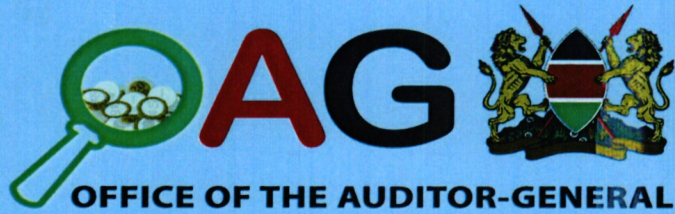
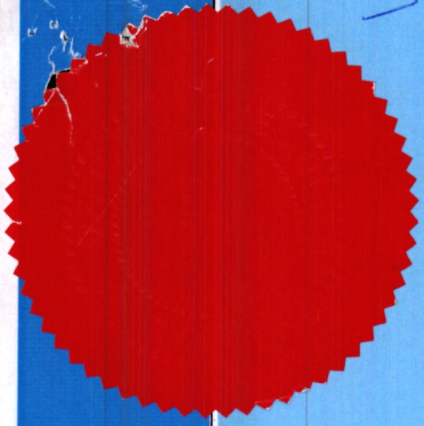


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REPORT

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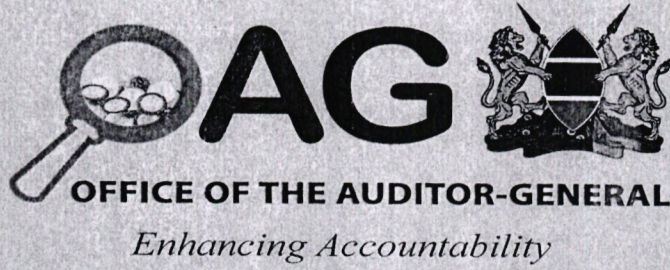
AMATSI WATER SERVICES COMPANY LIMITED

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



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REPORT

OF

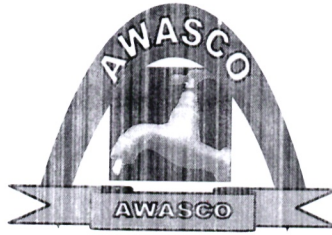
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AMATSI WATER SERVICES COMPANY LIMITED

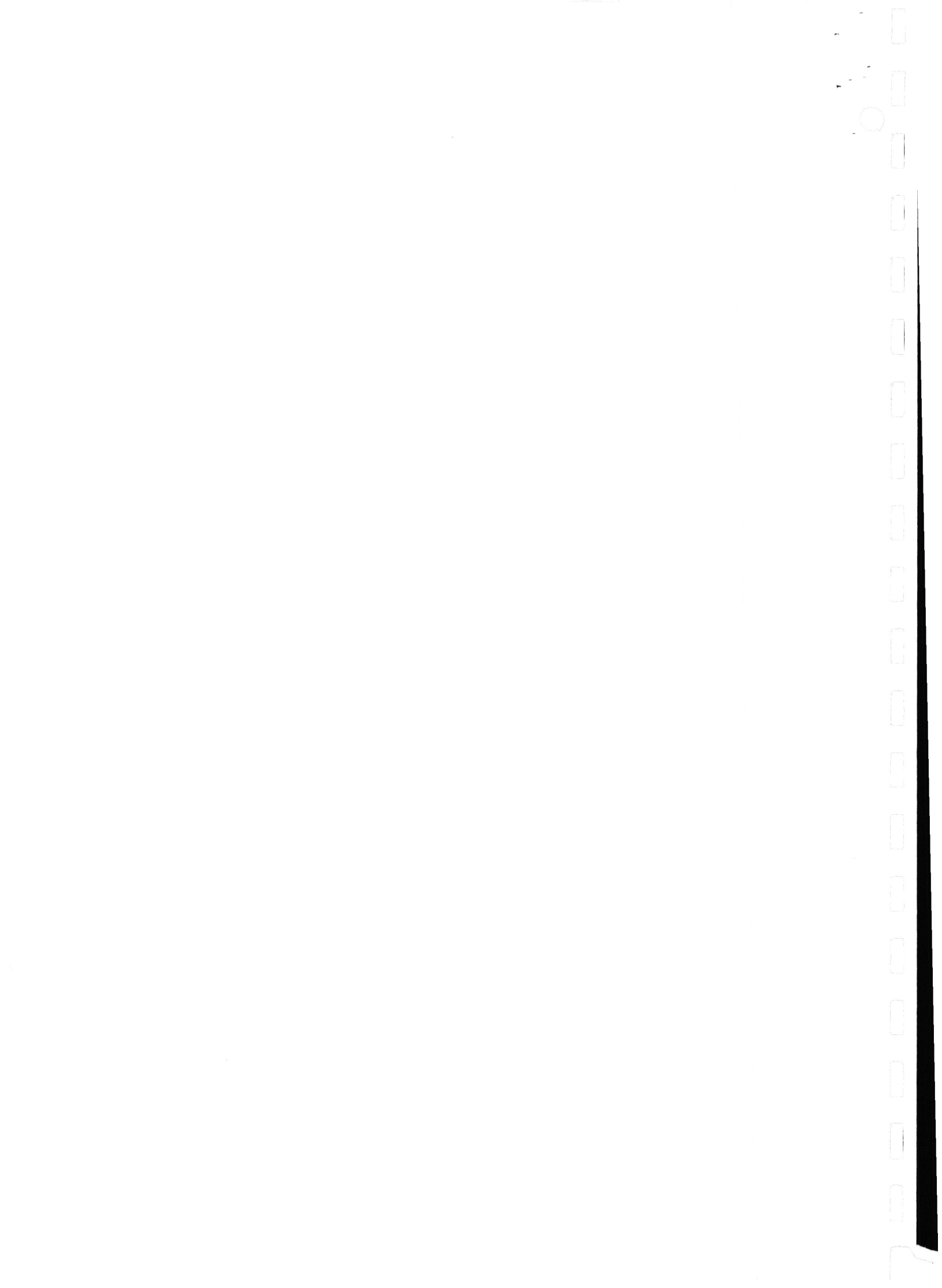
FOR THE YEAR ENDED
30 JUNE, 2020



AMATSI WATER SERVICES CO. LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR
ENDING 30TH JUNE, 2020

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



Amatsi Water Services Company Limited.
Reports and Financial Statements
For the year ended June 30, 2020.

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KEY COMPANY INFORMATION

Background Information

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

Principal Activities

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

Directors

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

- | | | | |
|----|---------------------|-------------------|-------------------------------------------|
| 1. | Rev. Peter Adolwa | Chairman | - Appointed on 6 th Aug. 2014. |
| 2. | Mr. Collins Amuhaya | Managing Director | - Appointed on 1st August 2018. |
| 3. | Mr. Boaz Amuhaya | Director | - Appointed on 6 th Aug. 2014. |
| 4. | Mr. Isaiah Arula | Director | - Appointed on 6 th Aug. 2014 |
| 5. | Mrs. Grace Idala | Director | - Appointed on 6 th Aug. 2014 |
| 6. | Mr. Luke Andeka | Director | - Appointed on 6 th Aug. 2014 |

Registered Office

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

Corporate Contacts

Telephone: 0799945300

E-mail: amatsiwaterco@gmail.com

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

Amatsi Water Services Company Limited
Annual Reports and Financial Statements
For the Year Ended June 30, 2020

Corporate Bankers.

1. Kenya Commercial Bank - Mbale Branch

P.O. Box 344 – (50300).

Maragoli.

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

3. Equity Bank ltd-Mbale Branch

Po Box

Maragoli

Independent Auditors

Auditor General

Office of Auditor General

Anniversary Towers, University Way

P.O. Box 30084-00100

Nairobi, Kenya

Principal Legal Advisors

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

P.O. BOX. 344 –50300.

Maragoli



REV. PETER ADOLWA
CHAIRMAN BOARD OF DIRECTORS

Master of Arts
Bachelor of Theology
Dipoma in HRM, CPA I



MR LUKE ANDEKA
DIRECTOR HUMAN RESOURCE/LEGAL

Master of HRM
Bachelor of Commerce



MISS GRACE IDALA

DIRECTOR FINANCE & ADMINISTRATION
Bachelor of Arts - Education



MR. ISAIAH ARULA
DIRECTOR AUDIT

Cambridge School Certificate
Div 3 Teacher ATS I



MR. BOAZ AMUHAYA
DIRECTOR TECHNICAL

HD Education - Distance Learning
Master of Arts - Education



CPA. ALFRED INDECHE
CECM. FINANCE AND PLANNING
MBA FINANCE.
BBA ACCOUNTING OPTION
CPAK



MR. DOMINIC LUVAVO
CHIEF OFFICER WATER

PHD (FINANCE) ONGOING
MBA FINANCE
Bachelors of Economics & Business
studies
CPA (Part II)

THE BOARD OF DIRECTORS

Name	Position Within Organization	Academic Qualifications	Professional Qualification	Current Occupation	Age (yrs.)	Gender
REV.PETER ADOLWA	Chairman of B.O.D	Master of Arts (MA) Bachelor of Theology Diploma HRM CPA I	Administrator	Administrator	48	Male
MR.COLLINS AMUHAYA	Managing Director	Msc. Statistics Bsc. Mathematics & Computer Science	Administrator	Managing Director	38	Male
MR.BOAZ AMUHAYA	Director – Technical	Phd Distance Education M.A Education	Lecturer	Lecturer Nairobi University	61	Male
MRS.GRACE IDALA	Director – Finance	Bachelor of Arts – Education	Teacher (Tutor)	Retired TTC Principal	70	Female
MR.ISAIAH ARULA	Director – Audit	Cambridge School Certificate Div 2 Teacher ATS 1	Teacher	Retired Teacher	69	Male
HON.CPA ALFRED INDECHE	CECM FINANCE	MBA(FINANCE)BBA (ACCOUNTING) CPA(K)	Administrator	CECM Finance – Vihiga County		Male
MR.DOMINIC LUVAVO	Chief Officer	Bachelor of Economics & Business Studies MBA CPA(Part 11)	Administrator	Chief Officer Water-Vihiga County		Male

MANAGEMENT TEAM

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



MR. COLLINS AMUHAYA
MANAGING DIRECTOR
 Msc. Statistical Science
 Bachelors Mathematics
 Computer Science



MR JAMES ODIERO
TECHNICAL MANAGER
 Msc. Water Engineering - Ongoing
 Bachelor of Civil & Structural Engineering
 Diploma in Water Technology



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



MRS GRACE OKILA
HR ASSISTANT
 Diploma in Business
 Administration
 Diploma in HRM



MR JULIUS KEBOHERE
OPERATIONS &
MAINTENANCE OFFICER - Ag
 Diploma in Plumbing



MR. KELVIN MADEGWA
FINANCE OFFICER
 Bachelors of Business Management
 CPA (K) & CPS FINALIST



MR. PROTUS WASIKE
PROCUREMENT OFFICER
 Diploma in Procurement

CHAIRMAN'S STATEMENT

Board's composition and activities

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

Vihiga County Assembly committee of Water should fast track the county regulations of the County Water Act to pave way for the amendment of the Memorandum and Articles of Association.

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

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

Financial and Operational Performance

a) Sales versus Expenditure for the year

Sales for the 12 months period ended 30th June 2020 was Kshs.43,373,831 /= compared to Kshs. 44,905,882/= for the twelve months period ended 30th June 2019. The decrease was due to COVID-19 pandemic. During the financial year the Non-revenue water still remained a challenge, most of it being attributable to old dilapidated pipelines and damaging of pipelines due to road construction works.


b) Reliance on County Government subsidy for electricity bills payment

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

WSTF Project

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

Signed

for 

Board Chairman

REPORT OF THE MANAGING DIRECTOR

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

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

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

The sales for the year ended 30th June 2020 increased.

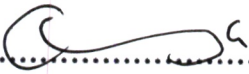
There was an increase in expenditure from **43,310,318/=** to **48,370,671/=**. Mostly due to the pipes extensions done by the County Government of Vihiga.

The company is in the process of acquiring a new tariff to increase revenue to be able to cover the high operational costs.

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

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

Signed by:


.....

Managing Director

CORPORATE GOVERNANCE STATEMENT

Governance framework and accountability

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

Our governance framework is structured to ensure compliance with the laws, regulations and codes of best practice applicable in the country, including the Companies Act.

In addition, our business operations are guided by the principles contained in the Water Act 2016, International Labour Organisation (“ILO”), Declaration on Fundamental Principles and Rights at Work and the Voluntary Principles on Security and Human Rights.

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

The board has four active committees, i.e. Audit committee, Technical and Finance and Administration/Human Resource and Legal committees. Each committee has met four times and after which the Board meets in a Full Board meeting to receive board committee reports in view to making decisions on matters raised. During this year under review, the Full Board also met four times.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The focus during the year was mainly two issues:

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

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

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

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

Management was responsible for:

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

During the financial year ended 30th June 2020, the company embraced the CSR in its actions to encourage positive impacts through its activities on environment, consumer, employee, communities and other stakeholders.

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

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

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

This we have done through;

1. Providing water to Community Kiosks to improve water coverage to poor homesteads
2. Providing them with water meters without requesting them to pay for the meter during connections.
3. Staggering installation meter payments on agreement.
4. We have decentralized pay points to Scheme level and small urban set ups to reduce distance to pay points.
5. We introduced mobile payment platform. This helps to save time and cost incurred to commute for payments.

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE, 2020.

The directors submit their report together with the audited financial statements for the financial year ended 30th June 2020 which discloses the state of affairs of the company.

PRINCIPAL ACTIVITIES

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

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

RESULTS

The result of the company for the year ended June 30, 2020 are set out on pages 1 to 31.

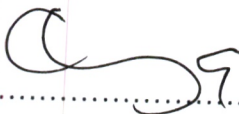
DIRECTORS

The members of the Board of Directors who served during the year are shown on page 5 in accordance with Regulation clause of Amatsi Water Services Company Articles of Association.

AUDITORS

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

Signed for the board



.....
Secretary

Board of Directors

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30TH JUNE, 2020

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

The Directors are responsible for the preparation and presentation of Amatsi Water Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30th 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Company (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

The Directors are of the opinion that the Amatsi Water Services Company financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2020, and financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Amatsi Water Services Company Ltd, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements


The company's financial statements were approved by the Board on 28/4/2021 ~~2020~~ and signed on its behalf by:


.....
Managing Director

Date: 26/4/2021


for
Board Chairman

Date: 28/4/2021


.....
Director

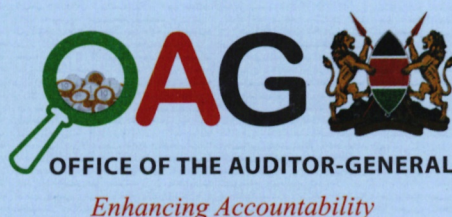
Date: 28/4/2021

Amatsi Water Services Company Limited
Annual Reports and Financial Statements
For the Year Ended June 30, 2020

REPORT OF THE INDEPENDENT AUDITORS ON THE COMPANY

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 AMATSI WATER SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Amatsi Water Services Company Limited set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2020, statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Amatsi Water Services Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015, and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Trade and Other Receivables

As disclosed in Note 12 to the financial statements, the statement of financial position reflects trade and other receivables amounting to Kshs.67,378,065. However, the balance includes an amount of Kshs.22,747,700 that was not supported with documents such as invoices and ledgers.

Consequently, the accuracy, validity, completeness of trade and other receivables totalling to Kshs.67,378,065 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

2. Inaccuracy in Trade and Payables

As disclosed in Note 16 to the financial statements, the statement of financial position reflects trade and other payables amount of Kshs.50,210,379. However, the schedule

provided reflected a balance of Kshs.56,349,076 resulting to an unreconciled and unexplained variance amounting to Kshs.6,138,697.

Consequently, the accuracy, validity, completeness of trade and other payables totalling to Kshs.50,210,379 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.57,600,000 and Kshs.43,373,831 respectively, resulting to an underfunding amounting to Kshs.14,226,169 or 25% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.84,839,000 and Kshs.80,477,565 respectively, resulting to an underperformance amounting to Kshs.4,361,435 or 5% of the budget.

The underfunding affected the planned activities and may have impacted negatively on the Company's profitability.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

Other Information

The Directors are responsible for the other information. The other information comprises the report of Directors as required by the Companies Act, 2015, and the statement of the Directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

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

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-Revenue Water

Review of revenue records indicated that the Company produced 1,687,925 cubic meters (M³) at a cost of Kshs.22 per M³ resulting to Kshs.37,134,350 of water out of which only 1,123,930 M³ equivalent to Kshs.24,726,460 was billed to customers. The balance of 563,995 M³ or 33.4% equivalent to Kshs.12,407,890 of the total volume representing unaccounted for water over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines. The Management failed to put internal controls to ensure loss of water is within the allowable level.

Consequently, the 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, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to sustain its 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 cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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 control.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 February, 2022

Amatsi Water Services Company LTD
 Annual Reports and Financial Statements
 For the Year Ended June 30, 2020

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

	Note	2019-2020	2018-2019
		Kshs	Kshs
REVENUES			
Revenue	6A	43,373,831	44,905,882
Cost of sales	6B	37,371,120	(33,552,679)
Gross profit		6,002,711	11,353,203
Grants from the County Government	7	42,949,061	32,642,580
Other Income	8	4,896,404	
NET REVENUES		53,848,176	43,995,783
OPERATING EXPENSES			
Administration Costs	9A	47,875,007	42,619,867
Depreciation	10	495,664	690,451
TOTAL OPERATING EXPENSES		48,370,671	43,310,318
PROFIT/(LOSS)	9B	5,477,505	685,465

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	Note	2019/20	2018/19
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	494,111	727,678
Total Non-Current Assets		494,111	727,678
Current Assets			
Inventories	11	2,150,331	65,900
Trade and other receivables	12	67,378,065	63,683,288
Bank and cash balances	13	8,713,942	990,825
Prepaid electricity			1,685,999
Total Current Assets		78,242,338	66,426,012
TOTAL ASSETS		78,736,449	67,153,690
EQUITY AND LIABILITIES			
Ordinary share capital	14A	100,000	100,000
Share premium	14B	29,400	29,400
Revenue reserve	15	8,326,254	2,848,749
Total non current liabilities		8,455,654	2,978,149
Current Liabilities			
Trade and other payables	16	50,210,379	51,837,267
customer deposits	17	12,287,200	11,959,690
Provision for leave pay	18	331,011	378,584
Deferred Income WSTF	19	7,452,205	
Total Current Liabilities		70,280,795	64,175,541
TOTAL EQUITY AND LIABILITIES		78,736,449	67,153,690

The financial statements were approved by the Board on 28/4/2021 2019 and signed on its behalf by:

MANAGING DIRECTOR

HEAD OF FINANCE

for CHAIRMAN OF BOARD

NAME: Collins Amuhangwa

NAME: KELVIN MADZWA

NAME: Clement Mwangi

SIGN: 

ICPAK MNO: 24386

SIGN: 

SIGN: 

STATEMENT OF CHANGES IN EQUITY AS AT 30TH JUNE 2020

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

STATEMENT OF CHANGES IN EQUITY AS AT 30TH JUNE 2019

2019	Ordinary share capital	share premium	Revenue reserve	Total
	Kshs	Kshs	Kshs	Kshs
At July 1, 2017	100,000	29,400	12,425,062	12,554,462
Total comprehensive income 2018			(10,261,778)	(10,261,778)
At June 30, 2018	100,000	29,400	2,163,284	2,292,684
At July 1, 2018	100,000	29,400	2,163,284	2,292,684
Total comprehensive income 19			685,465	685,465
At June 30, 2019	100,000	29,400	2,848,749	2,978,149

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019/2020	2018/2019
		Kshs	Kshs
OPERATING ACTIVITIES			
Cash generated from / (used in) operation	20A	7,985,214	(427,309)
Net cash generated from /(used in) operating activities		7,985,214	(427,309)
INVESTING ACTIVITIES			
Purchase of Computer and furniture.	10	262,097	(134,880)
Net cash generated from/ (used in) investing activities		262,097	(134,880)
FINANCING ACTIVITIES			
Repayment of borrowing	20B		1,749,226
Net cash generated from/(used in) financing activities		-	1,749,226
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		7,723,117	1,187,037
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		990,825	(196,212)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
	20C.	8,713,942	990,825

STATEMENT OF COMPARISON OF BUDGET AND ACTUALS AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2020

SNO	DETAIL				
A	INCOME/COLLECTION FROM SCHEMES	BUDGETED	ACTUAL	VARIANCE	%
		Kshs	Kshs	Kshs	
1	Income(Billing)	57,480,000	40,681,977	16,798,023	41.29
2	Other income(sewer charges))	120,000	2,691,854	(2,571,854)	(95.54)
	TOTAL	57,600,000	43,373,831	14,226,169	32.80
B	EXPENDITURE				
1	Directors' emoluments	1,916,000	1,062,281	853,719	80.37
2	SALARY COST	24,854,000	23,737,469	1,116,531	4.70
3	BANK CHARGES	180,000	161,110	18,890	11.72
4	LEVIES	5,879,000	350,000	5,529,000	1,579.71
5	Rent	84,000	51,000	33,000	64.71
6	SECURITY	600,000	382,800	217,200	56.74
7	OPERATIONS AND MAINTENANCE	1,800,000	11,897,463	(10,097,463)	(84.87)
8	MATERIALS	2,400,000	815,222	1,584,778	194.40
9	PRINTING AND STATIONARY	360,000	260,050	99,950	38.43
10	TELEPHONE AND POSTAGE	36,000	57,630	(21,630)	(37.53)
11	BILLING EXPENSES	300,000	124,250	175,750	141.45
12	FUEL	1,440,000	540,000	900,000	166.67
13	INTERNET CHARGES	264,000	282,472	(18,472)	(6.54)
14	WATER QUALITY	300,000	91,936	3,108,064	3,380.68

Amatsi Water Services Company LTD
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For the Year Ended June 30, 2020

15	MOTOR VEHICLE EXPENSES	500,000	299,890	200,110	66.73
16	BENEVOLENT	200,000	300,000	(100,000)	(33.33)
17	FEES	200,000	80,000	120,000	150.00
18	GENERAL OFFICE EXPENSES	480,000	142,010	337,990	238.00
19	TRAVELLING AND SUBSITENCE	3,000,000	2,684,530	315,470	11.75
20	ANNUAL STAFF MEETING	300,000	170,000	130,000	76.47
21	REVENUE COLLECTION EXPENSES	225,000	150,110	74,890	49.89
22	TRAINING COST	500,000	20,000	480,000	2,400.00
23	GRATUITY	960,000	572,880	387,120	67.57
24	CHEMICALS	3,200,000	5,996,292	(2,796,292)	(46.63)
25	ELECTRICITY	32,400,000	29,986,073	2,413,927	8.05
26	Office furniture	600,000	9,897	590,103	5,962.44
27	OFFICE COMPUTERS AND ACCESSORIES	500,000	96,000	404,000	420.83
28	TABLETS	-	156,200	(156,200)	(100.00)
29	NSSF	931,000		931,000	
30	LEAVE ALLOWANCES	430,000		430,000	
	TOTAL EXPENDITURE	84,839,000	80,477,565	4,361,435	

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Amatsi water company ltd is established by and derives its authority and accountability from 2002 water Act. The company is wholly owned by the County Government of Vihiga and is domiciled in Kenya. The company's principal activity is to provide water services to Urban areas and some rural parts of Vihiga county.

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 judgment in the process of applying the company's accounting policies.

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

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

The financial statements have been prepared in accordance with the 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 2020

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

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

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

iii) Early adoption of standards

The company did not early – adopt any new or amended standards in year 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A.) Revenue recognition

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

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

(B) In-kind contributions

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

(C) Property, plant and equipment

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

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

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

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

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

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

(E) Finance and operating leases

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

All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognized in profit or loss on a straight-line basis

over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease

(F) Inventories

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

(G) Trade and other receivables

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

(H) Taxation

Current income tax

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

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

Deferred tax

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

(I) Cash and cash equivalents

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

(J)Trade and other payables

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

(K)Retirement benefit obligations

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

(L)Provisions for staff leave pay

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

(M)Budget information

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

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

(N)Service concession arrangements

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

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

(O)Comparative figures

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

(P)Subsequent events

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

5.SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Company
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

Provisions

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

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

6. (A) SALES/TURNOVER

	2019/2020	2018/2019
	Kshs	Kshs
KAIMOSI	9,641,776	9,921,940
MASENO	11,751,643	14,216,742
MBALE	11,922,868	11,955,827
SOSIAN	3,076,316	3,072,895
VIHIGA	2,848,862	2,343,781
CHANGO	837,302	817,255
BUMBO/SHAMAKHKHO	603,210	882,350
SUB TOTAL	40,681,977	43,210,790
WATER BOWSER		
SEWER CHARGES	2,691,854	1,695,092
GROSS SALES	43,373,831	44,905,882
COST OF SALES	37,371,120	33,552,679
NET SALES	6,002,711	11,353,203

6(B) COST OF SALES

	2019/2020		2018/2019	
	Kshs	Kshs	Kshs	Kshs
OPENING STOCK		65,900		154,600
ADD PURCHASES				
ELECTRICITY	29,986,073		29,979,581	
CHEMICALS	9,469,478	39,455,551	3,484,398	33,463,979
TOTAL		39,521,451		33,618,579
LESS				
CLOSING STOCK		(2,150,331)		(65,900)
COST OF SALES		37,371,120		33,552,679

7. GRANTS FROM COUNTY GOVERNMENT

	2019/2020	2018/2019
	Kshs	Kshs
Recurrent grants received	29,986,073	31,665,580
Capital grants realized	-	-
In Kind contributions/ donations pipes and chemicals	9,490,820	977,000
In Kind contributions/ donations chemicals	3,472,168	
Total	42,949,061	32,642,580

Name of the Company sending the grant	Amount recognized in the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund.	Total grant income during the year	2018-2019
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry/State Department					
Ministry of Finance -Vihiga county	42,949,061	-	0	42,949,061	32,642,580
Total	42,949,061	-	0	42,949,061	32,642,580

(Grants refer to electricity bills paid by Vihiga County Government. In-kind contributions refers to chemicals donated by Vihiga county Government to the company)

8. OTHER INCOME

	2019/2020	2018/2019
	Kshs	Kshs
WIP WSTF	3,502,304	
COMPENSATION FOR DAMAGED PIPES	1,394,100	
TOTAL	4,896,404	

9A. ADMINISTRATION COSTS

	2019/2020	2018/2019
Description	Kshs	Kshs
CHAIRMANS HONORORIA	222,856	240,000
Directors' allowance	839,425	866,100
SALARY COST	23,737,469	23,650,008
BANK CHARGES	161,110	136,157
LEVIES	350,000	6,652,360
Rent	51,000	101,450
WSTF		
OFFICE ELECTRICITY		
SECURITY	382,800	459,360
OPERATIONS AND MAINTENANCE	11,897,463	1,552,583
MATERIALS	815,222	1,488,210
PRINTING AND STATIONARY	260,050	315,182
REFUNDS OF CUSTOMER DEPOSIT		177,825
TELEPHONE AND POSTAGE	57,630	43,905
BILLING EXPENSES	124,250	55,200
FUEL	540,000	592,886
INTERNET CHARGES	282,472	234,424
INTERNET FIBRE		250,000
WATER QUALITY	91,936	24,570
MOTOR VEHICLE EXPENSES	299,890	459,761
BENEVOLENT	300,000	50,000

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FEES	80,000	325,000
GENERAL OFFICE EXPENSES	142,010	119,275
TRAVELLING AND SUBSITENCE	2,684,530	2,977,781
ANNUAL STAFF MEETING	170,000	231,000
REVENUE COLLECTION EXPENSES	150,110	181,050
CONTIGENCIES		80,000
CONTRIBUTION TO WELFARE	139,600	245,400
TRAINING COST	20,000	124,600
STAFF UNIFORM		111,300
GRATUITY	572,880	774,480
RETIREMENT EXPENSES		100,000
WSTF SALARY AND TOILET SUBSIDIES	3,502,304	
Total	47,875,007	42,619,867

9B. OPERATING PROFIT/ (LOSS)

	2019/2020	2018/2019
	KSHs	KSHs
The operating profit/(loss) is arrived at after charging/(crediting):		
Administrative cost	47,875,007	42,619,867
Depreciation	495,664	690,451
Total	48,370,671	43,310,318

10. PROPERTY PLANT AND EQUIPMENTS AT 30TH JUNE 2020

Cost/ Valuation	Plant and machinery	Motor vehicle	Computers	Office equipment	Total
At July 1, 2018	376,850	1,290,400	876,696	22,000	2,565,946
Additions			89,500	45,380	134,880
At 30 June 2019	376,850	1,290,400	966,196	67,380	2,700,826
					-
At July 1, 2019	376,850	1,290,400	966,196	67,380	2,700,826
Additions			96,000	166,097	262,097
At 30 June 2020	376,850	1,290,400	1,062,196	233,477	2,962,923
					-
Depreciation	10.00%	25.00%	33.30%	12.50%	
At July 1, 2018	61,770	645,200	570,227	5,500	1,282,697
Charge for the year	37,685	322,600	321,743	8,423	690,451
At 30 June 2019	99,455	967,800	891,970	13,923	1,973,148
					-
At July 1, 2019	99,455	967,800	891,970	13,923	1,973,148
Charge for the year	37,685	322,600	106,194	29,185	495,664
At 30 June 2020	137,140	1,290,400	998,164	43,108	2,468,812
NBV					-
At 30 June 2019	277,395	322,600	74,226	53,457	727,678
At 30 June 2020	239,710	-	64,032	190,369	494,111

11. INVENTORY

	2019/2020	2018/2019
	Kshs	Kshs
Aluminum phosphate	521,150	2,150
Chlorine	-	56,250
Solvent cement	-	7,500
SODA ASH	138,891	-
PIPES	1,490,290	-
TOTAL	2,150,331	65,900

12. TRADE AND OTHER RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
BAL B/F AS JULY	63,683,288	63,174,124
ADD		
CREDIT SALES FOR THR YEAR (BILLING)	40,681,977	39,896,832
SEWER CHARGES	2,691,854	1,695,092
SUB TOTAL	107,057,119	104,766,048
CASH RECEIPTS AS PER BANK STATEMENT	(37,288,414)	(39,660,844)
RECONCILED FIGURE AS AT 30TH JUNE 2019	(2,390,640)	(1,421,916)
Trade receivables	67,378,065	63,683,288

13. BANK AND CASH BALANCES

	2019/2020	2018/2019
	KSH	KSH
CASH AT BANK	8,713,942	990,825
CASH AT HAND	0	0
TOTAL	8,713,942	990,825

The bulk of the cash at bank was held at Kenya Commercial Bank, the company's main bankers. Cash at bank balances are non –interest bearing. The make – up of bank balances is as follows:

Detailed analysis of the cash and cash equivalents

FINANCIAL INSTITUTION	ACCOUNT NUMBER	2019/2020	2018/2019
KCB		Kshs	Kshs
a) Revenue account	KCB A/C NO. 1110554516	(104,476)	(101,572)
b) Customer deposits account	KCB A/C NO. 1170433855	1,323,102	1,003,749
c) Water Bowser	KCB A/C NO. 1170433928	5,633	17,318
d) Others			
M pesa (PAYBILL)	803783	37,478	71,330
e)Equity Bank	960279357402	7,452,205	-
Grand total		8,713,942	990,825

14A ISSUED SHARE CAPITAL

	2019-2020	2018/2019
	No.	No.
Issued and paid up share capital		
COUNTY GOVERNMENT OF VIHIGA	4997	
DEPARTMENT OF ENVIRONMENT WATER & NATURAL RESOURCE(VIHIGA)	1	
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING(VIHIGA COUNTY)	1	
OFFICE OF THE COUNTY SECRETARY(VIHIGA COUNTY)	1	
COUNTY COUNCIL OF VIHIGA		1668
MUNICIPAL COUNCIL OF VIHIGA		1666
TOWN COUNCILL OF LUANDA		1666
TOTAL	5000	5000
The per value for share is Kshs.20	100,000	100,000

14B SHARE PREMIUM

	2019-2020	2018-2019
	Kshs	Kshs
COUNTY GOVERNMENT OF VIHIGA	29,397	
DEPARTMENT OF ENVIRONMENT WATER & NATURAL RESOURCE(VIHIGA COUNTY)	1	
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING(VIHIGA COUNTY)	1	
OFFICE OF THE COUNTY SECRETARY(VIHIGA COUNTY)	1	
COUNTY COUNCIL OF VIHIGA(1668 shares)		9,773
MUNICIPAL COUNCIL OF VIHIGA(1666 shares)		9,814
TOWN COUNCILL OF LUANDA(1666 shares)		9,813
TOTAL	29,400	29,400

15. REVENUE RESERVE

	2019/2020	2018/2019
REVENUE RESERVE	Kshs	Kshs
BAL B/F	2,848,749	2,163,284
PROFIT/LOSS FOR THE YEAR	5,477,505	685,465
BAL C/D AS AT JUNE 30,2019	8,326,254	2,848,749

The revenue reserve represents amounts available for distribution to the companyshareholders.

Undistributed retained earnings are utilized to finance the company's business activities.

16. TRADE AND OTHER PAYABLES		
NAME	2019-2020	2018-2019
	Kshs	Kshs
WARMA	5,030,512	3,437,019
LVNWSB	23,024,829	23,024,829
WASREB	5,207,191	3,252,662
BROADPARK	61,700	61,700
KINETICS LTD	240,380	240,380
GRATUITY	358,508	76,605
SACCO RTNS	945,922	945,922
WELFARE DEDUCTIONS	26,800	
NEW FRIENDS MOTORS	136,150	136,150
PRIDE KINGS	153,120	76,560
MUSIMBI AGENCY	29,080	
TELEPHONE		6,000
KENAO	3,710,000	3,246,000
BORROWINGS FROM DEPOSIT	533,465	533,465
LOAN FROM LVNWSB	3,000,000	3,000,000
NYANZA LTD	30,000	30,000
ROTALINK	40,850	40,850

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UNISOURCE ENERGY AUDIT	148,348	148,348
VICTORIA ENTERPRISES	133,200	133,200
LIQUID TELECOM	48,257	48,257
FRODAN	99,000	
PAN AFRICAN CHEMICAL	300,403	
PRODUCTION ELECTRICITY		6,513,866
HEMARA HOTEL	78,190	
SOSA COTTAGES	29,800	79,200
READERS		19,535
BOADA	239,585	280,880
GUSANGA	88,000	39,000
KEBS	4,246,961	4,246,961
NEW AUTO GARAGE	20,650	
LIKIFA	29,600	
SUB TOTAL	47,990,501	49,617,389
OTHER PAYABLES		
LEGAL CASE	2,219,878	2,219,878
Trade payables	50,210,379	51,837,267

17. CUSTOMER DEPOSITS

	2019/2020	2018/2019
CUSTOMER DEPOSITS	Kshs	Kshs
Balance at 1st July 2019	11,959,690	11,288,855
Additional during the year	382,510	670,835
Customer wrongly paid 55,000 to customer deposit account bank automatically reversed to Revenue Account	(55,000)	
Balance at 30th June 2020	12,287,200	11,959,690

(Customer deposits refers to Deposits received from customers to mitigate the company against losses which may arise from nonpayment of water consumed and bills In 2015 the company opened a separate account to cater for customer deposit which had a balance of Kshs 1,003,749 as at end of reporting period.)Premises. The company inherited customers from the water ministry. Previously, the ministry was using one account for both revenue collection and customer deposits raised. The deposits are refundable on demand by the customers in case of transfer or movement from the

18. PROVISION FOR LEAVE PAY

	2019/2020	2018/2019
	Kshs	Kshs
Basic pay	1,103,370	1,261,947
30% provision at end of year	331,011	378,584

(Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year. The provision rate is 30%of basic pay annually)

19. DEFERRED INCOME GRANTS RECEIVED

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

These refers to funds received from WSTF for construction of 200 toilets,DTF-50,Recruitment of 3 social animators and accompanying measures

20. NOTES TO THE STATEMENT OF CASH FLOWS

	2019/2020	2018/2019
	Kshs	Kshs
A. Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	5,477,505	685,465
Depreciation	495,664	690,451
provision for leave		
Operating profit/(loss) before working capital changes	5,973,169	1,375,916
(Increase)/decrease in inventories	(2,084,431)	88,700
(Increase)/decrease in trade and other receivables	(3,694,777)	(509,165)
Increase/(decrease) in trade and other payables	(1,626,888)	286,269
Increase/(decrease) in customer deposits	327,510	670,835
Increase/(decrease) in provision for staff leave pay	(47,573)	18,673
increase/decrease in retirement benefit obligation		(100,000)
increase/decrease in Prepaid electricity	1,685,999	(1,685,999)
increase/decrease in Deferred Income WSTF	7,452,205	
Cash generated from/(used in) operations	7,985,214	(427,309)
B. Analysis of changes in borrowing		
Balance at beginning of the year	990,825	414,058
Operating profit/(loss)	5,477,505	685,465
repayments during the year	1,857,924	1,749,226
balance at end of year	8,326,254	2,848,749
C. Analysis of cash and cash equivalents		
cash at bank	8,713,942	990,825
cash at hand	-	
balance end of year	8,713,942	990,825

21A. RELATED PARTY DISCLOSURES

County Government of Vihiga

The County Government of Vihiga is the principal shareholder of the company,

Holding 100% of the company's equity interest.

The county Government of Vihiga has provided full guarantees to all long-term lenders of the company.

Other related parties include:

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

21B. Transaction with related party

	2019/2020	2018/2019
	Kshs	Kshs
A. Grants from county government of Vihiga		
Grants received	29,986,073	31,665,580
Donation in kind	9,490,820	977,000
In Kind contributions/ donations chemicals	3,472,168	
sub total	42,949,061	32,642,580
B. Expenses incurred on behalf of related party		
Payment of salary and wages for Vihiga County water office employees	74,893	96,816
sub total	74,893	96,816
C. Key management compensation		
Directors emoluments	1,062,281	1,106,100
compensation to Managing Director	1,740,000	1,087,557
compensation to Key Management (TM&CM)	2,436,000	1,527,430
sub total	5,238,281	3,721,087
TOTAL	48,262,235	36,460,483

22. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks including credit and liquidity risks. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize 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 company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from 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.

ii) Liquidity risk management

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

iii) Market risk

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

23. INCOPORATION

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

24. EVENTS AFTER THE REPORTING PERIOD

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

25. CURRENCY

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

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.

Reference No. on the external audit Report	Issue Observations from Auditor /	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
1	Trade and other Receivables	The company uses an old outdated billing software which cannot show a cleaner build up of trade receivable	Management	ongoing	Ongoing
2	Trade and other Payables	ageing analysis was provided	Accountant	Resolved as per the management letter	one week after audit
3	Customer deposits	The company inherited customers from parent ministry which used to bank both deposits and revenue in the same bank account. The money was never surrendered back to the company hence Kshs 11,288,855 cannot be accounted for by the company	Management	Resolved as per the management letter	one week after audit

