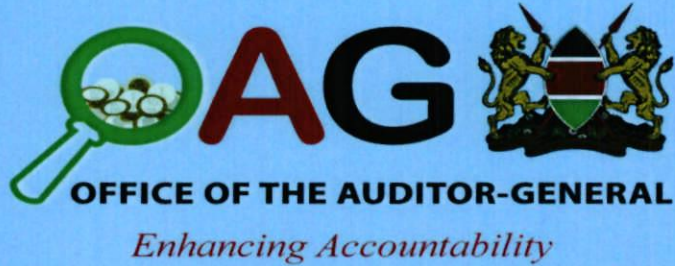


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# REPORT

OF

## THE AUDITOR-GENERAL

ON

DATE	9/3/2022
TABLED BY	Sen. Sakaja Jibson
COMMITTEE	
WORK AT THE TABLE	Karita M.

## SAMBURU WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED  
30 JUNE, 2020



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

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**SAMBURU WATER AND SANITATION COMPANY**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2020**

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

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

For the year ended June 30, 2020

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# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### KEY ENTITY INFORMATION

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#### Background information

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

Samburu water and sanitation company Ltd is domiciled in Kenya.

#### Principal Activities

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

#### Directors

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

- |     |                        |                         |                          |
|-----|------------------------|-------------------------|--------------------------|
| 1.  | Mr. Raphael Leshalote  | - Chairman              | - Appointed on 19.12.17  |
| 2.  | Mr. Mark L. Lenokulal  | - Managing Director     | - Appointed on 19.12.17  |
| 3.  | Mrs. Dorcas Lekisanyal |                         | - Appointed on 19.12.17  |
| 4.  | Mrs. Irene Senei       | - Appointed on 19.12.17 |                          |
| 5.  | Mrs. Pauline Lenguris  |                         | - Appointed on 19.12.17  |
| 6.  | Mr. Bosco Sambu        |                         | - Appointed on 19.12.17  |
| 7.  | Mr. Andrew Lanyasunya  |                         | - Appointed on 19.12.17  |
| 8.  | Mr. Simon Lekimain     |                         | - Appointed on 18.6.2020 |
| 9.  | Mr. Mathew Leyiele     |                         | - Appointed on 18.6.2020 |
| 10. | Mrs. Faith Ilekaiten   |                         | - Appointed on 18.6.2020 |
| 11. | Mrs. Eunice Njeru      |                         | - Appointed on 18.6.2020 |

#### Corporate Secretary

Mr. Mark Leharuni  
P.O. Box 438  
Maralal

#### Corporate Headquarters

P.O. Box 428  
NDMA Compound  
Maralal, KENYA

KEY ENTITY INFORMATION (Continued)

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### KEY ENTITY INFORMATION

#### Background information

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2. Mr. Mark L. Lenokulal	- Managing Director	- Appointed on 19.12.17
3. Mrs. Dorcas Lekisanyal		- Appointed on 19.12.17
4. Mrs. Irene Senei		- Appointed on 19.12.17
5. Mrs. Pauline Lenguris		- Appointed on 19.12.17
6. Mr. Bosco Sambu		- Appointed on 19.12.17
7. Mr. Andrew Lanyasunya		- Appointed on 19.12.17
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#### Corporate Secretary

Mr. Mark Lcharuni  
P.O. Box 438  
Maralal

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Maralal, KENYA

KEY ENTITY INFORMATION (Continued)

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2020**

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**Corporate Contacts**

0723860683

**Corporate Bankers**

Equity Bank  
Maralal Branch

**Independent Auditors**

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

**Principal Legal Advisers**

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

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### THE BOARD OF DIRECTORS

Name	Academic Qualification	Professional Qualifications	Current occupation-	Age; gender
MARK LCHARUNI	DEGREE	BA	MD-Sawasco	37, Male
EUNICE NJERU	DIPLOMA	HR	BUSINESS	24, Male
PAULINE LENGURIS	DEGREE	NURSE	BUSINESS	43, Female
LEKIMAIN SIMON	DIPLOMA	FINANCE	BUSINESS	54, Male
LEYIELE MATHEW	DIPLOMA	SOCIAL	BUSINESS	62, Male
FAITH LELEKOITEN	DIPLOMA	BM	FARMER	33, Female
RAPHAEL LESHALOTE	DEGREE	BA	KNUT	60, Male
BOSCO SAMBU	DEGREE	BA	COUNTY S	59, Male
IRENE SENEI	DEGREE	BM	CEC-Water	36, Female
ANDREW ROPILO	MASTERS	BMA	CO-Water	56, Male
DORCAS LEKISANYAL	DEGREE	CPA K	CEC-Finance	38, Female

### MANAGEMENT TEAM

Name	Department / Key responsibility	Academic Qualifications	Professional Qualifications
MARK LCHARUNI	ADMINISTRATION	DEGREE	BA
SIMON LEMERELE	COMMERCIAL	DIPLOMA	BM
MARY CHELIMO	TECHNICAL	DEGREE	ENG
MAXWEL LOKINYATI	CUSTOMER CARE	DEGREE	BA

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it is with great honour that I present to you an overview of the annual report and financial statements of the Company for the year ended 30th June 2020. The strong foundation that we have laid over time by embracing our vision to be the leading Water Utility in Kenya; supported by a robust governance structure; continue to drive sustainability of SAWASCO, providing momentum for a secure future in service delivery.

#### Operating Environment

During the period the Kenyan economy recorded growth rate of 5.7% in the year 2019 which was boasted by a stable microeconomic environment, positive investors' confidence and a resilient service sector. Kenya economy is being hit hard through supply and demand shocks on external and domestic fronts, interrupting its recent broad-based growth path.

Apart from COVID-19 pandemic, the locust attack which started early 2020, has affected many parts of Kenya especially the North East. It had a negative impact on the food security and growth of the agriculture sector in the country. Real gross domestic product (GDP) is projected to decelerate from an annual average of 5.7% to 1.5% in 2020.

#### Challenges

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

#### Moving Forward

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

We desire to achieve the following priorities in our medium strategy

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

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

#### Appreciation

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

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

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

Thank you and May God Bless You all

**RAPHAEL LESHALOTE**  
CHAIRMAN, BOARD OF DIRECTORS

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

For the year ended June 30, 2020

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### REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the Annual Report and Financial Statements of SAWASCO for the year ended 30th June 2020.

#### Results

Despite some macro-economic uncertainties during the year, the business remained resilient and delivered on its core mandate. The operating environment continues to be challenging and during the year the Company made a loss of Kshs.1,633,411.31 compared to a loss of Kshs 7,417,711.00 during the last financial year. This is mainly attributed to increased efficiency in resource utilisation and cost management.

The cost of electricity has been the main challenge even leading to service interruptions for a prolonged time. Administrative expenses increased due to staffsalaries and other administrative expenses to support operations.

Operating expenses increased due to license administrative fees to RVWSB, and maintenance of water infrastructures.

#### Service Delivery

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

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

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

- (i) Installation of metersto help curbthe Non Revenue Water.
- (ii) Maintenance of distribution network
- (iii) Installation water kiosks at the low income areas
- (iv)

#### Pro-poor Services

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

Strategies to realize this goal shall include

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

#### Staff Development

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements For the year ended June 30, 2020

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

### Future Plans

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


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

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

### Appreciation

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

Thank you and best wishes to you

  
MARK L. LENOLKULAL  
MANAGING DIRECTOR

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

#### The Board of Directors

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

The Board of Directors are responsible for the following:-

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

# **SAMBURU WATER AND SANITATION COMPANY LIMITED**

## **Annual Reports and Financial Statements**

**For the year ended June 30, 2020**

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

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

### **Composition of the Board**

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

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

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

### **Board Meetings**

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

### **Board Committees**

The Board appoints committees as and when necessary

## **REPORT OF THE DIRECTORS**

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

### For the year ended June 30, 2020

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Samburu Water and Sanitation Company Limited affairs.

#### Principal activities

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

#### Results

The results of the entity for the year ended June 30, 2020 are set out on page 1 Below is summary of the profit or loss made during the year.

#### Dividends

The company has no share capital and is limited by guarantee \*

#### Directors

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

#### Auditors

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

#### By Order of the Board

#### Corporate Secretary

Maralal

Date: 6.10.2020

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act, 1) require the Directors to prepare financial statements in respect of Samburu water and sanitation company, which give a true and fair view of the state of affairs of Samburu water and Sanitation Company at the end of the financial year and the operating results of for Samburu water and Sanitation Company that year. The Directors are also required to ensure that Samburu water and Sanitation Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Samburu water and sanitation company limited. The Directors are also responsible for safeguarding the assets of Samburu water and Sanitation Company.

The Directors are responsible for the preparation and presentation of Samburu water and Sanitation Company financial statements, which give a true and fair view of the state of affairs of Samburu water and Sanitation Company for and as at the end of the financial year ended on June 30, 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 Samburu water and Sanitation Company;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of Samburu water and Sanitation Company;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for Samburu water and Sanitation Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that Samburu water and Sanitation Company financial statements give a true and fair view of the state Samburu water and Sanitation Company transactions during the financial year ended June 30, 2020, and of Samburu water and Sanitation Company financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Samburu water and Sanitation Company, which have been relied upon in the preparation of Samburu water and Sanitation Company financial statements as well as the adequacy of the systems of internal financial control.

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

#### Approval of the financial statements

The Samburu water and Sanitation Company financial statements were approved by the Board on 20.8.2020 2020 and signed on its behalf by:

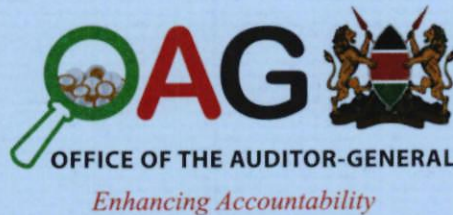
  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# 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 SAMBURU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020**

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### REPORT ON THE FINANCIAL STATEMENTS

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Samburu Water and Sanitation Company Limited set out on pages 1 to 55, 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### **Basis for Disclaimer of Opinion**

##### **1. Non-compliance with the Public Sector Accounting Standards Board Requirements**

The annual reports and the financial statements presented for audit contained the following anomalies:

- i. the Board of Directors and Management Team information did not indicate work experience and photographs,
- ii. the Chairman's, Directors and Chief Executive Officer Reports were not signed and dated,
- iii. the Corporate Governance Statement did not indicate Board sub-committees, number of meeting held in the year and mandatory term of office for Directors. Further, Public Financial Management Regulations year is indicated as 2014 instead of 2015,
- iv. The statement of cash flows, property, plant and equipment movement schedule and the statement of comparison of budget and actual amounts reflect wrong financial years,
- v. Earnings per share in Note 17 refers to ordinary shares, whereas the Company's capital is by guarantee.

This is contrary to Public Sector Accounting Standards Board (PSASB) reporting template issued for the year ended 30 June, 2020.

In the circumstances, the presentation of the financial statements for the year under review is not in accordance with the prescribed PSASB format.

## 2. Inaccuracies in Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.31,966,884 whereas Note 37 reflects nil balances resulting to an unreconciled variance amounting to Kshs.31,966,884.

Consequently, the accuracy of the trade and other payables balance of Kshs.31,966,884 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

## 3. Inaccuracies in Comparative Balances

The comparative balances for a number of components in the financial statements differed from the audited balances as detailed below:

Description	Comparative Balance (Kshs)	Balance Reported in 2018/2019 (Kshs)	Variance (Kshs)
Grants from County Government	48,288,111	51,650,511	3,362,400
Total operating expenses	72,296,388	72,530,388	234,000
Surplus from operating activities	(7,417,771)	(7,775,317)	357,546
Surplus for the year	(7,417,771)	(7,837,090)	419,319
Fixed Assets	80,426,419	80,635,837	209,418
Intangible Assets	209,418	0	209,418
Trade and other receivables	11,106,391	13,516,247	2,409,856
Capital and Reserves	55,780,323	58,401,045	2,620,722
<b>Total</b>	<b>253,271,508</b>	<b>261,121,621</b>	<b>9,822,679</b>

No disclosures have been made on the adjustment resulting to an unexplained variance of Kshs.9,822,679.

Consequently, the accuracy of the comparative balances reflected in the financial statements for the year ended 30 June, 2020 could not be confirmed.

## 4. Undisclosed Material Uncertainty Related to Going Concern

The statement of profit and loss and other comprehensive for the year ended 30 June, 2020 reflects deficit for the year before taxation of Kshs.1,633,411; (2019-deficit of Kshs.7,417,771) widening the gap on the accumulated losses to Kshs.13,471,082; (2019 -Kshs.(11,837,671). Further, current liabilities balance of Kshs.38,645,833 exceed the current assets balance of Kshs.16,323,660 resulting to negative working capital of Kshs.22,322,173. This poses a threat to the going concern. However, this material uncertainty in relation to going concern and measures being put in place to improve the

Company's financial performance have not been disclosed in the Notes to the financial statements as required by the standards.

Under the circumstances, the financial statements have been prepared on the assumption that the Company will continue to receive financial support from the County Government of Samburu and its creditors.

#### 5. Variance between Financial Statements and Supporting Schedules

As disclosed in Note 12 to the financial statements, the statement of profit and loss and other comprehensive income reflects administration cost of Kshs.66,857,891. However, there were variances between the balance in the financial statements and the supporting schedules as detailed below:

Particulars	Financial Statements Balance (Kshs)	Supporting Schedule Balance (Kshs)	Variance (Kshs)
WAREB Fee	-	400	400
Business Travel and Allowances	-	1,328,325	1,328,326
Office Purchase and Repairs	-	1,239,120	1,239,120
Electricity and Water	5,915,664	490,000	5,425,664
Repairs and Maintenance	-	2,243,975	2,434,975
Chemicals and Reagents	-	8,120,200	8,120,200
Fuel and Lubricants	-	766,100	766,100
Water Kiosks	-	200,000	200,000
Pipeline Extensions and Water Infrastructure	-	10,744,810	10,744,810
Water Fittings	-	4,051,189	4,051,189
Building	-	597,632	597,632
Auditor Remuneration	250,000	-	250,000
Repairs and Maintenance	3,695,698	-	3,695,698
Other Operating Expenses	26,520,386	-	26,520,386
Depreciation	-	4,860,815	4,860,815
<b>Total</b>	<b>36,381,745</b>	<b>32,074,721</b>	<b>70,235,315</b>

The variances amounting to Kshs.70,235,315 were not reconciled.

Consequently, the accuracy of the above balances of Kshs.36,381,745 reflected in the financial statements for the year ended 30 June, 2020 could not be confirmed.

#### 6. Inaccuracies in Revenue

The statement of profit and loss and other comprehensive income reflects revenue totalling to Kshs.66,898,969. As disclosed in Note 6 to the financial statements, the balance includes revenue totalling to Kshs.7,574,125. However, the amount was not supported by customer accounts, meter numbers and billing records

Further, 165,860 cubic meters (M<sup>3</sup>) of water was billed at Kshs.50 per M<sup>3</sup> instead of Kshs.100 in breach of set tariffs rates as per the Gazette Notice No.3868. As a result, the company lost revenue amounting to Kshs.8,293,000 during the year under review.

In addition, as disclosed in Note 8 to the financial statements, there was a grants from the County Government of Samburu amounting to Kshs.59,324,844. This is contrary to the provisions of Section 71(4), 72(4) of the Public Finance Management (County Governments) Regulations, 2015 that prohibits such grants.

Consequently, the accuracy and completeness of the total revenues balance of Kshs. 66,898,969 reflected in the statement of profit and loss and other comprehensive income for the year ended 30 June, 2020 could not be confirmed.

## **7. Unsupported Administration Costs**

As disclosed in Note 12 to the financial statements, the statement of profit and loss and other comprehensive income reflects administration costs balance of Kshs.66,857,891. However, the balance includes other operating expenses totalling to Kshs.26,520,386 and repairs and maintenance totalling to Kshs.3,695,698, all totalling to Kshs.30,216,084 that were not supported by procurement records or details of services or works carried out.

Further, the balance includes staff costs of Kshs.21,242,371 which was at variance with the gross payroll amount of Kshs.24,008,342 resulting to a difference of Kshs.3,057,971 that has not been explained or reconciled

Consequently, the accuracy, completeness and validity of administration costs balance of Kshs. 66,857,891 reflected in the statement of profit and loss and other comprehensive income for the year ended 30 June, 2020 could not be confirmed.

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

As disclosed in Note 19 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.76,362,902. However, the fixed assets register was not provided.

Further, the balance includes asset additions of Kshs.272,500 that were not supported by invoice, delivery note, location of use or serial numbers and pipeline extension and water infrastructure at a cost of Kshs.10,744,810 was expensed during the year. In addition, the depreciation charge balance of Kshs.4,860,814 was at variance with the recomputed amount of Kshs.7,982,591 resulting to an unreconciled variance of Kshs.3,121,814

Consequently, the accuracy and completeness of property, plant and equipment balance of Kshs.76,362,902 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

## **9. Unsupported Trade and Other Receivables**

As disclosed in Note 30 to the financial statements, the statement of financial position reflects trade and other receivables balance of Kshs.15,137,680. However, the balance, as previously reported, was not supported by detailed aging analysis and provisions for bad and doubtful debts were not made.

As a result, the accuracy and completeness of trade and other receivables balance of Kshs.15,137,680 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

## **10. Inaccuracies in Bank Balance**

The statement of financial position reflects bank and cash balances of Kshs.1,185,980. However, the bank reconciliation statement reflected direct deposits totalling to Kshs.4,039,799 that were not supported by credit advices and were not recorded in the cashbook. The statement also reflected payments in bank statement not recorded in cashbook of Kshs.5,220 being bank charges.

Consequently, the accuracy and completeness of the bank and cash balances of Kshs.1,185,980 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

## **11. Unsupported Trade and Other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.31,966,884. However, the amount was not supported by detailed analysis showing name of creditor, amount owing or age analysis, and a Note to the financial statements.

Consequently, the accuracy and completeness of trade and other payables balance of Kshs.31,966,884 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

## **12. Non-Revenue Water**

The statement profit and loss and other comprehensive income reflects water sales of Kshs.7,574,125. Review of records indicated that, during the year under review, the Company produced 447,913 cubic meters (M<sup>3</sup>) of water out of which, only 165,860 M<sup>3</sup> or 37% were billed to customers. The balance of 282,053 M<sup>3</sup> or approximately 63% of the total volume represented Unaccounted For Water (UFW). Given the normal allowable loss of 25% (111,978 M<sup>3</sup>) of water produced, the UFW of 170,075 M<sup>3</sup> or 38% may have resulted into a loss of water sales estimated at Kshs.17,007,050 based on the approved distribution rate of Kshs.100 per M<sup>3</sup>.

Consequently, the accuracy and completeness of water sales of Kshs.7,574,125 reflected in the statement profit and loss and other comprehensive income for the year ended 30 June, 2020 could not be confirmed.

## **13. Non-Compliance with the Law on Governance**

The Company had eleven (11) directors instead of the recommended five (5) for small water companies and the Company does not hold annual general meeting. This is in breach of Clause 3.4.1(1) of the Corporate Governance guidelines for the water services sector 2018, that requires small companies and companies relying on subsidy for operation and maintenance from the county government to have a maximum of five (5) directors which shall include two from County Government Executive.

Further, the Company did not have an Audit Committee. This is Contrary to the provisions of the Public Finance Management (County Governments) Regulations, 2015 Section 153(1) and Regulations 42(1) and Section 168 (a and b), Section 4.9 of the Water Services Regulatory Board (WASREB).

In addition, the Company does not have fraud management policy in place to guide in dealing with fraud instances in the event of their occurrence. This is in breach of Section 165(1) of the Public Finance Management (County Governments) Regulations, 2015 that requires an Accounting Officer to ensure that an entity develops a risk management strategy, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

Consequently, the Management was in breach of the law.

### **Key Audit Matters**

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

### **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of 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.

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

### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence 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 not 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 not been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are not in agreement with the accounting records and returns.

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

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

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

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

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

The Board of Directors is responsible for overseeing the financial Company's 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**

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and overall governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and overall governance 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. However, because of the matters described in the Basis for Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of Samburu Water and Sanitation Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

10 February, 2022

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

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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 Kshs	2018-2019 Kshs
<b>REVENUES</b>			
Revenue	6	7,574,125.00	13,104,560.00
Cost of sales	7		
Gross profit		<b>7,574,125.00</b>	<b>13,104,560.00</b>
Grants from the County Government of Samburu	8	59,324,843.65	48,288,111.00
Interest income	9	0.00	0.00
Other Income	10	0.00	3,362,400.00
Other gains/(losses)	11	0.00	0.00
<b>TOTAL REVENUES</b>		<b>66,898,968.65</b>	<b>64,755,071.00</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	12	66,857,890.96	71,369,668.00
Staff Expenses	13	-	-
Board of Directors Expenses	14	1,674,489.00	926,720.00
<b>TOTAL OPERATING EXPENSES</b>		<b>68,532,379.96</b>	<b>72,296,388.00</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	15	<b>(1,633,411.31)</b>	<b>(7,417,771.00)</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>	16	<b>0.00</b>	<b>0.00</b>
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(1,633,411.31)</b>	<b>(7,417,771.00)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Fair value through comprehensive income		0.00	0.00
Surplus or deficit on revaluation of PPE		0.00	0.00
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>0.00</b>	<b>0.00</b>
Earnings per share – basic and diluted	17	0.00	0.00
Dividend per share	18	0.00	0.00

Kenya Corporation (Indicate actual name of the entity)

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 KShs	2019 KShs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	19	76,362,902.00	80,426,419.00
Intangible assets	20	106,182.50	209,418.00
Investment property	21	0.00	0.00
Prepaid operating lease rentals	22	0.00	0.00
Fixed interest investments (bonds)	23	0.00	0.00
Quoted investments	24	0.00	0.00
Unquoted investments	25	0.00	0.00
Staff receivables due after one year	27(c)	0.00	0.00
<b>Total Non-Current Assets</b>		<b>76,469,084.50</b>	<b>80,635,837.00</b>
<b>Current Assets</b>			
Inventories	26	0.00	0.00
Trade and other receivables	27(a)	15,137,680.05	11,106,391.05
Tax recoverable	28	0.00	0.00
Short-term deposits	29	0.00	0.00
Bank and cash balances	30	1,185,980.00	191,601.00
<b>Total Non-Current Assets</b>		<b>16,323,660.05</b>	<b>11,297,992.05</b>
		92,792,744.55	91,933,829.05
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	31	0.00	0.00
General reserve	32	67,617,994.00	67,617,994.00
Fair value adjustment reserve	33	0.00	0.00
Retained earnings	34	(13,471,082.31)	(11,837,671.00)
Proposed dividends		0.00	0.00
<b>Capital and Reserves</b>		<b>54,146,911.69</b>	<b>55,780,323.00</b>
<b>Non-Current Liabilities</b>			
Borrowings	35	0.00	0.00
Deferred tax liability	36	0.00	0.00
<b>Total Non-Current Liabilities</b>		<b>0.00</b>	<b>0.00</b>
<b>Current Liabilities</b>			
Borrowings	35	0.00	0.00
Trade and other payables	37	31,966,883.86	29,615,192.00
Retirement benefit obligations	38	0.00	0.00
Consumer Deposits	39	6,678,949.00	6,327,449.00
Dividends payable	40	0.00	0.00
<b>Total Current Liabilities</b>		<b>38,645,832.86</b>	<b>35,942,641.00</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>92,792,744.55</b>	<b>91,933,829.05</b>

The financial statements were approved by the Board on 20.8.2020 2020 and signed on its behalf by:

Managing Director/Chairman of the Board

Director

Name:

Name:

Mark Ichauuni  
*[Signature]*

Raphael Teshabote  
*[Signature]*

SAMBURU WATER AND SANITATION COMPANY

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary share capital	General reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Develop- ment Grants/ Fund	Total
<b>At July 1, 2019</b>	-	67,617,994.00	0.00	(4,000,581.00)	-	-	63,617,413
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(7,837,090.00)	-	-	(7,837,090)
Capital/Development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid – 2018	-	-	-	-	-	-	-
Interim dividends paid – 2019	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
<b>At June 30, 2019</b>	-	67,617,994.00	0.00	(11,837,671.00)	0.00	-	55,780,323
<b>At July 1, 2019</b>	-	67,617,994.00	0.00	(11,837,671.00)	0.00	-	55,780,323
Issue of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(1,633,411.31)	-	-	(1,633,411.31)
Capital/Development grants received during the	-	-	-	-	-	-	-

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

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	Ordinary share capital	General reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Develop- ment Grants/ Fund	Total
year							
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid – 2019	-	-	-	-	-	-	-
Interim dividends paid – 2020	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
<b>At June 30, 2020</b>	-	<b>67,617,994.00</b>	-	<b>(13,471,082.31)</b>	-	-	<b>54,146,911.69</b>

**SAMBURU WATER AND SANITATION COMPANY**

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

	Note	2019-2020	2018-2019
		Kshs	Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	41	1,266,879.00	(17,926,849.00)
Interest received	41(c)	-	-
Interest paid	41(c)	-	-
Dividends paid	40	-	-
Taxation paid	28	-	-
<b>Net cash generated from/(used in) operating activities</b>		<b>1,266,879.00</b>	<b>(17,926,849.00)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	19	(272,500.00)	(261,298)
Proceeds from disposal of property, plant and equipment		-	-
Purchase of intangible assets	20	-	-
Purchase of investment property	21	-	-
Purchase of quoted investments	25	-	-
Proceeds from disposal of quoted investments		-	-
<b>Net cash generated from/(used in) investing activities</b>		<b>(272,500.00)</b>	<b>(261,298)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of new share capital		-	-
Proceeds from borrowings	35	-	-
Repayment of borrowings	35	-	-
<b>Net cash generated from/(used in) financing activities</b>		<b>-</b>	<b>-</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>994,379.00</b>	<b>62,243.00</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>191,601.00</b>	<b>129,358.00</b>
Effects of foreign exchanges rate fluctuations		-	-
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>41(b)</b>	<b>1,185,980.00</b>	<b>191,601.00</b>

**SAMBURU WATER AND SANITATION COMPANY**

**Annual Reports and Financial Statements  
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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019**

	Original budget	Adjustments	Final budget	Actual amount comparable basis	Performance difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Revenue</b>					
Sale of goods	-	-	-	-	-
Sale of services	15,000,000.00	-	15,000,000.00	7,574,125.00	7,425,875.00
Transfers from the Samburu County Government	50,000,000.00	-	50,000,000.00	59,324,843.65	(9,324,843.65)
Donations in kind	-	-	-	-	-
Finance income	-	-	-	-	-
Other income	-	-	-	-	-
<b>Total income</b>	<b>65,000,000.00</b>	<b>-</b>	<b>65,000,000</b>	<b>66,898,968.65</b>	<b>1,898,968.65</b>
<b>Expenses</b>					
Compensation of employees	27,012,000.00	-	27,012,000.00	21,242,371.00	5,769,629.00
Administration cost	5,588,505.00	-	5,588,505.00	7,872,880.96	(2,284,375.96)
Finance cost	-	-	-	29,652	(29,652.00)
Board of Directors Expenses	2,088,500.00	-	2,088,500.00	1,674,489.00	414,011
Taxation paid	-	-	-	-	-
Operating Expenses	29,727,000.00	-	29,727,000.00	15,728,542.00	13,998,458.00
Other payments	542,160.00	-	542,160.00	6,390,814.00	6,292,974.00
Grants and subsidies paid	-	-	-	-	-
<b>Total expenditure</b>	<b>64,958,165.00</b>	<b>-</b>	<b>64,958,165.00</b>	<b>68,502,727</b>	<b>(3,544,562.00)</b>
<b>Surplus for the period</b>	<b>41,835.00</b>		<b>41,835.00</b>	<b>(1,603,758.35)</b>	<b>(1,603,758.35)</b>

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

# SAMBURU WATER AND SANITATION COMPANY

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For the year ended June 30, 2020

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

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

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

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

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

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

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

#### *IFRS 16: Leases*

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

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

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

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

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

*IFRIC 23: Uncertainty Over income tax treatments*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- ii) **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

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

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

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

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

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

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

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

**iii) Early adoption of standards**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Revenue recognition**

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

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

**b) In-kind contributions**

In-kind contributions are donations that are made to Samburu Water and Sanitation Company Limited in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, Samburu Water and Sanitation Company Limited includes such value in the statement of comprehensive income both as

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

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revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

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

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

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

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

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2020**

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impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

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

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

**e) Intangible assets**

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

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

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

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

**g) Investment property**

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

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

**h) Finance and operating leases**

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

n) Taxation

*Current income tax*

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

*Current income tax (Continued)*

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

*Deferred tax*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

*Deferred tax (Continued)*

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

o) Cash and cash equivalents

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

p) Borrowings

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

q) Trade and other payables

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

# SAMBURU WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements  
For the year ended June 30, 2020

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

#### r) Retirement benefit obligations

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

#### s) Provision for staff leave pay

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

#### t) Exchange rate differences

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

#### u) Budget information

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



kasneb

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AUTHORITY TO SIT EXAMINATION/TIMETABLE



Registration Name and I.D. Number  
NAC/168444 JULIET MURUGI NJERU 27490197

Date Examination Sitting Examination Centre  
18-02-2021 MAY 2021 MWANGAZA COLLEGE

EXAMINATION DETAILS  
CPA Part II

CODE	PAPER	DATE	TIME
CA33	Financial Reporting	Thursday 29/04/2021	9.00 A.M. - 12.00 NOON
CA42	Management Information Systems	Friday 30/04/2021	2.00 P.M. - 5.00 P.M.
CA43	Quantitative Analysis	Friday 30/04/2021	9.00 A.M. - 12.00 NOON

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You have been entered for the above examination at the designated examination centre and for the paper(s) indicated. Your attention is drawn to " INSTRUCTIONS TO CANDIDATES " relating to the conduct of the candidates during the examinations as outlined in the next page of this document. This authority letter must be presented to the invigilators at each session of the examination.

JULIET MURUGI NJERU  
1050  
Nakuru  
KENYA

ISSUE BY:  
J. N. KARIGA  
FOR: SECRETARY

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INSTRUCTIONS TO CANDIDATES

The following instructions are issued for the benefit of candidates. All candidates are advised to read carefully and understand the instructions. The candidates attention is also drawn to Section 42 of the Accountants Act, No. 15 of 2008 on examination offences.

- Candidates should present themselves for the examination at least 30 minutes before the scheduled time for the commencement of the paper they are taking (see note (a) and (b) below).
- Candidates will neither be allowed to take the examination if they arrive 30 minutes or more after the commencement of the examination nor will candidates be permitted to leave the examinations room until after the end of the first 30 minutes following the commencement of the examination.
- IDENTIFICATION: Candidates who are Kenya citizens will be required to produce their National Identity Cards and/or KASNEB Student Identification Cards. Non-Kenyans will be required to produce relevant identification documents such as Passports. Candidates who do not have the aforementioned identification documents will be required to avail other acceptable identification documents.
- Stationery will be provided but candidates must bring their own pens, pencils, rulers and ink. No stationery whatsoever may be removed from the examinations room.
- Each candidate has a registration number assigned at the time of registration. Each candidate must take his/herself at the place allocated and indicated by the registration number. The registration number must be entered at the top right hand corner of each answer sheet.
- Candidates MUST NOT write their names on the answer booklet.
- Strict silence must be observed during the examination.
- Candidates MUST NOT retain any notes, printed papers or books during the examination, but must leave any such documents outside the examinations room.
- Candidates are allowed to use calculators provided that such calculators are noiseless and cordless. Calculators which are programmable are not allowed.
- During the course of the examination, no candidate may leave the examinations room without permission. Any candidate who does so will not be allowed back into the examinations room. Candidates who finish the paper before the invigilators announce the end of the examination session and who wish to leave the examinations room while the examination is in progress must hand in their scripts to the invigilators.
- Mobile phones are strictly not allowed in the examinations room.
- Candidates MUST NOT take away the examination question papers from the examinations room.
- Mobile phones MUST BE switched off and should not be used in or outside the examinations room until the examination session is over.
- Smoking is not allowed in the examinations room.

NOTE: (a) THE MORNING SESSIONS BEGIN AT 9.00 A.M.  
(b) THE AFTERNOON SESSIONS BEGIN AT 2.00 P.M.  
(c) ALL PAPERS ARE OF THREE HOURS DURATION.

BEFORE YOU START TO ANSWER THE QUESTIONS, MAKE SURE THAT YOU HAVE BEEN ISSUED WITH THE CORRECT EXAMINATION QUESTION PAPER.

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6 REVENUE**

	2019/2020	2018/2019
	Kshs	Kshs
Gross sales of goods	7,574,125.00	13,104,560.00
Gross sales of services	-	-
Less: Value added tax on gross sales	-	-
<b>Total</b>	<b>7,574,125.00</b>	<b>13,104,560.00</b>

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

**7 COST OF SALES**

	2019/2020	2018/2019
	Kshs	Kshs
Cost of sales on goods	-	-
Cost of sales on services	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**8 GRANTS FROM COUNTY GOVERNMENT**

	2019/2020	2018/2019
	Kshs	Kshs
Recurrent grants received	59,324,843.65	48,288,111.00
Capital grants realized (see note below)	-	-
In Kind contributions/ donations	-	-
<b>Total</b>	<b>59,324,843.65</b>	<b>48,288,111.00</b>

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund KShs	Total grant income during the year KShs	2018-2019 KShs
Samburu County Government	59,324,843.65	-	-	59,324,843.65	48,288,111.00
<b>Total</b>	<b>59,324,843.65</b>	<b>-</b>	<b>-</b>	<b>59,324,843.65</b>	<b>48,288,111.00</b>

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2020**

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

**9 INTEREST INCOME**

Description	2019-2020	2018-2019
	Kshs	Kshs
Interest income from treasury bonds	-	-
Interest income from treasury bonds	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	-	-
Interest on staff loans	-	-
<b>Total</b>	-	-

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

**10 OTHER INCOME**

Description	2019-2020	2018-2019
	Kshs	Kshs
Sale of tender documents	-	-
Fines and penalties	-	-
Cash donations	-	-
In kind donations	-	-
Gain on sale of fixed assets	-	-
Insurance compensation	-	-
Other miscellaneous receipts	-	3,362,400.00
<b>Total</b>	<b>0.00</b>	<b>3,362,400.00</b>

*Other miscellaneous receipts is compensation by a road construction company on damages done on water infrastructure in the year 2018-2019*

**11 OTHER GAINS AND LOSSES**

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

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

**12(a) ADMINISTRATION COSTS**

Description	2020 KSh.	2019 KSh.
Staff costs (note 12b)	21,242,371.00	28,169,814.00
Directors' emoluments	1,674,489.00	926,720.00
Electricity and water	5,915,664.00	10,009,964.00
Communication services and supplies	-	-
Transportation, travelling and subsistence	866,571.00	688,067.00
Advertising, printing, stationery and photocopying	816,570.00	867,500.00
Rent expenses	280,000.00	26,000.00
Staff training expenses	1,001,840.00	350,400.00
Hospitality supplies and services	-	-
Insurance costs	-	-
Bank charges and commissions	29,652.00	61,773.00
Office and general supplies and services	-	-
Auditors' remuneration	250,000.00	-
Legal fees	50,000.00	200,000.00
Consultancy fees	-	-
Repairs and maintenance	3,695,698.00	2,790,380.00
Provision for bad and doubtful debts	-	-
Other operating expenses	26,520,385.96	22,869,490.00
<b>Total</b>	<b>66,857,890.96</b>	<b>71,369,668.00</b>

**12(b) STAFF COSTS**

Salaries and allowances of permanent employees	20,950,371.00	28,169,814.00
Wages of temporary employees	-	-
Compulsory national health insurance schemes	-	-
Compulsory national social security schemes	292,000.00	-
Other pension contributions	-	-
Leave pay and gratuity provisions	-	-
Staff welfare	-	-
<b>Total</b>	<b>21,242,371.00</b>	<b>28,169,814.00</b>

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

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

**13 SELLING AND DISTRIBUTION COSTS**

Description	2018-2019	2017-2018
	Kshs	Kshs
Salaries and wages of sales personnel	-	-
Marketing and promotional expenses	-	-
Sales commissions	-	-
Sales discounts and rebates	-	-
Other selling and distribution costs	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**14 FINANCE COSTS**

Description	2019-2020	2018-2019
	Kshs	Kshs
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**15 OPERATING PROFIT/(LOSS)**

	2019-2020	2018-2019
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 12b)		
Depreciation of property, plant and equipment	4,815,308.53	5,336,280.00
Amortisation of intangible assets	45,507.00	
Provision for bad and doubtful debts	-	-
Directors' emoluments - fees	1,674,489.00	926,720.00
- other	-	-
Auditors' remuneration - current year fees	250,000	-
- prior year under-provision	-	-
Loss on disposal of property, plant and equipment	-	-
Net foreign exchange loss	-	-
Interest receivable	-	-
Interest payable		
Rent receivable	-	-
<b>Total</b>	<b>6,785,304.53</b>	<b>6,263,000.00</b>

SAMBURU WATER AND SANITATION COMPANY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 INCOME TAX EXPENSE/(CREDIT)

(a) Current taxation

	2019-2020	2018-2019
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
<b>Total</b>	-	-

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

	2019-2020	2018-2019
	Kshs	Kshs
Profit before taxation	(1,633,411.31)	(7,417,771.00)
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
<b>Total</b>	-	-

The company had an operating loss of Ksh 1,633,411.311 hence only tax loss.

# SAMBURU WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements  
For the year ended June 30, 2020

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 17 EARNINGS PER SHARE

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

### 18 DIVIDEND PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). However Samburu water and Sanitation Company limited is wholly owned by Samburu county government, does not hold any AGM, and no interim or final dividend in respect of the year ended June 30, 2020 is to be proposed.

SAMBURU WATER AND SANITATION COMPANY

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 PROPERTY, PLANT AND EQUIPMENT

2019	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles including motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
<b>COST OR VALUATION</b>								
At July 1, 2018	-	-	-	-	-	-	-	-
Additions								
Transfers								
Disposals								
<b>At June 30, 2019</b>								
<b>DEPRECIATION</b>								
At July 1, 2018								
Charge for the year								
Impairment loss								
Eliminated on disposal								
<b>At June 30, 2019</b>								
<b>NET BOOK VALUE At June 30, 2019</b>								

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

	Cost or valuation	Normal annual depreciation charge
Plant and machinery		
Motor vehicles, including motor cycles		
Computers and related equipment		
Office equipment, furniture and fittings		

SAMBURU WATER AND SANITATION COMPANY

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 PROPERTY, PLANT AND EQUIPMENT (Continued)

	TOOL TOOLS	MOTOR VEHICLES	WATER FITTINGS	Computers & related equipment	Office equipment, furniture & fittings	WATER INDUSTRY STRUCTURE	Total
<b>COST OR VALUATION</b>							
At July 1, 2019	12,632.00	3,094,686.00	61,867,289.00	1,763,590.00	1,177,503.00	44,746,802.00	112,662,502.00
Additions	-	-	-	272,500.00	-	-	272,500.00
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
<b>At June 30, 2019</b>	<b>12,632.00</b>	<b>3,094,686.00</b>	<b>61,867,289.00</b>	<b>2,036,090.00</b>	<b>1,177,503.00</b>	<b>44,746,802.00</b>	<b>112,935,002.00</b>
<b>DEPRECIATION</b>							
At July 1, 2019	12,632.00	2,583,239.95	21,161,684.95	1,395,412.38	654,948.63	5,948,872.57	31,756,790.48
Charge for the year	-	127,862.00	3,459,976.00	192,203.00	65,319.30	969,948.23	4,815,308.53
Impairment loss	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-
<b>At June 30, 2020</b>	<b>12,632.00</b>	<b>2,711,101.95</b>	<b>24,621,660.95</b>	<b>1,587,615.38</b>	<b>720,267.93</b>	<b>6,918,820.80</b>	<b>36,572,099.01</b>
<b>NET BOOK VALUE</b>							
<b>At June 30, 2020</b>	<b>-</b>	<b>383,584.05</b>	<b>37,245,628.05</b>	<b>448,474.62</b>	<b>457,235.07</b>	<b>37,827,981.20</b>	<b>76,362,902.99</b>

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

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

**SAMBURU WATER AND SANITATION COMPANY**

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

**20 INTANGIBLE ASSETS**

	2018-2019	2017-2018
	Kshs	Kshs
<b>COST</b>		
At July 1	817,600.00	817,600.00
Additions	-	-
Disposals	-	-
At June 30	817,600.00	817,600.00
<b>AMORTISATION</b>		
At July 1	665,911.00	576,160.60
Charge for the year	45,506.50	89,750.40
Disposals	-	-
Impairment loss	-	-
At June 30	711,417.50	665,911.00
<b>NET BOOK VALUE</b>		
At June 30	106,182.50	216,697.60

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

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

**21 INVESTMENT PROPERTY**

	2019-2020	2018-2019
	Kshs	Kshs
Opening valuation	-	-
<b>Movements during the year</b>		
Additions	-	-
Transfer from operating lease rentals (note 22)	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
Closing valuation	-	-
	=====	=====
<b>DEPRECIATION (IF AT COST)</b>		
At July 1	-	-
Charge for the year	-	-
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30	-	-
	=====	=====
<b>NET BOOK VALUE</b>		
At June 30	-	-
	=====	=====

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

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

**22 PREPAID OPERATING LEASE RENTALS**

There were no prepaid operating lease rentals.

**23 FIXED INTEREST INVESTMENTS (BONDS)**

	2019-2020	2018-2019
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Infrastructure Bond	-	-
AB Corporate Bond (give details)	-	-
CD Corporate Bond (give details)	-	-
	-	-
	-	-

*There was no fixed interest investments (Bonds)*

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

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

**24 QUOTED INVESTMENTS**

	2019-2020	2018-2019
	Kshs	Kshs
Opening valuation	-	-
<b>Movements during the year</b>		
Additions	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
Closing valuation	-	-

*There are no quoted investments*

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

**25 UNQUOTED INVESTMENTS**

*There are no unquoted investments*

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

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

**26 INVENTORIES**

No inventories held at the end of the period

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

	2019-2020	2018-2019
	Rshs	Rshs
Trade receivables (note 27 (b))	15,137,680.05	11,106,391.00
Deposits and prepayments	-	-
VAT recoverable	-	-
Staff receivables (note 27 (c))	-	-
Other receivables	-	-
Gross trade and other receivables	15,137,680.05	11,106,391.00
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	15,137,680.05	11,106,391.00

**SAMBURU WATER AND SANITATION COMPANY LIMITED****Annual Reports and Financial Statements****For the year ended June 30, 2020****NOTES TO THE FINANCIAL STATEMENTS (Continued)****27 (b) TRADE RECEIVABLES**

	2019-2020	2018-2019
	Kshs	Kshs
Gross trade receivables	15,137,680.05	11,106,391.00
Provision for doubtful receivables	-	-
	15,137,680.05	11,106,391.00
	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	-	-
Between 30 and 60 days	-	-
Between 61 and 90 days	-	-
Between 91 and 120 days	-	-
Over 120 days	15,137,680.05	11,106,391.00
	15,137,680.05	11,106,391.00
	=====	=====

**27 (c) STAFF RECEIVABLES**

There were no staff receivables as at 30<sup>th</sup> June 2020 and 30<sup>th</sup> June 2019.

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements**

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

**28 TAX RECOVERABLE**

There was no tax recoverable in the year ended June 2020 and June 2019.

**29 SHORT TERM DEPOSITS**

There were no short term deposits as at June 30, 2020.

**30 BANK AND CASH BALANCES**

	2019-2020	2018-2019
	Kshs	Kshs
Cash at bank	1,184,980.00	191,601.00
Cash in hand	1,000.00	-
	1,185,980.00	191,601.00

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements**

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

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

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

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

Financial Institution	Account number	2019-2020	2018-2019
		KShs	KShs
<b>a) Current account</b>			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
<b>Sub- total</b>			
<b>b) Others(specify)</b>		-	-
Cash in transit		-	-
cash in hand		-	-
M pesa			
<b>Sub- total</b>			
<b>Grand total</b>			

**31 ORDINARY SHARE CAPITAL**

*Samburu water and sanitation company is wholly owned by Samburu county governemt and has no ordinary share capital*

# SAMBURU WATER AND SANITATION COMPANY LIMITED

## Annual Reports and Financial Statements

For the year ended June 30, 2020

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 32 REVALUATION RESERVE

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

#### 33 FAIR VALUE ADJUSTMENT RESERVE

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

#### 34 RETAINED EARNINGS

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

#### 35 BORROWINGS

Description	2019-2020	2018-2019
	Kshs	Kshs
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	-	-
Exchange rate gains/(losses) on revaluation of borrowings	-	-
Balance at end of the year	-	-
Less: Amounts due with one year (current portion)	-	-
Amounts due after one year (non-current portion)	-	-

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

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

**35 BORROWINGS (Continued)**

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

	2019-2020	2018-2019
	Kshs	Kshs
<b>External Borrowings</b>		
	-	-
<b>Domestic Borrowings</b>		
	-	-
<b>Total balance at end of year</b>	-	-
	=====	=====

*There were no external or domestic borrowings*

**36 DEFERRED TAX LIABILITY**

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

	2019-2020	2018-2019
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	(-)	(-)
Provisions for liabilities and charges	(-)	(-)
<b>Net deferred tax liability</b>	-	-
	=====	=====

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

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**For the year ended June 30, 2020**

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

**36 DEFERRED TAX LIABILITY (Continued)**

	2019-2020	2018-2019
	Kshs	Kshs
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	-	-
Credit to revaluation reserve	(-)	(-)
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-
	=====	=====

*No deferred tax obligation*

**37 TRADE AND OTHER PAYABLES**

	2019-2020	2018-2019
	Kshs	Kshs
Trade payables		
Accrued expenses	-	
Retention/ contract monies	-	
Other payables	-	
	=====	=====

*[Provide short appropriate explanations as necessary]*

**38 RETIREMENT BENEFIT OBLIGATIONS**

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

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2020**

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

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**39 PROVISION FOR LEAVE PAY**

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

**40 DIVIDENDS PAYABLE**

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

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**For the year ended June 30, 2020**

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

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

	2019-2020	2018-2019
	KSh	KSh
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Operating profit/(loss)	(1,633,411.31)	(7,837,090.00)
Depreciation	4,815,308.53	5,336,280.00
Amortisation	45,505.47	-
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	3,227,402.69	(2,500,810)
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade and other receivables	(4,031,289.00)	(3,346,339.00)
Increase/(decrease) in trade and other payables	2,070,765.31	(12,079,700.00)
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/(used in) operations	1,266,879.00	(17,926,849.00)
	=====	=====
<b>(b) Analysis of changes in loans</b>		
Balance at beginning of the year	-	-
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	-	-
	=====	=====
<b>(c) Analysis of cash and cash equivalents</b>		
Short term deposits	1,000.00	-
Cash at bank	1,184,980.00	191,601.00
Cash in hand	-	-
Balance at end of the year	1,185,980.00	191,601.00
	=====	=====

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

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**For the year ended June 30, 2020**

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

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

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

**42 RELATED PARTY DISCLOSURES**

**(a) County Government of Samburu**

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

Other related parties include:

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

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**For the year ended June 30, 2020**

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

**42 RELATED PARTY DISCLOSURES (Continued)**

**Transactions with related parties**

	2019-2020	2018-2019
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Sales of goods to xxx	-	-
Sales of services xxx	-	-
<b>Total</b>	-	-
<b>b) Grants from the Government</b>		
Grants from National Govt	-	-
Grants from County Government	59,324,843.65	48,288,111.00
Donations in kind	-	-
<b>Total</b>	59,324,843.65	48,288,111.00
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
<b>Total</b>	-	-
<b>d) Key management compensation</b>		
Directors' emoluments		
Compensation to the CEO		
Compensation to key management		
<b>Total</b>		

**43 CAPITAL COMMITMENTS**

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

	2019-2019	2018-2018
	Kshs	Kshs
Amounts authorised and contracted for	-	-
Amounts authorizes but not contracted for	-	-
Less: Amounts included in Work in progress	-	-
	-	-

## 44 CONTINGENT LIABILITIES

	2018-2019	2017-2018
	Kshs	Kshs
Bank guarantees	-	-
Legal claims against the <i>entity</i>	-	-
Letters of credit	-	-
Disputed tax penalties	-	-
	-	-
	=====	=====

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

## 45 FINANCIAL RISK MANAGEMENT

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

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

## (i) Credit risk

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

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

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

## Annual Reports and Financial Statements

For the year ended June 30, 2020

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 45 FINANCIAL RISK MANAGEMENT (Continued)

## (i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2019</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2018</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

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

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

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

## ii) Liquidity risk management

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

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

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

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**For the year ended June 30, 2020**

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

**45 FINANCIAL RISK MANAGEMENT (Continued)**

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2020</b>				
Trade payables				
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>				
<b>At 30 June 2019</b>				
Trade payables				
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**(iii) Market risk**

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

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

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

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

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

**45 FINANCIAL RISK MANAGEMENT (Continued)**

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

**a) Foreign currency risk**

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

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

45 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Foreign currency sensitivity analysis

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

c) Interest rate risk

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

*Management of interest rate risk*

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

*Sensitivity analysis*

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

Annual Reports and Financial Statements

For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

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

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

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

**45 FINANCIAL RISK MANAGEMENT (Continued)**

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

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

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

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

*b) Financial instruments not measured at fair value*

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

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 45 FINANCIAL RISK MANAGEMENT (Continued)

#### iv) Capital Risk Management

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

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	(13,471,082.31)	(11,837,671.00)
Capital reserve	67,617,994.00	67,617,994.00
<b>Total funds</b>	<b>54,146,911.69</b>	<b>55,780,323.00</b>
Total borrowings	-	-
Less: cash and bank balances	1,185,980.00	191,601.00
Net debt/(excess cash and cash equivalents)	(1,185,980.00)	(191,601.00)
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

### 46 INCORPORATION

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

### 47 EVENTS AFTER THE REPORTING PERIOD

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

### 48 CURRENCY

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

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**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 (Name and designation)	Status (Resolved/Not Resolved)

**Guidance Notes:**

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

Managing Director



Date..... 6.10.2020

Chairman of the Board



Date..... 6.10.2020

**SAMBURU WATER AND SANITATION COMPANY LIMITED**

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

**Projects**

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

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

**Status of Projects completion**

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

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**APPENDIX III: INTER-ENTITY TRANSFERS**

ENTITY NAME:			
Break down of Transfers from the State Department of XXX			
FY 2018/2019			
<b>a. Recurrent Grants</b>			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
		-	
		-	
	<b>Total</b>	-	
<b>b. Development Grants</b>			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
		-	
		-	
	<b>Total</b>	-	
<b>c. Direct Payments</b>			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
		-	
		-	
	<b>Total</b>	-	
<b>d. Donor Receipts</b>			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
		-	
		-	
	<b>Total</b>	-	

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

Finance Manager  
SASWASCO

Sign



Head of Accounting Unit  
SAWASCO

Sign



SAMBURU WATER AND SANITATION COMPANY

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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