

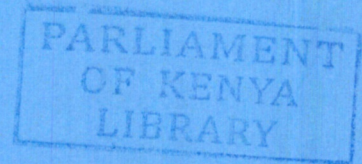
REPUBLIC OF KENYA



Enhancing Accountability

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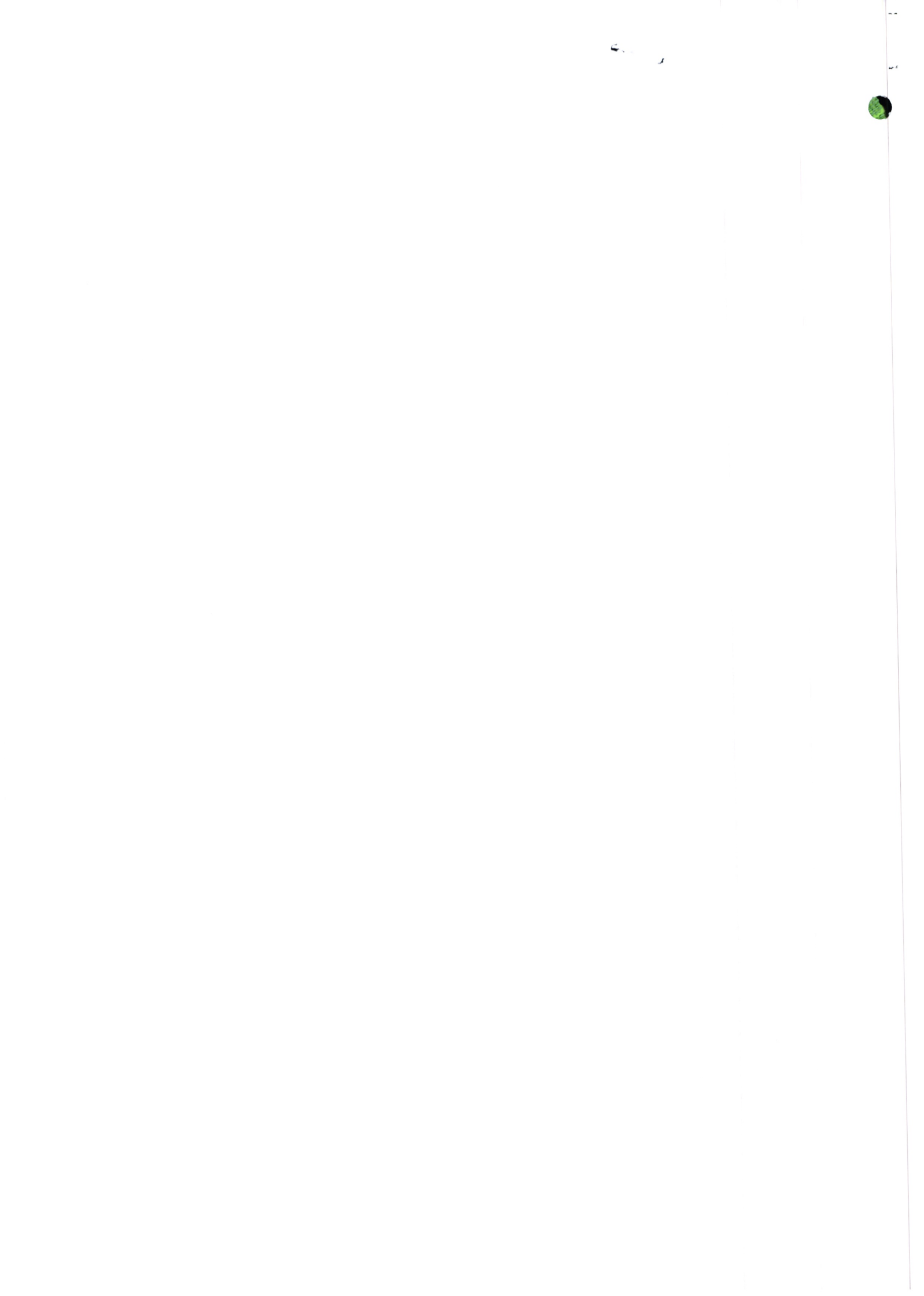
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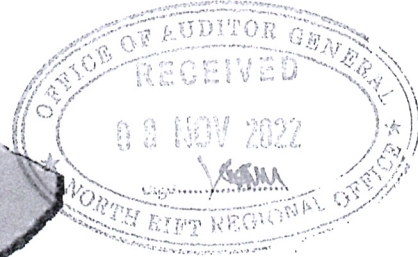
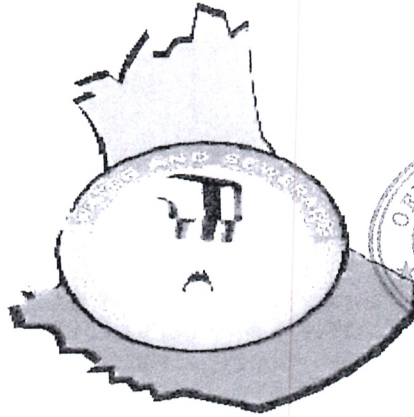
THE AUDITOR-GENERAL

ON

**KAPENGURIA WATER AND SEWERAGE
SERVICES COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**





KAPENGURIA WATER AND SEWERGE SERVICES LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022

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

**KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended
June 30, 2022**

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**KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended
June 30, 2022**

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I. Key Entity Information

KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended June 30, 2022

Background information

The *Kapenguria water and sewerage company Ltd* was established by the 2002 Act of Parliament on (25th may 2006 At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya

Principal Activities

The principal activity of the Company is provision of water and sewerage services

VISION

To be a leading and most sustainable water service provider in Rift valley and area of coverage

MISSION

To provide reliable, affordable and safe water and sewerage services in an efficient and effective way to the customers in the defined areas through continuous improvement of the company

CORE VALUES

Values are an integral part of any organisation culture which in turn creates a sense of identity, belonging, direction and purpose.in our quest for timely provision of quality services. We shall be guided by the following core values;

- Integrity
- Gender sensitivity
- Efficiency and effectiveness
- Accountability
- Innovativeness
- Customer focused

CORE FUNCTIONS

Provide water and sewerage services within kapenguria municipality and West pokot county at large as per our Mission statement.

Directors

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

1. STEVEN LOYATUM - Chairman - Appointed on 15 July 2022

**KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended
June 30, 2022**

2. ELISHEBA KAIMASACH- Chief Executive Officer Appointed on 15 July 2022
3. CHARLES LOCHERO -CEC WATER- Appointed on 15 July 2022
4. MRS MILKA CHELAGAT -CO WATER - Alternate to C.E.C water
5. Grace Kisabit - C.E.C FINANCE Appointed on 15 July 2022

Corporate Secretary

Mr. none

P.O. Box ...Town

REGISTERED OFFICE:

KAWASES BUILDING,
MAKUTANO –KAPENGURIA ROAD,
P.O BOX 651-30600,
KAPENGURIA.
Email; kewasco@yahoo.com

BANKERS:

KENYA COMMERCIAL BANK,
KAPENGURIA BRANCH,
P.O BOX 396-30600,
KAPENGURIA.

Corporate Contacts

Telephone: -

E-mail: *kewasco@yahoo.com*

Website: -

Corporate Bankers

Bankers (List as appropriate)

Kenya Commercial Bank

Kapenguria Branch

P.O Box 396-30600

Independent Auditors

**KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended
June 30, 2022**

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

Principal Legal Advisers

The Attorney General

State Law Office, Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

**KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended
June 30, 2022**

The Board of Directors

PASSPORT	NAME	PROFFESION	QUALIFICATION
	Daniel lomukereng	Teacher	Certificate
	Mr George Kombo	accountant	CPAK
	Mr. Emmanuel Linga	administration	MBA
	Mrs. Milka Chelagat	administration	Masters
	Mrs. Emily Chepoghisho	EDUCATION	Degree

**KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended
June 30, 2022**

MANAGEMENT TEAM

PASSPORT	NAME	Qualification	Area of Responsibility
	ELISHEBA KAIMASACH	BACHELOR OF ARTS EDUCATION	MANAGING DIRECTOR
	SAMSON MAIYWA	CERTIFICATE IN WATER TECHNOLOGY	TECHNICAL MANAGER
	BRIAN TOROITICH	DIPLOMA IN BUSINESS MANAGEMENT	COMMERCIAL MANAGER
	LYDIA NAWIRE	C.P.A K	ACCOUNTANT

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, hereby present to you the Kapenguria water and sewerage limited Annual Report and financial statement for the year ended 30 June, 2022

KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended June 30, 2022

II. Statement of Performance against Predetermined Objectives for FY 2021/2022

(Two-to-three pages)

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity's performance against predetermined objectives.

KAWASES has *X* strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY *xx*- FY *xx*. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1:

Pillar/theme/issue 2

KAWASES develops its annual work plans based on the above *X* pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly/*xxx* basis. The *XXX* achieved its performance targets set for the FY 2021/2022 period for its *xx* strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1:				
Pillar/ theme/ issue 1:				

(Under this section therefore, the management should include performance against the strategic objectives of the organisation. The management should outline the strategic Pillars, activities towards their achievement and outputs under each strategic pillar. The organisation should also briefly outline how they have tied achievements to performance contracts)

KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended June 30, 2022

Municipality. Undoubtedly, the company has made tremendous strides in the Management and delivery of Water and Sewerage Services within the Kapenguria Town and its Environs. From a small department in the council to a leading Water and Sanitation service provider in the county, the company has always sought to strategically position itself to provide quality services to its customers as it strives to meet the minimum industry standards.

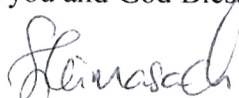
The Management of the company from year 2016 has put in place plans and strategies which are carefully drawn with total management input and commitment to make KAWASES the County Water and Sanitation Services Provider. All has been done with the various legislations, policies and procedures developed and being implemented for the good of the company. Among these include but not limited to, Constitution of Kenya (2010), Water Act (2002), Vision 2030 blueprint amongst others.

To fully implement these Strategies, the management and human resource will play a critical role. The management has since recruited skilled staff for some specific departments for the realization of the Vision and Mission of the Company.

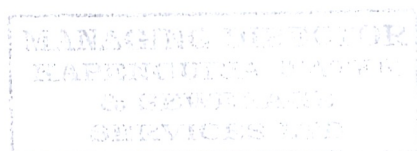
The management's focus will be to have the optimum number of staff with the right skills and attitude and will endeavour to train, motivate and retain the staff with the essential talents and avail good and conducive working environment.

The Company therefore, will strive to nurture the company's Core Values and forge good industrial and customer relations for the achievement of the set objectives.

Thank you and God Bless You.



ELISHEBA KAIMASACH
Managing Director



KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended June 30, 2022

II. Statement of Performance against Predetermined Objectives for FY 2021/2022

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**KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended
June 30, 2022**

III. Corporate Governance Statement

Corporate governance is the process and structure used to direct and manage the business affairs of the Company towards enhancing prosperity and corporate accounting with the ultimate objective of realising shareholders' long term value while taking into account the interest of other stakeholders. Directors are responsible for corporate governance practices of the Company. This statement sets out the main practices in operation during the year under review, unless otherwise indicated.

Directors and Management of the Company regard corporate governances as pivotal to the success of the business and are unreservedly committed to ensuring that good governance is practiced so that the company remain sustainable and viable business of the community stature. As part of this commitment, the Board fully supports best practices in corporate governance and has adhered to the Guideline Governance.

BOARD OF DIRECTORS

The Board consists of five Directors and a Managing Director. The Directors' biographies are on page 4. Directors possess a broad range of skills, qualifications and experience required to direct the Company.

At least one third of the Board members are required to submit them for re-election each year during the Annual General Meeting. Any Director appointed by the Board during the year is required to retire and seek re-election at the next Annual General Meeting.

Business transactions with all parties, Directors or their related parties are carried out at arm's length.

RESPONSIBILITIES

The primary responsibilities of the Board include: establishment of short and long-term goals of the Company and strategic plans to achieve those goals; ensuring preparation of the annual financial statements; approval and review of the annual budgets; setting and periodically reviewing key performance indicators and management performance; managing risks by ensuring that the Company has adequate systems of internal controls together with appropriate monitoring of compliance activities; and working with management to realise shareholders' value.

To enable the Board to function effectively the Board is given full and timely access to relevant information. New Directors are also inducted through provision of necessary information pertinent to the Company's business, meetings with Management and training so as to enhance their understanding of the Company's legislative framework, its governance processes and the nature of the business and operations of the Company. Continuous training is provided. Towards this, nine Directors have been trained on corporate governance by the Rift Valley Water Services Board. The Board meets at least once a quarterly or more often in accordance with requirements of the business.

**KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended
June 30, 2022**

BOARD WORK PLAN AND MEETINGS

The Board work plan and calendar of meetings is prepared annually in advance. Adequate notice is given for each Board meeting and Directors receive detailed papers on issues to be discussed in good time before the meeting. The Board held a total of 4 meetings during the year, which were very well attended.

Board Committees

A number of standing committees exist in order to assist the Board and management fulfil their responsibilities. Each committee operates within the ambit of defined terms of reference assigned to it by the Board.

During the year, the Board had the following standing committees.

- IV. Finance/ Technical and General purpose committee.
- V. Audit committee.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In recognition of its obligations as a responsible corporate entity, the Board of Directors and management sustained the Company's participation in corporate activities that enhance the social, economic and environmental interests that affect its internal stakeholders.

The Environment Our business has been a major beneficiary of wood products. We have, therefore, undertaken to contribute towards national a forestation initiatives in collaboration with the Forest Department. Since 2012, the Company has sustained a tree-planting programme at Kaposi's water catchment area and kamaruny from. Also, further encouragement to individual farmers to planted trees along the upstream.

Stakeholder Awareness.

Operate and, consequently, we have endeavoured to contribute to initiatives that impact on improvement of their social well-being.

In order to facilitate awareness and understanding of various aspects and nature of our service, we carried out various awareness campaigns through print and electronic media and also organised face-to-face meetings with a view to reach a wide cross section of our customers and other stakeholders.

Our Human Capital

It is in our interest to continue investing in the development of our human capital as a prerequisite to meeting expectations of our employees and customers. Consequently, we continued to offer various groups of our employees training opportunities to learn new skills and develop careers, locally. All employees also undergo an annual performance appraisal, which includes identification of training and development needs.

Stakeholders

As a service provider that is well aware of its obligations to its customers, we drafted a Customer Charter detailing our obligations to them. We invited customers under the umbrella of resident associations and other interest groups to a meeting to debate and suggest how to enhance our services. Consequent to this interaction and in recognition of the value of partnerships and dialogue in order to better understand the needs of our customers.

Education

Our support to education-related initiatives stems from the fact that the pool of skilled manpower that help to drive the success of our Company are a product of the **country's education system**. **We**, therefore, continued to provide opportunities for attachment for Kenya Water Institute students and those from tertiary institutions, to enable them acquire a hand- on experience and fulfil a requirement for graduation. We also provide 5 position every year for internship. During the year under review, 17 students went through the attachment programme at KAWASES

KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended June 30, 2022

Management Discussion and Analysis

Two- three pages

(Under this section, the management gives a report on the operational and financial performance of the organisation for the last three to five year period, entity's key projects or investments decision implemented or ongoing, entity's compliance with statutory requirements, major risks facing the organisation, material arrears in statutory and other financial obligations, review of the economy, review of the sector, future developments and any other information considered relevant to the users of the financial statements.) The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible.)

VI. Environmental and Sustainability Reporting

(Two-to-three pages)

XXX exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

ii) Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

iii) Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems.

KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended June 30, 2022

The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors

b) Responsible Supply chain and supplier relations

Explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices.

d) Product stewardship

outline efforts to safeguard consumer rights and interests.

v) Corporate Social Responsibility / Community Engagements

The organisation gives details of CSR activities carried out in the year and the impact to the society. Give evidence of community engagement including charitable giving (cash and material), Corporate Social Investment and other forms of community engagements.

**KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended
June 30, 2022**

VII. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 20xx which show the state of the company's affairs.

i) Principal activities

The principal activities of the Company are (continue to be)

ii) Results

The results of the company for the year ended June 30, 2022 are set out on page Below is summary of the profit or loss made during the year.

iii) Dividends

Subject to the approval of the shareholders, the Directors recommend the payment of a first and final dividend for the year of Kshs. XXX per ordinary share, amounting to Kshs. XXX million, subject to withholding tax where applicable. An interim dividend of Kshs. Nil (20xx-1 – Kshs. XXX) per ordinary share was paid in FY 20XX/XX. The total dividend for the year, therefore, is Kshs. XXX (20xx-1 – Kshs. XXX) per ordinary share. If approved, the dividend will be paid on or about xxx to shareholder registered in the books of the *entity* at the close of business on xxxx. The register of members will be closed for one day only on xxx to facilitate the preparation of dividend warrants.

Or

The company has not declared dividends for the year ended XXX due to

iv) Directors

The members of the Board of Directors who served during the year are shown on page In accordance with Regulation ... of the company's Articles of Association.

KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended June 30, 2022

v) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the Company for the year/period ended June 30, 2022, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Name.....

Signature.....

Date.....

Corporate Secretary/Secretary to the Board

VIII. Statement Of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015- (*entities should quote the applicable legislation under which they are regulated*)) require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the 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, water act 2016 and companies Act 2015) – Company *should quote applicable legislation as indicated under which they are regulated*).

REPUBLIC OF KENYA



Enhancing Accountability

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Website: www.oagkenya.go.ke

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

REPORT OF THE AUDITOR-GENERAL ON KAPENGURIA WATER AND SEWERAGE SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Kapenguria Water and Sewerage Services Company Limited set out on pages 1 to 76, which comprise of the statement of financial position as at 30 June, 2022, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in

Report of the Auditor-General on Kapenguria Water and Sewerage Services Company Limited for the year ended 30 June, 2022

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. Inaccuracies in the Statement of Profit or Loss & Other Comprehensive Income

The statement of profit or loss & other comprehensive income reflects opening balance for total expenses of Ksh.12,673,451 while the prior year audited financial statements reflects Kshs.8,370,499 resulting to an unexplained variance of Kshs.4,302,952.

In the circumstances, the accuracy of the opening balance for total expenses amounting to Kshs.12,673,451 could not be confirmed.

2. Inaccuracies in the Statement of Financial Position

The statement of financial position reflects total assets amount of Kshs.17,112,216 and total equity and liabilities amount of Kshs.(4,964,883) resulting to an unexplained variance of Kshs.22,077,099 which has not been reconciled. In addition, the total equity and liabilities is reflected as Kshs.(4,964,883) while the recalculated balance was Kshs.2,405,259 resulting to an unexplained variance of Kshs.7,370,142.

Further, the statement did not disclose pre-paid electricity expenses amounting to Kshs.572,863 under the current assets.

In the circumstances, the accuracy and completeness of the above balances in the statement of financial position could not be confirmed.

3. Inaccuracies in Cash and Cash Equivalent

The statement of financial position reflects cash and bank balance of Kshs.406,609. However, the balance differs with total verified cash book balance of Kshs.2,185,569 as per the bank reconciliation statements, cashbooks and board of survey report resulting to an unexplained variance of Kshs.1,778,960. In addition, the cash and bank balances were not supported with bank confirmation certificates and Mpesa statements.

Further, cash and bank balance as disclosed in Note 32 to the financial statements reflects Kshs.406,609 which differs with recalculated balance of Kshs.429,827 resulting to an unexplained variance of Kshs.23,218. Detailed analysis of the cash and cash equivalents reflects current account-others balance of Kshs.23,218 instead of a nil balance while it also reflects nil balances under cash in hand and mobile money account instead of Kshs.23,218 and Kshs.27,000 respectively.

In the circumstances, the accuracy and completeness of the cash and bank balance of Kshs.406,609 could not be confirmed.

4. Inaccuracies in the Financial Statement

The Financial Statements reflects balances which were not in agreement with the supporting schedules as shown below:

Item	Balance as per Schedule (Kshs.)	Balance as per Financial Statement (Kshs.)	Variance (Kshs.)
Water Sales	3,878,380	3,879,380	1,000
Bulk Water Sales	516,411	554,311	37,900
Trade Receivables	13,992,462	16,705,607	2,713,145
Customer Deposits	1,558,200	1,559,200	1,000
Office Supplies	460,246	442,246	(18,000)
Gross Salary and Allowances	4,896,320	4,982,800	86,480
Employer's Contribution to Social Security Schemes	103,040	0	(103,040)
Trade and Other Payables	20,817,899	19,968,151	849,748
Cash in Hand	23,518	23,218	(300)

In the circumstances, the accuracy and completeness of the above balances in the financial statements could not be confirmed

5. Misclassification of Expenses

The statement of receipts and payments reflects general and operational expenses amount of Kshs.11,554,095 which includes expenses amounting to Kshs.343,740 which were wrongly posted to the vote.

In the circumstances, the accuracy and completeness of Kshs.11,554,095 for general and operational expenses could not be confirmed.

6. Property, Plant and Equipment

The statement of financial position reflects a Nil balance on property, plant and equipment. As reported in the previous year, all the company assets are leased from Rift Valley Water Works Development Agency. However, the lease agreement for these leased assets was not provided for audit. Further, the nature of the lease was not confirmed and also the leases were not accounted for in line with IAS 17 Paragraph 22 which requires that at the commencement of the lease term, lessees shall recognise finance leases as assets and liabilities in their statements of financial position. IAS 17 Paragraph 31 further requires a lessee to disclose for finance leases the net carrying amount at the end of the reporting period and a reconciliation between the total of future minimum lease payments at the end of the reporting period, and their present value.

In the circumstances, the accuracy, validity and completeness of the property, plant and equipment nil balance could not be confirmed.

7. Unsupported Inventory Balance

The statement of financial position and as disclosed in Note 28 to the financial statements reflects a nil balance in respect of inventory as at 30 June, 2022. However, evidence of physical stock taking and certificate of stock balance were not provided for audit.

In the circumstances, the accuracy and completeness of the nil stock balance could not be confirmed.

8. Unsupported Debtors from the Ministry of Water

The statement of financial position reflects trade and other receivables balance of Kshs.16,705,607 which includes debtors inherited by the Company from the Ministry of Water in the year 2007 amounting to Kshs.2,496,486. However, the supporting documents for the debtors were not provided for audit. Further, no documentary evidence was provided for audit to indicate measures or efforts being made by the management to recover these long outstanding debts.

In the circumstances, the accuracy and recoverability of inherited debtors balance of Kshs.2,496,486 could not be confirmed.

9. Unpaid Share Capital

The statement of financial position reflects receivables balances of Kshs.16,705,607 which includes unpaid share capital balance of Kshs.100,000 which have been outstanding since inception of the Company in 2006. However, there is no evidence that the management has made any efforts to have the amounts paid. Further, the financial statement have not disclosed in the Notes to the financial statements the number of shares issued and fully paid, and the number issued but not fully paid as per the requirements of Paragraph 79 of IAS 1.

In the circumstances, the validity, accuracy and existence of share capital balance of Kshs.100,000 could not be confirmed.

10. Undisclosed Material Uncertainty Relating to Going Concern

The statement of financial position reflects total current liabilities of Kshs.22,377,099 which is more than the total current assets of Kshs.17,112,216 resulting to a negative working capital of Kshs.5,264,883. Further, the company has continued to make losses resulting to accumulated losses of Kshs.20,071,840. These are indicators of the company's uncertainties on meeting its financial obligations. However, this material uncertainty related to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern have not been disclosed.

In the circumstances, the Company's going concern assumption is in doubt.

11. Non-Installation of Water Meters

The statement of profit or loss & other comprehensive income and as disclosed in Note 6 to the financial statements reflects operating revenue amounting to Kshs.6,321,641 which includes meter rent balance of Kshs.130,150. However, audit review of water production records revealed that out of five (5) production/intake points, only one (1) point

(Makutano) is installed with bulk meters with the four (4) other points not fitted with bulk meters.

Further, a review of customer records provided for audit revealed that the company had a total of 2,539 customers out of which only 1,544 or 60.9% were fitted with meters which is less than the acceptable 95% as per the requirements of WASREB. The remaining 995 or 39.1 % of the total customers were not fitted with water meters as at 30 June, 2022 in all the 5 zones and instead billing is based on a flat rate and not volume of water consumed.

In the circumstances, the accuracy and completeness of the revenue balance of Kshs.6,321,641 could not be confirmed.

12. Unaccounted for Water

The statement of profit or loss & other comprehensive income and as disclosed in Note 6 to the financial statements reflects operating revenue totaling to Kshs.6,321,641 which includes water sales amount of Kshs.3,879,380. However, review of the water records revealed that the Company produced 243,026 cubic meters of water during the year out of which 72,359 cubic meters was billed to customers resulting to 170,667 cubic meters as unaccounted for water or 70% of the total water produced which is 45% over and above the recommended maximum of 25% as per the requirements of WASREB. No verifiable explanation was provided for the high percentage of unaccounted for water.

In the circumstances, the accuracy and completeness of the water sales amounts of Kshs.3,879,380 could not be confirmed.

13. Failure to Meet Budgeted Revenue Target

The statement of comparison of budget and actual amounts reflects revenue budget from sale of water and exhausting services and grant from County Government of West Pokot amount of Kshs.12,400,000. However, the Company only realized Kshs.6,321,641 for the year under review resulting to a shortfall of Kshs.6,078,359 or 49% of the estimated turn over.

In the circumstances, the Company risks not meeting its service delivery mandate of provision of clean water to the public.

14. Long Outstanding Trade Debtors

The statement of financial position reflects trade and other receivables balance of Kshs.16,705,607 relating to debts owed from water sales. However, no documentary evidence was provided for audit to indicate measures or efforts being made by the management to recover these debts. Further, an aging analysis for the trade debtors was not provided for audit and the provision for doubtful debts amount of Kshs.1,300,000 made during the year was not supported by any documented policy guidelines by the management.

In the circumstances, the accuracy and existence of the trade receivable balance of Kshs.16,705,607 could not be confirmed.

15. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 42 of the financial statements reflects trade and other payables balance of Kshs.20,817,899 which includes trade payables amounting to Kshs.19,184,299. However, supporting documents including invoices, vendor's statements and aging analysis were not provided for audit.

In the circumstances, the accuracy and existence of the trade payables balance of Kshs.19,184,299 could not be confirmed.

16. Cash Procurement of Fuel, Oil and Lubricants

The statement of profit or loss & other comprehensive income and as disclosed in Note 12 to the financial statements reflects general and operating expenses amounting to Kshs.11,554,095 which includes fuel, oil and lubricants amounts of Kshs.763,540. However, the payments for fuel amounting to Kshs.562,800 were made through cash which exceeded the low value cash purchase limit of Kshs.50,000. Further, fuel registers and details orders were not provided for audit and the fuel column on the work tickets were not updated.

In the circumstances, the accuracy and completeness of the fuel, oil and lubricants amounts of Kshs.562,800 could not be confirmed.

17. Unsupported Domestic Travel and Subsistence Expenditure

The statement of profit or loss & other comprehensive income and as disclosed in Note 12 to the financial statements reflects general and operations expenses amounting to Kshs.11,554,095 which includes domestic travelling and subsistence amounts of Kshs.991,550. However, this expenditure was not supported by motor vehicle work tickets or bus tickets, attendance registers for the meetings and trainings, back to office reports and minutes.

In the circumstances the accuracy and propriety of domestic travelling and subsistence amounts of Kshs.991,550 could not be confirmed.

18. Unsupported Board Expenses

The statement of profit or loss & other comprehensive income and as disclosed in Note 13 to the financial statements reflects board expenses amounting to Kshs.20,000 which was paid to Board members as sitting allowances during Board meetings. However, the expenditure was not supported by notices to the meetings, minutes and attendance registers.

In the circumstances, the accuracy and completeness of Kshs.20,000 for Board expenses could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the 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

Report of the Auditor-General on Kapenguria Water and Sewerage Services Company Limited for the year ended 30 June, 2022

not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

1. Presentation and Disclosures in the Financial Statements

The annual reports and financial statements prepared and presented did not comply with the prescribed reporting Template issued by the Public Sector Accounting Standard Board (PSASB) in accordance with Section 194(1)(d) of the Public Finance Management Act, 2012. In addition, the financial statements had the following omissions;

- i) The front page and headers of annual reports and financial statements reflects the name of the Company as Kapenguria Water and Sewerage Services Ltd instead of Kapenguria Water and Sewerage Service Company Ltd as reflected in the certificate of incorporation (Conversion) dated 20 November, 2022.
- ii) Table of Contents has incorrect page numbering for management discussion. The page numbers for the report of the management team and chairman's statement have been omitted.
- iii) The name of the corporate secretary has not been disclosed.
- iv) The official telephone and website of the company have not been disclosed under corporate contacts.
- v) The Board of directors and management team has sections that have not followed the format prescribed in the reporting template, the directors and managers' passport-size photos have not been inserted, a concise description of each director's age, key academic/professional qualifications, and work experience have not been disclosed and the managing director has not been included in the list of the Board of directors. The list of directors has also been repeated.
- vi) The chairman's statement inaccurately states that the company had favorable results while the company continues making losses. Further, the report inaccurately states that human resource policy and new salary structure is in place.
- vii) The statement of Performance against Predetermined objectives has not been customized to include the strategic pillars, objectives, key performance indicators, activities and achievements of the company and actual figures.
- viii) The Corporate Governance Statement inaccurately states that the company has a Board work plan and calendar and a number of standing committees which does not exist. It further states that the Board held four (4No) meetings during the year and yet there was no Board during the year.
- ix) The reports have not been customized to include details relating to the activities of the company as they contain XXX as it is in the reporting template instead of actual figures.
- x) The financial statements have not been signed by the managing director, head of finance and the chairman of the Board and have no approval date.

- x) The company did not prepare the Statement of Changes in Equity for the year ended 30 June, 2022 and Statement of Cash Flows.
- xii) Statement of Comparison of budget and actual amounts for the Period has not been prepared by the entity in accordance with the approved reporting template.
- xiii) The notes to the financial statements have not been customized to include figures relating to the financial activities of the company.
- xiv) A detailed analysis of the grants received or transfers from the County Government has not been provided.
- xv) The transactions with related parties have not been disclosed.
- xvi) Progress on follow up of Prior year auditor's recommendations has no information.
- xvii) A trial balance was not provided for audit review to confirm the figures as reported in the financial statements.

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

2. Irregular Cash Procurement of Maintenance Expenses

The statement of profit or loss & other comprehensive income and Note 14 to the financial statements reflects maintenance expenses amounting to Kshs.437,450 which includes payments totaling to Kshs.252,690 made through cash. This is contrary to Section 92 of the Public Procurement and Disposal Regulations, 2020 which states that a procuring entity may use low value procurement method under Section 107 of the Act, where the estimated cost of the goods, works or services being procured per item per financial year is as per the threshold matrix in the Second Schedule. The threshold for procuring entities under "low value procurements" which can be done in cash is Kshs.50,000 for goods, works and services per procurement per item per financial year.

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

3. Late Submission of Financial Statements

The financial statements of Kapenguria Water and Sewerage Services Company Limited for the year ended 30 June, 2022 were submitted to the office of Auditor-General on 8 November, 2022. This is contrary to section 149(2)(k) of Public Finance Management Act, 2012 which states that the statutory deadline is 30 September, 2022

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

4. Unremitted Statutory Deductions

The statement of profit or loss and other comprehensive income reflects staff costs amounting to Kshs.4,982,800 which includes Kshs.386,159 for statutory deduction out of which Kshs.297,199 had not been remitted to the statutory state organs. This is contrary to Section 37(1) of the Income Tax Act, Section 16 (1) of the National Hospital Insurance Fund Act, 2012 and Section 10(1) of the National Social Security Fund. Further, the Company paid for NSSF deductions for the months of August and September in June, 2022 having delayed for 9 and 8 months respectively. This payment attracted a

total fine of Kshs.11,220 a payment that the Company could have avoided had it paid the statutory deductions in time.

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

5. Non-Compliance with the One-Third of Basic Salary Rule

During the year ended 30 June, 2022, thirty-two (32) employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016. The Management has not given an explanation for the failure to comply with the policy.

In the circumstances, the Company contravened Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016 and this may expose the staff to pecuniary embarrassment.

6. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees of the Company was thirty-nine (39) out of which twenty-nine (29) or 81 % of the total number were members of the dominant ethnic community in the county. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community".

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

7. Lack of Approved Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2022 reflects Kshs.20,500,000 final budget. However, the Company did not have an approved budget estimates. This is contrary to Section 99 (2) of the Public Financial Management (County Governments) Regulations (2015) which requires that the approved budget estimates of expenditure shall form the basis of the financial statements for the financial year.

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

8. Lack of Procurement Function

During the year under review, the Company did not have a procurement function/department. This is contrary to Section 24(1) of the Public Procurement and Asset Disposal Regulations, 2020 which states that for the purpose of section 45 of the Act and for a procuring entity to be able to make corporate decisions and for purposes of internal controls, the procuring entity shall have segregated responsibilities including a procurement function headed and staffed by procurement professionals.

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

9. Unresolved Prior Year Audit Matters on Recommendations of Oversight Bodies

Recommendations from the oversight bodies on the issues raised in the audit report for 2020/2021 financial year were not submitted for audit verification and clearance contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require accounting officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

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

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 audit conclusion.

Basis for conclusion

1. Lack of a Substantive Board

During the year under review, the Company did not have a fully constituted Board. The management of the company affairs was being done by the Acting Managing Director with the assistance of three West Pokot County Government officials contrary to Section 79(1) of the Water Act, 2016 which requires that a water services provider should have a Board of directors and in the case of a company, the members of its Board of Directors shall be constituted in accordance with the Companies Act, 2015 or any other written law and that the directors be nominated to serve on the Board in accordance with the Company's memorandum and articles of association.

In the circumstances, the effectiveness of the Company's governance could not be confirmed.

2. Secondment of the Acting Managing Director

Review of the personnel records revealed that the current acting Managing Director was seconded to the Company by the County Government of West Pokot. However, the secondment letter was not provided for audit and therefore, the terms of engagement could not be confirmed.

In the circumstances, the effectiveness of the Company's governance could not be confirmed.

3. Lack of a Service Provision Agreement

During the year under audit, the Company did not have a Service Provision Agreement with Rift Valley Water Works Development Agency for the provision of water and sewerage services within West Pokot County.

In the circumstances, the Company was operating illegally.

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

The Company has not established an internal audit function and an Audit Committee of the Board. This is contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board. As such the Company did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

In the circumstances, the effectiveness of internal controls and governance could not be confirmed.

5. Lack of Risk Management Policy and Strategy

The Company Management had not put in place risk management policy, strategies, and risk register to mitigate against risk. It was, therefore, not clear how the management manages risk exposures. This is in contravention of Regulation 158 (1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism; and the county government entity develops a system of risk management and internal control that builds robust business operations.

In the circumstances, existence of an effective risk management measures could not be confirmed.

6. Lack of Approved Information Communication Technology (ICT) Security Policy

Review of the Company's information technology systems revealed that the Company did not have an approved IT policy for governance and management of its ICT resources. In addition, there is no ICT steering committee in place to assist in the development of ICT policy framework to enable the company to realize long-term ICT strategic goals. Lack of an approved IT policy may result in an unclear direction regarding maintenance of information security across the organization and safeguarding the Company's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

In the circumstances, existence of effective ICT controls could not be confirmed.

7. Management of Cash and Cash Equivalent

Review of cash books and bank reconciliations statements revealed that, the officer who prepared the cash book was the same officer who prepared the monthly bank reconciliation statements. Further, the cashbooks were not checked by a senior officer on a regular basis and were not signed by the preparer for ownership of responsibility.

In the circumstances, the effectiveness of the internal controls on management of cash and cash equivalents could not be confirmed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on my 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 the audit;
- ii. In my opinion, adequate accounting records have not been kept by the Company, so far as appears from the examination of those records; and,

The Company's financial statements are not in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and 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 is responsible for overseeing the Company financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 Company 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 controls, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and 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 Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Kapenguria Water and Sewerage Services 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 May, 2023

KAPENGURIA WATER AND SEWERAGE SERVICES LTD Statements for the year ended June 30, 2022

Statement of Directors' Responsibilities (Continued)

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2022, and of the Company's 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 the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the 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 company financial statements were approved by the Board on _____ 2022 and signed on its behalf by:

Signature

Name

Chairperson of the Board

Signature

Name

Managing Director

KAPENGURIA WATER AND SEWERAGE SERVICES
Annual Report and Financial Statements for the year ended June 30, 2022

X.Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2022.

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue			
Operating Revenue	6	6,321,641	6,500,870
Grants Income	7	4,665,700	4,469,895.29
Other Income	8	0	0
Finance income	9	0	0
Other gains/(losses)	10	0	0
Total Revenue		10,987,341	10,970,765.29
Expenses			
Staff Costs	11	4,982,800	5,860,200
General and Operations expenses	12	11,554,095	6,600,351
Board Expenses	13	20,000	79,000
Maintenance Expenses	14	437,450	133,900
Depreciation and Amortization expenses	15	0	0
Finance Costs	16	0	0
Total Expenses		16,994,345	12,673,451
Profit/(Loss) Before Taxation		(6,007,004)	(1,702,685.41)
Income Tax Expense/(Credit)	17	0	0
Profit/(Loss) After Taxation		(6,007,004)	1,702,685.41)
Earnings Per Share – Basic And Diluted	18	0	0
Dividend per share	19	0	0
Other Comprehensive Income			
Profit/ (Loss) After Taxation		(6,007,004)	(1,702,685.41)
Surplus Or Deficit On Revaluation Of PPE		0	0
Remeasurement Of Net Defined Benefit Liability		0	0
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI		0	0
Total Comprehensive Income For The Year		(6,007,004)	(1,702,685.41)

KAPENGURIA WATER AND SEWERAGE SERVICES Ltd.

Annual Report and Financial Statements for the year ended June 30, 2022

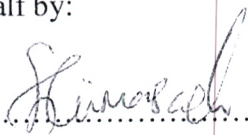
XI. Statement of Financial Position as at 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	20	0	0
Intangible assets	21	0	0
Investment property	22	0	0
Right- of -use assets	23	0	0
Biological Assets	24	0	0
Fixed interest investments	25	0	0
Quoted investments	26	0	0
Unquoted investments	27	0	0
Total Non-Current Assets		0	0
Current Assets			
Inventories	28	0	0
Trade and receivable	29	16,705,607	16,374,143
Tax recoverable	30	0	
Short-term deposits	31	0	
Bank and cash balances	32	406,609	333,905
Total Non-Current Assets		17,112,216	16,708,048
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	33	100,000	100,000
Revaluation reserve	34	0	2,496,486
Fair value adjustment reserve	35	0	0
Retained earnings	36	(20,071,8,40)	(14,064,836)
Capital and Reserves		(19,971,840)	(11,468,350)
Non-Current Liabilities			
Deferred tax liability	37	0	0
Borrowings	38	0	0
Lease Liability	39	0	0
Provisions	40	0	0
Retirement Benefits	41	0	0
Total Non-Current Liabilities		0	0
Current Liabilities			
Borrowings	38	0	0

KAPENGURIA WATER AND SEWERAGE SERVICES Ltd.
Annual Report and Financial Statements for the year ended June 30, 2022

Lease Liability	39	0	0
Provisions	40	0	0
Retirement benefit obligations	41	0	0
Trade and other payables	42	20,817,899	26,679,198
Customer Deposits	43	1,559,200	1,497,200
Deferred Income	44		
Dividends payable	45		
Taxation	46		
Total Current Liabilities		22,377,099	28,176,398
TOTAL EQUITY AND LIABILITIES		(4,964,883)	(11,468,350)

The financial statements were approved by the Board on _____ 2022 and signed on its behalf by:

.....


Name
Managing Director

.....

Name
Head of Finance
ICPAK M/No:

.....

Name
Chairman of the Board



XII. Statement Of Changes In Equity For The Year Ended 30 June 2022

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2020		xxx	xxx	xxx	Xxx	xxx	Xxx	xxx
New capital issued		xxx						xxx
Revaluation gain		-	xxx	-	-	-	-	xxx
Transfer of excess depreciation on revaluation		-	(xxx)	-	Xxx	-	-	-
Deferred tax on excess depreciation		-	xxx	-	-	-	-	xxx
Fair value adjustment on quoted investments		-	-	xxx	-	-	-	xxx
Profit for the year		-	-	-	Xxx	-	-	xxx
Capital/Development grants received during the year		-	-	-	-	-	Xxx	xxx
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	Xxx	-	(xxx)	-
Dividends paid – prior year		-	-	-	-	(xxx)	(xxx)	(xxx)
Interim dividends paid – current year		-	-	-	-	(xxx)	-	(xxx)
Proposed final dividends		-	-	-	(xxx)	xxx	Xxx	-
As at June 30, 2021		xxx	xxx	xxx	xxx	xxx	Xxx	xxx
As at July 1, 2021		xxx	Xxx	xxx	xxx	xxx	Xxx	xxx

KAPENGURIA WATER AND SEWERAGE SERVICES LTD.
Annual Report and Financial Statements for the year ended June 30, 2022

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
Issue of new share capital		xxx	Xxx	xxx	xxx	xxx	Xxx	xxx
Revaluation gain		-	Xxx	-	-	-	-	xxx
Transfer of excess depreciation on revaluation		-	(xxx)	-	xxx	-	-	-
Deferred tax on excess depreciation		-	Xxx	-	-	-	-	xxx
Fair value adjustment on quoted investments		-	-	xxx	-	-	-	xxx
Profit for the year		-	-	-	xxx	-	-	xxx
Capital/Development grants received during the year		-	-	-	-	-	Xxx	xxx
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	xxx	-	(xxx)	-
Dividends paid – prior year		-	-	-	-	(xxx)	(xxx)	(xxx)
Interim dividends paid – current year		-	-	-	(xxx)	-	-	(xxx)
Proposed final dividends		-	-	-	(xxx)	xxx	Xxx	-
At June 30, 2022		xxx	Xxx	xxx	xxx	xxx	Xxx	xxx

Note:

1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.

KAPENGURIA WATER AND SEWAGE SERVICES
Annual Report and Financial Statements for the year ended June 30, 2022

XIII. Statement Of Cash Flows for The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash Flows From Operating Activities			
Receipts		xxx	Xxx
Operating Revenue		xxx	Xxx
Non-Operating Revenue		xxx	Xxx
Other Income		xxx	Xxx
Finance Income		xxx	Xxx
Grants		xxx	Xxx
Customer Deposits		xxx	Xxx
Total Receipts		xxx	Xxx
Payments			
Staff Costs		xxx	Xxx
Board Expenses		xxx	Xxx
General And Operation Expenses		xxx	Xxx
Maintenance		xxx	Xxx
Finance Costs		xxx	Xxx
Refund Of Customer Deposits		xxx	Xxx
Total Payments		xxx	Xxx
Net Cash From/(Used In) Operating Activities		xxx	Xxx
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(xxx)	(xxx)
Proceeds From Disposal Of PPE		xxx	Xxx
Purchase Of Intangible Assets		(xxx)	(xxx)
Purchase Of Investment Property		(xxx)	(xxx)
Purchase Of Quoted Investments		(xxx)	(xxx)
Proceeds From Disposal Of Quoted Investments		xxx	Xxx
Net Cash From/(Used In) Investing Activities		xxx	Xxx
Cash Flows from Financing Activities			
Proceeds From Issues Of New Share Capital		xxx	Xxx
Proceeds From Borrowings	35	xxx	Xxx
Repayment Of Borrowings	35	(xxx)	(xxx)
Dividends Paid	41	(xxx)	(xxx)
Net Cash From/(Used In) Financing Activities		xxx	Xxx
Increase/(Decrease) In Cash And Cash Equivalents		xxx	Xxx

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	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash And Cash Equivalents At Beginning Of Year		xxx	Xxx
Effects Of Foreign Exchanges Rate Fluctuations		xxx	Xxx
Cash And Cash Equivalents At End Of The Year		xxx	Xxx

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XIV. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2022

KAPEGURIA WATER AND SEWERAGE SERVICES CO LTD				
BUDGET APPROVED 2021/2022				
SOURCES OF FUNDS		Approved Budget 2020/21	ACTUALS 2020/21	Approved Budget 2021/2022
1)	Revenue from sale of water and exhausting services	10,600,000	9,178,305	12,400,000
2)	Grant from County Governmemnt	10,800,000	12,369,297	8,100,000
3)	Grant from WSTF	-	-	
	TOTAL	21,400,000	21,547,602	20,500,000
<u>EXPENDITURE</u>				
A	Operation and maintenance			
	Payment of Electricity	10,200,000	11,115,537	9,000,000
	Purchases of Chemicals	600,000	663,825	700,000
	Maintenance of Water Supply	1,280,000	764,153	700,000
		12,080,000	12,543,515	10,400,000
B	Personnel expenditure			
	Salary of staff on secondment		-	-

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		800,000		
	Salary and Wages	5,063,732	4,999,259	5,600,000
	Leave allowance	93,268	93,268	264,000
	Medical expenses	-	-	-
	Travel & accommodation	400,000	673,560	400,000
	Honorarium	214,000	-	300,000
	Gratitude	211,000	212,040	300,000
		6,782,000	5,978,127	6,864,000
C	Administration and general expenditure			
	Transport and Vehicle Maintenance	250,000	266,510	450,000
	Purchase of furniture	60,000	-	200,000
	Supply and accessories for computers and printers	200,000	198,794	300,000
	Communication(Tel.internet &postage)	110,000	76,560	100,000
	Training	75,000	-	200,000
	Staff Welfare	-		

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			14,000	100,000
	Directors allowance	250,000	112,000	400,000
	Bank Service Commission and Charges	60,000	61,240	70,000
	PR (Public relations, advert, announcements)	80,000	-	100,000
	Rents and Rates- office	-	36,000	50,000
	Catering Services	50,000	18,343	100,000
	Sanitary and cleaning materials,	-	-	30,000
	Maintenance of Office Furniture and Equipment	-	-	50,000
	Maintenance of Buildings and Stations - office	-	-	50,000
	Purchase of Uniforms and Clothing - Staff	-	-	100,000
	TOTAL ADMINISTRATION	1,135,000	783,447	2,300,000
D	Investment			
	UPC projects(WSTF)	-	-	
	EU SIPIRA Projects(WSTF)	-	-	-
	TOTAL INVESTMENT			-
E	Agency fee			
	RVWSB WASREB	1,530,000	-	160,000

		99,000	60,000	126,000
	WARMA	224,000	109,000	300,000
	Survey	150,000	-	150,000
	Audit fee	200,000	-	200,000
		2,203,000	169,000	936,000
		22,200,000	19,474,089	20,500,000

Note: PFM Act section 164(2) ii and iv requires a County Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. 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.

Budget notes: Provide explanation of differences between actual and budgeted amounts (10% over/ under) Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis(budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

XV. Notes to the Financial Statements

1. General Information

KAWASES Company Ltd is established by and derives its authority and accountability from xxx Act. The Company is wholly owned by the West pokot County Government and is domiciled in Kenya. The Company's principal activity is provision water and sewerage 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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *Note xx*.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act (*include any other applicable legislation*), and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Application of New and Revised International Financial Reporting Standards (IFRS)

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2022*

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes	The amendments are effective for annual periods beginning on or after January 1,

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Title	Description	Effective Date
cent' Test for Derecognition of Financial Liabilities	when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Application of New and Revised International Financial Reporting Standards (IFRS)

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

Title	Description	Effective Date
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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 OR The directors have elected to early adopt xxx and they expect xx to be the impact of the adoption of the entity financial statements.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 20xx/20xx

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) **Revenue recognition**

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) **Revenue from the sale of goods and services** is recognised in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) **Grants from Government Entities** are recognised in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is 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 interest implicit in lease agreements.
- vi) **Other income** is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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/reducing balance 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:

Item	Years	Rates
Freehold Land	xx	x%
Leasehold Land	xx	x%
Buildings and civil works	-	10 %
Infrastructure works	xx	x%
Plant and machinery	8	12.5%
Motor vehicles, including motor cycles	6	25%
Computers and related equipment	3	33.3%
Office equipment, furniture and fittings	12	8%

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

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

Summary of Significant Accounting Policies

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives . The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are 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

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

n) Taxation

i) Current income tax

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

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.

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.

o) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) 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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r) 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 of 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.

s) 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.

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2010. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 760 per employee per month.

u) Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

v) 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.

w) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 15 July 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of xxx on the 20xx-20xx budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section xxx of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

x) Service concession arrangements

The Company analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Company recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 20xx.

5. Significant Judgments and Sources of Estimation Uncertainty

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

State all judgements, estimates and assumptions made: e.g.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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.

(include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

	2021-2022	2020-2021-1
	Kshs	Kshs
Water sales:	3,879,380	5,237,620
Meter rent	130,150	175,850
Bulk water sales	554,311	166,400
Ledger fee	33,600	36,000
Sewerage Services(Exhauster services)	1,724,200	885,000
Billing for other services*	0	0
Total	6,321,641	6,500,870

Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, water analysis samples etc.

7. Grants Income

	2021-2022	2020-2021-1
	Kshs	Kshs
Operational grants from Government entities-electricity	4,545,700	4,363,139
Operational grants from Government entities-Chemical	120,000	106,756
Recurrent/operational grants from other agencies		0
Capital grants amortized		0
Donations from County Governments		0
In Kind contribution/donations from other agencies		0
Total	4,665,700	4,469,895

[Provide a detailed analysis of grants received from the Government in the table below:]

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	2021-2022 KShs
Department	xxx	xxx	xxx	xxx	Xxx
XX Ministry	xxx	xxx	xxx	xxx	Xxx
Total	xxx	xxx	xxx	xxx	Xxx

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(Note: For capital/development grants the amount recognized in the statement of comprehensive income should be the depreciation/amortisation equivalents for assets that have been acquired using such capital/development grant as per IAS 20).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Sale of Tender	0	0
Fine and penalties	0	0
Rental income	0	0
Insurance compensation	0	0
Miscellaneous income (specify)	0	0
Total	0	0

9. Finance Income

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest income from treasury bonds	0	0
Interest income from treasury bills	0	0
Interest from receivables	0	0
Interest from commercial banks and financial institutions	0	0
Interest on staff loans	0	0
Dividends	0	0
Total	0	0

[Provide short appropriate explanations as necessary]

10. Other Gains and Losses

	2021-2022	2020-2021
Description	Kshs	Kshs
Foreign exchange gains / (losses)	0	0
Loss/gain on disposal on sale of investments	0	0
Gain on sale of fixed assets	0	0
Fair value gain/loss on biological Assets	0)	0
Fair value gain or losses on revaluation of investment property	0	0
Revaluation losses on inventory	0	0
Unrealized foreign exchange gains/(losses)	0	0
Total	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Salary and Allowances	4,982,800	5,860,200
Casual workers Wages	0	0
Medical insurance schemes	0	0
Employer's contributions to social security schemes	0	0
Employer's contributions to pension scheme	0	0
Provisions for Leave pay	0	00
Gratuity provisions	0	0
Fringe Benefit tax	0	0
Staff welfare	0	0
Other allowances	0	0
Total	4,982,800	5,860,200
The average number of employees during the year		

[Provide short appropriate explanations as necessary]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. General and Operations Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Chemicals	168,900	106,756
Electricity	5,780,300	4,196,195
Fuel, oil, lubricants, and gases	763,540	175,250
Bulk water Costs	0	0
Office supplies	442,246	154,749
Uniform and protective clothing	0	0
Telecommunication, Postage and courier	54,900	55,125
	0	0
Water and sewerage	0	0
Insurance	0	0
Rent and Rates	0	0
Hire of Equipment and vehicles	0	0
Claims and compensation	0	0
Domestic Traveling and subsistence	991,550	107,760
Foreign travel and accommodation	0	0
Staff training and development	0	0
Bank Charges	40,542	20,425
Security services	0	0
Agency commissions	0	0
Publicity and advertising	0	0
Audit fees	232,000	232,000
Legal fees	0	0
Consultancy fees	0	0
Licensing and levies(WARMA, WASREB AND RVWSB)	1,667,090	1,531,077
Sports and recreation	0	0
Stakeholders' expenses	0	0
Donations/CSR	0	0
Hospitality expenses/Welfare	113,027	21,014
Research and Development	0	0
Conservation expenses	0	0
Provision for doubtful debts	1,300,000	0
Others (Specify)	0	0
Total	11,554,095	6,600,351

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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13. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Chairman Honoraria	0	0
Sitting allowances	20,000	79,000
Medical Insurance	0	0
Induction and Training	0	0
Travel and accommodation	0	0
Other allowances	0	0
Total Board Expenses	20,000	79,000

14. Maintenance Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Plant and Equipment	437,450	133,900
Buildings	0	0
Infrastructural networks	0	0
Grounds	0	0
Motor vehicles	0	0
Software	0	0
ICT	0	0
Furniture	0	0
Water Meter	0	0
Access roads	0	0
,	437,450	133,900

15. Depreciation and Amortization Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant, and equipment	xxx	Xxx
Right of Use Assets	xxx	Xxx
Intangible assets	xxx	Xxx
Investment property carried at cost	xxx	Xxx
Total Depreciation and Amortization	xxx	Xxx

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Finance costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest expense on loans	0	0
Interest expense on bank overdrafts	0	0
Interest on lease liabilities	0	0
Others (specify)	0	0
Total	0	0

[Provide short appropriate explanations as necessary]

17. Income Tax Expense/(Credit)

Current taxation

	2021-2022	2020-2021
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	0	0
Current tax: prior year under/(over) provision	0	0
Current year deferred tax charge	0	0
Prior year under-provision for deferred tax	0	0
Total	0	0

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

	2021-2022	2020-2021
	Kshs	Kshs
Profit before taxation	0	0
Tax at the applicable tax rate of 30%	0	0
Current tax	0	0
Prior year under-provision	0	0
Tax effects of expenses not deductible for tax purposes	0	0
Tax effects of income not taxable	0	0
Tax effects of excess capital allowances over depreciation/amortization	0	0
Deferred tax prior year over-provision	0	0
Total	0	0

[Provide short appropriate explanations as necessary]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs. XXX (2019-2020: KShs. XXX) by the average number of ordinary shares in issue during the year of XXX (2019-2020: XXX). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

19. 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). At the AGM to be held before the end of 2021, a final dividend in respect of the year ended June 30, 2021 of Kshs. XXX (2020: Kshs. XXX) for every ordinary share of par value of KShs. XXX is to be proposed. An interim dividend of Kshs. XXX (2020: Kshs. XXX) for every ordinary share of par value of KShs. XXX was declared and paid during the year. This will bring the total dividend for the year to KShs. XXX (2020: KShs. XXX).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Property, Plant and Equipment

2021-2022	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Cost Or Valuation									
At July 1, 2020	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Additions	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Transfers	-	xxx	xxx	-	-	-	-	(xxx)	-
Disposals	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
At June 30, 2021	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Depreciation									
At July 1, 2021	xxx	xxx	xxx	xxx	xxx	xxx	xxx	Xxx	xxx
Charge For The Year	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Impairment Loss	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Eliminated On Disposal	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
At June 30, 2022	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Net Book Value At June 30, 2022	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

[Include a brief description of what the Capital Work in Progress relates to]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

2022	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION									
As at 1 July 2020	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Additions	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Transfers	-	xxx	xxx	-	-	-	-	(xxx)	-
Disposals	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
As at 30th June 2021	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
DEPRECIATION									
At July 1, 2021	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Charge for the year	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Impairment loss	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Eliminated on disposal	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
As at 30th June 2022	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
NET BOOK VALUE									
At June 30, 2022	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

Land and buildings, xxx etc were valued by xxx independent valuer on xxx on xxx basis of valuation. These amounts were adopted on xxx.

20 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	xxx	Xxx	xxx
Buildings	xxx	Xxx	xxx
Plant and machinery	xxx	Xxx	xxx
Motor vehicles, including motorcycles	xxx	Xxx	xxx
Computers and related equipment	xxx	Xxx	xxx
Office equipment, furniture, and fittings	xxx	Xxx	xxx
	xxx	Xxx	xxx

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal Annual Depreciation Charge
Plant and machinery	0	0
Motor vehicles, including motor cycles	0	0
Computers and related equipment	0	0
Office equipment, furniture and fittings	0	0
Total	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Intangible Assets

	2021-2022	2020-2021
	Kshs	Kshs
COST		
At July 1	0	0
Additions	0	0
Disposals	(0)	(0)
At June 30	0	0
AMORTISATION		
At July 1	0	0
Charge for the year	0	0
Disposals	(0)	(0)
Impairment loss	(0)	(0)
At June 30	0	0
NET BOOK VALUE		
At June 30	0	0

[Provide short appropriate explanations as necessary in relation to what constitutes the intangible assets]

22. Investment Property

	2021-2022	2020-2021
	Kshs	Kshs
Opening valuation	0	0
Movements during the year		
Additions	0	0
Disposals	(0)	(0)
Fair value gains/(losses)	0	0
Closing valuation	0	0
DEPRECIATION (IF AT COST)		
At July 1	0	0
Charge for the year	0	0
Disposals	(0)	(0)
Impairment loss	(0)	(0)
At June 30	0	0
NET BOOK VALUE		
At June 30	0	0

(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)

KAPENGURIA WATER AND SEWERAGE COMPANY Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Right-of-use assets

	Buildings	Plant	Equipment	Total
	Kshs	Kshs	Kshs	Kshs
Cost				
As at 1 July 2020	0	0	0	0
Additions	0	0	0	0
As at 30 June 2021	0	0	0	0
Additions	0	0	0	0
As at 30 June 2022	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Accumulated Depreciation				
As at 1 July 2020	0	0	0	0
Charge for the year	0	0	0	00
As at 30 June 2021	0	0	0	0
Charge for the year	0	0	0	0
As at 30 June 2022	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Carrying Amount				
As at 30 June 2021	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
As at 30 June 2022	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

24. Biological Assets

	2021-2022	2020-2021
	Kshs	Kshs
Cattle	0	0
Trees	0	0
Others (Specify)	0	0
Total	0	0

KAPENGURIA WATER AND SEWERAGE COMPANY Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Fixed Interest Investments (Bonds)

	2021-2022	2020-2021
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Bond	0	0
AB Corporate Bond (give details)	0	0
CD Corporate Bond (give details)	0	0
Total	0	0

[The movement in investment during the year is as follows:]

Details	2021-2022	2020-2021
	Kshs	Kshs
Balance at 1 July	0	0
Additions during the year	0	0
Interest accrued during the year	0	0
Investment maturities during the year	0	0
Balance at 30 June	0	0

26. Quoted Investments

	2021-2022	2020-2021
	Kshs	Kshs
Opening valuation	0	0
Movements during the year		
Additions	0	0
Disposals	(0)	(0)
Fair value gains/(losses)	0	0
Closing valuation	0	0

[Provide short appropriate explanations as necessary, including make-up of the investments in the table below]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Name of entity where investment is held	No of shares			Nominal value of shares/purchase price	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No	Shs	Current year	Prior year
Entity A	0	0	0	0	0	0
Entity B	0	0	0	0	0	0
Entity C	0	0	0	0	0	0
	0	0	0	0	0	0

27. Unquoted Investments

	2021-2022	2020-2021
	Kshs	Kshs
COST		
At July 1	0	0
Additions	0	0
Fair value gains/(losses)	0	0
Disposals	(0)	(0)
At June 30	0	0
IMPAIRMENT		
At July 1	0	0
Disposals	(0)	(0)
Impairment loss in the year	(0)	(0)
At June 30	0	0
NET BOOK VALUE	0	0

[Provide short appropriate explanations as necessary, including make-up under the table below]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Name of entity where investment is held	No of shares			Nominal value of shares/ purchase price	Value of shares less impairment	Value of shares less impairment
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No	Shs	Current year Shs	Prior year Shs
Entity A	0	0	0	0	0	0
	0	0	0	0	0	0

28. Inventories

	2021-2022	2020-2021
	Kshs	Kshs
General stores	0	0
Chemicals & Laboratory items	0	0
Water fittings and Accessories	0	0
Water meters	0	0
Uniform and protective clothing	0	0
Fuel, oil and lubricants	0	0
Motor vehicle spare parts	0	0
Goods in transit	0	0
Stationery and general stores	0	0
Finished goods	0	0
Work in progress	0	0
Less: Impairment of stocks	(0)	(0)
Total	xxx	Xxx

[Provide short appropriate explanations as necessary]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 a) Reconciliation of Impairment Allowance for Inventories

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	0	0
Additional provisions during the year	0	0
Recovered during the year	(0)	(0)
Written off during the year	(0)	(0)
At the end of the year	0	0

29.) Trade and Other Receivables

	2021-2022	2020-2021
	KShs	KShs
Trade receivables (note (29a))	16,705,607	16,374,143
Deposits and prepayments	xxx	Xxx
VAT recoverable	xxx	Xxx
Staff receivables (note 29 (c))	xxx	Xxx
Other receivables	xxx	xxx
Gross trade and other receivables	xxx	xxx
Provision for bad and doubtful receivable	(xxx)	(xxx)
Net trade and other receivables	xxx	xxx

29 (a) Trade Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	18,005,607	16,374,143
Provision for doubtful receivables	(1,300,000)	(0)
Net trade receivables	16,705,607	16,374,143
at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	xxx	xxx
Between 30 and 60 days	xxx	xxx
Between 61 and 90 days	xxx	xx
Between 91 and 120 days	xxx	xxx
Over 120 days	xxx	xxx
Total	xxx	xxx

[Entities to provide the aging analysis relevant to their institution.]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	xxx	xxx
Additional provisions during the year	xxx	xxx
Recovered during the year	(xxx)	(xxx)
Written off during the year	(xxx)	(xxx)
At the end of the year	xxx	xxx

29 (c) Staff Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross staff loans and advances	0	0
Provision for impairment loss	(0)	(0)
Net staff loans	0	0
Less: Amounts due within one year	(0)	(0)
Amounts due after one year	0	0

[Provide short appropriate explanations as necessary]

29 (d) Reconciliation of Impairment Allowance for Staff Receivables

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	0	0
Additional provisions during the year	0	0
Recovered during the year	(0)	(0)
Written off during the year	(0)	(0)
At the end of the year	0	0

30. Tax Recoverable

	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	xxx	xxx
Income tax charge for the year (note 16)	xxx	xxx
Under/(over) provision in prior year/s (note 16)	xxx	xxx
Income tax paid during the year	(xxx)	(xxx)
At end of the year	xxx	xxx

[Provide short appropriate explanations as necessary]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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31. Short Term Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Commercial banks		
Cooperative Bank of Kenya	0	0
Kenya Commercial Bank	0	0
Barclays Bank of Kenya	0	0
Others (specify)	0	0
	0	0

[Provide short appropriate explanations as necessary]. Example: The average effective interest rate on the short term deposits as at June 30, 20xx was xx% (20xx-1: xx %).

32. Bank and Cash Balances

	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	379,609	311,813
Cash in hand	23,218	22,092
Mobile money account(M-PESA)	27,000	0
	406,609	333,905

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Detailed analysis of the cash and cash equivalents

		2021-2022	2020-2021
Financial institution	Account number	KShs	KShs
a) Current account			
Commercial banks		379,609	xxx
Others		23,218	xxx
Sub- total		xxx	xxx
b) On – call deposits			
Commercial banks		xxx	xxx
others		xxx	xxx
Sub- total		xxx	xxx
c) Fixed deposits account			
Other Commercial banks		xxx	xxx
others		xxx	xxx
Sub- total		xxx	xxx
Sub- total		xxx	xxx
d) Others(specify)		xxx	xxx
Cash in transit		xxx	xxx
cash in hand		xxx	xxx
Mobile money account		xxx	xxx
Sub- total		xxx	xxx
Grand total		xxx	xxx

33. Ordinary Share Capital

	2021-2022	2020-2021
	Kshs	Kshs
Authorized:		
5000 ordinary shares of Kshs; 20 par value each	100,000	100,000
Issued and fully paid:		
0 ordinary shares of Kshs par value each	0	0

[Provide short appropriate explanations as necessary]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. 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.

35. 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.

36. 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. 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:

	2021-2022	2020-2021
	Kshs	Kshs
Accelerated capital allowances	0	00
Unrealised exchange gains/(losses)	0	0
Revaluation surplus	0	0
Tax losses carried forward	(0)	(0)
Provisions for liabilities and charges	(0)	(0)
Net deferred tax liability	0	0

The movement on the deferred tax account is as follows:

	2021-2022	2020-2021
	Kshs	Kshs
Balance at beginning of the year	xxx	xxx
Credit to revaluation reserve	(xxx)	(xxx)
Under provision in prior year	xxx	xxx
Income statement charge/(credit)	xxx	xxx
Balance at end of the year	xxx	xxx

38. Borrowings

Description	2021-2022	2020-2021
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	0	0
External borrowings during the year	0	0
Repayments of during the year	(0)	(0)
Balance at end of the year	0	0
b) Domestic Borrowings		
Balance at beginning of the year	0	0
Domestic borrowings during the year	0	000
Repayments during the year	(0)	(xxx)
Balance at end of the year	0	0
C) Total Balance at end of the period c = a+b	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2021-2022	2020-2021
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx Organization'	0	0
0Sterling Pound denominated loan from 'yyy organization'	0	0
Euro denominated loan from zzz organization'	0	0
Domestic Borrowings	0	0
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
Total balance at end of the year	0	0

Description	2021-2022	2020-2021
	KShs	KShs
Short term borrowings (current portion)	0	0
Long term borrowings	0	0
Total	0	0

(NB: the total of this statement should tie to note 43 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

[Foreign denominated loans should be restated based on CBK closing mean rates at the end of financial year]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

39. Lease Liability

Description	2021-2022	2020-2021
	KShs	KShs
At the start of the year	0	0
Discount interest on lease liability	0x	0x
Paid during the year	(0)	(0)
At end of the year	0	0

Maturity analysis	2021-2022	2020-2021
	Kshs	Kshs
Year 1	0	0
Year 2	0	0
Year 3	0	0
Year 4	0	0
Year 5	0	0
On wards	0	0
	<u>0</u>	<u>0</u>
Less: unearned interest	(0)	(0)
	<u>0</u>	<u>0</u>
Analysed as:		
Non-Current	0	0
Current	0	0

40. Provisions

Description	Leave Provision	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	0	0	0	0	0
Additional Provisions	0	0	0	0	00
Provision utilised	(0)	(0)	(0)	(0)	(0)
Change due to discount and time value for money	0	0	0	0	0
Balance at the end of the year	0	0	0	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provisions details

Description	2021-2022	2020-2019
	Kshs	Kshs
Current Portion of Provisions	0	0
Long-term portion of Provisions	0	0
Total	0	0

41. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	0	0	0	0	0
Non-current benefit obligation	0	0	0	0	0
Total employee benefits obligation	0	0	0	0	0

Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 20XX. The scheme is administered by xxx while xxx are the custodians of the scheme. The scheme is based on xxx percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at xxx June xxx by xxx actuarial valuers on this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021-2022	2020-2021
	Kshs	Kshs
Discount rates	X%	X%
Future salary increases	X%	X%
Future pension increases	X%	X%
Mortality (Pre- retirement)	X%	X%
Mortality (Post- retirement)	X%	X%
Withdrawals	Xx	xx
Ill health	Xx	xx
Retirement	xx years	xx years

Recognition of Retirement Benefit Asset/ Liability

a) Amounts recognised under other gains/ Losses in the statement of Comprehensive Income

	2021-2022	2020-2021
Description	Kshs	Kshs
The return on defined plan assets	xxx	xxx
Actuarial gains/ losses arising from changes in demographic assumptions	xxx	xxx
Actuarial gains/ losses arising from changes in financial assumptions	xxx	xxx
Actuarial gains and losses arising from experience adjustments	xxx	xxx
Others (Specify)	xxx	xxx
Adjustments for restrictions on the defined benefit asset	xxx	xxx
Remeasurement of the net defined benefit liability (asset)	xxx	xxx

b) Amounts recognised in the Statement of Financial Position

	2021-2022	2020-2021
Description	Kshs	Kshs
Present value of defined benefit obligations(a)	xxx	xxx
Fair value of plan assets(b)	(xxx)	(xxx)
Funded Status(=a-b)	xxx	xxx
Restrictions on asset recognized	xxx	xxx
Others	xxx	xxx
Net Asset or liability arising from defined benefit obligation	xxx	xxx

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. XXX per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by XXX Pension Fund. Employees contribute xx% while employers contribute xx% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

42. Trade and Other Payables

	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	19,184,299	20,818,998
Accrued expenses	0	0
Revenue received in advance	0	0
Retention/ contract monies	0	0
Employee payables	1,633,600	5,860,200
Other payables	0	0
Total	20,817,899	26,679,198

[Provide short appropriate explanations as necessary]

43. Customer Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Opening Balance	1,497,200	1,461,200
Add: deposits received during the year	62,000	36,000
Less: Refunded deposits during the year	0	0
Closing balance	1,559,200	1,497,200
Total	1,559,200	1,497,200

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. Deferred Income

Description	2021-2022	2020-2021
	KShs	KShs
National/County government	0	0
International funders	0	0
Public contributions and donations	00	0
Total deferred income	0	0

The deferred income movement is as follows:

	County government	International funders	Public contributions and donations	Total
Balance brought forward	xxx	xxx	xxx	xxx
Additions	xxx	xxx	xxx	xxx
Transfers to Capital fund	(xxx)	(xxx)	(xxx)	(xxx)
Transfers to income statement	(xxx)	(xxx)	(xxx)	(xxx)
Other transfers	(xxx)	(xxx)	(xxx)	(xxx)
Balance carried forward	xxx	xxx	xxx	xxx

45. Dividends Payable

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The balances are analysed in annual amount below.

	2021-2022	2020-2021
	Kshs	Kshs
At the beginning of the year	0	0
Additional declared during the year	0	0
Paid during the year	(0)	(0)
Balance at end of the year	0	0

Dividends payable to ordinary shareholders amounts to Kshs.xxx, while dividends payable to preference shareholders amounts to Kshs xxx.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. Taxation

	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	XXX	XXX
Income tax charge for the year	XXX	XXX
Under/(over) provision in prior year/s	XXX	XXX
Income tax paid during the year	(XXX)	(XXX)
At end of the year	XXX	XXX

[Provide short appropriate explanations as necessary]

Notes to The Statement of Cash Flows

	2021-2022	2020-2021
	Kshs	Kshs
Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	XXX	XXX
Depreciation	XXX	XXX
Amortisation	XXX	XXX
(Gain)/loss on disposal of property, plant and equipment	0	XXX
Operating profit/(loss) before working capital changes	XXX	XXX
(Increase)/decrease in inventories	XXX	XXX
(Increase)/decrease in trade and other receivables	XXX	XXX
Increase/(decrease) in trade and other payables	XXX	XXX
Increase/(decrease) in retirement benefit obligations	XXX	XXX
Increase/(decrease) in provision for staff leave pay	XXX	XXX
Cash generated from/(used in) operations	XXX	XXX
(b) Analysis of changes in loans		
Balance at beginning of the year	XXX	XXX
Receipts during the year	XXX	XXX
Repayments during the year	(XXX)	(XXX)
Repayments of previous year's accrued interest	(XXX)	(XXX)
Foreign exchange (gains)/losses	XXX	(XXX)
Accrued interest	XXX	XXX
Balance at end of the year	XXX	XXX

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	2021-2022	2020-2021
	Kshs	Kshs
(c) Analysis of cash and cash equivalents		
Short term deposits	XXX	XXX
Cash at bank	XXX	XXX
Cash in hand	(XXX)	(XXX)
Balance at end of the year	XXX	XXX

	2021-2022	2020-2021
	Kshs	Kshs
(d) Analysis of interest paid		
Interest on loans	xxx	xxx
Interest on bank overdraft	xxx	xxx
Interest on lease liabilities	xxx	xxx
Interest on loans capitalised	xxx	xxx
Balance at beginning of the year	xxx	xxx
Balance at end of the year (note 35(b))	(xxx)	(xxx)
Interest paid	xxx	xxx
(e) Analysis of dividend paid		
Balance at beginning of the year	xxx	xxx
2019 dividends paid	xxx	xxx
2020 dividends paid	xxx	xxx
2021 interim dividends paid	xxx	xxx
Balance at end of the year	(xxx)	(xxx)
Dividend paid	xxx	xxx

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other Disclosures

47. Related Party Disclosures

County Government of West pokot

The County Government of West pokot is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of WEST POKOT has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- The County Department in charge of Water
- County Government of West pokot
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

Transactions with related parties

	2021-2022	2020-2021
	Kshs	Kshs
a) Sales to related parties		
Rent Income from govt. agencies	0	0
Water sales to Govt. agencies	0	0
Interest income from Govt Commercial Banks	0	0
Interest income from T-bills and Bonds	0	0
Others (Specify)	0	0
Total	0	0
	0	0
b) Purchases from related parties	0	0
	0	0
Purchase of water from govt service providers	0	0
Rent expenses paid to govt agencies	0	0
Training and conference fees paid to govt. agencies	0	0
Bank charges paid to Govt Commercial banks	XXX	XXX

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	2021-2022	2020-2021
	Kshs	Kshs
Interest expense to investments by other govt. entities	XXX	XXX
Others (specify)	XXX	XXX
Total	XXX	XXX
b) Grants from the Government		
Grants from National Govt Agencies	XXX	XXX
Grants from County Government	XXX	XXX
Donations in kind	XXX	XXX
Total	XXX	XXX
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	XXX	XXX
Payments for goods and services for xxx	XXX	XXX
Total	XXX	XXX
d) Key management compensation		
Directors' emoluments	XXX	XXX
Compensation to key management	XXX	XXX
Total	XXX	XXX

48. Capital Commitments

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

	2021-2022	2020-2021
	Kshs	Kshs
Amounts authorised and contracted for	XXX	XXX
Amounts authorized but not contracted for	XXX	XXX
Less: Amounts included in Work in progress	(xxx)	(xxx)
	XXX	XXX

[Provide short appropriate explanations as necessary]

KAPENGURIA WATER AND SEWERAGE COMPANY Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

49. Contingent Assets and Liabilities

Contingent Assets

	2021-2022	2020-2021
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	xxx	xxx
Assets arising from determination of court cases	xxx	Xxx
Reimbursable indemnities and guarantees	xxx	Xxx
Receivables from other government entities	xxx	Xxx
Others (Specify)	xxx	xxx
Total	xxx	Xxx

(Give details)

Contingent Liabilities

	2021-2022	2020-2021
	Kshs	Kshs
Contingent liabilities	xxx	Xxx
Court case xxx against the entity	xxx	Xxx
Bank guarantees in favour of subsidiary	xxx	Xxx
Contingent liabilities arising from contracts including PPPs	xxx	Xxx
Others (Specify)	xxx	Xxx
Total	xxx	Xxx

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

50. Financial Risk Management

The Company'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:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk

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

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

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:

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2022				
Trade Receivables	xxx	xxx	xxx	xxx
Other Receivables				
Investments	xx	xx	xx	xx
Bank balances	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx
At 30 June 2021 (previous Year)				
Receivables	xxx	xxx	xxx	xxx
Other Receivables	xxx	xxx	xxx	xxx
Investments	Xx	Xx	Xx	xx
	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

KAPENGURIA WATER AND SEWERAGE COMPANY Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Credit Risk (Continued)

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 company has significant concentration of credit risk on amounts due from xxxx

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

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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022 current year				
Trade payables	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Deferred income	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx
At 30 June 2021 previous year				
Trade payables	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Deferred income	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx

(iii) Market risk (*Tailor as appropriate*)

The board has put in place an internal audit function to assist it in assessing the risk faced by the Company 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 Department in charge of risk management 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 Company's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk (Continued)

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022 Current Year			
Financial assets			
Investments	xxx	xxx	xxx
Cash	xxx	xxx	xxx
Debtors	xxx	xxx	xxx
Financial Liabilities			
Trade and other payables	Xxx	xxx	xxx
Borrowings	Xxx	xxx	xxx
Net foreign currency asset/(liability)	Xxx	xxx	xxx

The Company manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021 Previous year			
Financial assets			
Investments	xxx	xxx	xxx
Cash	xxx	xxx	xxx
Debtors	xxx	xxx	xxx
Financial Liabilities			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	xxx	xxx	xxx

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2022 Current FY			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx
2021 Previous FY			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx

c) Interest rate risk

Interest rate risk is the risk that the Company'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.

i) Management of interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) Sensitivity analysis

The Company 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 been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2020: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2020 – KShs xxx)

iii) 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 the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- i)** Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii)** 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).
- iii)** 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 Company considers relevant and observable market prices in its valuations where possible.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2022 Current FY	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	xx	xx	xx	xx
Non- financial Assets				
Investment property	xx	xx	xx	xx
Land and buildings	xx	xx	xx	xx
	xx	xx	xx	xx
At 30 June 2021 Previous FY				
Financial Assets				
Quoted equity investments	xxx	xxx	xxx	xxx
Non- financial Assets				
Investment property	xxx	xxx	xxx	xxx
Land and buildings	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx

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

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.

KAPENGURIA WATER AND SEWERAGE COMPANY Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Capital Risk Management

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

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	Xxx	xxx
Retained earnings	Xxx	xxx
Capital reserve	Xxx	xxx
Total funds	Xxx	xxx
Total borrowings	Xxx	xxx
Less: cash and bank balances	(xxx)	(xxx)
Net debt/(excess cash and cash equivalents)	Xxx	xxx
Gearing	xx%	xx%

51. Incorporation

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

52. Events After the Reporting Period

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

53. Currency

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

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XVI. Appendices

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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be 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) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report.

Name

Signature

Managing Director

Date.....

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Appendix II: Projects Implemented By The Company
Projects

Projects implemented by the Company 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

(Summarise the status of project completion at the end of the reporting period, i.e. total costs incurred, stage which the project is etc)

	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 Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary entity]

[Insert Address]

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 th June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022				Amount Received by [beneficiary entity] (KShs) as at 30 th June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary entity:

Name SignDate

Appendix IV: Reporting of Climate Relevant Expenditures

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Name of the Organization
 Telephone Number
 Email Address
 Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications)

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix V: Disaster Expenditure Reporting Template

Date: _____

Entity _____

Period to which this report refers (FY)	Year			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

(Attach forms from each transferring Government entity.)

Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry/County department of Water	xxx	Recurrent	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Ministry/County Department of water.	xxx	Development	Xxx	xxx	xxx	xxx	xxx	xxx	xxx
USAID	xxx	Donor Fund	Xxx	xxx	xxx	xxx	xxx	xxx	xxx
name of Development partner/County department etc.	xxx	Direct Payment	xxx	xxx	xxx	xxx	xxx	xxx	xxx
			xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total			xxx	xxx	xxx	xxx	xxx	xxx	xxx