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REPORT

OF

THE AUDITOR-GENERAL

ON

**NOL-TURESH LOITOKITOK WATER AND
SANITATION COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2018**

PAPERS LAID	
DATE	28/04/2022
TABLED BY	SNW
COMMITTEE	-
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Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2018 (Kshs)



NOL-TURESH LOITOKITOK WATER & SANITATION COMPANY LIMITED

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2018**

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

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KEY ENTITY INFORMATION

Background information

NOLWASCO was registered as a limited Liability Company on 3rd August 2011 under the Companies Act cap 486 with shareholding from county governments of Kajiado, Machakos and Makueni. The company is an agent of Tanathi Water Services Board which is a state corporation established under the Water Act 2002.

Principal Activities

The principal activity of the company is to provide water and sanitation services to the surrounding community.

Directors

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

Timothy Kerempu	Chairman	28.06.2013	28.06.2018
Jeremy Mutende	Managing Director		
Charles Masangira	Member	28.06.2013	28.06.2018
Emily Koikai	Member	28.06.2013	28.06.2016
Henry Mukonyo	Member	28.06.2013	28.06.2018
Jelam Kerina	Member	28.06.2013	28.06.2018
Jonathan Luilu	Member	28.06.2013	28.06.2018
Daniel Kitashu	Member	28.06.2013	28.06.2018
Ann Lasoi	Member	28.06.2013	26.06.2016
A representative from Tanathi Water Services Board			
Kajiado County Representative			
Makueni County Representative			
Machakos County Representative			

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REGISTERED OFFICE

Nol-turesh Loitokitok Water and Sanitation Co. Ltd
P. O. Box 379-90132
Sultan Hamud, Kenya

COMPANY CONTACTS

Tel.No. 0703203514

Email: nolturesh@gmail.com

info@nolturesh.co.ke

BANKERS

Kenya Commercial Bank.
Emali Branch,
P. O BOX 9,
EMALI.

Independent Auditors

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

Principal Legal Advisers

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

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THE BOARD OF DIRECTORS

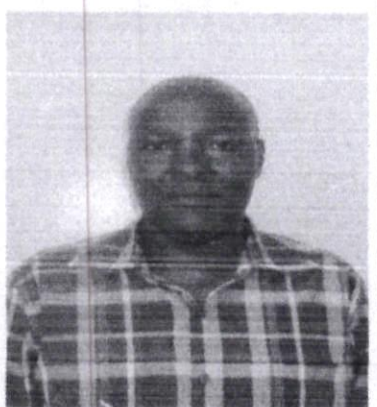
TIMOTHY KEREMPU



CHAIRMAN

Diploma in Farm Management
 Representing Resident Organization Loitokitok.

JONATHAN LUILU



BOARD MEMBER

Diploma in IT. And Community Development
 Representing Resident Organization Konza and
 Kajiado

CHARLES MASANGIRA






BOARD MEMBER

Bachelor of Education(Arts)

Representing Business and Manufacturing
 Community - Loitokitok




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<p>HENRY MUKONYO</p>  <p>BOARD MEMBER</p>	<p>Diploma in Business Management.</p> <p>Resident Organization Representing Sultan Hamud and Emali</p>
<p>DANIEL KITASHU</p>  <p>BOARD MEMBER</p>	<p>Diploma in Community Development and Social Work.</p> <p>Certificate in Food Production and Beverage Service.</p> <p>Representing Pastoralist Community.</p>
<p>JILAM KERINA</p>  <p>BOARD MEMBER</p>	<p>B.Com (Accounting Option)</p> <p>Representing Local Professionals.</p>

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MANAGEMENT TEAM

The Company's senior management team is as follows:

1.	<p>JEREMY MUTENDE</p> 	<p>BCOM (Marketing Option) Diploma in Leadership Management and Higher Diploma in Business Administration</p>	<p>MANAGING DIRECTOR</p>
2.	<p>THOMAS K. KORIR</p> 	<p>MBA (Finance Option) Bachelor of Arts (Economics Major) CPA (K) CPS (K) Diploma in Computerised Accounting.</p>	<p>FINANCE AND ADMINISTRATION MANAGER</p>
3.	<p>JOSEPH MWOLOLO</p> 	<p>BSC CIVIL ENGINEERING (Water & Environmental Engineering) Also holds several certificates including AutoCAD, Archicad, Project Management and Project Implementation.</p>	<p>TECHNICAL MANAGER</p>
4.	<p>GABRIEL NYINKE</p>	<p>Bachelor of Commerce (Finance Option)</p>	<p>COMMERCIAL MANAGER</p>

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CHAIRMAN'S STATEMENT

To Our fellow stakeholders

We are pleased to present the annual report and financial statements of the Board for the financial year ended 30th June 2018.

The board discharged its responsibilities with diligence and through its recruitment of top management team in February 2014, remarkable improvement has been achieved.

The Company is not a profit making entity and its main source of revenue is water sale. It does not get any funding from the ex-chequer, besides the occasional support received from the counties by way of payment of electricity bills at our PS1 Station.

While we have naturally seen some of the effects of the slow economic growth in the recent years such as unpredictable energy costs and greater difficulty in recovering customer debt, we have been able to stay strong and focused. We have continued to educate customers and key influencers about the water industry and the solutions we provide every day to help ensure high-quality and reliable water service to Kenyans across the three counties that we serve.

The drivers of our business, particularly those concerned with protecting the environment and improving water security, remain firmly in place.

We know success depends on our ability to shape the future by anticipating and responding to change. Looking forward, the board will continue to support investment in new projects to ensure the continued growth of the company and progress towards achieving the company's main objective, that of delivering superior value to its customers for socio- economic development.

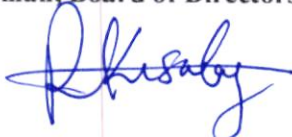
With favourable operating environment, support from our stakeholders and financial partners, we expect to expand our water supply network to un-served areas such as Simba and Matiliku. We want to continue to be a leader in our field and to push at the boundaries of what it means to be a successful water company in the 21st century.

Finally, I would wish to extend my sincere gratitude to the NOLWASCO Board of Directors, County Government of Makueni, Kajiado and Machakos as well as Tanathi Water Services Board, the Ministry of Water and Irrigation and our customers for their support. I also thank the management and employees of NOLWASCO for their unrelenting hard work over the financial year.
Thank you.

1) Robert Kisyula – CECM Makueni County

2) Florence Waiganjo – CECM Kajiado County

3) Naomi Mutie – CECM Machakos County
Chairman, Board of Directors



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MANAGING DIRECTOR'S STATEMENT

Financial Highlights & Overview

The financial year 2017/2018 recorded a substantial decrease in water sales. This was mainly attributed to the disruption of water supply through vandalism especially in the last quarter of F/Y 2017/2018. Kiosks and draw points sales realized Ksh. 18,318,551 in financial year 2017/2018.

Cost of Operation.

Operations and maintenance costs are high because of aged pipeline system prone to regular exposure to damages. The company invested a lot in fighting high cases of vandalism and lack of order both amongst the staff members and the customers.

Cost Recovery

To achieve sustainability of our company, implementation of our cost recovery tariffs was paramount and Non-Revenue Water (NRW) has to be reduced to acceptable levels. However enormous amount of capital investment is required to realize this. During the financial year 2018/19, we expect support from the County Government to enable us start the overhaul project. Through partnership with WASPA and other partners, we have designed measures to bring down the NRW to acceptable levels.

Outlook

We are confident that our focus on bringing back the company to its past glory while ensuring sustainability is to be achieved through diversification of our revenue lines and bringing back the confidence we had lost with our development partners and suppliers. With this in mind, a good result is what we only look forward to, our 5 year strategic plan is read for implementation.

Our objective is to continuously transform the lives of our citizens and ensuring that we fulfil our mandate by improving water and sanitation services to all our customers within our area of operation. I take this opportunity to thank the Board of Directors and all other Stakeholders for the leadership and support they provide. I also thank all company staff members for their dedication to achieve the desired results

Point to Note.

The management team which was recruited in February 2014 served up to 19th June 2018 as per MIN.2/18/06/2018/11 of the special Board meeting held at NOLWASCO Boardroom on 18th JUNE 2018. The interim management were appointed by the counties of Kajiado, Makueni and Machakos in their capacities as County Executive Committee Member for water & sanitation as well as company shareholders. (MIN.2/18/06/2018 /12) The team started working on 1st July 2018.

The Board of Directors was dissolved following the expiry of their term in office as per MIN.2/BM/26/7/2018 of the Board meeting held at Sultan Hamud Pyramid Resort on 26/07/2018. The water Act 2016 Article 77 gives mandate to counties to appoint boards. Article 59 the Company's Articles of Association mandates the counties to appoint alternate directors. Currently the CECMs and Chief Officers are the alternate directors of the Company.

G. KETENTE 
A.g MANAGING DIRECTOR

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CORPORATE GOVERNANCE STATEMENT

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

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

The Corporate Governance of **NOLWASCO** takes place within a framework, which exists to regulate and/or guide the conduct of Board members, staff, customers and members of public in assessing the Company's facilities and services. The objective of the framework is to provide for the effective, ethical and accountable governance and management of the Company. The key instruments within the governance framework are:

- The Kenya Constitution 2010
- The Water Act 2016
- The Public Financial Management Act (2012)
- The Public Procurement and Assets Disposal Act (2015)
- The Public Procurement and Disposal Regulations (2006)
- The **NOLWASCO** Service Charter
- Company approved policies and procedures

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

The Board of Directors

The Company Board of Directors are appointed by Tanathi Water Services Board

The Board of Directors are responsible for the following:-

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

The Board is responsible for drawing and implementing strategies for the long term success of the company as well as carrying out the fiduciary duty of monitoring and overseeing the activities of management. The Board meets regularly and has a formal schedule of meetings to discuss matters

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reserved for its decision with a view of determining and reviewing the strategies of the Company and overseeing the Companies compliance with statutory and regulatory obligations.

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

Composition of the Board

The Board is composed of 11 Directors including an independent Chairman and one executive director who is also the Managing Director. The Directors represent various stakeholders. They have a wide range of skills and experience and each contributes independent judgement and knowledge to the Board's discussions.

On appointment, each Director is provided with a comprehensive and tailored induction process covering the Company's business and operations and also provided with information relating to their legal and regulatory obligations.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Nol-turesh Loitokitok Water & Sanitation Company Limited recognizes that we must be responsible towards its stakeholders, society and our environment in order to achieve a sustainable system in Kenya. As a Company we acknowledge our responsibility to the environment and to our local communities in which we operate. We aim to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including customers, employees, investors, communities and others. The Company actively encourages our staff to recognise those responsibilities and behave in a responsible manner toward the society in which we function. We regard the setting of good examples as an important practice in this regard. Below are some examples of how the Company and its staff have shown commitment to practice responsible corporate behaviour and to establish and support initiatives in the offices.

Environment

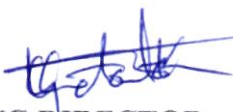
The Company seeks to contribute to a cleaner environment and hence involved in community exercises which include clean up exercises especially in towns within its area of jurisdiction and by so doing reduces impact on the environmental pollution. The company also actively gets involved in tree planting in its various Stations. The company also contributes to the society by giving donations especially during public national holidays.

Employees

The success of the company is based on its people. The Company seek to recruit, retain, reward and develop the best talent in the company. It recognises the need to inculcate among our employees the culture of being sensitive to safety, security, society and the environment. This ensures that employees act with integrity and responsibility with the people they deal with and the environment they interact with. It train employees to value each other, provide necessary support systems for people with different needs and have a system in place that encourages acceptance of cultural diversity. Further, it continually seeks to improve its employees through structured programs for personal and professional development.

Health and Safety

The Company aim to ensure a safe and healthy working environment for all our employees and customers. The Company aims to comply with all relevant legislation or regulations and best practice guidelines recommended by national health and safety authorities. It also liaise with staff regarding policies and practices so that it can continue to maintain a healthy, safe and enjoyable work environment.

G. KETENTE 
Ag. MANAGING DIRECTOR

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REPORT OF THE DIRECTORS

The Board of Directors has the pleasure in submitting their annual Report and Financial Statements for the period ended 30th JUNE 2018.

PRINCIPAL ACTIVITY

The company's main activity is the provision of wholesome clean water and sanitation services to the residents of Makueni, Kajiado and Machakos.

INCOME

The financial operations results of Nol-turesh Loitokitok Water & Sanitation Company for the year ended June 30th, 2018 are set out in this financial report in their respective pages. The operational profit and loss was as follows:

	2017/2018	2016/2017
	Kshs.	Kshs
Profit/ (Loss) for the year	(977,877)	2,899,766


THE BOARD OF DIRECTORS

The board members who held office during the year were as indicated on page two of this report.

AUDITORS

The Auditor General was appointed as the company's independent auditor under article 229 of the constitution and has expressed willingness to continue in office in accordance with the public Audit Act 2015 and companies Act chapter 486 Section 159.

By order of the Board


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G. KETENTE
Ag MANAGING DIRECTOR

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012 and section 147 of the Companies Act Cap 486 requires the Board of Directors to prepare financial statements for each year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results of the activities for that year. It also requires the Board to ensure that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Board is also responsible for safeguarding the assets of the Company.

The directors are responsible for preparation and presentation of the company's financial statements, which gives a true and fair view of the state of affairs of the company for and as at the end of the financial year 2017/2018 ended on June 30th, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continues to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time of the financial position of the company. (iii) designing, implementing and maintaining internal control environment 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 Board of Directors accepts responsibility for the company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the PFM Act and the requirements of the Companies Act. The Board is of the opinion that the company financial statements give a true and fair view of the state of company transactions during the financial year ended June 30th, 2018 and the company financial position as at that date. The directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company financial statements as well as adequacy of the systems of internal financial control. Nothing has come to the attention of the Board of Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Approval of the financial statements

The company financial statements were approved by the board on 27/9/2018 and signed on its behalf by:

- 1) **Robert Kisyula – CECM Makueni County**
- 2) **Florence Waiganjo – CECM Kajiado County**
- 3) **Naomi Mutie – CECM Machakos County**

SIGNED: _____

FOR CHAIRMAN

G. KETENTE

MANAGING DIRECTOR

REPUBLIC OF KENYA

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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 NOL-TURESH LOITOKITOK WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Nol-Turesh Loitokitok Water and Sanitation Company Limited set out on pages 15 to 34 which comprise the statement of financial position as at 30 June, 2018, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of 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 the Nol-Turesh Loitokitok Water and Sanitation Company Limited as at 30 June, 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and do not comply with Public Finance Management Act, 2012 and the Water Act, 2016.

Basis for Adverse Opinion

1.0 Failure to Submit General Ledger

Management only provided for audit the trial balance for the balances reflected in the financial statements but not the general ledger from which the balances were derived. As a result, the existence of the ledger and the validity, accuracy and completeness of the balances reflected in the financial statements could not be confirmed.

2.0 Unconfirmed Balances

Several balances reflected in the financial statements were not supported with adequate records and information as explained in the following paragraphs:

2.1 The statement of cash flows reflects unexplained balances for increase/decrease in cash and cash equivalents and for prior year adjustments for depreciation opening balances as analyzed below:

Item	Opening balances Figures in Statement of Cash Flows (Kshs.)	Opening Balance Figures in Note 14 (iii) (Kshs.)	Variance (Kshs.)
Prior Year Adjustments	5,158,316	982,510	4,175,806
Net Increase in Cash and Cash Equivalents	7,842,930	5,158,316	2,684,614

In view of the discrepancies, the reliability and accuracy of the balances reflected in the statement of cash flows in respect to increase/decrease in cash and cash equivalents and prior year adjustments for depreciation could not be confirmed.

2.2 Cash and Bank Balance

The statement of financial position reflects a cash and bank balance totalling Kshs.207,710 as at 30 June, 2020. However, the following anomalies were observing in relation to the balance:

2.2.1 Unanalyzed Prior Year Adjustments

However, the statement of cash flows reflects Kshs.7,764,329 for prior year adjustments which, however, was not supported with documents and analysis.

2.2.2 Unsupported Cash Withdrawals

A review of the financial records indicated that various cash withdrawals totaling to Kshs.24,959,771 were made by various officers from the Company's bank accounts but the expenditures reported thereof were not supported with records. As a result, the propriety of the expenditures could not be confirmed.

2.2.3 Unconfirmed Cash Payments

In addition, the financial records indicated that a former Finance and Administration Manager withdrew cash totalling Kshs.1,583,420 ostensibly to pay various suppliers and advance loans to Emali Water Kiosk operators. However, no records were provided for audit to confirm payments made to the two sets of payees. Further, no explanation was provided why the suppliers and the Emali Water Kiosk operators were not paid by cheque.

Further, no explanation was provided for issuance of the large balance of cash to an Officer and the failure to keep requisite records on the reported expenditures.

In view of the anomalies, the occurrence and propriety of the payments totalling Kshs.1,583,420 could not be confirmed.

In view of these issues, the cash and cash equivalents balance totalling Kshs.207,710 could not be confirmed.

2.3 Trade and Other Payables

The statement of financial position reflects current liabilities totalling Kshs.193,694,947, comprised of trade and other payables totalling Kshs.31,310,301 and Company arrears totalling Kshs.152,709,832 as disclosed in Note 13 to the financial statements. However, the creditors movement schedules indicating the respective balances brought forward from the previous year, and payments and additions during the year under review were not provided for audit. Further, no analysis was provided for other payables totalling Kshs.9,674,814.

In view of these anomalies, the accuracy and validity of the other payables balance totalling Kshs.193,694,947 could not be confirmed.

2.4 Operational and Maintenance Costs

The statement of comprehensive income reflects operational and maintenance costs totalling Kshs.14,061,702. However, the ledger and analysis for the balance were not provided for audit. As a result, the accuracy and validity of the of the operational and maintenance costs balance totalling Kshs.14,061,702 could not be confirmed.

2.5 Administration Expenses

The statement of comprehensive income reflects administration expenses amounting to Kshs.3,611,726 as further disclosed in Note 3(i) to the financial statements. The balance includes office rent and rates totalling Kshs.126,000. However, lease agreements and receipts for acknowledgement of the rent payments were not provided for audit review. Also included in the balance are insurance costs amounting to Kshs.735,273 in respect of premiums paid for a motor vehicle not owned by the Company.

In the circumstance, the accuracy and validity of administration expenses balance totalling Kshs.3,611,726 could not be confirmed.

2.6 Finance Costs

The statement of comprehensive income reflects finance costs amounting to Kshs.3,860,475 relating to interest paid on loans, as further disclosed in Note 4 to the financial statements. However, the basis for computation of the costs could not be confirmed as the respective loan agreement was not provided for audit.

2.7 Loan Balances

The statement of financial position reflects loan balances totalling Kshs.59,838,756 and Kshs.41,605,900 borrowed from a commercial bank and Konza Technopolis Development Authority (KOTDA) respectively.

The statement further indicates that the loans owed to the commercial bank and KOTDA decreased by Kshs.31,023,253 and Kshs.16,394,100 respectively in the year under review. However, the respective loan agreements and repayment statements were not provided for audit to confirm the initial loans acquired and amounts paid in the year under review. Further, the cash flow statement does not reflect any cash outflows relating to loan repayments.

In view of these discrepancies valuation and validity of the loans owed to the loans totalling Kshs.101,444,656 reported as owed to the two entities as at 30 June 2018 could not be confirmed.

2.8 Property, Plant & Equipment

The statement of financial position reflects property, plant and equipment totalling Kshs.142,961,604 as at 30 June, 2018, as further reflected in Note 7 to the financial statements. However, a review of the fixed assets movement schedule in Note 15 to the financial statements and the fixed assets register revealed the following anomalies:

2.8.1 Work in Progress

Included in the property, plant and equipment balance totalling Kshs.142,961,604 is Work in progress totalling to Kshs.141,796,125 comprised of a balance brought forward from the previous year totalling to Kshs.36,502,930 and additions for the year amounting to Kshs.105,293,195. However, an analysis indicating the additions reflected in the financial statements was not provided for audit. Further, there were no records indicating the fixed assets register was updated to include the additions totalling Kshs.105,293,195.

2.8.2 Overstated Depreciation Charge for The Year

The statement of comprehensive income reflects Kshs.1,466,214 as depreciation charge for the year. However, re-computation of the fixed assets depreciation charge by application of the rates stated in the entity's accounting policies yielded Kshs.1,273,213 resulting to unexplained variance of Kshs.193,001. Therefore, the depreciation charge amounting to Kshs.1,466,214 reflected in the statement of comprehensive income may be inaccurate.

In view of these issues, the valuation of the Company's fixed assets at Kshs.142,961,604 as at 30 June, 2020 could not be confirmed.

2.9 Unconfirmed Trade and Other Receivables Balance

The statement of financial position reflects trade and other receivables totalling Kshs.132,447,334 as at 30 June, 2018. An unnumbered Note in the financial statements indicates that the balance was arrived at after a provision for bad and doubtful debts totalling Kshs.21,680,179 was made against the gross payables totalling Kshs.154,127,513.

Out of the receivables totalling Kshs.154,127,513 as at 30 June, 2018, debtors totaling Kshs.144,534,527 had been outstanding for over 180 days. Further, the closing net receivables balance totalling Kshs.132,447,334 denotes an increase of Kshs.11,074,074 over the sum of Kshs.121,373,316 outstanding as at 30 June, 2017. No satisfactory explanation was provided for the Company's increasing debtors balance which may have denoted failure by the Company to manage credit sales in an effective way.

In view of these issues, the accuracy, and completeness of the trade receivables balance totalling Kshs.132,447,334 as at 30 June, 2018, and the extent to which it was recoverable, could not be confirmed.

2.10 Statutory Deductions

Records maintained by the entity revealed that statutory remittance for Pay-As-You-Earn (PAYE) totalling Kshs.26,025,993, National Social Security Fund (NSSF) totalling Kshs.448,400 and National Hospital Insurance Fund (NHIF) totalling Kshs.258,150 were outstanding as at 30 June, 2018. The outstanding PAYE had accrued Kshs.3,539,659 and Kshs.943,462 as penalties and interest respectively, from September 2015 to February 2018. Further, other records indicated that outstanding NSSF statutory deductions had been accruing since the year 2012.

No explanation was provided why the statutory deductions were not remitted to the Kenya revenue Authority and the National Social Security Fund.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Nol-Turesh Loitokitok 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. I have determined that there were no key audit matters to report in the year under review.

Other Matter

Budget Implementation

The statement of comparison of budget and actual amounts reflects budgeted and actual revenues totalling Kshs.187,085,975 and Kshs.90,107,914 resulting in a shortfall of revenue totalling Kshs.90,107,914.

The statement further reflects budgeted and actual expenditure totalling Kshs.292,420,003 and Kshs.86,359,350 resulting in under-expenditure totalling Kshs.36,943,058.

Management has not provided any explanation for the shortfall of revenue and the under-expenditure which may have constrained the implementation of programmes and activities planned for the year under review.

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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Adverse Opinion 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

1.0 Unaccounted for Water (Non-Revenue Water)

Water production records indicated that during the year under review, the Company produced 4,378,500 M³ of water. Out of this volume, only 1,198,112M³ equivalent to 27% valued at Kshs.87,611,546 was billed to customers. The balance totalling 3,180,388M³ or 73% of the total production was designated as Non-Revenue Water (NRW). The NRW was forty-eight percentage points (48) above the threshold of 25% set in guidelines set by the Water Services Regulatory Board and equated to lost revenue totalling totalling Kshs. Kshs.232,564,826 at the average sale price of Kshs.73.12 charged by the Company in the year under review.

Further examination of water records indicated that the Company had not installed master meters at water intake sites. As a result, actual amount of water procured could not be computed with certainty and therefore the Company may have overpaid for the resource.

Management has not disclosed the measures taken to control the NRW which roses a major threat to sustainability of the Company's operations.

2.0 Failure to Appoint Audit Committee

Review of internal control indicated that contrary to Regulation 42(1e) of the Public Financial Management (County Governments) Regulations of 2015, the Company did not have an Audit Committee. As a result, internal control and governance in the Company was not properly established as the duties and responsibilities of Audit Committee stipulated in Regulation 168 (a) and 168 (b) of the Public Financial Management Regulations of 2015 were not carried out. No explanation was provided for the omission.

3.0 Irregular Procurement

During the year under review, Management procured goods and services worth Kshs.185,560 using low value procurement procedures even though the purchases were above Kshs.10,000 per item price threshold prescribed in Section 107 of the Public Procurement and Asset Disposal Act of 2015.

No explanation was provided for the irregularity.

4.0 . Irregular Payment of Sitting Allowances

Review of records on allowances paid to directors' revealed that some payments were irregular as schedules attached to payment vouchers reflected different numbers of directors from those shown in the Board minutes as having attended the Board meetings, as analyzed below:

Date paid	Payment Voucher Number	Number of the Directors Paid as per the Schedule	Number of Directors Who Attended the Meeting as Indicated in Respective Minutes	Rates Paid (Kshs.)	Amount Paid (Kshs.)	Overpaid Amounts (Kshs.)
23/01/2018	0602	5	2	11,200	56,000	33,600
11/10/2017	0268	5	2	11,200	56,000	33,600
07/09/2017	155	5	2	11,200	56,000	33,600
Totals				67,200	168,000	100,800

Management did not provide an explanation for the anomaly.

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 Conclusion on Effectiveness of Internal Controls, Risk Management and Governance and Adverse Opinion 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

1.0 Lack of Internal Control in Cash Management

Review of records on cash management revealed the following anomalies:

- (i) No cashbooks were maintained for the period under review.
- (ii) There were no Board of Survey reports constituted at the end of the year to ascertain cash at hand at the closure of the financial year, notwithstanding the fact that the company operates water kiosks which transact their business through cash.
- (iii) Apart from the expenditure account, Management did not present monthly cash and bank reconciliation statements for the other seven bank accounts operated by the Company.
- (iv) The Company did not maintain a general ledger for all the transactions with regard to cash and bank balances for the period under review.

In view of these issues, internal control was not adequate and therefore the financial information of the Company, including balances reflected in the financial statements, may not be reliable. Further, resources at disposal of the Company may not be used effectively.

2.0 Lack of Risk Management Policy

Review of the operational systems indicated that Company did not have a risk management policy. In the absence of the policy, Management may be lacking objective means to identify, measure and mitigate operational and other risks that the Company may face.

3.0 Lack of Information Communication Technology Policy

Similarly, audit review of the Company's use of Information Communication Technology Policy (ICT) indicated that no policy document had been developed to

guide investment and use of the technology. As a result, expenditure incurred on the technology and organization of the ICT function in the Company may not be effective. An ICT policy would also give guidance on how to provide confidentiality, integrity and ensure availability of the entity's data.

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 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 Kenyan Companies Act, 2015, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. in my opinion, adequate accounting records have not been kept by the Company, so far as appears from the examination of those records; and,
- iii. The financial statements are not in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements

are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

I also provide Management of the Company 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

11 February, 2022

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2018 (Kshs)

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME			
FOR THE YEAR ENDED 30 JUNE 2018			RESTATED
	NOTE	2017/2018	2016/2017
INCOME		KShs	KShs
Revenue	1		
Billing.		69,292,995	81,269,489
Kiosks & Draw point.		18,318,551	30,848,498
Government Grants		2,000,000	9,984,755
Other Income	2	496,368	5,141,600
TOTAL REVENUE		90,107,914	127,244,341
OPERATING EXPENDITURE	3		
Administration	3(i)	3,611,726	15,234,910
Personnel Expenses	3(ii)	66,560,165	66,632,634
Operation & Maintenance	3(iii)	14,061,702	33,146,254
Directors Allowances	3(iv)	705,800	992,000
Levies.	3(v)	819,708	7,188,067
Planning & Development	3(vi)	-	510,392
Depreciation	3(vii)	1,466,214	640,318
TOTAL EXPENDITURE		87,225,315	124,344,575
OPERATING PROFIT/(LOSS)		2,882,599	2,899,766
Finance Income		-	-
Finance Costs	4	3,860,476	-
SURPLUS/(DEFICIT) BEFORE TAXATION	5	(977,877)	2,899,766
INCOME TAX EXPENSE/(CREDIT)	6	-	-
PROFIT/(LOSS) FOR THE YEAR		(977,877)	2,899,766

CPA. ANN. S. TOBIKO


 Finance & Administration Manager
 ICPAK NO. 8937

GEDION KETENTE


 Ag Managing Director

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2018 (Kshs)

STATEMENT OF FINANCIAL POSITION

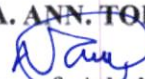
			RESTATED
ASSETS	Note	2017/2018	2016/2017
Non-Current Assets	7	KShs	KShs
Property ,Plant & Equipment		142,961,604	144,686,980
Total Non - Current Assets		142,961,604	144,686,980
Current Assets			
Inventory	8	4,840,762	4,540,762
Trade & Other receivables	9	132,447,334	121,373,316
Prepaid Insurance		-	201,123
Cash & Bank Balance	10	207,710	268,214
Total Current Assets		137,495,806	126,383,415
Total Assets		280,457,410	271,070,395
EQUITY AND LIABILITIES .			
Share Capital	11(i)	100	100
Capital Reserve	11(ii)	25,324,043	25,324,043
Donations		-	-
Donations Reserve Fund	11(iii)	11,974,370	11,974,370
Revenue Reserve	11(iv)	(51,980,706)	(51,002,828)
Total Equity		(14,682,193)	(13,704,315)
Non - Current Liabilities	12		
Sidian Bank Loan Balance		59,838,756	90,862,009
KOTDA – Prepayment.		41,605,900	58,000,000
Total Non-Current Liabilities		101,444,656	148,862,009
Current Liabilities	13		
Trade & Other Payables	13(i)	31,310,301	133,616,254
Company Arrears	13(ii)	152,709,832	60,296,447
Other Payables	13(iii)	9,674,814	-
Total Current Liabilities		193,694,947	193,912,701
Total Equity and Liabilities		280,457,410	271,070,395

The notes on pages 25 - 34 form part of these financial statements.

The financial statements were approved for issue by the Board

on.....26/06/2019.....2019 and signed on their behalf by:

CPA. ANN. TOBIKO


Finance & Admin Manager.
ICPAK NO. 8937

GEDION KETENTE.


Ag. Managing Director

Nol-turesh Loitokitok Water & Sanitation Company Limited
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STATEMENT OF CHANGES IN EQUITY

	Share	Revenue	Donations	Capital	Donation	
	Capital	Reserve		Reserve	Reserve	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2015	100	(58,331,173)	6,774,000	25,324,043	11,974,370	(14,258,660)
Movement during the year	-	4,428,578	-	-	-	4,428,578
Balance as at 30 June 2016	100	(53,902,595)	6,774,000	25,324,043	11,974,370	(9,830,082)
Balance as at 1 July 2016	100	(53,902,595)	6,774,000	25,324,043	11,974,370	(9,830,082)
Movement During the year	-	2,899,767	-	-	-	2,899,767
Balance as at 30 June 2017	100	(51,002,829)	6,774,000	25,324,043	11,974,370	(6,930,316)
Balance as at 30 June 2017	100	(51,002,829)	6,774,000	25,324,043	11,974,370	(6,930,316)
Movement During the year	-	(977,877)	-	-	-	(977,877)
Balance as at 30 June 2018	100	(51,980,706)	6,774,000	25,324,043	11,974,370	(7,908,193)

Nol-turesh Loitokitok Water & Sanitation Company Limited
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STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOW			RESTATED
FOR THE YEAR ENDED 30 JUNE 2018	NOTE	2017/2018	2016/2017
		Kshs.	Kshs.
OPERATING ACTIVITIES	14		
Operating (Deficit)/Surplus for the year	14(i)	(977,877)	4,444,020
Cash From Operations.			
Depreciation		1,466,214	640,318
(Increase)/Decrease in Receivables		(9,321,479)	697,660
(Increase)/Decrease in Prepayments		-	(166,116)
(Increase)/Decrease in Provisions		(261,358)	-
Increase /(Decrease) in Payables		(217,754)	(8,281,817)
Increase /(Decrease) in inventories		300,000	14,426,321
Increase)/Decrease in other Current Liabilities		-	3,759,447
NET CASH FROM OPERATIONS		(9,012,253)	15,519,833
INVESTING ACTIVITIES			
Purchase of PPE	14 (ii)	772,000	4,308,345
NET CASH USED IN INVESTING ACTIVITIES		772,000	4,308,345
FINANCING ACTIVITIES			
Sidian Bank – Loan	14(iii)	-	45,262,665
KOTDA – Prepaid Income.		-	18,000,000
NET CASH FROM FINANCING ACTIVITIES		-	63,262,665
Prior year adjustments for depreciation		7,764,329	(5,158,316)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(8,240,253)	7,842,930
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR		268214	4,44,020
CASH AND CASH EQUIVALENTS AT END OF YEAR		207,710	268,214
ANALYSIS OF CASH AND CASH EQUIVALENTS :			
Bank and Cash Balance		207,710	268,214

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2018					
	2017/2018	2017/2018	2017/2018	2017/2018	2017/2018
	ORIGINAL BUDGET	ADJUSTMENT	FINAL BUDGET	ACTUAL ON COM BASIS	PERFORMANCE DIFFERENCE
REVENUES					
Billings Income	146,837,975	-	146,837,975	69,292,995	77,544,980
Kiosks & Draw Point	36,000,000	-	36,000,000	18,318,551	17,681,449
Government & Grants	-	-	-	2,000,000	(2,000,000)
Other Income	4,248,000	-	4,248,000	496,368	3,751,632
TOTAL REVENUES	187,085,975	-	187,085,975	90,107,914	94,978,061
OPERATING EXPENSES					
Administration	15,283,158	-	15,283,158	3,611,726	11,671,432
Staff Expenses	80,103,180	-	80,103,180	66,560,165	13,543,015
Board Expenses	3,655,760	-	4,852,000	705,800	3,873,200
Finance Costs	46,526,958	-	46,526,958	3,860,476	42,666,482
Depreciation	-	-	-	1,466,214	(1,466,214)
O& M Expenses	48,680,000	-	48,680,000	14,061,702	34,618,298
Strategic plan				788,800	(788,800)
Other Operating Costs	86,606,620	-	86,606,620	819,708	(85,786,912)
TOTAL EXPENDITURE	292,420,003	-	292,420,003	86,359,350	(36,943,058)
SURPLUS/DEFICIT	(105,334,028)	-	(105,334,028)	3,748,565	58,035,003

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2018 (Kshs)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

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.

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28th February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the pronouncements made by the board have no significant impact on the entity's financial statement as Nol-turesh Loitokitok Water and sanitation company has been preparing its financial statements in accordance to IFRS.

b. Application of new and revised IFRS

- i. All new and revised standards and interpretations that have become effective for the first time in the financial year beginning July 2013 have been adopted by the company. Of those the following have had effect on the financial statement;

Amendments to IFRS 7 -The amendment requires disclosure of nature and extent of risk associated with financial instruments. A part from disclosure there were no any significant change in the amounts reported

Amendments to IAS 24 disclosure of related party transactions, the company has disclosed the related parties and their transactions.

- ii. Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2015

Nol-turesh Loitokitok Water & Sanitation Company Limited
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New and Amendments to standards	Effective for annual period
IFRS 15	1 January 2017
IFRS 9	1 January 2018
Amendment to IFRS 10, IFRS 12 and IAS 27	1 January 2018

iii. Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30th June 2016 and future annual reports

-The company has assessed the potential impact of the above and expects that they will not have significant impact of the financial statement for 2016/2017.

iv. Early adoption

The company did not early adopt any new or amended standards in financial year 2015-2016.

c. **Revenue Recognition**

The company adopts the accrual basis of accounting for revenue. Revenue is recognized when it is earned and represents the amount received from the billings of Water and miscellaneous income received from the sale of tenders and new connections. Expenses are recognized when incurred net of VAT.

d. **Property ,Plant and Equipment**

The water Act 2002 recognizes Tanathi water services board as the asset holder of assets held by Company in the financial year 2015/2016. The company pays Tanathi water services board administration cost of 9% based on the company revenue collected.

Property and equipment are stated at historical cost less accumulated depreciation.

e. **Depreciation and impairment of Property, plant and Equipment**

Depreciation is calculated on the reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

Nol-turesh Loitokitok Water & Sanitation Company Limited
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<u>Asset</u>	<u>Rate %</u>
Office Equipment	25
Computers and Printers	30
Motorcycles	25
Plant & Equipment	25
Furniture	12.5
Intangible Assets	30

Depreciation is provided for the full year irrespective of the month of purchase but no depreciation charged to Works in progress and in the year of disposal.

f. **Reserves**

Reserves of the company comprise revenue reserves which represents the excess of the income over recurrent expenditure.

Capital reserves represent net assets capitalized at the formation of the company and represent the book values of those assets.

The water act 2002 and the company's Articles of association prohibit distribution of reserves to members and reserves are supposed to be ploughed back to the system in accordance with the water act.

g. **Retirement benefits**

The company and employees contribute to a National water conservation & pipeline corporation staff Superannuation Scheme.

The company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are by the requirements of local statute and are currently limited to KShs 200 per employee per month. The company's contributions to the above schemes are charged to profit or loss in the year to which they relate.

h. **Taxation**

The company water services are zero rated for V.A.T and the company pays income tax at the rate of 30%.

i. **Related party transactions**

The company is related to

- i) County Government of Makeni, Kajiado and Machakos
- ii) Water Service trust fund

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2018 (Kshs)

- iii) WASREB
- iv) WARMA
- v) Tanathi water services board
- vi) Key management
- vii) Board of directors

j. **Cash and Cash Equivalent**

Cash and cash equivalents include cash on hand and cash at bank. Bank account balances include amount held at KCB bank, Post Bank, K-Rep Bank and Mpesa at the end of financial year.

k. **Trade and other Payables**

The liability for account payable and other payables are non-interest bearing and are carried at cost, which is measured at the fair or 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 suppliers

l. **Financial risk management**

The board of directors is the primary risk supervisor, exercising its role through various board approved committees. The company's internal audit section plays a vital role within governance processes by keeping the Board and senior management aware of risk and control issues and assessing the effectiveness of risk management. Reporting to the Audit and risk management committee of the Board, the section objectively and independently evaluates the existing risk and control framework and analyses department's processes and associated controls.

Allowance for credit risk

At the end of financial year the trade debtors amounted to Kshs 138 million and the highest percentage was owed by the Government institution and the default risk is assessed as low. The company provides allowance for credit risk at 15% against outstanding water debts aged above 180 days.

Liquidity risk management

The company has various obligations and liabilities as outlined in notes of the accounts.

The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flow.

Market risk

The company had no any interest bearing financial instrument or obligation as at the end of financial year and there was no significant currency risk as no foreign transaction ensued during the year.

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the year ended June 30, 2018 (Kshs)

m. **Comparative figures**

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

n. **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 30th, 2016.

o. **Significant Judgments and sources of estimation**

The directors are responsible for selecting and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liability within the next financial year are.

a) **Taxation**

Judgment is required in determining the tax liability due to the complexity of legislation. There are many transactions and calculations for which tax determination is uncertain during ordinary course of business. The company recognizes tax liability for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from amounts that were initially anticipated, such different will impact the income tax in the period in which such determination is made.

b) **useful lives and residual values of Property plant and equipment**

The company tests annually whether the useful life and residue value were appropriate and in accordance with its accounting policy. Useful lives and residual values of PPE have been determined based on previous experience and anticipated disposal values when asset are disposed.

Nol-turesh Loitokitok Water & Sanitation Company Limited
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For the year ended June 30, 2018 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS

NOLTURESH LOITOKTOK WATER AND SANITATION CO. LIMITED			
	2017/18		2016/17
	Kshs		Kshs
1. REVENUE			
Water sales (Billings)	69,292,995		81,269,489
Kiosks/draw Points	18,318,551		25,848,498
Grants from Government	2,000,000		9,984,755
Total	89,611,546		117,102,742
2. Other Income			
Fines & Penalties	-		1,610,750
Meter Rent	208,800		190,000
Connection Fees.	-		2,142,000
Payroll Deductions	290,568		1,198,850
Total Grants and Subsidies	496,368		5,141,600
3(i) ADMINISTRATION			
Office Rent & Rates	126,000		132,000
Office Stationary	362,275		561,069
Telephone Expenses	734,300		919,950
Postages & Courier Services	6200		6,000
Computer Expenses	607,511		1,446,942
Provision for Audit Fees	-		232,000
Fines & Commissions	85,600		193,000
Legal Fees	50,000		254,800
Training Expenses	2,000		645,620
Corporate Social Responsibility	42,000		27,000
Insurance	735,273		344,774
Library Expenses	21,600		30,505
Consultancy Services	79,000		651,283
Staff Uniforms	21,000		58,000
Office Electricity	202,000		130,024
Subsistence Allowance	183,402		292,402
Bank Charges	92,207		2,155,637
Repairs & Maintenance - Buildings	-		591,228
Provision for doubtful debts	261,358		3,470,965.57
Other Expenses	-		1,099,710
Subtotal	3,611,726		11,107,525
3(ii) STAFF COSTS			
Staff Salaries & Allowances	58,053,844		54,949,818
Casual Wages.	7,186,321		8,160,000
NSSF& other Pension Contribution.	52,800		1,518,576
NHIF	1057,200		1,050,600
Staff Welfare	210,000		462,000
Leave Pay & Gratuity.	-		491,640

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	66,560,165	66,632,634
3(iii) OPERATIONAL AND MAINTENANCE EXPENSES		
Maintance of Plant & Equipment	1,772,613	1,044,000
Maintance of water supplies and Sewarage	-	1,335,481
Maintenance of Motor Vehicle/Cycles	610,852	3,024,825
Electricity cost (Company)-KPLC	2,000,000	14,558,048
Water Chemicals	1,539,120	2,663,500
Transport Operating Expenses	326,200	-
Contracted – Security Services	1,590,983	1,843,000
Fuel and Lubricants	3,700,000	3,445,500
Water Quality Test	-	30,000
Hiring of Plants and Equipment	22,000	50,000
Water Fittings	1,595,330	-
Purchase of Bulk water Meters	-	110,000
Travelling & Subsistence	628,804	2,452,825
Water Quality tests	-	30,000
Purchase of Tools & Equipment	275,800	257,720
Other Operating Expenses.	-	2,331,354
	14,061,702	33,146,253
3(iv). BOARD EXPENSES		
Board Allowances	394,800	512,000
Chairman's Honoraria	311,000	480,000
Subtotal	705,800	992,000
3 (v). LEVIES		
TANATHI - Lease Fee	-	552,182
WASREB-Regulatory	-	4,969,635
WARMA - Abstraction Fees	819,708	1,666,250
	819,708	7,188,067
3(vi).Planning & Development	-	510,000
3(vii). Depreciation		
	1,466,214	640,318
Total	87,225,315	124,344,573
4. FINANCE COSTS (page 32)		

Nol-turesh Loitokitok Water & Sanitation Company Limited
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Interest Expense on Loans	3,860,475	-
5. Profit Before Taxation	(977,877)	(2,100,231)
6. Taxation	-	-

7. PROPERTY, PLANT AND EQUIPMENT			
(Detailed Schedule Separate)			
Cost			
At 1 July 2017		148,885,324.65	144,576,980.00
Additions		772,000.00	110,000.00
At end of the Year		149,657,324.65	144,686,980.00
Depreciation and Impairment			
At 1 July 2017.		5,229,507.05	8,273,181.00
Depreciation		1,466,213.70	640,318.00
At end of Year	-	6,695,720.74	8,913,499.00
Net Book Values	-	142,961,603.91	135,773,481.00
INVESTMENT PROPERTY		-	110,000
NET BOOK VALUE		-	110,000
TOTAL INVESTMENTS		142,961,604	135,883,481
8. INVENTORIES			
		4,840,760	4,540,760
9. TRADE AND OTHER RECEIVABLES			
Trade Debtors.		154,127,513.00	142,792,137.00
Provision for bad and doubtful receivables		(21,680,179.00)	(21,418,820.55)
Net trade and other receivables		132,447,334.00	121,373,316.45
10. BANK AND CASH BALANCES			
Cash at bank			
KCB - Expenditure Account	-	330.00	(330)
KCB - Consumer Deposits Account.		24,865.60	47,439.10
KCB - Revenue Account		40,800.00	12,707.50
Mpesa Collection Account		119,623.00	205,497
Post Bank		-	2,900.00
KCB - Rent	-	2,113.35	-
KCB - KOTDA	-	1,147.70	(2,548.70)
KCB - UBSUP Account		26,012.28	4,730.78
		207,709.83	268,213.88
11. CAPITAL & RESERVES.			
Authorized:			
11(i) Ordinary shares of Kshs. 100 par value each	-	100	100

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11(ii) Capital Reserve.	-	25,324,043	25,324,043
11(iii) Donation Reserve Fund		11,974,370	11,974,370
Donations		-	-
Revenue Reserve		(51,980,706)	(51,002,828)
		(9,955,751)	(13,704,315)
Non-Current Liabilities.			
12. BORROWINGS			
Balance at beginning of the period		90,862,009	90,862,009
Domestic borrowings during the year		-	-
Repayments of domestics borrowings during the period		(31,023,253)	
Balance at end of the period		59,838,756.	-
13. TRADE AND OTHER PAYABLES			
13(i) Trade payables		31,310,301	133,616,254
13(ii) Company Arrears :		152,709,832	60,296,447
13(iii) Other payables		9,674,814	-
		-	193,912,701
14. NOTES TO THE STATEMENT OF CASH FLOWS			
14(i) Cash and cash equivalents at beginning of the Year		(977,877)	4,444,020
Depreciation		1,466,214	640,318
Operating profit/(loss) before working capital changes	-	488,337	5,084,338
(Increase)/decrease in trade and other receivables		(9,321,479)	697,660
(Increase)/Decrease in Prepayments		-	(166,116)
(Increase)/Decrease in Provisions.		(261,358)	-
Increase/(decrease) in trade and other payables		(217,754)	(8,281,817)
(Increase)/Decrease in Inventories		300,000	14,426,321
(Increase)/Decrease other current liabilities.		-	3,759,447
Taxation paid		-	-
Net cash generated from/(used in) operating activities		(9,012,253)	15,519,833
14 (ii) INVESTING ACTIVITIES :			
Purchase of property, plant and equipment		772,000.00	4,418,345.00
Net cash generated from/(used in) Investing activities		772,000.00	4,418,345.00
14 (iii) FINANCING ACTIVITIES			
Proceeds from borrowings (Sidian)		-	45,262,665.00
Prepaid Income (KOTDA)		-	18,000,000.00
Net cash generated from/(used in) financing activities		-	63,262,665.00
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(8,240,253)	(5,158,316)
Prior year Adjustment for Depreciation.		7,764,329	982,510
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR.		268,214	4,444,020
14 (iv) CASH AND CASH EQUIVALENTS AT END OF THE YEAR		207,710	268,214

Nol-turesh Loitokitok Water & Sanitation Company Limited
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Trade Debtors	154,127,513	142,792,137
Provision for doubtful debts	(21,680,179)	(21,418,8251)
Net Trade Debtors.	132,447,334.00	121,373,316.45

Nol-turesh Loitokitok Water & Sanitation Company Limited
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	Office Equipm ent	Comput ers	Motor Cycle	Furniture & fittings	PPE	Intangible Assets	WIP	Total
15. Property, plant and equipment								
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2015	135,000	948,926	1,331,000	1,142,500	6,100,000	471,960	36,502,930	46,632,316
Additions	27,260	178,000	475,000	80,000	215,600	-	105,293,195	106,269,055
Disposals	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-
At 30 June 2016	162,260	1,126,926	1,806,000	1,222,500	6,315,600	471,960	141,796,125	152,901,371
Depreciation and Impairment								
As at 30 June 2016	40,565	338,078	451,500	152,812.50	1,578,900.00	141,588.00	-	2,703,443
Net Book Value at 1 July 2016	121,695	788,848	1,354,500	1,069,688	4,736,700	330,372	141,796,125	150,197,928
Additions	-	-	-	3,806,904.00	110,000	-	-	3,916,904
Disposals	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-
At 30 June 2017	121,695	788,848	1,354,500	4,876,592	4,846,700	330,372	141,796,125	154,114,832
Depreciation and Impairment								
As at 1 July 2016	40,565	338,078	451,500	152,813	1,578,900	141,588	-	2,703,443
Depreciation charge for the year:	30,424	236,654	338,625	609,574	1,211,675	99,112	-	2,526,064
Accumulated Depreciation as at end of the year:	70,989	574,732	790,125	762,386	2,790,575	240,700	-	5,229,507
Net book values as at 30 June 2017	50,706	214,116	564,375	4,114,205	2,056,125	89,672	141,796,125	148,885,325
Additions	-	-	772,000.	-	-	-	-	772,000
Disposals	-	-	-	-	-	-	-	-
At 30 June 2018	50,706	214,116	1,336,375	4,114,205	2,056,125	89,672	141,796,125	149,657,325
Depreciation and Impairment								
As at 1 July 2017	70,989	574,732	790,125	762,386	2,790,575	240,700	-	5,229,507
Depreciation charge for the year.	12,677	64,235	334,094	514,276	514,031	26,902	-	1,466,214
Accumulated Depreciation as at end of the year:	83,665	638,967	1,124,219	1,276,662	3,304,606	267,601	-	6,695,721
Net book values as at 30 June 2018	(32,959)	(424,851)	212,156	2,837,543	(1,248,481)	(177,929)	141,796,125	142,961,604

Nol-turesh Loitokitok Water & Sanitation Company Limited
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16 INVENTORY

NOLWASCO								
INVENTORY MOVEMENT								
2017.2018								
STOCK ITEMS AS AT 30.06.2018								
Pipes and fittings								
S/ no	Item description	Unit	Total	Purchases	Value	Stock Balances		
			(Ksh)	(Qty)	(Kshs)	Qty	Value in Kshs	Total Value in Kshs
1	150mm Φ GI pipes class B with socket	m	1,190,000	-	-	10	4250	42,500
2	160mm Φ uPVC pipes class C 0.9mpa with spigot and rubbering	m	2,940,000	-	-	80	1200	96,000
3	160mm Φ uPVC pipes class B 0.6mpa with spigot and rubbering	m	506,000	-	-	60	1100	66,000
4	Flanged 50mm Φ Double Air valve with all accessories	No	125,000	-	-	2	25000	50,000
5	150mm Φ flanged VJ couplings on one side with rubberings and all accessories.	No	140,000	-	-	20	3500	70,000
6	150mm Φ flanged sluice valves	No	480,000	-	-	1	120000	120,000
7	PVC 150mm x 100mm Φ flanged Reducing socket	No	79,920	-	-	3	13320	39,960
8	50mm Φ flanged sluice valves	No	84,000	-	-	3	14000	42,000
9	100mm Φ flanged sluice valves	No	76,500	5.00	12,750	8	12750	102,000
10	100mm Φ threaded flanges	No	8,820	-	-	3	1470	4,410
11	60mm Φ flanged sluice valves	No	91,800	8.00	15,300	11	15300	168,300
12	GI Pipe-4" class B	No	600,000	20.00	16,000	20	16000	320,000

Nol-turesh Loitokitok Water & Sanitation Company Limited
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						0		
13	PVC Pipe :4"-Class D	No	1,640,000	100.00	4,400	100	4100	410,000
14	VJ Coupling-4"	No	13,600	50.00	2,100	50	2100	105,000
15	Techno mobile phones	No				15	20000	300,000
16	Double Air Valve-PN25:2"	No	450,000	4.00	25,000	18	25000	450,000
17	Ball cork 2"	No	36,000	10.00	4,500	10	4500	45,000
18	Wash out: 4"	No	44,000	-		2	11000	22,000
19	Sluice Valve:4"	No	175,000	4.00	38,000	7	38000	266,000
20	Kent Water meter-150mm	No	95,000	4.00	95,000	4	95000	380,000
21	Kent Water meter-110mm	No	68,000	6.00	68,000	6	68000	408,000
22	Sultan Hamud town (2" pvc pipes) 3km	No	600,000	-		100	1200	120,000
23	Emali town (2" pvc pipes) 5km	No	1,002,000	-		100	1200	120,000
24	Muani line (2" pvc pipes) 3km	No	600,000	-		100	1200	120,000
25	Kavuthu line (3" pvc line) 3km	No	900,000	-		100	1800	180,000
26	KwaSila Line (2" pvc line) 4 km	No	564,000	-		100	1200	120,000
27	VJ Step down 160mm x 150mm	No	52,500	-		5	3500	17,500
28	75mm Ø flanged sluice valves - PN- 25	No	156,000	-		2	39000	78,000
29	Bitumen paint	kg	6,000	-		5	600	3,000
30	Sluice valve (PN 16) 2"	No	30,000	-		1	14592	14,592
31	Sluice valve (PN 16) 4"	No	50,000	-		1	25000	25,000

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32	Sluice valve (PN 16) 3"	No	132,000	-		3	22000	66,000
33	Ball cork (PN 16) 1½"	No	32,800	100.00	4,100	24	4100	98,400
34	GI pipes class B 2"	No	180,000	-		9	6000	54,000
35	VJ Couplings - 160mm	No	189,000	160.00	2,700	30	2700	81,000
36	VJ Couling - 110mm	No	135,000	200.00	1,500	39	1500	58,500
37	GI Barrel nipple - 150mm	No	2,000	10.00	1,150	10	1150	11,500
38	GI Barrel nipple - 100mm	No	1,960	20.00	500	40	500	20,000
39	Ppr rolles-1/2:	No	24,000	-		4	6000	24,000
40	union 1/2"	No	1,350	50.00	450	50	450	22,500
41	gate valves 3/4"	No	2,000	60.00	1,200	60	1200	72,000
42	Nipple-1/2"	No	70	100.00	40	50	40	2,000
43	short Nipple-1/2	No	105	100.00	40	200	80	4,000
44	Heavy Duty -Union-1/2"	No	1,350	50.00	450	48	450	21,600
			41,117,269					4,840,762
	BALANCE AT:30.06.2017							4,840,762

Nol-turesh Loitokitok Water & Sanitation Company Limited
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Analysis of Interest Expense – Reference to Note 4 above.

Account No :	10210005452	
Currency :	KES	
Type of A/c:	SME Corporate	
TRANS DT	DESCRIPTION	CREDIT
1-Jan-18	OPENING BALANCE	
10-Jan-18	Interest - Repayment	489,590.02
10-Jan-18	Interest - Repayment	12,909.72
10-Jan-18	Charge - Repayment	200
17-Jan-18	Interest - Repayment	189,814.97
18-Jan-18	Interest - Repayment	38,562.98
19-Jan-18	Charge - Make Due	200
23-Jan-18	Interest - Repayment	106,002.05
23-Jan-18	Charge - Repayment	200
24-Jan-18	Interest - Repayment	41,773.03
24-Jan-18	Interest - Repayment	32,269.93
31-Jan-18	Interest - Repayment	131,585.05
7-Feb-18	Interest - Repayment	269,555.25
9-Feb-18	Interest - Repayment	45,631.30
19-Feb-18	Charge - Make Due	200
23-Feb-18	Interest - Repayment	381,912.97
23-Feb-18	Charge - Repayment	200
19-Mar-18	Interest - Repayment	2,630.00
19-Mar-18	Charge - Repayment	200
20-Mar-18	Interest - Repayment	695,296.51
25-Apr-18	Interest - Repayment	740,153.06
25-Apr-18	Charge - Repayment	200
21-May-18	Interest - Repayment	309,864.30
21-May-18	Charge - Repayment	200
22-May-18	Interest - Repayment	219,176.17
23-May-18	Interest - Repayment	87,689.89
4-Jun-18	Interest - Repayment	62,533.40
19-Jun-18	Interest - Repayment	1,925.00
19-Jun-18	Charge - Repayment	200
	CLOSING BALANCE	3,860,675.60