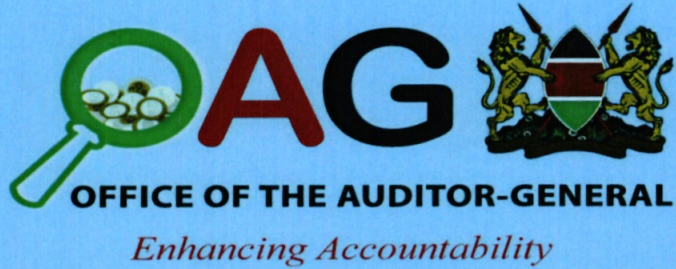


SCANNED

REPUBLIC OF KENYA



PARLIAMENT
OF KENYA
LIBRARY

REPORT

PAPERS LAID	
DATE	15/11/2022
TABLED BY	Senate Majority Whip
COMMITTEE	_____
CLERK AT THE TABLE	I. Mbugua

OF

THE AUDITOR-GENERAL

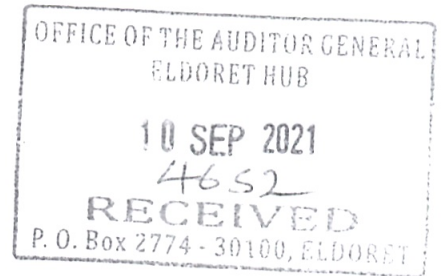
ON

**LODWAR WATER AND SANITATION
COMPANY LIMITED**

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



P.O. Box 144, LODWAR
Telephone: 054-21003
Mobile: 0723423848
E-mail:mdlowasco@gmail.com



LODWAR WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2021

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

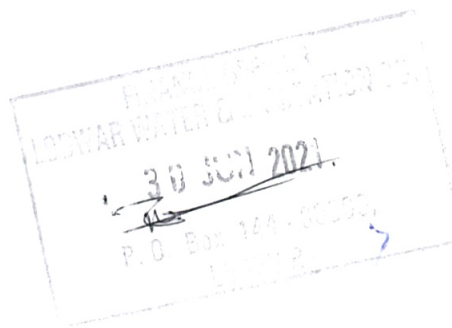
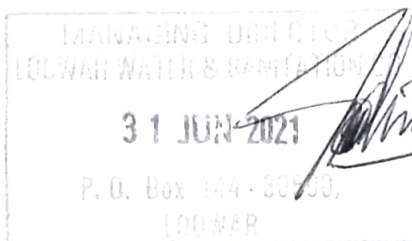


Table of Contents

Page

KEY ENTITY INFORMATION	ii-iii
THE BOARD OF DIRECTORS.....	iii
MANAGEMENT TEAM.....	iii
CHAIRMAN'S STATEMENT.....	iii
REPORT OF THE CHIEF EXECUTIVE OFFICER.....	iii
CORPORATE GOVERNANCE STATEMENT.....	iii
MANAGEMENT DISCUSSION AND ANALYSIS.....	vi-v
CORPORATE SOCIAL RESPONSIBILITY STATEMENT.....	vvii
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	viii
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	Error! Bookmark not defined.
STATEMENT OF FINANCIAL POSITION	Error! Bookmark not defined.
STATEMENT OF CHANGES IN EQUITY	Error! Bookmark not defined.
STATEMENT OF CASH FLOWS.....	Error! Bookmark not defined.
NOTES TO THE FINANCIAL STATEMENTS.....	5-25

MANAGING DIRECTOR
LOEWAN WATER & SANITATION CO.
31 JUN 2021
P.O. Box 144-3050
LOEWAN

FINANCIAL DIRECTOR
LOEWAN WATER & SANITATION CO.
30 JUN 2021
P.O. Box 144-3050
LOEWAN

KEY ENTITY INFORMATION

Background information

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

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

Principal Activities

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

Vision

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

Mission

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

Core values

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

Directors

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

Secretary

There was no corporate secretary during the Financial year under consideration

Registered Office

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

31 JUN 2021
P.O. Box 144-30500
Lodwar Kenya

30 JUN 2021
P.O. Box 144-30500
Lodwar Kenya

Contacts

Telephone: (254) 725059737
E-mail: mdlowasco@gmail.com

Bankers

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

Independent Auditors

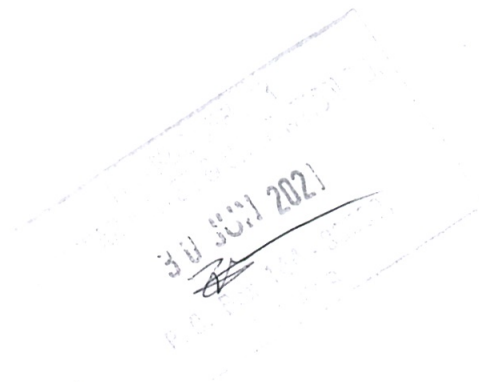
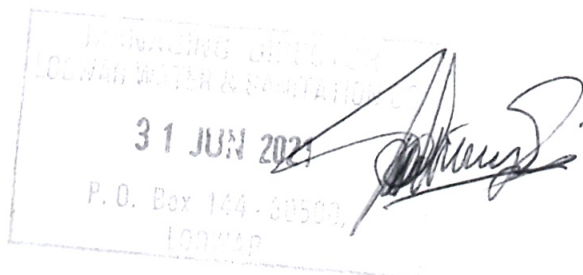
Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

Principal Legal Advisers

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

THE BOARD OF DIRECTORS

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







MANAGEMENT


31 JUN 2021
P. O. Box 144, 2021
100 010



,iv

30 JUN 2021
P. O. Box 144, 2021
100 010

Passport size	Name	Qualification	Area of responsibility
	MUSA KOSGEY	Diploma in Water engineering Operation and maintenance	TEAM LEADER
	BONFACE ONYANGO	Diploma in Electromechanical engineering power option	ELECTROMECHANICAL
	AARON KOKIRO	-Member of HRMPEB HS2700 -Member of IHRM REG NO.011869 -Higher diploma in HRM -Diploma in HRM	HUMAN RESOURCE AND ADMIN
	THOMAS IGULE EJURE	-Member of ICPAK REG NO NAC/324761 -Degree in business and economics(option account) -Diploma in accountancy(option account) -CPA part II section 3 Higher diploma in HRM -Diploma in banking and finance -Certificate in business management	


 31 JUN 2021
 P. O. Box 144 - 30500,
 LODWAR

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

CHAIRMAN'S STATEMENT

There was no chairman during the Financial year under consideration

REPORT OF THE CHIEF EXECUTIVE OFFICER

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

CORPORATE GOVERNANCE STATEMENT

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

MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The entity's operation and financial performance

OVERVIEW

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

GENERAL DESCRIPTION OF THE AREA

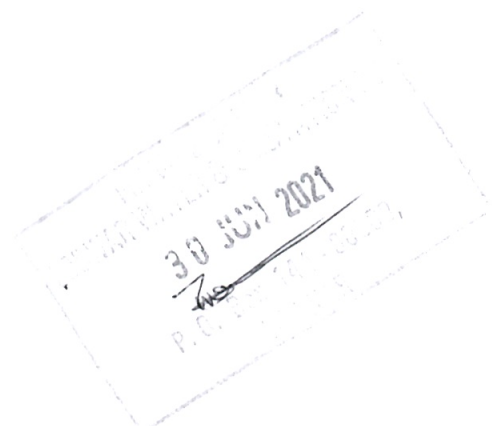
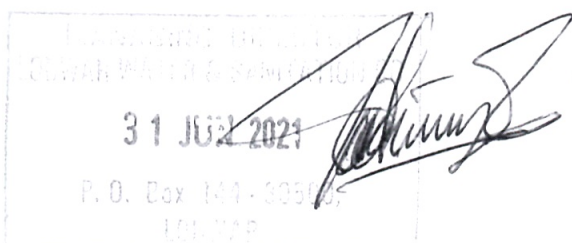
LOCATION

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

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

CHALLENGES/RISKS FACING THE COMPANY

- i) Electricity bill is still high at an average of Ksh.1,200,000
- ii) The company still uses old infrastructure (pumps, pipes etc)
- iii) Unaccounted for water is still high at a rate of 37%
- iv) Illegal connections
- v) High operations and Maintenance costs



vi) Water production cost is Ksh.45.00 per cubic meter while water tariff is Ksh.33.00 per cubic meter resulting to a loss of Ksh. 12.00 per cubic meter.

WAY FORWARD

- Improving and increasing water supply
- Expansion of area covered
- proposals to donors for further investment e.g Water Services Trust Funds
- Rehabilitation of existing water supply system
- Alternative water supply systems i.e Solar power
- To put in place strong organisation policies
- Improve remuneration of workers for better performance

SECTION B

Company's compliance with statutory requirements

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

SECTION C

Key projects and investments decisions the entity is planning/implementing

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

SECTION D

Material arrears in statutory/financial obligations

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

SECTION E

The entity's financial probity and serious governance issues

The company has never experienced any negative financial probity.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The company passively participates on social responsibility


Dividends

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

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. Kenya National Audit Office was nominated by the Auditor General to carry out the audit of the company for the year/period ended June 30, 2018 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

31 JUN 2021
P.O. Box 1111
Nairobi



30 JUN 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

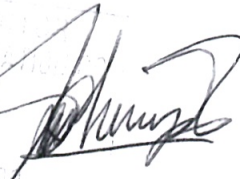
The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by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

Approval of the financial statements

The entity's financial statements were approved by the Board on _____ 2021 and signed on its behalf by:


Date.....

Musa Kosgey
Team Leader
LOWASCO


31 JUN 2021
P. O. Box 144 - 00500
Nairobi

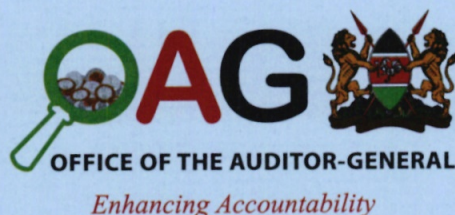
Date.....

Thomas Igule
Accountant
LOWASCO
REG.NAC/324761


31 JUN 2021

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON LODWAR WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Lodwar Water and Sanitation Company Limited set out on pages 1 to 25, which comprise of the statement financial

position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 Lodwar Water and Sanitation Company Limited as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with Accrual Basis of Accounting method under the International Financial Reporting Standards (IFRS) and do not comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

Review of the Company's financial statement revealed the following inaccuracies;

- i. The trial balance used to prepare the financial statements was not provided for audit.
- ii. The statement of financial position reflects cash and cash equivalent balance of Kshs.1,118,422 while the statement of cash flows reflects a balance of Kshs.507,030 resulting to an unexplained variance of Kshs.611,392.

Further, the statement of financial position reflects trade and other receivables balance of Kshs.66,783,459 while Note 18 reflects Kshs.16,343,411 resulting to an unexplained and unreconciled variance of Kshs.50,420,048.

- iii. The statement of cash flows reflects nil balance for financing activities while the statement of financial position reflects increase in staff loans of Kshs.13,063,830. In addition, the statement of cash flows reflects cash and cash equivalents balance at beginning of the period of Kshs.1,983,233 while the 2019/2020 audited balance was Kshs.3,600,523 resulting to an unexplained and unreconciled variance of Kshs.1,617,290.
- iv. The statement of changes in equity reflects total equity of Kshs.100,000 whereas no balance was reflected in the statement of financial position.
- v. The statement of profit or loss and other comprehensive income reflects administration and operating expenses of Kshs.55,884,993 while Note 15 to the financial statements reflects Kshs.43,410,529 resulting in an unexplained and unreconciled variance of Kshs.12,474,464.

In addition, Note 15 to the financial statements reflects an amount of Kshs.54,046,405 in respect of administration and operating costs while supporting

schedules reflect Kshs.48,728,467 resulting in an unexplained and unreconciled variance of Kshs.5,317,938.

Further, bank charges of Kshs.193,414 and audit fees of Kshs.382,000 were omitted from the total operating costs and the statement of profit and loss respectively.

In the circumstances, the accuracy and completeness financial statements could not be ascertained.

2. Unsupported Sales

The statement of profit or loss and other comprehensive income reflects sales amount of Kshs.66,783,459 which was not supported by schedules, ledgers, and bank statements.

In the circumstances, the accuracy and completeness of the sales amount of Kshs.66,783,459 could not be confirmed.

3. Unsupported Administration and Operating Expenditure

Note 15 to the financial statements reflects administration and operating costs amount of Kshs.43,410,529. Included in this amount is Kshs.2,815,600 for training and development out of which there was a subsistence allowance amount of Kshs.882,000 that was not supported by training needs assessment, invitations, attendance schedules, list of facilitators and venue of meetings. In addition, an amount of Kshs.1,753,925 was spent on suppliers of fuel, oil and lubricants whose contract had expired and the expenditure was not supported with detailed orders, fuel register and supplier fuel statement.

Further, an insurance amount of Kshs.119,554 was not supported by any contract documents, policy documents or properties insured.

In the circumstances, the accuracy and completeness of training and development expenditure of Kshs.2,815,600 could not be confirmed.

4. Unsupported Bank and Cash Balances

The statement of financial position reflects bank and cash balance of Kshs.1,118,422. However, cash books, bank statements, bank reconciliation statements, board of survey and certificates of bank balances were not provided for audit.

In the circumstances, the accuracy and completeness of bank and cash balance of Kshs.1,118,422 could not be confirmed.

5. Unsupported Receivables

Note 18 to the financial statements reflects trade and other receivables balance of Kshs.16,363,411 which includes Kshs.10,000,000 due from the Ministry of Water. However, Management did not provide any evidence of the steps taken towards recovery of the debt including any demand notices.

In addition, Management did not provide the ageing analysis of debtors and neither did they have a Debt Management Policy.

In the circumstances, the completeness and recoverability debtor's balance of Kshs.16,363,411 could not be confirmed.

6. Unsupported Staff Loan

The statement of financial position reflects staff loan of Kshs.13,830,228. However, the loan was not supported by relevant authority and approvals, terms of the loan, loan computation schedule, interest charged and repayment period were not provided for audit.

In the circumstances, the accuracy and completeness of the staff loan balance of Kshs.13,830,228,411 could not be confirmed.

7. Non-Disclosure of Fixed Assets

Note 17 to the financial statements reflects property, plant and equipment balance of Kshs.14,475,923. However, the amount excludes assets transferred from Rift Valley Water Services Board (RVWSB) such as motor vehicles, motorcycles, furniture and fittings and computers of undisclosed amounts.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.14,475,923 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lodwar 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 were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the audit report of 2019/2020 financial year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to implement the audit recommendations.

Other Information

The Management are responsible for the other information, which comprises The Chairman's Statement, Report of the Chief Executive Officer, the Statement of Corporate Governance, Management Discussions and Analysis, Statement of Corporate Social Responsibility and 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 and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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

During the year under review Management did not provide for audit an approved budget and did not include the statement of comparison of budget and actual amounts in the financial statement. This is contrary to Section 164(2) of Public Finance Management Act, 2012 which requires a County 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.

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

2. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees of the Company was eighty (80) out of which sixty-eight (68) or 85 % of the total number were members of the same ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community"

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

3. Non-Remittance of Water Levies

During the year under audit, the Company did not remit water levies to the Water Resources Authority estimated at Kshs.1,114,662 contrary to Section 109(1) of the Water Act, 2016 which empowers the Regulatory Board to impose a sewerage services levy on all water services within the area of licensee.

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

4. Lack of a Procurement Plan

Review of records revealed that the Company did not have a procurement plan. This was contrary to Regulation 50(3) of the of the Public Finance Management (County Governments) Regulations, 2015 which provides that the accounting officer shall make an expenditure commitment only against the procurement plan approved for the entity in accordance with Public Procurement and Asset Disposal Act, 2015.

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

5. Failure to File Returns

Review of records revealed that the Company's returns for the year ended 30 June, 2021 had not been filed. This is contrary to Section 705 of the Companies Act, 2015 which states that every company shall submit to the Registrar successive annual returns each of which is made up to a date not later than the date that is from time to time the company's return date.

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

6. Non- Compliance International Financial Reporting Standards

Review of the financial statements revealed the following unsatisfactory matters;

- i. The financial statements were approved by a caretaker team instead of the Board of Directors.
- ii. The statement of performance against predetermined objectives, environmental and sustainability reporting statement, report of the Directors, the statement of comparison of budget and actual amounts, projects implemented by the entity and Inter-entity transfers were omitted from the financial statements.
- iii. The statement of profit and loss and other comprehensive income has not disclosed gross profit, selling and distribution costs, depreciation charge, operating profit and profit before tax.
- iv. The property, plant and equipment balance has been omitted from the statement of financial position even though the same has been disclosed in the Notes to the financial statements.

- v. The statement of comparison of budget and actual amounts was omitted and approved budget was not presented for audit.

In the circumstances, the annual reports and financial statements as prepared and presented do not comply with the requirements of International Financial Reporting Standards and as prescribed by the Public Sector Accounting Standards Board.

7. Irregular Procurement of Spare Parts

Note 15 to the financial statements reflects administration and operation costs amount of Kshs.43,410,529 out of which Kshs.1,603,357 was incurred on repair and maintenance. However, expenditure was not supported by pre and post repair inspection reports and the spare parts purchased were not taken on charge in the stores.

In the circumstances, the value for money on the expenditure of Kshs.1,603,357 incurred on repairs and maintenance could not be confirmed.

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 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. Non-Revenue Water

The statement of profit or loss and other comprehensive income reflects sales (turnover) amount Kshs.66,783,459. Available records indicate that the Company produced 2,229,323 cubic meters of water out of which, only 1,116,925 cubic meters(m³) equivalent to 50% of water production was billed to customers leaving out a balance of 1,112,398 cubic meters (m³) or 50% of the production as Non-Revenue Water. The significant level of the unaccounted-for water of 1,112,398 cubic meters (m³) saleable at a rate of Kshs.33.3 per cubic meter may have resulted to a loss estimated at Kshs.37,042,853 which may impact negatively on the Company's profitability and its long-term sustainability.

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

2. Expired Service Agreement

Review of the records revealed that the Company operated a collection bank account which charges of Kshs.25 per litre of water on revenue collections. The Company has continued to use service agreement that was signed on 5 December, 2014 with expiry period of two (2) years. However, no evidence of its renewal after expiry was provided for audit.

In the circumstances, the effectiveness of controls of revenue collection could not be confirmed.

3. Failure to Update Fixed Asset Register

Note 17 to the financial statements reflects property, plant and equipment balance of Kshs.14475,923. However, a review of the asset register reveals that net book values for reservoir tanks, solar panels, boreholes and equipment are not indicated. This was contrary to Section 153(1) (a) of the Public Finance Management Act, 2012 which states that the Accounting Officer for a County Government entity shall be responsible for the management of the entity's assets and liabilities.

In the circumstances, the effectiveness of controls of fixed assets could not be confirmed.

4. Lack of Internal Audit Function and an Audit Committee of the Board

The Company has not established an Internal Audit Function and an Audit Committee of the Board. This is contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board.

In the circumstances, the Company may not benefit from the value assurances advisory services of the internal audit function as well as oversight from the Audit Committee.

5. Lack of Information Technology Strategic Committee

Review of the company's Information and Communication Technology (ICT) revealed that the Company does not have an IT Strategic Committee, IT Strategic Plan And Policy, IT Training Policy and programme and approved user management standards and procedures to manage upgrades and system changes made to all financial and performance information systems.

In the circumstances, the effectiveness of controls of Information and Communication Technology could not be confirmed.

6. Lack of Risk Management Policy and Strategy

The Company Management had not put in place Risk Management Policy Strategy and a Risk Register to mitigate against risk. This is in contravention of Regulation 158 (1)(a)

and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism; and the County Government entity develops a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of controls of risk management could not be confirmed.

7. Lack of Board of Directors

The Company lacked a substantive Board of directors, the term of the previous Board having expired in 2013. This contravenes Guideline 4.2.5 of the corporate governance guidelines for the water services sector, on Board succession policies and period in office which requires that the Water Service Providers shall avoid a situation where all Board members retire at the same time.

In the circumstances, Management lacked the support of the board on issues of risk, controls and governance and associated assurance and follow up on implementation of recommendations of internal and external auditors.

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 controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements do not agree 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 (IFRS) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 appropriate 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.
- 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

29 September, 2022

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

	Note	2021 Kshs	2020 Kshs
REVENUES			
Sales/Turnover	8	66,783,459.00	65,543,123.00
TOTAL REVENUES		66,543,123.00	65,543,123.00
OPERATING EXPENSES			
Cost of sales	9	10,820,395.00	7,744,638.00
Administration and operating expenses	10	55,884,993.00	57,798,485.00
TOTAL OPERATING EXPENSES		55,884,993.00	57,798,485.00
OPERATING PROFIT/(LOSS)			
Bank charges	11	193,414.00	110,710.00
PROFIT/(LOSS) BEFORE TAXATION			0.00


 31 JUN 2021
 P. O. Box 144 - 80500,
 LODWAR


 30 JUN 2021
 P. O. Box 144 - 80500,
 LODWAR

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2021	2020
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	12		14,475,923.00
Total Non-Current Assets			14,475,923.00
Current Assets			
Trade and other receivables	13	66,783,459.00	65,543,123.00
Bank and cash balances	14	1,118,422.00	3,600,523.00
Total Current Assets		67,901,881.00	69,143,646.41
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	15		100,000
Capital reserve			2,568,129
Revenue reserve			18,838,754
Total capital and Reserve			16,170,625
Non-Current Liabilities			
Borrowings(NIC Loan balance)	16	13,830,228.00	766,398
Total Non-Current Liabilities		-	766,398
Current Liabilities			
Trade and other payables	17	16,233,411.00	11,989,437.00
Total Current Liabilities		16,233,411.00	11,989,437.00
TOTAL EQUITY AND LIABILITIES		30,819,665	11,989,437.00

The financial statements were approved by the Board on _____ 2020 and signed on its behalf by:
 Date.....
 Benedict Ekeru
 Team Leader
 LOWASCO

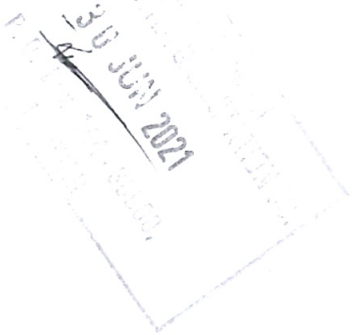
Date.....
 Thomas Igule
 Accountant
 LOWASCO

REGNAC/324761

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Capital/Development Grants/Fund	Total
At July 1, 2019	100,000.00	-	-	-	100,000
Total comprehensive income		-	-	-	(6,113,230.24)
At June 30, 2020	100,000.00	-	-	-	100,000
At July 1, 2020	100,000.00	-	-	-	100,000
Issue of new share capital	-	-	-	-	-
Total comprehensive income		-	-	-	(6,113,230.24)
Dividends paid – 2021	-	-	-	-	-
Interim dividends paid – 2021	-	-	-	-	-
Proposed final dividends	-	-	-	-	-
At June 30, 2021	-	-	-	-	100,000

31 JUN 2021


30 JUN 2021


STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Kshs	2020 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations		66,783,459.00	65,543,123.35
Interest received			
Interest paid			
Dividends paid			
Taxation paid			
Other expenses			(64,343,622)
Net cash generated from/(used in) operating activities			1,733,477.35
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment			
Proceeds from disposal of property, plant and equipment			
Net cash generated from/(used in) investing activities			1,733,447.35
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital grants			
Repayment of borrowings			
Net cash generated from/(used in) financing activities		1,117,920.00	1,733,447.35
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,117,920.00	1,733,447.35
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,983,233	1,983,233.00
Effects of foreign exchanges rate fluctuations			
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		507,030.00	3,600,523.41

31 JUN 2021



30 JUN 2021

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

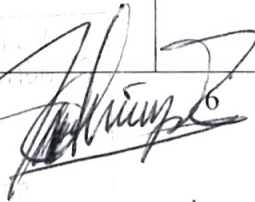
3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

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

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

31 JUN 2021




30 JUN 2021

P.O. Box 144


100 245

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

31 JUN 2021
P.O. Box 100
1210



30 JUN 2021
P.O. Box 100
1210



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

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

31 JUN 2021

P. O. Box 100, 1000

1000

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


31 JUN 2021




30 JUN 2021

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

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

31 JUN 2021
P.O. Box 111111
111111


30 JUN 2021
P.O. Box 111111
111111


6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Property, plant and equipment

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

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

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

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

b) Depreciation and impairment of property, plant and equipment

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

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

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

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

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

31 JUN 2021

T. O. Per 111-11111

31 JUN 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Intangible assets

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

d) Amortisation and impairment of intangible assets

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

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

e) Investment property

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

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

f) Finance and operating leases

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

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

31 JUN 2021



30 JUN 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Inventories

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

h) Trade and other receivables

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

i) Taxation

Current income tax

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

31 JUN 2021



31 JUN 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Taxation (Continued)

Current income tax (Continued)

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

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

Deferred tax

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

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

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

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

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

31 JUN 2021



30 JUN 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Taxation (Continued)

Deferred tax (Continued)

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

l) Cash and cash equivalents

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

M) Borrowings

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

n) Trade and other payables

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

o) Retirement benefit obligations

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

31 JUN 2021
P.O. Per [Signature]
[Signature]

30 JUN 2021
[Signature]

q)Provision for staff leave pay

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

r)Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters 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.

s)Comparative figures

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

t)Subsequent events

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

31 JUN 2021
P. S. Co.


30 JUN 2021
P. S. Co.


11. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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


Estimates and assumptions


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

Useful lives and residual values

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

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

31 JUN 2021
P. S. D.


30 JUN 2021
P. S. D.


NOTES TO THE FINANCIAL STATEMENTS (Continued)

13.SALES/TURNOVER

sales amount is inclusive of reconnection fees and other charges

	2021	2020
	Kshs	Kshs
Sales/Turnover	66,783,459.00	65,543,123.00
TOTALS	66,783,459.00	65,543,123.00

14. COST OF SALES

	2021	2020
	Kshs	Kshs
Electricity for pumping water	10,658,150.00	7,744,638.00
Chemicals	162,245.00	
TOTALS	10,820,395.00	7,744,638.00

15. ADMINISTRATION AND OPERATING COSTS

	2021	2020
	Kshs	Kshs
Salaries, wages and statutory deductions	29,372,034.00	30,691,429.00
Telephone and postage	1,390,607.00	1,819,373.64
Travel and Accommodation	222,000.00	2,417,000.00
Stationary and office supplies	1,072,650.00	1,126,110.00
Training and development	2,815,600.00	1,548,300.00
Bank charges	198,414.00	110,710.00
Depreciation		-
Regulatory/Water Levies	133,000.00	-
Hire charges	59,858.00	123,450.00
Repair and maintenance	1,603,357.00	8,426,323.00
Operation cost	4,425,830.00	5,089,200.00
Fuel and lubricant	1,753,925.00	1,145,000.00
Insurance costs	119,554.00	186,152.00
Cleaning Expenses	210,850.00	115,200.00
Auditors' remuneration		382,000.00
Sales and marketing	32,850.00	528,500.00
Total	43,410,529.00	53,180,247.64

31 JUN 2021



30 JUN 2021

• 16. FINANCE COSTS

	2021	2020
	Kshs	Kshs
Interest expense on loans	198,414.00	110,710.00
Asset repossession order cancellation		
Total	198,414.00	110,710.00

31 JUN 2021
[Signature]
 P.O. Box 1000, NAIROBI

30 JUN 2021
[Signature]
 P.O. Box 1000, NAIROBI

17. PROPERTY, PLANT AND EQUIPMENT

2020	Freehold land	Buildings, Water & Sewer Works	Meters and equipment	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST OR VALUATION	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
At July 1, 2020	-	16,748,352	1,329,089	11,147,250	736,687	185,351	30,146,729
Additions	-	-	-	-	633,243	406,750	1,039,993
Total assets cost As At June 30, 2020	-	16,748,352	1,329,089	11,147,250	1,369,930	592,101	31,186,722
DEPRECIATION							
Accumulated depreciation As At July 30, 2020	-	-	947,079	7,615,250	639,503	140,589	- 9,342,421
Charge for the year	-	418,709	166,136	2,786,813	279,314	61,033	- 3,712,005
Accumulated depreciation As AT 30th June 2020		- 418,709	- 1,113,235	10,402,063.00)	- 918,817	- 201,622	- 13,054,437
At June 30, 2021	-						
NET BOOK VALUE		17,167,061.00	2,442,324.00	21,549,313	2,288,747.00	793,723.00	44,241,159.00
2020/2021							
Total Asset cost As At 30TH JUNE 2021		16,748,352	1,329,089	11,147,250	1,369,930	592,101	31,186,722
ADDITION IN THE YEAR					263,000	18,500	281,500
ASSET COST AS AT 30TH JUNE 2021		16,748,352	1,329,089	11,147,250	1,632,930	610,601	31,468,222
DEPRECIATION							
ACCUMULATED DEPRECIATION AS AT 1ST JULY 2021		- 418,709	- 1,113,235	- 10,402,063	- 918,817	- 201,622	- 13,054,437

CHARGES FOR YEAR		- 418,709	- 166,136	- 2,786,812	- 489,879	- 76,325	- 3,937,862
ACCUMULATED DEPRECIATION AS AT 30TH JUNE 2021		- 837,418	- 1,279,371	- 13,188,876	- 1,408,696	- 277,947	(16,,992,298.63)
NET BOOK VALUE	-	15,910,934	49,718	- 2,041,626	224,234	332,654	14,475,923

18. TRADE AND OTHER RECEIVABLES

	2021	2020
	Kshs	Kshs
Trade receivables	16,233,411.00	65,543,123.00
Deposits and prepayments	130,000.00	2,523,069.00
VAT recoverable		
Other receivables		
Gross trade and other receivables	16,363,411.00	68,066,192.00

19. BANK AND CASH BALANCES

	2021	2020
	Kshs	Kshs
Cash at bank	1,117,920.00	3,600,532.41
Cash in hand		
	1,117,920.0	3,600,523.41

20. ORDINARY SHARE CAPITAL

	2021	2020
	Kshs	Kshs
Issued and fully paid:		100,000

21. BORROWINGS

	2021	2020
	Kshs	Kshs
Balance at beginning of the year	507,030.00	1,983,233.00
Domestic borrowings during the year		-
Repayments of domestics borrowings during the year		
Interest due	198,414.00	110,710.00
Balance at end of the year	198,414.00	110,710.00

22. TRADE AND OTHER PAYABLES

	2021	2020
	Kshs	Kshs
Trade payables	16,233,411.00	11,989,437.00
Accrued expenses		
	16,233,411.00	11,989,437.00

23. FINANCIAL RISK MANAGEMENT

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

24. INCORPORATION

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

25. EVENTS AFTER THE REPORTING PERIOD

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

26. CURRENCY

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

22. TRADE AND OTHER PAYABLES

	2021	2020
	Kshs	Kshs
Trade payables	16,233,411.00	11,989,437.00
Accrued expenses		
	16,233,411.00	11,989,437.00

23. FINANCIAL RISK MANAGEMENT

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

24. INCORPORATION

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

25. EVENTS AFTER THE REPORTING PERIOD

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

26. CURRENCY

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

1252 NOV 18



30 JUN 2021