstances, the accuracy, completeness and validity of the customer deposit balance of Kshs.7,126,249 could not be confirmed.

#### **5. Pipeline Extensions Works**

Note 12 (a) to the financial statements on administration costs includes other operating expenses of Kshs.14,931,987 out of which Kshs.12,453,600 relates to capital expenditure for pipeline extension works that were expensed during the year instead of being capitalized and depreciated over the useful life of the assets.

Consequently, the accuracy of other operating expenses of Kshs.14,931,987 could not be ascertained. Further, the fixed assets balance is understated by a similar amount.

#### **6. Trade and Other Payables**

The statement of financial position reflects a balance of Kshs.47,146,429 for trade and other payables and referenced to Note 37. However, Note 37 to the financial statements reflects a nil balance.

Further, no detailed analysis showing name of creditors, amount owing or age of credit was provided for audit review. It was, therefore, not possible to analyze the age of these liabilities and to whom the amount was owed.

In the circumstances, the existence, accuracy and completeness of the balance could not be confirmed.

#### **7. Directors Emoluments**

Note 12(a) on administration costs includes Kshs.2,520,000 in respect to directors' emoluments. Included in the amount is Kshs.1,940,000 which was not supported with attendance register and board minutes.

In the circumstances, the accuracy and accountability of Kshs.1,940,000 expenditure could not be confirmed.

#### **8. Property, Plant and Equipment**

The statement of financial position and as disclosed under Note 19 to the financial statements reflect a balance of Kshs.74,400,200 in respect to property, plant and equipment. However, the following anomalies were noted:

- i) A fixed asset register was availed to support the disclosed balances.

- ii) Ownership documents for a motor vehicle valued at Kshs.383,584 was not provided for audit verification.
- iii) In the year under review, no valuation was done for the company's assets to make a comparison between the depreciated net book value and the actual value of the assets and make proper adjustments of the assets value.
- iv) Total property, plant and equipment is reflected as Kshs.112,935,002 as at 1 July, 2021. An accumulated depreciation of Kshs.36,572,099 was charged as at 30 June, 2022 but a net book value of Kshs.74,400,200 is reflected instead of Kshs.76,362,903. No further movement is reflected hence unexplained variance of Kshs.1,962,703.

Consequently, the accuracy, completeness, valuation and ownership of property, plant and equipment could not be ascertained.

### **9. Unapproved Over-Payment of Gratuity**

Note 12(b) on staff costs reflects Kshs.18,964,000 in respect to staff costs which includes leave pay and gratuity of Kshs.6,924,000. However, a further analysis of the payment vouchers and schedules indicated that two employees were paid gratuity amounting to Kshs.4,506,000 instead of Kshs.3,537,720 resulting to unexplained variance of Kshs.968,280.

In the circumstances, the accuracy of the leave pay and gratuity expense of Kshs.6,924,000 could not be confirmed.

### **10. Unconfirmed Works for Pipeline Extension**

Note 12(a) on administration costs includes other operating expenses of Kshs.14,931,987. This component includes Kshs.7,700,000 in respect to pipeline extension works. However, the following anomalies were observed;

- i) No requisition was raised in respect to the above works.
- ii) Procurement documents were not provided for audit review.
- iii) Bills of quantities quantifying the works done were not available.
- iv) Engineer's certificates, Inspection and acceptance certificates were not provided to certify the works done.

In the circumstances, the validity and propriety of the expenditure of Kshs.7,700,000 could not be ascertained.

### **11. Failure to Prepare a Trial Balance**

Samburu Water and Sanitation Company Limited (SAWASCO) Management failed to prepare a trial balance and present the same for audit.

In the circumstances, the accuracy, completeness and validity of some of the balances reflected in the financial statements could not be confirmed.

## **12. Financial Statements**

### **12.1 Presentation and Disclosure of the Financial Statements**

Review of the submitted financial statements revealed the following anomalies:

- i) Wrong Template used rather than that issued by the Public Sector Accounting Standards Board (PSASB) for 2022 financial year.
- ii) The company was established under the Companies Act, 2015 and not Cap 486 referred to.
- iii) Company registered office is not indicated.
- iv) Under Independent Auditor, Kenya National Audit Office has been indicated instead of the Office of the Auditor General.
- v) Under the Board of Directors, the template requires passport size photographs of the directors and a brief description of their qualification, gender, age and experience. This has not been disclosed in the format required.
- vi) Under management team, the template requires passport size photographs of the directors and a brief description of their qualification, gender, age and experience. This has not been disclosed in the format required.
- vii) The statement of performance against predetermined objectives for 2021/2022 has been omitted.
- viii) Management Discussion and Analysis has been omitted.
- ix) Environmental and Sustainability Report has been omitted.
- x) Statement of Directors' Responsibilities: Section 81 of PFM Act, 2012 which relates to National Government entities has been quoted rather than Section 164 of the PFM Act, since Samburu Water and Sanitation Company Limited being a County Government entity.

Consequently, the presentation of the financial statements is not in accordance with the PSASB minimum disclosures.

### **12.2 Inaccuracies in the Financial Statements**

A review of the financial statements submitted for audit, reflected the following errors and inaccuracies.

- i) Note 12(a) on administration costs include staff expenses which should be a separate line item as required by the Public Sector Accounting Standards Board (PSASB).
- ii) There is Non-disclosure of Board of Directors expenses of Kshs.2,520,000 as a line item as required by the PSASB and as disclosed in the prior year.
- iii) The statement of profit and Loss and other comprehensive income reflects a loss after tax of Kshs.2,323,323. However, a recast of total expenses amounted to Kshs.48,935,964 and not Kshs.54,529,628. This leaves an unexplained variance of Kshs.5,593,664.

- iv) The statement of financial position reflects total equity and liabilities of Kshs.96,652,719 and total assets of Kshs.96,590,499. However, a recast of total equity and liabilities totaled to Kshs.90,652,719. This leaves an unexplained variance of Kshs.6,062,220. Consequently, total assets are more than total equity and liabilities by Kshs.5,937,780 hence unbalanced statement of financial position.
- v) The statement of financial position reflects total current assets opening balance of Kshs.20,858,549 instead of Kshs.20,585,549 giving rise to an unexplained variance of Kshs.273,000.
- vi) The statement of changes in equity is inaccurate to the extent of the inaccurate calculation of retained earnings after tax. A loss of Kshs.2,323,323 is reflected instead of a profit of Kshs.3,270,341 arrived at by deducting actual expenses of Kshs.48,935,964 from total income of Kshs.52,206,305.
- vii) The statement of cash flows has omitted all payments and grants as items of cash flows. Therefore, the accuracy of cash and cash equivalents balance of Kshs.495,946 could not be confirmed.
- viii) The balances in the statement of comparison of budget and actual amounts could not be confirmed as there was no approved budget provided for audit review. Further, in the addendum to this statement a wrong Section of the law has been quoted. SAWASCO is not a national government entity but a county government entity. The correct Section to quote is Section 164 of the PFM Act, 2012.
- ix) Management has quoted standards applicable in 2019/2020 FY, instead of applying standards provided by the PSASB for year 2021/2022.
- x) The company processes water and distributes to clients and in the process incurs costs. However, the costs have not been quantified and disclosed as cost of sales as required by the PSASB.
- xi) The company incurs costs in selling and distribution of water. However, the same has not been quantified and disclosed as required by the PSASB.
- xii) Note 15 on operating profit (Loss) has disclosed depreciation of property, plant and equipment of Kshs.4,597,460 and amortization of intangible assets of Kshs.52,0929. However, Note 41 on the statement of cash flows reflect depreciation of Kshs.8,123,489 and amortization balance of Kshs.22,299. The figures are conflicting and unsupported. Further the same has not been disclosed in the statement of profit and loss and other comprehensive income.
- xiii) Under Appendix I on progress on follow up of auditors recommendations, no progress is reflected. Consequently, the Management is non-compliant to the Public Audit Act, 2015 and PSASB requirements.

In the circumstances, the accuracy of the financial statements could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Samburu Water and Sanitation Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I

believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse 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 are no key audit matters to report in the year under review.

### **Other Matter**

### **Unresolved Prior Year Audit Matters**

The audit report for the previous year highlighted several issues in respect of the Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Although the Management has indicated that the issues have been responded to, the matters have remained unresolved as the County Assembly Public Account and Investment Committee has not met to deliberate on the same.

### **Other Information**

The Directors are responsible for the other information, which comprises the chairman's report, directors' report, the statement of corporate governance, management discussions and responsibilities, statement of corporate social responsibility and the statement of directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Lack of Approved Budget**

Samburu Water and Sanitation Company Limited did not provide approved budget estimates to indicate the estimated revenue and expenditure for the year under review. Hence, the basis of the expenditure incurred amounting to Kshs.52,206,305 is contrary to Section 128(1) of the Water Act, 2016 which require that three months before the commencement of each financial year, each body corporate established under this Act shall cause to be prepared estimates of the revenue and expenditure of the body corporate for that year.

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

## **2. Lack of ICT Strategic Plan, Strategic Committee and Steering Plan**

Information available indicates that Samburu Water and Sanitation Company Limited had no ICT Strategic Plan, ICT Steering Committee and ICT Strategic Committee. This is contrary to the Information Communication Technology Authority (ICTA) regulations which require the establishment of the same.

Consequently, Management was in breach of ICTA regulations.

## **3. Lack of Mandatory Board Committees**

The Company had not established the following mandatory Committees as required by the Water Services Regulatory Board (WASREB) corporate governance guidelines.

- i) The Audit Committee,
- ii) The Technical Services Committee and
- iii) The Finance, Human Resources and Administration Committee.

Consequently, the Management was in breach of the WASREB guidelines.

## **4. Lack of Pre-qualified list of Suppliers**

During the year under review the Company did not provide for audit review the list of pre-qualified suppliers contrary to Section 57(1) and 71(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that the head of the procurement function of a procuring entity shall maintain and update lists of registered suppliers, contractors and consultants in the categories of goods, works or services according to its procurement needs.

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

## **5. Lack of an Approved Procurement Plan**

During the year under review the Company did not provide for audit review an approved procurement plan contrary to Regulation 40 (1) of the Public Procurement and Assets Disposal Regulations, 2020 which provides that a procuring entity shall prepare a procurement plan for each financial year as part of the annual budget preparation process.

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

## **6. Excess number of Board of Directors**

The Company had eleven (11) Directors instead of the recommended five (5) Board Members for small water companies. This is a breach of Clause 3.4.1(1) of the Corporate Governance guidelines for the water services sector, 2018 that requires small companies and companies relying on subsidy for operation and maintenance from the county government to have a maximum of five (5) Directors which shall include two from County Government Executive.

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

## **7. Un-Taxed Gratuity**

Note 12 (a) to the financial statements reflect Kshs.18,964,000 in respect to staff costs which includes Kshs.6,924,000 in respect to gratuity paid to six (6) contracted employees. However, review of the payment vouchers and schedules revealed that gratuity paid was not subjected to Pay As You Earn (PAYE) deductions. The unremitted PAYE amounted to Kshs.2,029,610. This is contrary to the Income Tax Act, Cap 470, Section 37 (1) which provides that an employer paying emoluments to an employee shall deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed.

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

## **8. Late Submission of the Financial Statements for Audit**

The financial statements for the Company were to be submitted latest on 30 September, 2022 following the closure of the financial year on 30 June, 2022. However, the company submitted these financial statements for audit on the 8 November, 2022 more than five (5) weeks contrary to Section 129 (2) of the water Act, 2016.

Consequently, Management was in breach of the law.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1. Lack of a Risk Management Policy**

As previously reported, the Management of Samburu Water and Sanitation Company Limited have not developed a Risk Management Policy to guide Management on risk management assessment and fraud preventive mechanisms. Without such, it was not possible to ascertain how the company assessed its risks, put in place mechanism to prevent or mitigate effects of risks and prevent fraud.

In the circumstances, effectiveness of internal control, risk management and governance could not be ascertained.

## **2. Lack of a Service Charter**

During the audit, Management did not provide service charter for which delivery of services is benchmarked. This contravenes the requirements by WASREB Corporate Governance Guidelines for the Water Services Sector, 2018 Section 3.5.6.

In the circumstances, it could not be established how the company operations were guided without a service charter to gauge performance.

## **3. Failure to Perform Staff Performance Appraisals**

Note 12 presents staff costs of Kshs. 18,964,000.00 that was incurred in the compensation of contractual and permanent staff engaged during the financial year. A review of the personal files revealed that the Organization does not evaluate performance of employees through performance appraisals. The appraisals play a critical role in management decision making such as contract renewals. Without the performance appraisals, therefore, it was not possible to confirm the criteria upon which contract renewals of some of the contractual employees was arrived at.

Further, without the appraisals it was not possible to link individual performance with organization performance.

Consequently, efficiency and effectiveness in human resource management could not be confirmed.

## **4. Non-Revenue Water**

During the year under review, the Company produced 420,485 cubic meters (m<sup>3</sup>) of water and out of this volume only 210,918 cubic meters (m<sup>3</sup>) was billed to customers. The balance of 209,567 m<sup>3</sup> or approximately 50% of the total volume produced represents Non-Revenue Water (NRW) which is 25% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines.

Further, it was observed that the company failed to bill its customers in the months of August, September and December, 2021 and no explanations were offered to justify the same.

In the circumstances, the controls over water billing system may not have been effective.

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

- i. I have not obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, inadequate 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 not in agreement with the accounting records and returns.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern or sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in

compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue 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 controls that are identified during the audit.

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

  
**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**17 April, 2023**

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2022**

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2021-2022 Kshs	2020-2021 Kshs
<b>REVENUES</b>			
Revenue			
Cost of sales	6	6,661,905.00	11,388,645.00
Gross profit	7		
		<b>6,661,905.00</b>	<b>11,388,645.00</b>
Grants from the County Government of Samburu	8	45,544,400.00	47,478,125.00
Interest income	9	0.00	0.00
Other Income	10	0.00	0.00
Other gains/(losses)	11	0.00	0.00
<b>TOTAL REVENUES</b>		<b>52,206,305.00</b>	<b>58,866,770.00</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	12	35,565,628.00	56,875,545.00
Staff Expenses	13	18,964,000.00	-
<b>TOTAL OPERATING EXPENSES</b>		<b>54,529,628.00</b>	<b>58,365,545.00</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	15	<b>(2,323,323.00)</b>	<b>501,225.00</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>	16	<b>0.00</b>	<b>(150,368)</b>
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(2,323,323.00)</b>	<b>350,858.00</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Fair value through comprehensive income		0.00	0.00
Surplus or deficit on revaluation of PPE		0.00	0.00
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(2,323,323.00)</b>	<b>350,858.00</b>
Earnings per share – basic and diluted	17	0.00	0.00
Dividend per share	18	0.00	0.00

Kenya Corporation (SAMBURU WATER AND SANITATION COMPANY LTD)

Annual Reports and Financial Statements

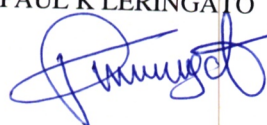
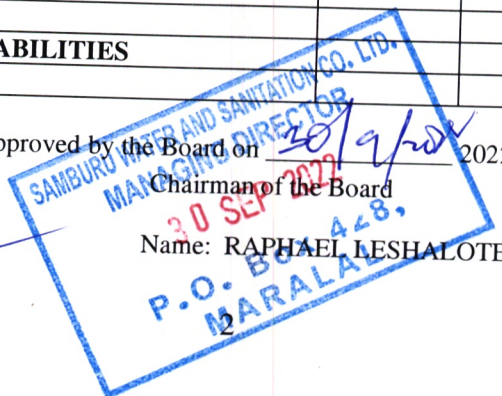
For the year ended June 30, 2022

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2022	2021
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	19	74,400,200.00	79,811,769.00
Intangible assets	20	52,029.00	74,328.00
Investment property	21	0.00	0.00
Prepaid operating lease rentals	22	0.00	0.00
Fixed interest investments (bonds)	23	0.00	0.00
Quoted investments	24	0.00	0.00
Unquoted investments	25	0.00	0.00
Staff receivables due after one year	27(c)	0.00	0.00
<b>Total Non-Current Assets</b>		<b>74,452,229.00</b>	<b>79,886,097.00</b>
<b>Current Assets</b>			
Inventories	26	0.00	0.00
Trade and other receivables	27(a)	21,651,413.00	20,498,821.00
Tax recoverable	28	0.00	0.00
Short-term deposits	29	0.00	0.00
Bank and cash balances	30	486,807.00	86,728.00
<b>Total Non-Current Assets</b>		<b>22,138,220.00</b>	<b>20,858,549.00</b>
		96,590,449.00	100,471,646.00
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	31	0.00	0.00
General reserve	32	51,823,589.00	67,617,994.00
Fair value adjustment reserve	33	0.00	0.00
Retained earnings	34	(15,443,548.0)	(13,120,225.00)
Proposed dividends		0.00	0.00
<b>Capital and Reserves</b>		<b>36,380,041.00</b>	<b>54,497,769.00</b>
<b>Non-Current Liabilities</b>			
Borrowings	35	0.00	0.00
Deferred tax liability	36	0.00	0.00
<b>Total Non-Current Liabilities</b>		<b>0.00</b>	<b>0.00</b>
<b>Current Liabilities</b>			
Borrowings	35	0.00	0.00
Trade and other payables	37	47,146,429.00	39,010,429.00
Retirement benefit obligations	38	0.00	0.00
Consumer Deposits	39	7,126,249.00	6,963,449.00
Dividends payable	40	0.00	0.00
<b>Total Current Liabilities</b>		<b>54,272,678.00</b>	<b>45,973,877.00</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>96,652,719.00</b>	<b>100,471,646.00</b>

The financial statements were approved by the Board on 30/9/2022 and signed on its behalf by:

Managing Director  
Name:  
PAUL K LERINGATO

Chairman of the Board  
Name: RAPHAEL IESHALOTE

Director

Name:

**SAMBURU WATER AND SANITATION COMPANY LTD**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022**

	Ordinary share capital	General reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Develop- ment Grants/ Fund	Total
<b>At July 1, 2021</b>	-	67,617,994.00	0.00	(4,000,581.00)	-	-	63,617,413
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-
Capital/Development grants received during the year	-	-	-	(7,837,090.00)	-	-	(7,837,090)
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid – 2018	-	-	-	-	-	-	-
Interim dividends paid – 2019	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
<b>At June 30, 2021</b>	-	67,617,994.00	0.00	(11,837,671.00)	0.00	-	55,780,323
<b>At June 1, 2021</b>	-	67,617,994.00	0.00	(11,837,671.00)	0.00	-	55,780,323
Issue of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	501,225	-	-	501,225.00

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

	Ordinary share capital	General reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Develop- ment Grants/ Fund	Total
Capital/Development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid – 2019	-	-	-	-	-	-	-
Interim dividends paid – 2020	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
<b>At June 30, 2022</b>	-	<b>67,617,994.00</b>	-	<b>(15,794,405.00)</b>	-	-	<b>51,823,589.00</b>

**SAMBURU WATER AND SANITATION COMPANY LTD**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	41	6,661,905.00	6,682,749.00
Interest received	41(c)	-	-
Interest paid	41(c)	-	-
Dividends paid	40	-	-
Taxation paid	28	-	-
<b>Net cash generated from/(used in) operating activities</b>		<b>6,661,905.00</b>	<b>6,682,749.00</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	19	-	-
Proceeds from disposal of property, plant and equipment		-	-
Purchase of intangible assets	20	-	-
Purchase of investment property	21	-	-
Purchase of quoted investments	25	-	-
Proceeds from disposal of quoted investments		-	-
<b>Net cash generated from/(used in) investing activities</b>		<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of new share capital		-	-
Proceeds from borrowings	35	-	-
Repayment of borrowings	35	-	-
<b>Net cash generated from/(used in) financing activities</b>		<b>-</b>	<b>-</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b>409,218.00</b>	<b>1,099,252.00</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
		<b>86,728.00</b>	<b>1,185,980.00</b>
Effects of foreign exchanges rate fluctuations		-	-
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>41(b)</b>	<b>495,946.00</b>	<b>86,728.00</b>

# SAMBURU WATER AND SANITATION COMPANY LTD

## Annual Reports and Financial Statements For the year ended June 30, 2022

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Revenue</b>					
Sale of goods	-	-	-	-	-
Sale of services	15,000,000.00	-	15,000,000.00	6,661,905.00	6,661,905.00
Transfers from the Samburu County Government	50,000,000.00	-	50,000,000.00	45,544,400.00	5,544,400.00
Donations in kind	-	-	-	-	-
Finance Income	-	-	-	-	-
Other income	-	-	-	-	-
<b>Total income</b>	<b>65,000,000.00</b>	<b>-</b>	<b>65,000,000</b>	<b>52,206,305.00</b>	<b>12,206,305.00</b>
<b>Expenses</b>					
Compensation of employees	27,012,000.00	-	27,012,000.00	18,964,000.00	8,048,000.00
Administration cost	5,588,505.00	-	5,588,505.00	7,872,880.96	(2,284,375.96)
Finance cost	-	-	-	48,360	(48,360.00)
Board of Directors Expenses	2,088,500.00	-	2,088,500.00	1,674,489.00	414,011
Taxation paid	-	-	-	-	-
Operating Expenses	29,727,000.00	-	29,727,000.00	15,728,542.00	13,998,458.00
Other payments	542,160.00	-	542,160.00	6,390,814.00	6,292,974.00
Grants and subsidies paid	-	-	-	-	-
<b>Total expenditure</b>	<b>64,958,165.00</b>	<b>-</b>	<b>64,958,165.00</b>	<b>68,502,727</b>	<b>(3,544,562.00)</b>
<b>Surplus for the period</b>	<b>41,835.00</b>	<b>-</b>	<b>41,835.00</b>	<b>(2,323,323.00)</b>	<b>(2,323,323.00)</b>

Note: PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

# SAMBURU WATER AND SANITATION COMPANY LTD

## Annual Reports and Financial Statements For the year ended June 30, 2022

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION

Samburu Water and Sanitation Company is established by and derives its authority and accountability from Company's Act. The entity is wholly owned by the county Government of Samburu and is domiciled in Kenya. The entity's principal activity is provision of water services.

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

#### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

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

##### ***IFRS 16: Leases***

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)**

**i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022(Continued)**

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee.

***IFRIC 23: Uncertainty Over income tax treatments***

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

***Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)***

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepay able financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

***Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)***

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

***Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.***

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022(Continued)**

*Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

*Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

*Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

*Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)*

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

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

*IFRS 17 Insurance Contracts (Issued 18 May 2017)*

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

*Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)*

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

*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.*

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**iii) Early adoption of standards**

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

**iii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Revenue recognition**

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

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

**b) In-kind contributions**

In-kind contributions are donations that are made to Samburu Water and Sanitation Company Limited in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements For the year ended June 30, 2022

received for in-kind contributions can be reliably determined, Samburu Water and Sanitation Company Limited 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.

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### c) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

##### d) Depreciation and impairment of property, plant and equipment

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

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

Billing Software	30%
Water infrastructure	2.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%
Water Fittings	8.5%
Loose tools	33%

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

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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.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Intangible assets**

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

**f) Amortisation and impairment of intangible assets**

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

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

**g) Investment property**

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

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

**h) Finance and operating leases**

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

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Fixed interest investments (bonds)**

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

**j) Quoted investments**

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

**k) Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

**l) Inventories**

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

**m) Trade and other receivables**

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

**n) Taxation**

***Current income tax***

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**n) Taxation (Continued)**

*Current income tax (Continued)*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**n) Taxation (Continued)**

*Deferred tax (Continued)*

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

**o) Cash and cash equivalents**

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

**p) Borrowings**

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

**q) 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.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**r) Retirement benefit obligations**

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

**s) Provision for staff leave pay**

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

**t) Exchange rate differences**

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

**u) Budget information**

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**u) Budget information (Continued)**

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

**v) Service concession arrangements**

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

**w) Comparative figures**

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

**x) Subsequent events**

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

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of Samburu water and sanitation company Ltd 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.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

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**5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY  
(Continued)**

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**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.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6 REVENUE**

	2021/2022	2020/2021
	Kshs	Kshs
Gross sales of goods	6,661,905.00	11,388,645.00
Gross sales of services	-	-
Less: Value added tax on gross sales	-	-
<b>Total</b>	<b>6,661,905.00</b>	<b>11,388,645.00</b>

*Gross sale of goods is for water billing for the respective period*

**7 COST OF SALES**

	2021/2022	2020/2021
	Kshs	Kshs
Cost of sales on goods	-	-
Cost of sales on services	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**8 GRANTS FROM COUNTY GOVERNMENT**

	2021/2022	2020/2021
	Kshs	Kshs
Recurrent grants received	45,544,400.00	47,478,125.00
Capital grants realized (see note below)	-	-
In Kind contributions/ donations	-	-
<b>Total</b>	<b>45,544,400.00</b>	<b>47,478,125.00</b>

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	2020-2021 KShs
Samburu County Government	45,544,400.00	-	-	45,544,400.00	47,478,125.00
<b>Total</b>	<b>45,544,400.00</b>	<b>-</b>	<b>-</b>	<b>45,544,400.00</b>	<b>47,478,125.00</b>

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**9 INTEREST INCOME**

Description	2021- 2022	2020-2021
	Kshs	Kshs
Interest income from treasury bonds	-	-
Interest income from treasury bonds	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	-	-
Interest on staff loans	-	-
<b>Total</b>	-	-

*No interest income received as the company has no such investments*

**10 OTHER INCOME**

Description	2021- 2022	2020-2021
	Kshs	Kshs
Sale of tender documents	-	-
Fines and penalties	-	-
Cash donations	-	-
In kind donations	-	-
Gain on sale of fixed assets	-	-
Insurance compensation	-	-
Other miscellaneous receipts	-	00
<b>Total</b>	<b>0.00</b>	<b>00</b>

**11 OTHER GAINS AND LOSSES**

There were no other gains or losses to be reported in the financial year.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12 (a) ADMINISTRATION COSTS**

Description	2022 Kshs	2021 Kshs
Staff costs (note 12b)	18,964,000.00	28,169,814.00
Directors' emoluments	2,520,000.00	926,720.00
Electricity and water	4,990,000.00	10,009,964.00
Communication services and supplies	-	-
Transportation, travelling and subsistence	1,028,900.00	688,067.00
Advertising, printing, stationery and photocopying	1,597,377.00	867,500.00
Rent expenses	200,000.00	26,000.00
Staff training expenses	930,000.00	350,400.00
Hospitality supplies and services	-	-
Insurance costs	-	-
Bank charges and commissions	48,360.00	61,773.00
Office and general supplies and services	-	-
Auditors' remuneration	954,000.00	-
Legal fees	-	200,000.00
Consultancy fees	-	-
Repairs and maintenance	2,771,340.00	2,790,380.00
Provision for bad and doubtful debts	-	-
Other operating expenses	14,931,987.00	22,869,490.00
<b>Total</b>	<b>54,529,628.00</b>	<b>71,369,668.00</b>

**12 (b) STAFF COSTS**

Salaries and allowances of permanent employees	12,040,000.00	28,169,814.00
Wages of temporary employees	-	-
Compulsory national health insurance schemes	-	-
Compulsory national social security schemes	-	-
Other pension contributions	-	-
Leave pay and gratuity provisions	6,924,000	-
Staff welfare	-	-
<b>Total</b>	<b>18,964,000.00</b>	<b>28,169,814.00</b>

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13 SELLING AND DISTRIBUTION COSTS**

Description	2021-2022 Kshs	2020-2021 Kshs
Salaries and wages of sales personnel	-	-
Marketing and promotional expenses	-	-
Sales commissions	-	-
Sales discounts and rebates	-	-
Other selling and distribution costs	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**14 FINANCE COSTS**

Description	2021-2022 Kshs	2020-2021 Kshs
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**15 OPERATING PROFIT/(LOSS)**

	2021-2022 Kshs	2020-2021 Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 12b)		
Depreciation of property, plant and equipment	4,597,460.00	4,617,634.00
Amortisation of intangible assets	52,029.00	31,855
Provision for bad and doubtful debts	-	-
Directors' emoluments - fees	2,520,000.00	1,490,000.00
- other	-	-
Auditors' remuneration - current year fees	954,000.00	250,000
- prior year under-provision	-	-
Loss on disposal of property, plant and equipment	-	-
Net foreign exchange loss	-	-
Interest receivable	-	-
Interest payable	-	-
Rent receivable	-	-
<b>Total</b>	<b>8,123,489.00</b>	<b>7,093,489.00</b>

SAMBURU WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements  
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 INCOME TAX EXPENSE/(CREDIT)

(a) Current taxation

	2021-2022	2020-2021
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
<b>Total</b>	-	-

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

	2021-2022	2020-2021
	Kshs	Kshs
Profit before taxation	(2,323,323.00)	501,226
Tax at the applicable tax rate of 30%	-	-
Current tax	-	(150,368)
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
<b>Total</b>	<b>(2,323,323.00)-</b>	<b>350,858</b>

The company had an operating loss of Ksh 2,323,323.00 hence only tax loss.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**17 EARNINGS PER SHARE**

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue. Samburu Water and Sanitation Company is wholly owned by Samburu county government and has no shares. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

**18 DIVIDEND PER SHARE**

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). However, Samburu water and Sanitation Company limited is wholly owned by Samburu county government, does not hold any AGM, and no interim or final dividend in respect of the year ended June 30, 2022 is to be proposed.



**SAMBURU WATER AND SANITATION COMPANY LTD**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**19 PROPERTY, PLANT AND EQUIPMENT (Continued)**

	<b>LOOSE TOOLS</b>	<b>MOTOR VEHICLES</b>	<b>WATER FITTINGS</b>	<b>Computers &amp; related equipment</b>	<b>Office equipment, furniture &amp; fittings</b>	<b>WATER INFRASTRUCTURE</b>	<b>Total</b>
<b>COST OR VALUATION</b>							
At July 1, 2020	12,632.00	3,094,686.00	61,867,289.00	1,763,590.00	1,177,503.00	44,746,802.00	112,662,502.00
Additions	-	-	-	272,500.00	-	-	272,500.00
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
<b>At June 30, 2021</b>	<b>12,632.00</b>	<b>3,094,686.00</b>	<b>61,867,289.00</b>	<b>2,036,090.00</b>	<b>1,177,503.00</b>	<b>44,746,802.00</b>	<b>112,935,002.00</b>
<b>DEPRECIATION</b>							
At July 1, 2019	12,632.00	2,583,239.95	21,161,684.95	1,395,412.38	654,948.63	5,948,872.57	31,756,790.48
Charge for the year	-	127,862.00	3,459,976.00	192,203.00	65,319.30	969,948.23	4,815,308.53
Impairment loss	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-
<b>At June 30, 2021</b>	<b>12,632.00</b>	<b>2,711,101.95</b>	<b>24,621,660.95</b>	<b>1,587,615.38</b>	<b>720,267.93</b>	<b>6,918,820.80</b>	<b>36,572,099.01</b>
<b>NET BOOK VALUE</b>							
<b>At June 30, 2022</b>	<b>-</b>	<b>383,584.05</b>	<b>37,245,628.05</b>	<b>448,474.62</b>	<b>457,235.07</b>	<b>37,827,981.20</b>	<b>74,400,200.00</b>

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

	<b>Cost or valuation</b>	<b>Normal annual depreciation charge</b>
Plant and machinery	-	-
Motor vehicles, including motor cycles	-	-
Computers and related equipment	-	-
Office equipment, furniture and fittings	-	-
	-	-
	-	-
	=====	=====

**SAMBURU WATER AND SANITATION COMPANY LTD**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**20 INTANGIBLE ASSETS**

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>COST</b>		
At July 1	817,600.00	817,600.00
Additions	-	-
Disposals	-	-
At June 30	<u>817,600.00</u>	<u>817,600.00</u>
<b>AMORTISATION</b>		
At July 1	743,272.00	711,418.00
Charge for the year	52,029.00	31,855.00
Disposals	-	-
Impairment loss	-	-
At June 30	<u>795,301.00</u>	<u>743,272.00</u>
<b>NET BOOK VALUE</b>		
At June 30	<u>22,299.00</u>	<u>74,328.00</u>

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**21 INVESTMENT PROPERTY**

	2021-2022	2020-2021
	Kshs	Kshs
Opening valuation	-	-
<b>Movements during the year</b>		
Additions	-	-
Transfer from operating lease rentals (note 22)	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
Closing valuation	-	-
	=====	=====
<b>DEPRECIATION (IF AT COST)</b>		
At July 1	-	-
Charge for the year	-	-
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30	-	-
	=====	=====
<b>NET BOOK VALUE</b>		
At June 30	-	-
	=====	=====

*(Provide details of the property, date last valued, the valuer and method of valuation as per IAS 40. Where investment property is carried at cost, depreciation will be shown, however, no depreciation is provided for when the asset is carried at fair value)*

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**22 PREPAID OPERATING LEASE RENTALS**

There were no prepaid operating lease rentals.

**23 FIXED INTEREST INVESTMENTS (BONDS)**

	2021-2022	2020-2021
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Infrastructure Bond	-	-
AB Corporate Bond (give details)	-	-
CD Corporate Bond (give details)	-	-
	-	-
	=====	=====

*There was no fixed interest investments (Bonds)*

Details		
Balance at 1 July	-	-
Additions during the year	-	-
Interest accrued during the year	-	-
Investment maturities during the year	-	-
Balance at 30 June	-	-

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**24 QUOTED INVESTMENTS**

	2021-2022	2020-2021
	Kshs	Kshs
Opening valuation	-	-
<b>Movements during the year</b>		
Additions	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
Closing valuation	-	-
	=====	=====

*There are no quoted investments*

Name of entity where investment is held	No of shares			Nominal value of shares/purchase price	Fair value of shares	
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	%	%	%	Shs	Shs	Shs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
	-	-	-	-	-	-

**25 UNQUOTED INVESTMENTS**

*There are no unquoted investments*

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**26 INVENTORIES**

No inventories held at the end of the period

**27 (a) TRADE AND OTHER RECEIVABLES**

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade receivables (note 27 (b))	21,651,413.00	20,498,821.00
Deposits and prepayments	-	-
VAT recoverable	-	-
Staff receivables (note 27 (c))	8,136,000.00	-
Other receivables	-	-
Gross trade and other receivables	21,651,413.00	20,498,821.00
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	21,651,413.00	20,498,821.00
	=====	=====

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

For the year ended June 30, 2022

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 27 (b) TRADE RECEIVABLES

	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	21,651,413.00	20,498,821.00
Provision for doubtful receivables	-	-
	<u>21,651,413.00</u>	<u>20,498,821.00</u>
	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	-	-
Between 30 and 60 days	-	-
Between 61 and 90 days	-	-
Between 91 and 120 days	-	-
Over 120 days	21,651,413.00	20,498,821.00
	<u>21,651,413.00</u>	<u>20,498,821.00</u>
	=====	=====

#### 27 (c) STAFF RECEIVABLES

There were staff salary arrears of four months as at 30<sup>th</sup> June 2022 amounting to 8,136,000.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**28 TAX RECOVERABLE**

There was no tax recoverable in the year ended June 2022 and June 2021.

**29 SHORT TERM DEPOSITS**

There were no short term deposits as at June 30, 2022.

**30 BANK AND CASH BALANCES**

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Cash at bank	486,807.00	58,923.00
Cash in hand	0.00	27,805.00
	<u>00.00</u>	<u>86,728.00</u>
	<u>=====</u>	<u>=====</u>

*The bulk of the cash at bank was held at Equity Bank limited, the entity's main bankers.*

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**30 BANK AND CASH BALANCES (Continued)**

The make – up of bank balances and short term deposits is as follows:

**Detailed analysis of the cash and cash equivalents**

<b>Financial institution</b>	<b>Account number</b>	<b>2021-2022 KShs</b>	<b>2020-2021 KShs</b>
<b>a) Current account</b>			
Kenya Commercial bank		-	-
Equity Bank, etc	1100263502267	486,807.00	58,923.00
<b>Sub- total</b>			
<b>b) Others(specify)</b>			
Cash in transit		-	-
cash in hand		-	-
M pesa		-	-
		9,139.00	27,805.00
<b>Sub- total</b>		<b>9,139.00</b>	<b>27,805.00</b>
<b>Grand total</b>		<b>495,946.00</b>	<b>86,728.00</b>

**31 ORDINARY SHARE CAPITAL**

*Samburu water and sanitation company are wholly owned by Samburu county government and has no ordinary share capital*

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**32 REVALUATION RESERVE**

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

**33 FAIR VALUE ADJUSTMENT RESERVE**

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

**34 RETAINED EARNINGS**

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities.

**35 BORROWINGS**

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	-	-
Repayments of domestic's borrowings during the year	-	-
Exchange rate gains/(losses) on revaluation of borrowings	-	-
Balance at end of the year	-	-
Less: Amounts due with one year (current portion)	-	-
Amounts due after one year (non-current portion)	-	-
	=====	=====

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**35 BORROWINGS (Continued)**

The analyses of both external and domestic borrowings are as follows:

	2021-2022	2020-2021
	Kshs	Kshs
<b>External Borrowings</b>		
	-	-
<b>Domestic Borrowings</b>		
	-	-
<b>Total balance at end of year</b>	-	-
	=====	=====

*There were no external or domestic borrowings*

**36 DEFERRED TAX LIABILITY**

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2021-2022	2020-2021
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	(-)	(-)
Provisions for liabilities and charges	(-)	(-)
<b>Net deferred tax liability</b>	-	-
	=====	=====

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**36 DEFERRED TAX LIABILITY (Continued)**

	2021-2022	2020-2021
	Kshs	Kshs
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	-	-
Credit to revaluation reserve	(-)	(-)
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-
	=====	=====

*No deferred tax obligation*

**37 TRADE AND OTHER PAYABLES**

	2021-2022	2020-2021
	Kshs	Kshs
Trade payables		
Accrued expenses	-	
Retention/ contract monies	-	
Other payables	-	
	=====	=====
	=====	=====

*[Provide short appropriate explanations as necessary]*

**38 RETIREMENT BENEFIT OBLIGATIONS**

The entity does not operate a defined benefit scheme for any of the full-time employees. There was no liability of retirement benefit obligations at the end of the year

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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**39 PROVISION FOR LEAVE PAY**

No Provision for annual leave pay has been made for the respective year. Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

**40 DIVIDENDS PAYABLE**

There was no balance of dividends payable that related to unclaimed dividends, payable to any different ordinary shareholders. Therefore no balances are analysed .

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**41 NOTES TO THE STATEMENT OF CASH FLOWS**

	2021-2022	2020-2021
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations</b>		
Operating profit/(loss)	(2,323,323.00)	350,858.00
Depreciation	8,123,489.00	4,617,633.00
Amortisation	22,299.00	31,855
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	5,822,465.00	5,000,346.00
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade and other receivables	(4,031,289.00)	(5,361,141.00)
Increase/(decrease) in trade and other payables	162,800	7,043,544.00
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/(used in) operations	6,661,905.00	6,682,750.00
	=====	=====
<b>(b) Analysis of changes in loans</b>		
Balance at beginning of the year	-	-
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	-	-
	=====	=====
<b>(c) Analysis of cash and cash equivalents</b>		
Short term deposits	0.00	-
Cash at bank	486,807.00	191,601.00
Cash in hand-mpesa	9,139	-
Balance at end of the year	495,946.00	191,601.00
	=====	=====

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**41 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)**

	2021-2022	2020-2021
	Kshs	Kshs
<b>(d) Analysis of interest paid</b>		
Interest on loans (note 12)	-	-
Interest on bank overdraft (note 12)	-	-
	-----	-----
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	(-)	(-)
Interest paid	-----	-----
	=====	=====
<b>(e) Analysis of dividend paid</b>		
Balance at beginning of the year	-	-
2017 dividends paid	-	-
2018 dividends paid	-	-
2019 interim dividends paid	-	-
Balance at end of the year	(-)	(-)
Dividend paid	-----	-----
	=====	=====

**42 RELATED PARTY DISCLOSURES**

**(a) County Government of Samburu**

The County Government of Samburu is the principal shareholder of Samburu water and sanitation company Ltd, holding 100% of Samburu water and sanitation company Ltd equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

- i) Key management;
- ii) Board of directors;

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**42 RELATED PARTY DISCLOSURES (Continued)**

**Transactions with related parties**

	2021-2022	2020-2021
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Sales of goods to xxx	-	-
Sales of services xxx	-	-
<b>Total</b>	=====	=====
<b>b) Grants from the Government</b>		
Grants from National Govt	-	-
Grants from County Government	45,544,400.00	48,288,111.00
Donations in kind	-	-
<b>Total</b>	45,544,400.00	48,288,111.00
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
<b>Total</b>	=====	=====
<b>d) Key management compensation</b>		
Directors' emoluments		
Compensation to the CEO		
Compensation to key management		
<b>Total</b>	=====	=====

**43 CAPITAL COMMITMENTS**

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	2021-2022	2020-2021
	Kshs	Kshs
Amounts authorised and contracted for	-	-
Amounts authorizes but not contracted for	-	-
Less: Amounts included in Work in progress	-	-
	-	-
	=====	=====

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

For the year ended June 30, 2022

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 44 CONTINGENT LIABILITIES

	2021-2022	2020-2021
	Kshs	Kshs
Bank guarantees	-	-
Legal claims against the <i>entity</i>	-	-
Letters of credit	-	-
Disputed tax penalties	-	-
	=====	=====
	-	-
	=====	=====

*In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.*

#### 45 FINANCIAL RISK MANAGEMENT

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

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

##### (i) Credit risk

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

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

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**45 FINANCIAL RISK MANAGEMENT (Continued)**

**(i) Credit risk (Continued)**

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2022</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2021</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

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 entity has significant concentration of credit risk on amounts due from unpaid bills.

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 entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity 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.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**45 FINANCIAL RISK MANAGEMENT (Continued)**

**(ii) Liquidity risk management (Continued)**

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>				
Trade payables				
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>				
<b>At 30 June 2021</b>				
Trade payables				
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**(iii) Market risk**

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

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

The company's Finance Department 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 entity's exposure to market risks or the manner in which it manages and measures the risk.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**45 FINANCIAL RISK MANAGEMENT (Continued)**

**(iii) Market risk (Continued)**

**a) Foreign currency risk**

Samburu Water and sanitation company Ltd has no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency.

Samburu Water and sanitation company Ltd has no foreign exchange risk from future commercial transactions and does not recognise assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**45 FINANCIAL RISK MANAGEMENT (Continued)**

**(iii) Market risk (Continued)**

**b) Foreign currency sensitivity analysis**

There is no effect of foreign currency on the company's statement of comprehensive income as the only transaction currency was Kenya Shilling.

**c) Interest rate risk**

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

*Management of interest rate risk*

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

*Sensitivity analysis*

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has not been performed in current year or prior year.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**45 FINANCIAL RISK MANAGEMENT (Continued)**

**Fair value of financial assets and liabilities**

*a) Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

<b>At 30 June 2022</b>				
	<b>Level 1 Kshs</b>	<b>Level 2 Kshs</b>	<b>Level 3 Kshs</b>	<b>Total Kshs</b>
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	=====	=====	=====	=====
	-	-	-	-
	=====	=====	=====	=====
<b>At 30 June 2021</b>				
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	=====	=====	=====	=====
	-	-	-	-
	=====	=====	=====	=====

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**45 FINANCIAL RISK MANAGEMENT (Continued)**

**Fair value of financial assets and liabilities (Continued)**

*a) Financial instruments measured at fair value (Continued)*

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
<b>At 30 June 2020</b>				
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Property, plant and equipment	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 30 June 2019</b>				
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

*b) Financial instruments not measured at fair value*

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

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

For the year ended June 30, 2022

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 45 FINANCIAL RISK MANAGEMENT (Continued)

##### iv) Capital Risk Management

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

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	(15,794,405.00)	(13,120,225.00)
Capital reserve	67,617,994.00	67,617,994.00
<b>Total funds</b>	<b>51,823,589.00</b>	<b>54,146,911.00</b>
Total borrowings	-	-
Less: cash and bank balances	495,946.00	86,729.00
Net debt/ (excess cash and cash equivalents)	(495,946.00)	(86,729.00)
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

#### 46 INCORPORATION

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

#### 47 EVENTS AFTER THE REPORTING PERIOD

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

#### 48 CURRENCY

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Managing Director

Chairman of the Board

Date.....

Date.....

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2022**

**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

Projects implemented by Samburu water and sanitation company Ltd Funded by development partners

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

**Status of Projects completion**

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**


**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**APPENDIX III: INTER-ENTITY TRANSFERS**

ENTITY NAME:				
Break down of Transfers from the State Department of XXX				
FY 2021/2022				
<b>a. Recurrent Grants</b>				
		<u>Bank Statement Date</u>	<u>Amount (KSh)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	-	
<b>b. Development Grants</b>				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	-	
<b>c. Direct Payments</b>				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	-	
<b>d. Donor Receipts</b>				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	-	

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager  
SAWASCO  
CPA Dominic Ltanapua  
M/no:28787

Sign: 



Commercial manager  
SAWASCO  
Simon Lemerele

Sign: 

**SAMBURU WATER AND SANITATION COMPANY LTD**

**Annual Reports and Financial Statements  
For the year ended June 30, 2022**

**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Planning and Devolution	-	Recurrent	-	-	-	-	-	-	-
Ministry of Planning and Devolution	-	Development	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-
Ministry of Planning and Devolution	-	Direct Payment	-	-	-	-	-	-	-
<b>Total</b>			-	-	-	-	-	-	-