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REPORT

OF

THE AUDITOR-GENERAL

ON

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

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

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Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30Th June 2020 (Kshs)

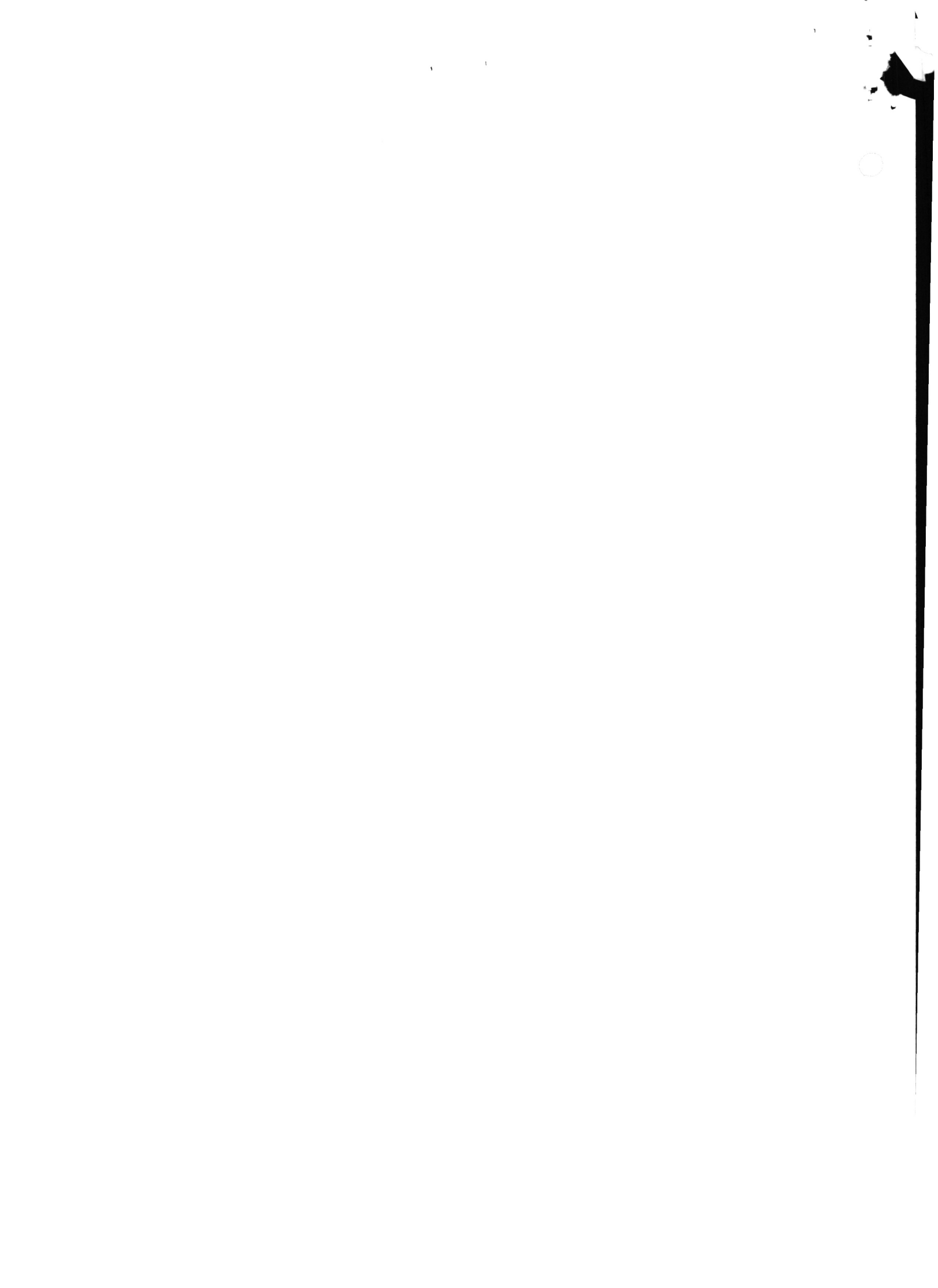


NOL-TURESH LOITOKITOK WATER & SANITATION COMPANY LIMITED

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2020**

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



Nol-turesh Loitokitok Water & Sanitation Company Limited
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KEY ENTITY INFORMATION

Background information

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

Principal Activities

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

Directors

The Directors who served the entity during the year under review were appointed on an interim basis by the three counties that the company serves namely Kajiado, Machakos and Makueni.

| NAME | POSITION |
|---|------------------|
| NAOMI MUTIE – CECM MACHAKOS COUNTY | CHAIRPERSON |
| MICHAEL SEMERA – CECM KAJIADO COUNTY | BOARD MEMBER |
| ROSEMARY MAUNDU- CECM MAKUENI COUNTY | BOARD MEMBER |
| JANE SIMANDO OLE SEIN – TANATHI REPRESENTATIVE | BOARD MEMBER |
| GEDION. K. KETENTE – Ag. MANAGING DIRECTOR | BOARD SECRETARY. |

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REGISTERED OFFICE

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

COMPANY CONTACTS

Tel.No. 0703203514

Email: nolturesh@gmail.com

info@nolturesh.co.ke

BANKERS

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

Independent Auditors




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

Principal Legal Advisers

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

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THE BOARD OF DIRECTORS

| NAME | LEVEL OF QUALIFICATIONS |
|--|--|
| <p>NAOMI MUTIE KAMALA</p>  <p>CHAIRPERSON - BOARD</p> | <p>Masters in Community Health and Development.</p> |
| <p>ROSEMARY MAUNDU .</p>  <p>BOARD MEMBER</p> | <p>Masters Degree in Entrepreneurship from The Catholic University of Eastern Africa. Bachelor of Commerce Degree in Business Management from the same University</p> |
| <p>MICHAEL SEMERA</p>  <p>BOARD MEMBER</p> | <p>MBA. Strategic Management. B.com Accounting Option.</p> |
| <p>JANE SIMANDO OLE SEIN</p> <p>BOARD MEMBER.</p> | <p>TANATHI REPRESENTATIVE.</p> |

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MANAGEMENT TEAM

The Company's senior management team is as follows:

| | | | |
|----|--|---|--|
| 1. | <p>GEDION KETENTE</p>  | <p>Msc. Dryland Agriculture and Enterprise Development. (Ongoing)</p> <p>BSc Agricultural Land Use and Management.</p> <p>Cert in Procurement Processes and Public Finance Management Programme</p> | <p>Ag. MANAGING DIRECTOR</p> |
| 2. | <p>ANN. S. TOBIKO</p>  | <p>MBA. Strategic Management.</p> <p>B.com Accounting Option.</p> <p>CPA (K) - KASNEB CPS (K) – KASNEB</p> <p>Computerised Accountancy.</p> | <p>FINANCE AND ADMINISTRATIO N MANAGER</p> |
| 3. | <p>DAVID MAKAU</p>  | <p>Msc. Environmental & Biosystems Engineering, Irrigation and Water Engineering Option – On going.</p> <p>Bsc. Environmental & Biosystems Engineering, Irrigation and Water Engineering Option – 1st Class Honours.</p> | <p>TECHNICAL SERVICES MANAGER</p> |
| 4. | <p>GABRIEL NYINGE</p>  | <p>Bachelor of Business Information Technology.</p> <p>Certificate in Computer Management</p> | <p>MARKETING & CUSTOMER RELATIONS MANAGER.</p> |

Nol-turesh Loitokitok Water & Sanitation Company Limited
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CHAIRMAN'S STATEMENT

To Our fellow stakeholders

We are pleased to present the annual report and financial statements of the Company for the financial year ended 30th June 2020.

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

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

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

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

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

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

Thank you.

Naomi Mutie – CECM Machakos County

Interim Chairperson, Board of Directors

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MANAGING DIRECTOR'S STATEMENT

Financial Highlights & Overview

The financial year under review recorded a substantial decrease in water sales. This was mainly attributed to the disruption of water supply through vandalism especially in the first quarter of F/Y 2019/2020.

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

Cost Recovery

To achieve sustainability of our company, implementation of our cost recovery tariffs was paramount and Non-Revenue Water (NRW) has to be reduced to acceptable levels. However enormous amount of capital investment is required to realize this.

During the financial year 2020/21, we expect support from the National Government to enable us start the overhaul project.

Through partnership with WASPA and other partners, we have designed measures to bring down the NRW to acceptable levels.

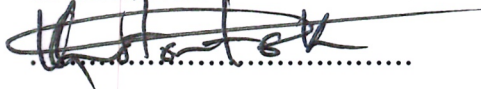
Outlook

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

Our objective is to continuously transform the lives of our citizens and ensuring that we fulfil our mandate by improving water and sanitation services to all our customers within our area of operation.

I take this opportunity to thank the Board of Directors and all other Stakeholders for the leadership and support they provide. I also thank all company staff members for their dedication to achieve the desired results

G. KETENTE



Ag. MANAGING DIRECTOR

Nol-turesh Loitokitok Water & Sanitation Company Limited
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CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

The Board of Directors

The Company Board of Directors are appointed by Tanathi Water Works Development Authority.

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

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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 guided by a formal schedule of meetings to discuss matters reserved for its decision with a view of determining and reviewing the strategies of the Company and overseeing the Companies compliance with statutory and regulatory obligations. Notices and agenda for all Board meetings are circulated to all board members on a timely basis together with the respective documents for discussion.

Composition of the Board

The Board is composed of 3 Directors from the three Counties and a representative from TAWWDA including an independent Chairperson and one executive director who is also the Managing Director. The Directors represent various stakeholders. They have a wide range of skills and experience and each contributes independent judgement and knowledge to the Board's discussions.

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

Environment

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

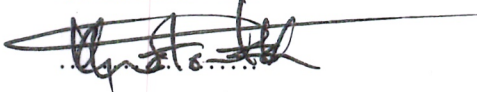
Employees

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

Health and Safety

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

G. KETENTE



Ag. MANAGING DIRECTOR

Nol-turesh Loitokitok Water & Sanitation Company Limited
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REPORT OF THE DIRECTORS

The Board of Directors has the pleasure in submitting their annual Report and Financial Statements for the period ended 30th JUNE 2020.

PRINCIPAL ACTIVITY

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

INCOME

The financial operations results of Nol-turesh Loitokitok Water & Sanitation Company for the year ended June 30th, June 2020 are set out in this financial report in their respective pages. The operational profit was as follows:

| | 2019/2020 | 2018/2019 |
|-----------------------------|------------------|------------------|
| | Kshs. | Kshs |
| Profit/ (Loss) for the year | (3,071,634) | (2,730,098.30) |

THE BOARD OF DIRECTORS

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

AUDITORS

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

By order of the Board



G. KETENTE
Ag. MANAGING DIRECTOR

Nol-turesh Loitokitok Water & Sanitation Company Limited
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STATEMENT OF DIRECTORS' RESPONSIBILITIES

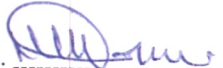
Section 164 of the Public Finance Management Act, 2012 and section 147 of the Companies Act Cap 486 requires the Board of Directors to prepare financial statements for each year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results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


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

The Board of Directors accepts responsibility for the company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the PFM Act and the requirements of the Companies Act. The Board is of the opinion that the company financial statements give a true and fair view of the state of company transactions during the financial year ended 30th June 2020 and the company financial position as at that date. The directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company financial statements as well as adequacy of the systems of internal financial control. Nothing has come to the attention of the Board of Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Approval of the financial statements

The company financial statements were approved by the board on 29/9/2020 and signed on its behalf by:


SIGN: _____
NAOMI MUTIE
CHAIRMAN


SIGN: _____
G. KENTE
Ag. MANAGING DIRECTOR

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON NOL-TURESH LOITOKITOK WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Nol-Turesh Loitokitok Water and Sanitation Company Limited set out on pages 14 to 29, which comprise the statement of financial position as at 30 June, 2020 and the statement of comprehensive income, statement of cash flows, statements of change in equity, statement of comparison of budget and actual amounts and summary of significant accounting policies and other explanatory information in accordance with the provision of Article 229 of the Constitution of Kenya and Section 35 of the Public Act, 2015.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Nol-Turesh Loitokitok Water and Sanitation Company Limited as at 30 June, 2019, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Companies Act, 2015 and the Water Act, 2016.

Basis for Disclaimer of Opinion

1.0 Presentation of the Financial Statements

The financial statements reflect the following discrepancies:

- i. The Table of Contents indicates that the Notes to the financial statements are located on Pages 24-29 yet they are on pages 24-27.
- ii. The balances reflected in the financial statements have not been rounded up to the nearest shilling as required by the format prescribed by the Public Sector Accounting Standards Board (PSAB).
- iii. The statement of financial position reflects borrowings from a local bank totalling Kshs.49,349,490.63 as further disclosed in Note 15 to the financial statements. However, the loan agreement was not provided for audit review and as a result the terms and conditions of the loan, and the amounts repaid and outstanding as at 30 June, 2020 could not be confirmed.

Report of the Auditor-General on Nol-Turesh Loitokitok Water and Sanitation Company Limited for the year ended 30 June, 2020

- iv. Note 17(d) on Revenue Reserves indicates that the reserves totalling Kshs.57,422,248.51 have been restated to reflect the impacts of the three financial year ended 30 June, 2020 but the purpose of the and how it's was effected in the reserves has not been explained. As a result, its accuracy could not be confirmed.
- v. Contrary to the format prescribed by the Public Sector Accounting Standard Board (PSASB) and Section 194(1) (d) of the Public Finance Management Act, 2012, the Managing Director is not included in the list of members Board of Directors at page 4.

In view of these discrepancies , the annual report and the financial statements for the year ended 30 June, 2020 do not present a true and fair view of the Company's affairs and do not comply with the format prescribed by the Public Sector Accounting Standards Board.

2.0 Unconfirmed Balances

The general ledger was not provided for audit to support the balances reflected in the trial balance and the financial statements. In the absence of the general ledger, the accuracy, completeness and validity of the balances reflected in the trial balance and financial statements could not be confirmed. In addition, the audit revealed anomalies in respect to the following balances reflected in the financial statements:

2.1 Trade Payables

The statement of financial position reflects trade and other payables totalling Kshs.28,721,212 as further disclosed in Note 16 to the financial statements . However, the supporting schedule provided for audit reflected payables totalling Kshs.36,996,708, resulting to an unexplained difference of Kshs.8,275,495.

Further , no analysis was provided for the balance and as a result, it was not possible to confirm how long the payables had been outstanding as at 30 June 2020.

In view of these issues , the accuracy, completeness and validity of the trade and other payables totalling Kshs.28,721,212 for the year ended 30 June, 2020 could not be confirmed.

2.2 Accrued Expenses

The statement of financial position as at 30 June, 2020 reflects accrued expenses totalling Kshs.139,134,751. Further, the statement of comprehensive income reflects total operating expenses that include accrued expense totalling Kshs.12,197,636. However supporting records such as invoices, demand notes, and payrolls for the whole balance of expenses totalling Kshs.139,134,751 were not provided for audit

verification and as a result, the accuracy and validity of the balance could not be confirmed.

2.3 Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment totalling Kshs.147,020,336.80 as at 30 June, 2020 as further disclosed in Note 9 to the financial statements. However, the following anomalies were noted in respect to the balance:

(i) Undisclosed Fixed Assets

The audit revealed that the Company had other fixed-assets of undetermined value that included land, water pipelines and water treatment plants that were used to generate the revenues reported in the financial statements but were not included in the property, plant and equipment balance.

No explanation was provided for the failure to disclose the assets and include them in the financial statements.

(ii) Lack of Log Books

The statement of financial position as at 30 June, 2020 reflects property, plant and equipment valued Kshs.147,020,336.80 which includes Twelve (12) motor vehicles procured by the Company. Records provided for audit indicated that though fully paid for four (4) of the vehicles were registered with the authorities as property of a private company, Makindu Motors Limited. In the circumstance, the ownership of the vehicles by the Company, and their safe custody, could not be confirmed.

Consequently, the property, plant and equipment balance totalling Kshs.147,020,337 reflected in the financial statements as at 30 June, 2020 is not fairly stated.

2.4 Trade and Other Receivables

The statement of financial position reflects trade and other receivables totalling Kshs.100,605,369 as further disclosed in Note 12 to the financial statements. However, anomalies were noted in respect of the following items included in the balance:

(i) Lack of Debtors Analysis

No analysis was provided for the receivables totalling Kshs.100,605,369. As result, it was not possible to confirm the periods the debtors had been outstanding.

(ii) Provision for Bad and Doubtful Receivables

Note 12 to the financial statements reflects a provision for bad and doubtful debts totalling Kshs.14,472,576 . However, Management did not disclose the policy used to determine the amount of the provision. As a result, its adequacy and validity could not be confirmed.

(iii) Long Outstanding Debtors Balances

Examination of records revealed that receivables totalling Kshs.100,605,369 equivalent to 98% of the total trade and other receivables balance had been outstanding for more than six (6) months (180 days) and were therefore long overdue for payment by the debtors. No explanation was provided for the failure to collect the debts .

In view of these issues, the accuracy, completeness and recoverability of the trade and other receivables balance totalling Kshs.100,605,369.09 as at 30 June, 2020 could not be confirmed.

2.5 Customer Deposits

The statement of financial position reflects bank and cash totalling Kshs.642,923 as further disclosed in Note 13 to the financial statements. The balance includes a deposit account at a local bank with a balance totalling Kshs.188,826. However, examination of records revealed that the Company had collected customer deposits totalling Kshs.9,649,949 as at 30 June, 2018. In the year ended 30 June, 2019, the deposits reflected in the financial statements amounted to Kshs.578,445. In the year under review, the records reflected new deposits totalling Kshs.1,660,445 but as mentioned in the statement of financial statements, customer deposits as at 30 June, 2020 totalled Kshs.188,826. No records were provided to confirm authority for use of the deposits in the operations of the Company over the years, or their refund to the respective customers.

In the circumstances, the accuracy, completeness of the deposit account balance totalling Kshs.188,826 reflected in the financial statements as at 30 June, 2020 could not be confirmed.

2.5.1 Loan Balances

The statement of financial position as at 30 June, 2020 reflects non-current liabilities totalling Kshs.230,090,141 which includes loans from a local commercial bank and Konza Technopolis Development Authority (KOTDA) totalling Kshs.49,349,490 and Kshs.41,605,900 respectively. However, the respective loan agreements were not provided for audit review.

Further, the statement of comprehensive income includes finance costs totalling Kshs.14,783,075 paid in respect of the loans. However, the expenditure was not supported by a loan statement contrary to Regulations 99 and 100 of the Public Finance Management, (County Governments) Regulations.

Further, the cash flow statement for the year under review does not reflect any cash outflows relating to loan repayments.

In the circumstances, the existence of the loan balances totalling Kshs.90,955,390 as at 30 June, 2020 could not be confirmed.

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

Emphasis of Matter

Contingent Liabilities

Audit review of the Company's legal records indicates that the Company had eight (8) ongoing cases in Court that could result in financial liabilities. However, ISA 1.114 - Presentation of Financial Statements, requires that contingent liabilities to be disclosed in the financial statements when such may result in cash out flows. However, the Management has not disclosed the court cases in the financial statements.

As a result, the financial statements do not provide sufficient disclosure on the operations of the Company in the year under review.

My opinion is not qualified in respect to this matter.

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted and actual revenue totalling Kshs.108,681,600 and Kshs.81,349,670 resulting to an shortfall of revenue totalling Kshs.27,331,930 or 25% of the budget.

The statement further reflects budgeted and actual expenditure totalling Kshs.147,440,498 and Kshs.70,703,131 resulting in an under-expenditure of Kshs.76,737,367 or 52% of the budget.

Management has not provided explanations for the revenue shortfall and under-expenditure which may have resulted in constrained execution of the Company's programmes and activities planned from the year.

No explanation has been given for failure by the Company to collect the revenues budgeted for.

2.0 Prior Year Issues

The audit report for the year ended 30 June, 2019 raised unsatisfactory issues relating to balances reflected in the financial statements, lawfulness and effectiveness in use of resources and effectiveness of internal control, risk management and governance. The progress made in resolving the issues will be confirmed after they are discussed by the Legislature.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Unaccounted for Water (UFW)

Records on water production indicated that a total of 1,166,563 m³ of water was billed to customers during the year under review. However, total production during the year amounted to 3,600,000 m³ resulting to unexplained water loss of 2,433,437 m³ or 68% of the total volume of water produced. The loss was forty-three 43 percentage points higher than the threshold of 25 % prescribed in guidelines issued by the Water Resources Authority. Had the NRW been billed at the Company's average billing rate for the year, additional revenue totalling Kshs.157,681,165 would have been realized. No explanation was provided for this loss.

The NRW losses are evidently a major cause for the Company's unprofitable financial performance and pose a significant threat to sustainability of its services. Management has not indicated the measures taken to control the losses.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, because of the significance of the matters described in the Basis for Adverse Opinion and Basis for Effectiveness in internal control, risk management and governance sections of my report, I confirm that internal control risk management and governance were not effective.

Basis for Conclusion

1.0 Failure to Appoint Audit Committee

During the year under review, the Company operated without an Audit Committee, contrary to the requirement set in Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015. In the absence of the Committee internal control and governance on the operations of the Company was not properly established.

2.0 Lack of Information Communication Technology Policy

Audit review of the Company's use of Information Communication Technology (ICT) indicated that contrary to Regulation 110(1) of the Public Finance Management (County Governments) Regulations, there was no documented policy to guide investment in and of the technology. No explanation was provided for the omission.

3.0 Lack of a Risk Management Policy

Review of risk management practices revealed that the Company did not have a documented a risk management policy. As a result, Management lacked objective means to identify, measure and mitigate operational and other risks faced by the Company.

4.0 Lack of Approved Staff Establishment

Examination of the Human Resource Manual revealed that contrary to Section B.5 and B.6 of the County Public Service Human Resource Manual, the Company did not have an authorized staff establishment. Therefore, management of the Company's human resource was not properly established.

Responsibilities of Management and those Charged with Governance

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 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.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 February, 2022

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30TH June 2020 (Kshs)

STATEMENT OF COMPREHENSIVE INCOME

| Nol-turesh Loitokitok Water & Sanitation Company Limited. Reports and Financial Statements For The year Ended 30th June 2020 | | | |
|---|--------------|---------------------|---------------------|
| STATEMENT OF PROFIT AND LOSS | | | |
| INCOME | Not e | 2019/2020 | 2018/2019 |
| | | Shs. | Shs. |
| REVENUES. | 1 | | |
| Water Sales (Receipts from customers). | | 65,916,496.85 | 47,680,957 |
| Kiosks & Draw point. | | | 9,717,910 |
| Government Grants. | | | 5,000,000 |
| Other Income | 2 | 1,715,000 | 2,258,000 |
| TOTAL REVENUES | | 67,631,497 | 64,656,867 |
| OPERATING EXPENSES. | | | |
| Administration Costs | 3 | 8,576,561 | 11,730,256.20 |
| Personnel Costs | 4 | 23,782,081 | 23,813,244.53 |
| Statutory Deductions. | 5 | 7,604,942 | 1,786,002.00 |
| Operation & Maintenance Costs | 6 | 15,514,022 | 15,903,528.00 |
| Directors Allowances. | 7 | 377,450 | 853,900.00 |
| Regulatory Levies | 8 | | 350,000.00 |
| Subscription & Professional Membership | 9 | 65,000 | 29,400.00 |
| Depreciation of PPE | | - | - |
| TOTAL OPERATING EXPENSES | | 55,920,056 | 54,821,024 |
| OPERATING PROFIT/(LOSS) | | 11,711,441 | 9,835,843. |
| Finance Income | | - | - |
| Finance Costs | 10 | 14,783,075 | 12,920,634.57 |
| SURPLUS/(DEFICIT) BEFORE TAXATION | | (3,071,634) | (3,084,791) |
| INCOME TAX EXPENSE/(CREDIT) | | | |
| PROFIT/(LOSS) AFTER TAXATION | | (3,071,634) | (3,084,791) |

CPA. ANN S. TOBIKO
 ICPAK NO. 8937



FINANCE & ADMIN MANAGER.

GEDION K. KETENTE.



Ag .MANAGING DIRECTOR

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30TH June 2020 (Kshs)

STATEMENT OF FINANCIAL POSITION

| STATEMENT OF FINANCIAL POSITION | | | |
|--|-------|-----------------------|-----------------------|
| | Note | 2019/2020 | 2018/2019 |
| | | Shs | Shs |
| ASSETS : | | | |
| Non-Current Assets | | | |
| Property, plant and Equipment | 11 | - | - |
| Revaluation | | 147,020,337 | 147,020,337 |
| Total Non-Current Assets | | 147,020,337 | 147,020,337 |
| Current Assets | | | |
| Inventories | 12 | 1,250,838.00 | 1,250,838.00 |
| Trade and other receivables | 13 | 100,605,369 | 108,794,038.74 |
| Bank and cash balances | 14 | 642,924 | 2,194,021.51 |
| Total Current Assets | | 102,499,131 | 112,208,900 |
| Total Assets | | 249,519,467 | 255,200,504 |
| EQUITY AND LIABILITIES | | | |
| Share Capital and Reserves | | | |
| Ordinary share capital | 15 | 100,000.00 | 100,000.00 |
| Capital reserve | | | |
| Donations Reserve Fund. | | | |
| Revenue Reserve | | (3,879,842.21) | (808,208.00) |
| Capital and Reserves | | (3,779,842.21) | (708,208.00) |
| Non-Current Liabilities | | | |
| Borrowings - SIDIAN. | 16 | 46,918,121 | 46,918,121.43 |
| Accrued expenses | 17(a) | 191,552,135 | 148,263,014.71 |
| Borrowings - KOTDA | | - | - |
| Total Non-Current Liabilities | | 238,470,257 | 195,181,136.14 |
| Current Liabilities | | | |
| Trade payables | 17(b) | 22,612,626 | 29,295,906.10 |
| Other payables | 17 © | 188,826 | 578,445.10 |
| Total Current Liabilities | | 22,801,452 | 29,874,351.20 |
| TOTAL EQUITY AND LIABILITIES | | 257,491,866 | 258,285,295 |

CPA. ANN S. TOBIKO
 ICPAK NO. 8937

FINANCE & ADMIN MANAGER.

GEDION K. KETENTE.

Ag .MANAGING DIRECTOR

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30TH June 2020 (Kshs)

STATEMENT OF CASH FLOWS

| STATEMENT OF CASHFLOWS | Note | 2019/2020 | 2018/2019 |
|---|-----------|-----------------------|------------------------|
| | | 2019/2020 | 2018/2019 |
| OPERATING ACTIVITIES. | 18 | Shs | Shs |
| Net Income During the Year. | | (3,071,634) | (2,730,098.30) |
| Cash generated from/(used in) operations | | - | - |
| Depreciation. | | - | - |
| Prior year Adjustment for Depreciation. | | - | - |
| (Increase)/Decrease in Receivables | | (8,188,669.65) | (23,653,295.27) |
| Increase/ (Decrease) in Provisions | | 1,941,953.85 | 5,265,603 |
| Increase/ (Decrease) in Payables. | | - | (5,907,632.09) |
| Increase/(Decrease) in Inventories | | - | 3,589,922.00 |
| Increase/(Decrease) in Other current liabilities | | (389,619.00) | - |
| Taxation paid | | - | - |
| Net cash generated from/(used in) operating activities | | (9,707,969.01) | (16,885,839.47) |
| INVESTING ACTIVITIES : | | | |
| Purchase of property, plant and equipment | | - | - |
| Purchase of investment property | | - | - |
| Net cash generated from/(used in) Investing activities | | - | - |
| FINANCING ACTIVITIES | | | |
| Donations from County Governments. | | - | 5,000,000 |
| Prep repaid Income (KOTDA) | | - | - |
| Net cash generated from/(used in) financing activities | | - | 5,000,000 |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | (1,551,097.96) | (11,885,839.47) |
| | | (2,194,021.51) | 207,710 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR. | | | |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | | 642,923.55 | (2,194,021.51) |

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30TH June 2020 (Kshs)

STATEMENT OF CHANGES IN EQUITY

| STATEMENT OF CHANGES IN EQUITY. | | | |
|--|----------------|----------------|-----------------|
| | Share | Revenue | |
| | Capital | Reserve | Total |
| | Kshs. | Kshs. | Kshs. |
| Balance as at 30 th June 2017 | 100,000.00 | 2,899,767.00 | 2,999,767.00 |
| Movement during the year | | (977,877.00) | (977,877.00) |
| Balance as at June 2018 | 100,000.00 | 1,921,890.00 | 2,021,890.00 |
| Movement during the year | | (2,730,098.00) | (2,730,098.00) |
| Balance as at 30 th June 2019 | 100,000.00 | 1,921,890.00 | (708,208.00) |
| Movement during the year | | (3,071,634.21) | (3,071,634.21) |
| Balance as at 30 th June 2020 | 100,000.00 | (3,879,842.21) | (3,779,842.21) |

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30TH June 2020 (Kshs)

STATEMENT OF BUDGET AND ACTUAL COMPARISON

| | Budget | Actual | | Explanation of material variances . |
|-----------------------------------|------------------------|--------------------|---------------------|--|
| | 2018/19 | 2019/20 | Variance | |
| | Shs | Shs | Shs | |
| Revenue | | | | |
| Billing Income | 105,600,000 | 65,916,497 | 39,683,503 | Due to old and dilapidated pipeline which losses a lot of water during bursts |
| Kiosks and Drawpoints | - | - | - | the kiosks and drawpoint were consolidated with billing system thus revenue is directed to one point |
| Government grants and subsidies | - | 0 | - | No Grant received from National or County Governments. |
| Other Income . | 3,081,600 | 1,715,000 | 1,366,600 | This include connection fees excluding rent income, miscellaneous and surcharges which are intergrated with the billing income |
| Total Income | 108,681,600 | 67,631,497 | 41,050,103 | |
| Expenses | | | | |
| Personel Costs | 33,835,729 | 23,782,081 | 10,053,648.31 | The number of staff reduced significantly during the period under review . |
| Adminstrative Expenses | 24,523,984 | 8,576,561 | 15,947,422.66 | the expenditure was within the budget line |
| Operational Expenses | 35,500,000 | 15,514,022 | 19,985,978.00 | Teamwork & coordination between management & Staff saw reduction in operational cost . |
| Subscription and Prof. Membership | 145,000 | 65,000 | 80,000.00 | Members sbmitted their subscription late |
| Levies | 3,240,000 | - | 3,240,000.00 | No amount was paid due to financial constraints |
| Finance cost | 12,900,000 | 14,783,075 | 1,883,075.33 | Represents amount of loan repayments during the year . |
| Board Expenses . | 1,984,000 | 377,450 | 1,606,550.00 | Teamwork & coordination between management & Board saw reduction in directors allowances. |
| Other payments | 35,311,786 | 7,604,942 | 27,641,843.64 | This includes statutory deductions and other minor payments . |
| Total expenditure | 147,440,498 | 70,703,131 | 76,672,367 | |
| Surplus for the period | (38,758,898.34) | (3,071,634) | (35,622,264) | |

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30TH June 2020 (Kshs)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. **Basis of preparation**

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

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

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

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

b. **Application of new and revised IFRS**

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

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

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

- ii. Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2020.

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30TH June 2020 (Kshs)

| New and Amendments to standards | Effective for annual period |
|--|-----------------------------|
| IFRS 15 | I January 2017 |
| IFRS 9 | I January 2018 |
| Amendment to IFRS 10, IFRS 12 and IAS 27 | I January 2018 |

iii. Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30th June 2020 and future annual reports

-The company has assessed the potential impact of the above and expects that they will not have significant impact of the financial statement for 2019/2020.

iv. Early adoption

The company did not adopt any new or amended standards in financial year 2019-2020.

c. **Revenue Recognition**

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

d. **Property ,Plant and Equipment**

The water Act 2002 recognizes Tanathi Water Works Development Authority as the asset holder of assets held by Company in the financial year 2019/2020. The company pays TWWADA administration cost of 9% based on the company revenue collected.

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

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

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

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30TH June 2020 (Kshs)

| <u>Asset</u> | <u>Rate %</u> |
|-------------------------------|---------------|
| Office Equipment | 25 |
| Computers and Printers | 30 |
| Motorcycles | 25 |
| Plant & Equipment | 25 |
| Furniture | 12.5 |
| Intangible Assets | 30 |

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

f. **Reserves**

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

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

The water act 2016 and the company's Articles of association prohibit distribution of reserves to members and reserves are supposed to be ploughed back to the system in accordance with the water act.

g. **Retirement benefits**

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

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

h. **Taxation**

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

i. **Related party transactions**

The company is related to

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

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30TH June 2020 (Kshs)

- iii) WASREB
- iv) WRA
- v) TAWWDA
- vi) Key management
- vii) Board of directors

j. **Cash and Cash Equivalent**

Cash and cash equivalents include cash and bank balances include and current assets.

k. **Trade and other Payables.**

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

l. **Financial risk management**

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

Allowance for credit risk

At the end of financial year, the trade debtors amounted to Kshs115,077,991.60 and the highest percentage was owed by the Government institution and the default risk is assessed as low. The company provides allowance for credit risk at 15% against outstanding water debts aged above 180 days.

Liquidity risk management

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

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

Market risk

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

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30TH June 2020 (Kshs)

m. **Comparative figures**

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

n. **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2020.

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

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

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

a) **Taxation**

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

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

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

Nol-turesh Loitokitok Water & Sanitation Company Limited
Reports and Financial Statements
For the Year Ended 30TH June 2020 (Kshs)

| NOTES TO THE FINANCIAL STATEMENTS . | | | |
|--|--|----------------------|-------------------|
| | | 2019/2020 | 2018/2019 |
| | | Shs | Shs |
| 1. INCOME . | | | |
| Water Sales (Receipts from customers) . | | 65,916,496.85 | 47,680,957 |
| Kiosks & Draw Point | | - | 9,717,910 |
| Grants from Government . | | - | 5,000,000 |
| Total | | 65,916,496.85 | 62,398,867 |
| 2. OTHER INCOME | | | |
| Fines and penalties . | | - | |
| Miscellaneous Income . | | - | 1,306,000 |
| Connection Fees . | | 1,715,000.00 | 952,000 |
| Total | | 1,715,000.00 | 2,258,000 |
| | | | |
| TOTAL INCOME | | 67,631,496.85 | 64,656,867 |
| 3. ADMINISTRATION COSTS. | | | |
| Rent expenses | | 65,400.00 | 94,665 |
| Office Stationary & Printing | | 172,000.00 | 516,257 |
| Office Tea | | 64,990.00 | 109,260 |
| Telephone Costs . | | 497,500.00 | 720,800 |
| Postage & Courier Costs | | - | 34,883 |
| Computer expenses | | 42,120.00 | 424,060 |
| ICT Expenses | | 2,444,032.90 | 955,165 |
| Auditors' Fees | | - | - |
| Fines & Commissions | | 1,100,000.00 | 1,379,800 |
| Legal fees | | - | - |
| Staff training, conferences & seminar | | 511,560.00 | 124,900 |
| Corporate Social Responsibility | | - | - |
| Insurance costs | | 290,333.50 | 552,748 |
| Consultancy fees | | - | 328,500 |
| Electricity and water | | 411,945.30 | 195,651 |
| Transportation, Travelling and subsistence | | - | - |
| Bank charges and commissions | | 521,022.49 | 396,955 |
| Sports materials | | 50,000.00 | |
| Conference facilities | | - | 558,665 |
| Repairs & maintenance - Buildings | | 463,703.00 | 72,344 |
| Provision for bad and doubtful debts | | 1,941,953.85 | 5,265,603 |
| sub total | | 8,576,561.04 | 11,730,256 |
| 4 . STAFF COSTS | | | |
| Salaries and allowances of permanent employees | | 20,458,515.82 | 20,083,937 |
| Wages of temporary employees | | 2,668,935.87 | 3,534,607 |
| Leave pay and gratuity provisions | | 316,865.00 | 64,700 |
| Staff welfare | | 245,000.00 | 130,000 |
| Salary arrears | | 92,764.00 | |

Nol-turesh Loitokitok Water & Sanitation Company Limited
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For the Year Ended 30TH June 2020 (Kshs)

| | | | |
|---|----------|----------------------|-------------------|
| | | 23,782,080.69 | 23,813,245 |
| 5. STATUTORY DEDUCTIONS | | | |
| PAYE - KRA . | | 7,307,742.00 | 1,245,817 |
| Compulsory national health insurance schemes | | 297,200.00 | 385,385 |
| Compulsory national social security schemes | | - | 154,800 |
| Other pension contributions | | - | - |
| Sub total | - | 7,604,942.00 | 1,786,002 |
| 6. OPERATIONAL & MAINTAINANCE COSTS | | | |
| Maintanance Of Plant and Equipment . | | 1,876,610.00 | 225,000 |
| Maintenance of Water Supplies . | | 1,162,985.00 | |
| Maintenance of Motor Vehicle / Motor Cycle | | 1,337,620.00 | 1,369,498 |
| Electricity Power Cost - PS1 | | 337,160.20 | 500,000 |
| Purchase of Water Chemicals | | 1,535,280.00 | 1,106,790 |
| Contracted - Security Services | | 1,743,845.20 | 917,767 |
| Fuel/ Gases and Lubricants . | | 1,985,294.50 | 2,504,517 |
| Hire of Plant, Machinery, and Equipment | | 80,000.00 | |
| Purchase of Consumer Water Fittings | | 1,267,975.00 | 1,531,371 |
| Purchase of Bulk Water Meters / Master Meters . | | - | |
| Travelling & Subsistence . | | 3,252,602.10 | 6,056,291 |
| Water Quality Tests . | | 55,200.00 | 38,000 |
| Adertisement | | - | 251,604 |
| Tyres and Tubes | | 367,950.00 | 215,000 |
| Minor investments | | 150,000.00 | 450,000 |
| Other Operating Expenses | | 361,500.00 | 727,690 |
| Office signboard & Branding . | | - | 10,000 |
| Sub total | | 15,514,022.00 | 15,903,528 |
| 7. DIRECTORS ALLOWANCES . | | | |
| Board Allowances | | 311,800.00 | 853,900 |
| Board Expenses | | 65,650.00 | |
| sub total | | 377,450.00 | 853,900 |
| 8. LEVIES . | | | |
| WARMA - Abstraction Fee | | - | 300,000 |
| NEMA- Licence Renewal | | - | 50,000 |
| Tanathi - Licensee Remuneration Fee | | - | - |
| WASREB-Regulatory Fee | | - | - |
| | | - | 350,000 |
| 9. SUBSCRIPTION & PROFESSIONAL MEMBERSHIP. | | | |
| Professional membership | | - | 29,400 |
| Corporate membership | | 65,000.00 | |
| | | 65,000.00 | 29,400 |
| Depreciation . | | | - |
| TOTAL | | 55,920,055.73 | 54,466,331 |
| 10. FINANCE COSTS | | | |
| Loan Repayment . | | 14,783,075.33 | 12,920,635 |
| | - | 14,783,075.33 | 12,920,635 |

Nol-turesh Loitokitok Water & Sanitation Company Limited
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| | | | |
|---|---|-----------------------|-----------------------|
| Profit before taxation | | (3,071,634.21) | 2,730,098 |
| Tax at the applicable tax rate of 0% | - | - | - |
| 11. PROPERTY, PLANT AND EQUIPMENT | | | |
| (Detailed Schedule Separate) | | | |
| Cost | | | |
| At 1 July 2019 | | 147,020,336.80 | 147,020,336.80 |
| Additions | | - | - |
| At end of the Year | | 147,020,336.80 | 147,020,336.80 |
| Depreciation and Impairment | | | |
| At 1 July 2019. | | - | - |
| Depreciation | | - | - |
| At end of Year | - | - | - |
| Net Book Values | - | 147,020,336.80 | 147,020,336.80 |
| | | | |
| | | | |
| 12. INVENTORIES | | | |
| Opening Balance | | 4,840,760.00 | 4,840,760.00 |
| Purchases | | 2,369,800.00 | 2,369,800.00 |
| Total | | 7,210,560.00 | 7,210,560.00 |
| Issued | | 5,959,722.00 | 5,959,722.00 |
| Closing Balance . | | 1,250,838.00 | 1,250,838.00 |
| | | 3,589,922.00 | 3,589,922.00 |
| 13. TRADE AND OTHER RECEIVABLES | | | |
| Trade Debtors . | | 115,077,991.60 | 125,208,615.10 |
| Provision for bad and doubtful receivables | | (14,472,622.52) | (16,414,576.37) |
| Net trade and other receivables | | 100,605,369.09 | 108,794,038.74 |
| 14. BANK AND CASH BALANCES | | | |
| Cash at bank | | | |
| KCB - Expenditure Account - 1130831272 | | 421,112.54 | 150,671.82 |
| KCB - Deposits Account - 1130830926 | | 188,826.10 | 578,445.10 |
| KCB - Revenue Account - 1130831515 | | 5,230.00 | - 3,599.00 |
| KCB - Rent Account - 1130831361 | | 1,153.85 | - |
| | | | |
| SIDIAN- Revenue Acc - 01021020003100 | | 5,707.91 | 1,392,028.00 |
| SIDIAN- Expenditure Acc - 01021020003500 | | 19,753.15 | 25,769.86 |
| SIDIAN- Account - 01021070031789 | | 1,140.00 | 36,576.32 |
| KCB - KOTDA - 1178476189 | | - | (338.87) |
| KCB - UBSUP Account -1181677688 | | - | 14,468.28 |
| Post Bank . | | - | - |
| Total Cash & Bank | | 642,923.55 | 2,194,021.51 |
| 15.SHARE CAPITAL AND RESERVES | | | |
| Authorised: | | | |
| Ordinary shares of Kshs. 100 par value each | - | 100,000.00 | 100,000.00 |
| Capital Reserve . | - | - | - |

Nol-turesh Loitokitok Water & Sanitation Company Limited
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| | | | |
|--|----------|-----------------------|-----------------------|
| Donation Reserve Fund | | - | - |
| Revenue Reserve | | (3,879,842.21) | 1,921,890.00 |
| TOTAL SHARE CAPITAL | | (3,779,842.21) | 2,021,890.00 |
| 16. BORROWINGS | | | |
| Balance at beginning of the period | | 46,918,121.43 | 59,838,756.00 |
| Repayments of borrowings during the period | | (14,783,075.33) | (12,920,634.57) |
| Balance at end of the period | | 32,135,046.10 | 46,918,121.43 |
| 17. TRADE AND OTHER PAYABLES | | | |
| Trade payables | | 22,612,626.00 | 29,295,906.10 |
| Accrued expenses | | 191,552,135.07 | 148,263,014.71 |
| Customer Deposits | | 188,826.10 | 578,445.10 |
| | | 214,353,587.17 | 178,137,365.91 |
| 18. NOTES TO THE STATEMENT OF CASH FLOWS | | | |
| | | | |
| Reconciliation of operating profit/(loss) to cash generated from/(used in) operations | | | |
| Operating profit/(loss) | | (3,071,634.21) | - |
| Depreciation | | - | - |
| | | | |
| Operating profit/(loss) before working capital changes | - | (3,071,634.21) | - |
| | | | |
| (Increase)/decrease in inventories | | - | - |
| (Increase)/decrease in trade and other receivables | | (8,188,669.65) | - |
| Increase/(decrease) in trade and other payables | | - | - |
| Increase/(decrease) in Provisions . | | 1,941,953.85 | - |
| Increase/(decrease) in current liabilities . | | (389,619.00) | - |
| Cash generated from/(used in) operations | - | (6,636,334.80) | - |

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17. DISCLOSURES

a) Fixed assets

The company fixed assets were fully depreciated as at end of FY 2017/18, therefore no further depreciation was calculated during the year under review, a tentative revaluation figure of Kshs 112,238,898.25 has been determined.

b) Capital Reserves

The Capital reserves refers to an amount of profits sets a side by the company from its non- operating activities, for implementation of future long term goals. The company has consistently reported a capital reserve of Kshs 25,324,043, given the current status of the company these reserves are non-existent and therefore we have deemed it fit to drop them from our balance sheet to give a true and Fairview of the company financial position.

c) Donation fund and donation reserve fund

The Donation fund and donation reserve fund of Kshs 6,774,000 and 11,974,370 respectively had also been consistently reported in our books which we have also dropped. Given the current financial status of the company, such funds would have supported the operations if they indeed existed.

d) Revenue reserve

We have also restated the revenue reserve funds to reflect the last three audited financial years, which is currently reported as Kshs (708,208)

The The prudence concept requires a degree of caution in the preparation of financial statements in order to avoid the overstatement of income and assets and the understatement of liabilities and expenses, in addition

IFRS 9 *Financial Instruments* states that financial liabilities should only be de-recognized by an entity when the related contractual obligation is 'discharged, cancelled or expired', in this regard therefore having stated that there is no claimant, and we chose to derecognize the liability.

Nol-turesh Loitokitok Water & Sanitation Company Limited
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PROPERTY, PLANT AND EQUIPMNET MOVEMENT SCHEDULE

| | Office Equip | Computers | Motor Cycle | Furni & fittings | PPE | Intangible A | Total |
|---|--------------|-----------|-------------|------------------|------------|--------------|-------------|
| 11. Property, plant and equipment | | | | | | | |
| NBV AS AT 1ST JULY 2017 | 50,706 | 214,116 | 564,375 | 4,114,205 | 46,367,414 | 89,672 | 51,400,489 |
| Depreciation and Impairment | | | | | | | - |
| As at 1 July 2016 | 70,989 | 574,732 | 790,125 | 762,386 | 64,826,380 | 240,700 | 67,265,312 |
| Depreciation charge for the year : | 12,677 | 64,235 | 141,094 | 514,276 | 11,591,854 | 26,902 | 12,351,036 |
| Accumulated Depreciation as at end of the year: | 83,665 | 638,967 | 931,219 | 1,276,662 | 76,418,233 | 267,601 | 79,616,348 |
| Net book values as at 30 June 2018 | 32,959 | 424,851 | 366,844 | 2,837,543 | 30,050,819 | 177,929 | 28,215,859 |
| Net Book Value . | Shs | Shs | Shs | Shs | Shs | Shs | - |
| At 1 July 2018 | 32,959 | 424,851 | 366,844 | 2,837,543 | 30,050,819 | 177,929 | 28,215,859 |
| Additions | | | | | | | - |
| Depreciation charge for the year : | 8,240 | 127,455 | 91,711 | 354,693 | 7,512,705 | 53,379 | 7,438,797 |
| Accumulated Depreciation as at end of the year: | 32,959 | 424,851 | 366,844 | 2,482,850 | 30,050,819 | 177,929 | 28,215,859 |
| At 30 June 2019 | - | - | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - | 147,020,337 |
| At 1 July 2019 | - | - | - | - | - | - | - |
| Additions | | | | | | | - |
| Depreciation charge for the year : | - | - | - | - | - | - | - |
| Accumulated Depreciation as at end of the year: | - | - | - | - | - | - | - |
| At 30 June 2020 | - | - | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - | 147,020,337 |

Nol-turesh Loitokitok Water & Sanitation Company Limited
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12. INVENTORY

| ITEM | AMOUNT |
|--------------------------|------------------|
| Opening Inventory. | 4,840,762 |
| Purchases | 2,369,800 |
| Total | 7,210,562 |
| Issued | 5,959,722 |
| Closing Inventory | 1,250,840 |

