REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2022

Annual Report and Financial Reporting Template for
Commercial Government Owned Entities

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LIMITED

ANNUALREPORTANDFINANCIALSTATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE30,2022

PreparedinaccordancewiththeAccrualBasisofAccountingMethod underthe International Financial Reporting Standards (IFRS)

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I. KeyEntityInformation

a) Backgroundinformation

Nolturesh Loitokitok Water and Sanitation Company Limited was established by the Companies Act cap 486 and was incorporated on3rd August 2011. The County Government of Kajiado, Makueni and Machakos are the principal shareholders. Under the water act 2016, NOLWASCO carries out its functions as a Water services provider.The *Company* is domiciled in Kenya.

b) PrincipalActivities

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

Vision

To be the best managed bulk high quality water supply company in the region that constantly meets the water requirements of our customers and the affiliated water services providers.

Mission statement

To ensure improved access and equitable distribution of available high-quality water to our customers and the affiliated water services providers within our area of jurisdiction.

Core Values

Core Values:

Our cherished core values are:

- Integrity
- Good Corporate Governance
- Customer Satisfaction
- Professionalism
- Continuous Improvement
- Innovation and Creativity
- Team work
- Commitment to Environmental conservation

c) **Directors**

The Directors who served the company during the year under review were selected from the three counties that the company serves namely Kajiado, Machakos and Makueni.

NAME	POSITION
ELIJAH KIRISIA TIMPAINE	CHAIRMAN
AUGSTINE KIOKO SUKA	BOARD MEMBER
JILAM KERINA SOLITEI	BOARD MEMBER
ANN NDUKU MUTHUSI	BOARD MEMBER
ROIMEN KOYIET PARPAAI	BOARD MEMBER
FLORA MULATYA	BOARD MEMBER
ENG. MORRIS ALUANGA - CECM MACHAKOS COUNTY	BOARD MEMBER
FLORENCE WAIGANJO – CECM KAJIADO COUNTY	BOARD MEMBER
ROSEMARYMAUNDU – CECM MAKUENI COUNTY	BOARD MEMBER
GEDION. K. KETENTE – MANAGING DIRECTOR	BOARD SECRETARY.

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

COMPANY CONTACTS
Tel.No. 0745336516
Email: nolturesh@gmail.com
info@nolturesh.co.ke

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

Independent Auditors

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

Principal Legal Advisers

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

II_THE BOARD OF DIRECTORS

a)Board Team

NAME	LEVEL OF QUALIFICATIONS	DATE OF BIRTH
ELIJAH TIMPAINE BOARD CHAIRMAIN	Holds a Post Graduate Dip in Port and Shipping from the University of Wales Higher Dip in Administration and Operations of Port Services UK	01.01.1961
 ENG. MORRIS ALUANGAMEMBER	Degree in Civil Engineering from the University of Nairobi	11.02.1968
 FLORENCE WAIGANJO MEMBER	Masters in Community Health and Development	01.07.1974
ROSEMARY MAUNDU  MEMBER	Master's Degree in Entrepreneurship from The Catholic University of Eastern Africa. Bachelor of Commerce Degree in Business Management from the same University	15.05.1966
FLORA MULATYA MEMBER	Bachelor of Education from the University of Nairobi Masters Degree in Education	DOB 24.01.1967
JILAM KERINA MEMBER	Holds a degree in Bachelor Of Commerce from Kolhapur University of India	DOB 01.01.1966

ANN MUTHUSI **MEMBER**	**Holds a Masters in Strategic Management, Bachelor of Commerce(Marketing Option) Diploma in Business Management**	**DOB** **01.01.1968**
AUGISTINE SUKA **MEMBER**	**Holds a Masters of Business Administration, Bachelor of Law from the University of Nairobi, Bachelor of Commerce Accounting option CPAK, CPSK**	**DOB** **18.08.1974**
ROIMEN KOYIET **MEMBER**	**Holds a Diploma in Procurement and Supply Chain Management. CIPS**	**DOB** **26.02.1988**
 **GEDION KETENTE BOARD SECRETARY**	**Msc. Dryland Agriculture and Enterprise Development. (Ongoing) BSc Agricultural Land Use and Management. Cert in Procurement Processes and Public Finance Management Programme**	**DOB** **12.12.1985**

(*a*) **Board Committees**

Name of the Committee	**Members**
Finance Committee	**1.Ann Muthusi- Chairperson 2.Roimen Koyiet- Member 3.Florence Waiganjo- Member 4. Flora Mulatya**
Audit Committee	**1.Jilam Kerina- Chairperson 2.Augustine Suka- Member 3. Eng. Morris Aluanga- Member 4. ResemaryMaundu- Member**
Technical Committee	**1.Augustine Suka- Chairperson 2.Eng. Morris Aluanga- Member 3. JilamKerina- Member 4. Ann Muthusi- Member 5. RoimenKoyiet**

III. MANAGEMENT TEAM

The Company's senior management team is as follows:

1.	**GEDION KETENTE** 	**Msc. Dryland Agriculture and Enterprise Development. (Ongoing)** **BSc Agricultural Land Use and Management.** **Cert in Procurement Processes and Public Finance Management Programme**	**MANAGING DIRECTOR**
2.	**JOSEPH MAPENA** 	**B.com Accounting Option.** **CPA (K) - KASNEB** **Computerised Accountancy.**	**FINANCE AND ADMINISTRATIO N MANAGER**
3.	**DAVID MAKAU** 	**Msc. Environmental & Biosystems Engineering, Irrigation and Water Engineering Option – On going.** **Bsc. Environmental & Biosystems Engineering, Irrigation and Water Engineering Option – 1st Class Honours.**	**TECHNICAL SERVICES MANAGER**

IV.CHAIRMAN'S STATEMENT

We are pleased to present the annual report and financial statements of the Company for the financial year ended 30th June 2022 and restatement of annual reports and financial statements for the year ended 30thJune 2021.The year under review was a challenging, however commitment by employees ensured marked improvement in performance.

The Company is not a profit making entity and its main source of revenue is water sale. It does not get any funding from the ex-chequer.

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

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

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

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

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

Thank you.

Elijah KirisiaTimpaine

Chairman, Board of Directors

V. REPORT OF THE MANAGING DIRECTOR

I am delighted to present to you the Nol-turesh Loitokitok and Sanitation Company Ltd Annual Reports and Financial Statements for the year ended 30th June 2022.

Financial Highlights & Overview

We are pleased to present the annual report and financial statements of the Company for the financial yearended30th June 2022.Operations and maintenance costs are high because of aged pipeline system prone to regular exposure to damages. The company invested a lot in fighting high cases of vandalism and lack of order amongst the staff members and the customers.

Cost Recovery

To achieve sustainability of our company, implementation of our cost recovery tariffs was paramount and Non-Revenue Water (NRW) has to be reduced to acceptable levels. However enormous amount of capital investment is required to realize this. During the financial year 2021/22, we expected support from the National Government to enable us start the overhaul project however the assistance never came by.Through partnership with WASPA and other partners, we have designed measures to bring down the NRW to acceptable levels.

Outlook

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

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

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

G. KETENTE

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MANAGING DIRECTOR

VI. CorporateGovernanceStatement

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

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

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

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

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

The Board of Directors

The Company Board of Directors are appointed by the three ofKajiado, Makueni and Machakos counties through a public process helped by WASREB.

The Board of Directors are responsible for the following:-

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

The Board is responsible for drawing and implementing strategies for the long term success of the

company as well as carrying out the fiduciary duty of monitoring and overseeing the activities of management. The Board meets regularly guided by a formal schedule of meetings to discuss matters reserved for its decision with a view of determining and reviewing the strategies of the Company and overseeing the Companies compliance with statutory and regulatory obligations.
Notices and agenda for all Board meetings are circulated to all board members on a timely basis together with the respective documents for discussion.

Composition of the Board
The Board is composed of 6 Competitively selected Directors and three Counties representatives who are the CECM for water from the three counties and one executive director who is also the Managing Director. The Directors represent various stakeholders. They have a wide range of skills and experience and each contributes independent judgement and knowledge to the Board's discussions.
On appointment, each Director is provided with a comprehensive and tailored induction process covering the Company's business and operations and also provided with information relating to their legal and regulatory obligations.

VII. Environmental And Sustainability Reporting

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

Environment

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

Employees

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

Health and Safety

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

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the NOLWASCO affairs.

i) Principal activities

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

ii) Results

The results of the entity for the year ended June 30, 2022 are set out on page 1 and subsequent pages. Below is summary of the profit or loss made during the year.

	2021-2022	2020/2021
KshsKshs		
Profit/ (Loss) for the year	**16,744,349**	**1,392,113**

iii) Dividends

The company does not pay any form of dividends to its shareholders.

iv) Directors

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

In accordance with Regulation of NOLWASCO Articles of Association.

v) Auditors

The Auditor General is responsible for the statutory audit of NOLWASCO in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or A team of Certified Public Accountants were nominated by the Auditor General to carry out the audit of NOLWASCO for the year 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**
GEDION KETENTE		02/03/2023

Managing Director/Secretary to the Board

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the companies act cap 486 requires 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. 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's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year 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's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and companies Act cap 486.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

The Directors are of the opinion that NOLWASCO financial statements give a true and fair view of the state of NOLWASCO transactions during the financial year ended June 30, 2022, and of the NOLWASCO financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for NOLWASCO, which have been relied upon in the preparation of the NOLWASCO 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 NOLWASCO will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

NOLWASCO financialstatements were approved by the Board on 02/03 2022and signed on its behalf by:

Signature..................................	**Signature**..................
Name Elijah KirisiaTimpaine	**Name Gedion Ketente**
Chairperson of the Board	**Managing Director**

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NOLTURESH LOITOKITOK WATER AND SANITATION 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

Qualified Opinion

I have audited the accompanying financial statements of Nolturesh Loitokitok Water and Sanitation Company Limited set out on pages 1 to 42, which comprise of the statement of financial position as at 30 June, 2022, and statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nolturesh Loitokitok Water and Sanitation Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016 and Companies Act, 2015.

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Cash Flows

The statement of cash flows for the year under review reflects a closing balance of cash and cash equivalents of Kshs.75,300,054. However, the same statement reflects an opening balance of Kshs.3,056,500 resulting to an unreconciled variance of Kshs.72,243,554. Further, the statement reflects an increase in trade and other payables of Kshs.4,423,087. However, the statement of financial position and as disclosed in Note 21 to the financial statements reflects a decrease in trade and other payables of Kshs.28,590,472 resulting to an unreconciled variance of Kshs.24,167,385.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

2. Long Outstanding Trade and Other Receivables

The statement of financial position and as disclosed in Note 17 to the financial statements reflect trade and other receivables balance of Kshs.80,560,192 net of provision for bad debts of Kshs.11,968,865 or 13% of gross receivables balance. However, trade receivables totalling Kshs.82,010,287 or 89% out of a total of Kshs.92,529,057 of the gross trade receivables had been outstanding for more than 120 days, implying that their collectability was doubtful. The adequacy of the 13% provision for bad debts may not be representative of the impairment levels of debtors. In addition, although the Company made provisions for doubtful debts of Kshs.11,968,865, there was no policy in place for the same. It was not possible to determine whether the provisions made were reasonable and accurate.

Further, the Board of Directors on 16 June, 2022 vide minute No. MIN2/16/06/2022, approved a debt write off of Kshs.30,000,000 while Note 17(b) reflects debts written off totalled Kshs.30,819,332. The basis for the additional write-off of Kshs.819,332 over and above the approved amount was not explained.

In the circumstances, the accuracy and fair statement of the trade receivables balance of Kshs.80,560,192 could not be confirmed.

3. Unconfirmed Value of Assets

The statement of financial position and as disclosed in Note 15 to the financial statements reflects property, plant and equipment balance of Kshs.162,352,410. However, review of the property, plant and equipment (PPE) schedule, revealed that depreciation charge on the assets for the year under review was for plant and machinery and motor vehicles only. Other assets including buildings, computers and office equipment listed in the schedule had no depreciation charge for the year. In addition, records provided for audit revealed that the company had other assets in form of water reservoirs, water pipeline projects, company houses, pumping station and boreholes and raising mains as well as kiosks that are revenue generating but not included in the list of assets. No explanation was provided for the failure to disclose the assets or the failure to include them in the list of assets.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.162,352,410 could not be confirmed.

4. Unsupported Maintenance Costs

The statement of profit or loss and comprehensive income and as disclosed in Note 11 to the financial statements reflects maintenance costs amount of Kshs.4,699,272. However, the following anomalies were noted;

i. The supporting documents lacked user requisition, quotations, quotations evaluations analysis, notification of award, receiving and issuance register, pre-inspection and post inspection reports for motor vehicle maintenance, pre-maintenance and post maintenance for plants and equipment,

ii. The Company did not have an approved procurement plan in place,

iii. The Company used framework contract procurement for maintenance of motor vehicles. However, the contract was not provided for audit, and

iv. The firm that provided services for maintenance of plant equipment was not included in the approved list of suppliers.

In the circumstances, the accuracy and regularity of maintenance costs expenditure of Kshs. 4,699,272 could not be confirmed.

5. Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities of Kshs.291,759,513 against current assets of Kshs.84,514,547 resulting to a negative working capital of Kshs.207,244,966. Further, the Company recorded a profit of Kshs.16,744,349 which reduced the accumulated loss from Kshs.134,196,444 in 2020/2021 to Kshs.117,452,095 in 2021/2022 as reflected in the statement of changes in equity

This material uncertainty casts doubt on the Company's ability to continue as a going concern. The Company is therefore, not in a position to meet its current financial obligations as they fall due.

In the circumstances, the Company's sustainability is heavily dependent on continued support by the County Governments of Kajiado, Makueni and Machakos, creditors and other stakeholders.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.126,042,159 and Kshs.112,481,897 respectively resulting to an under-performance of Kshs.13,560,262 or 11% of the budget. The reasons for the under-performance have not been disclosed in the financial statements.

In the circumstances, the revenue shortfall affected the planned activities and may have impacted negatively on service delivery.

2. Unresolved Prior Year Matters

In the audit report for the previous year several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in the Use of Public Resources. However, the Management has not resolved the issues or provided an explanation for the delay in resolving the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Presentation and Disclosure in Financial Statements

Review of the financial statements revealed following anomalies;

i. Fuel reported in operation costs as opposed to being reported under general and operation costs,

ii. Total current assets reflected as total non-current assets in the statement of financial position.

iii. Opening balances for cash and cash equivalents are wrongly stated from the prior year,

iv. Domestic borrowings should be moved to current liabilities as they are prepayment for water to Konza Metropolis and not a borrowing,

v. There is no note explaining customer deposits as required by the template, and

vi. Provision for doubtful debts has been indicated as an addition instead of a deduction.

In these circumstances, the financial statements do not comply with the recommended financial reporting framework (IFRS).

2. Non-Inclusion of Water in Inventory

Note 16 to the financial statements reflects inventory balance of Kshs.1,800,500. However, review of records relating to water production and processing revealed that at close of the year under review, water collected, treated and ready for distribution left in the distribution infrastructure remained unaccounted for and unrecorded in the financial statement as inventory of water. This was contrary to Section 161(1) of the Public Procurement and Disposal Act, 2015 which states that an accounting officer of a procuring entity shall set up an inventory management system which shall be managed by the head of the procurement function, for the purpose of control and managing its inventory, stores and assets.

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

3. Non-Revenue Water (NRW)

Review of water production records revealed that the company produced 2,190,000 M^3 of water during the year under review. Out of this volume only 1,116,900 M^3 was billed to customers. The balance of 1,073,100 M^3 or approximately 49% of total production represents Non-Revenue Water (NRW) which is above the allowable loss of 25%. No satisfactory explanation was provided for the high level of NRW, and the measures put in place by Management to reverse the trend.

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

4. Non-Compliance with a Third Deductions Rule

Review of the payroll records provided revealed that six (6) employees earned a net pay below one third of their basic pay in the financial year under review. This was contrary to Section 19 (3) of the Employment Act 2007.

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

5. Non-Adherence to National Cohesion and Integration Act

Review of the Company's staff establishment revealed a total of forty (40) employees out of which thirty-eight (38) or 95% were from the dominant ethnic community in the County. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 and Section 65(1)(e) of the County Governments Act, 2012 states that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

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

6. Non-Compliance with the Two-Thirds Gender Rule

Review of the Company's personnel records revealed that the company had a total of forty (40) employees out of which only ten (10) were female representing 25% of the total workforce. This was contrary to Paragraph B.22 (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016, which states that the County Government will endeavor to have a gender balanced civil service by ensuring that not more than two thirds of positions in its establishment are filled by either gender.

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

7. Lack of an Approved Water Tariff

The statement of profit and loss and other comprehensive income reflects an amount of Kshs.74,459,738 in respect to revenue from water sales. However, this amount was unsupported by a gazetted water tariff by Water Services Regulatory Board (WASREB) as required. The water Company's currently uses the Extraordinary Tariff Adjustment which is undated and ungazetted. Further, review of records provided for audit revealed that the Company had supplied unmetered water of 1,151,283 M^3. The unmetered water sales were billed at a flat rate of Kshs.5,010 per customer per month. The basis of the flat rate could not be ascertained since the fixed charge was not an approved tariff by Water Services Regulatory Board (WASREB).

In the absence of an updated and approved tariff structure, the accuracy of the water tariff being applied by the Water Company and the actual revenues collected are under stated.

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

8. Non-Gazettement of the Board Members

Review of the appointment process showed that although due process was followed in the appointment of the Board of Directors, they were yet to be gazetted. Further, review of the Memorandum and Articles of Association of the Water Company revealed that the Memorandum is still in draft form and has not been registered with the registrar of Companies. The draft memorandum has been used in the appointment of current Board of Directors.

In the circumstances, the Management was in contravention of Chapter 1.1.11 of the Mwongozo State Corporations Advisory Committee of 2015 which states that each Board Member shall be formally appointed to the Board through a Gazette Notice and thereafter an appointment letter.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of a Risk Management Policy

As previously reported, the Water Company did not have a documented Risk Management Policy in place. This is contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the Accounting Officer to ensure that the County Government entity develops a system of risk management and internal control. As a result, the Management lacked means to identify and mitigate operations and other risks faced by the Company.

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

2. Weak Internal Controls of IT Systems

Review of IT controls in place revealed that the Company did not have an escrow account maintenance agreement between the entity and owner of source code. This poses a critical concern on business continuity in case the firm with the source code goes under. Further, there is no clear procedure during maintenance and approval of the same. There was also no documentation in respect to patch work carried out by system developer. In addition, there is no documented restriction to the software developer on access to live environment during system maintenance.

In the circumstances, the integrity of data and transactions in the system could be confirmed.

3. Lack of a Disaster Recovery Plan

Review of records provided for audit revealed that the Company did not have in place a disaster recovery and business continuity plan during year under review. In the absence of a disaster recovery/business continuity plan, the Company lacks a blue print for mitigating against disasters and ensuring that its operations are not interrupted.

In the circumstances, Company may be exposed to business disruptions in case of a disaster.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,

iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 April, 2023

XI. StatementofProfitorLossandOtherComprehensiveIncomeForTheYearEnded 30th June 2022.

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenues			
Revenue from water sale	6	**74,459,738**	75,087,447
Other income			
Grants from the national government	7	37,182,159	-
Other income	8	840,000	1,491,000
Total revenues		**112,481,897**	**76,578,447**
General and Operations costs			
Administration costs	9a	28,652,368	15,470,169
Personnel costs	9b	39,694,442	38,997,800
Operations costs	10	13,718,856.36	11,461,436
Maintenance costs	11	4,699,272	2,778,310
Directors' allowances	12	1,934,778	203,333
Depreciation Charge	13	1,793,664	-
Finance costs	14	5,244,168	6,275,285
Total Expenses		95,737,548	**75,186,334**
PROFIT/(LOSS) before taxation		16,744,349	1,392,113
Income Tax		-	-
PROFIT/(LOSS) after taxation		16,744,349	1,392,113
Profit/ (loss) after taxation		16,744,349	1,392,113
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**16,744,349**	**1,392,113**

XII. StatementofFinancialPositionAsat30June 2022

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Non-Current Assets			
Property, Plant And Equipment	15	162,352,410	147,020,337
Total Non-Current Assets		**162,352,410**	**147,020,337**
Current Assets			
Inventories	16	1,800,500	2,260,900
Trade And Other Receivables	17	80,560,192	107,208,171
Bank And Cash Balances	18	2,153,855	3,056,500
Total Non-Current Assets		**84,514,547**	**112,525,571**
TOTAL ASSETS		**246,866,957**	**259,545,908**
Equity And Liabilities			
Capital And Reserves	19		
Ordinary Share Capital		100,000	100,000
Capital reserve		25,324,043	25,324,043
Donation reserve		11,974,370	11,974,370
Retained earnings		(117,452,095)	(134,196,444)
Capital And Reserves		**(80,053,682)**	**(96,798,031)**
Non-Current Liabilities			
Borrowings	20	35,161,126	36,591,954
Total Non-Current Liabilities		**35,161,126**	**36,591,954**
Current Liabilities			
Trade and other payables	21	289,957,409	318,547,881
Other current liabilities- customer deposits		1,802,104	1,204,104
Total Current Liabilities		**291,759,513**	**319,751,985**
TOTAL EQUITY AND LIABILITIES		**246,866,957**	**259,545,908**

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

Signed.................. ....

Name: Gedion Kitheka **Name:** Joseph Mappa **Name:**

Managing Director Head of Finance Chairman of the Board

XIII.StatementOfChangesinEquityForTheYearEnded30June2022

	Notes	Ordinary share capital	Capital reserve	Donation reserve	Retained earnings	Total
As at July 1, 2020		100,000	25,324,043	11,974,370	(135,588,557)	**(98,190,144)**
Profit for the year		-	-	-	1,392,113	**1,392,113**
As at June 30, 2021		**100,000**	**25,324,043**	**11,974,370**	**(134,196,444)**	**(96,798,031)**
As at July 1, 2021		100,000	25,324,043	11,974,370	(134,196,444)	(96,798,031)
Profit for the year					16,744,349	16,744,349
As at June 30, 2022		100,000	25,324,043	11,974,370	(117,452,095)	(80,053,682)

Note
The retained earnings are the prior years cumulated losses

XIV. StatementOfCashFlowsforTheYearEnded30June2022

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Cash generated from/(used in) operations		16,744,349.00	1,392,113.00
Interest paid		(5,244,168.00)	(6,275,285.00)
Net cash generated from/(used in) operating Activities		**11,500,181**	**(4,883,172.00)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(6,020,000.00)	-
Increase/(decrease) in receivables		26,647,979.02	(8,270,397.00)
(Increase)(decrease in payables		(29,858,961.27)	99,436,069.00
Increase/decrease in inventories		460,400.00	1,010,062.00
Increase/decrease in current liabilities		598,000.00	122,104.00
Increase/decrease in provisions		(4,171,352.00)	-
Increase/(decrease) in trade and other payables		4,423,086.87	-
Net cash generated from/(used in) investing Activities		**(7,920,847.39)**	**92,297,838.00**
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(7,544,131.37)	(12,757,536.00)
Net cash generated from/(used in) financing		**(7,544,131.37)**	**(12,757,536.00)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(902,644.56)**	**74,657,130.00**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**3,056,500.00**	**642,924.00**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**2,153,855.44**	**75,300,054.00**

XV. StatementOfComparisonOfBudgetAndActualAmountsForThePeriodEnded30June2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**	
Revenue from water sale	87,600,000.00	-	87,600,000.00	74,459,738.00	13,140,262.00	0.150002991
Transfers from the government	37,182,159.00		37,182,159.00	37,182,159.00	-	0
Other income	1,260,000.00		1,260,000.00	840,000.00	420,000.00	0.333333333
Total income	**126,042,159.00**	-	**126,042,159.00**	**112,481,897.00**	**13,560,262.00**	0.10758513
Expenses						
Personnel Emoluments	36,584,016.00	3,200,000.00	39,784,016.00	39,694,442.52	89,573.48	0.002251494
Board Expenses	2,211,200.00	-	2,211,200.00	1,934,778.00	276,422.00	0.125009949
Administrative costs	7,646,000.00	-	7,646,000.00	7,725,778.00	(79,778.00)	-0.010433952
Operating expenses	21,090,000.00		18,418,128.36		18,418,128.36	1
Finance cost	6,600,000.00	-	6,600,000.00	5,244,168.00	1,355,832.00	0.205429091
Levies	2,058,860.00	-	2,058,860.00	300,000.00	1,758,860.00	0.854288295
Subscription & professional membership	375,000.00	-	375,000.00	317,500.00	57,500.00	0.153333333
Grant expenditures	37,182,159.00	-	37,182,159.00	37,182,159.00	-	0
Pending Bills	18,931,000.00			12,788,299.40	(12,788,299.40)	
Total expenditure	**132,678,235.00**	**3,200,000.00**	**114,275,363.36**	**105,187,124.92**	9,088,238.44	0.079529289
Surplus for the period	**(6,636,076.00)**	**(3,200,000.00)**	**11,766,795.64**	**7,294,772.08**	**4,472,023.56**	**0.03**

Explanation of Variances

(i) Revenue from sale of water – Target not achieved due to old and dilapidated pipeline which losses a lot of water during bursts

(ii) Government grants and subsidies- The company has received grants from Water Sector Trust Fund to ensure proper water supply during the the Covid-19 period.

(iii) Other incomes- This include connection fees excluding rent income, miscellaneous and surcharges which are integrated with the billing income, the reduction in connection fees will is due to a decrease in the number of new connection attributable to water shortage.

(iv) Personnel costs- The increase in such costs is attributable to increase in staff gratuities during the year

(v) Board Expenses- the expenditure is within the budget line

(vi) Administrative costs- the expenditure was within the budget line

(vii) Operations and maintenance costs- Teamwork & coordination between management & Staff saw reduction in operational cost.

(viii) Levies- its inclusive of all the fees for the year

(ix) Subscription and professional membership- new members joined their professional bodies during the year under review

(x) Bank Facility- it includes repayment of a bank loan, the expenditure is within the budget line

XVI. Notes To the Financial Statements

1. General Information

NOLWASCO isestablishedbyandderivesitsauthorityandaccountabilityfromCompaniesAct.Theentityis wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of water and sanitation services to the surrounding communities.

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

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years present.

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 but not yet 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 recognize 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 allitsobligationsonorafter1January 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.

Title	Description	Effective Date
Amendment to IFRS9titledFees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the term so fanewormodified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvementsto IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removedtherequirementtoexcludetaxationcash flows when measuring fair value. This amendmentalignedtherequirementsinIAS41on 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.

Notes To the Financial Statements (Continued)

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

ii. *Newandamendedstandardsandinterpretationsinissuebutnotyeteffectiveintheyearended 30 June 2022.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts(issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	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(issuedin January2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirementforanentitytohavetherighttodefer 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(issuedin February2021)	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
IFRS 17 Insurance Contracts(issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurancecontractsissued.Italsorequiressimilar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information inawaythatfaithfullyrepresentsthosecontracts. TheCompanydoesnotissueinsurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
IAS12—Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both thecurrent tax consequencesoftransactions andeventsandthefuturetaxconsequencesofthe future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differencesbetweenthecarryingamountandtax base of assets and liabilities, and carried forward taxlossesandcredits,arerecognized,withlimited exceptions, as deferred tax liabilities or deferred taxassets,withthelatteralsobeingsubjecttoa 'probableprofits'test.	The amendments are effective for annual reportingperiodsbeginning on or after January 1, 2023. Earlyadoptionis permitted.
IAS 8- Accounting Policies, Errors andEstimates	The amendments, applicable to annual periods beginningonorafter1st January2023,introduce adefinitionof'accountingestimates'andinclude otheramendmentstoIAS8tohelpentities	The amendments are effective for annual reportingperiodsbeginning

Title	Description	Effective Date
IFRS 17 Insurance Contracts(issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurancecontractsissued.Italsorequiressimilar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information inawaythatfaithfullyrepresentsthosecontracts. TheCompanydoesnotissueinsurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
	distinguishchangesinaccountingpoliciesfrom changesinaccountingestimates.	onorafterJanuary1,2023. Earlyadoptionis permitted.

iii. Earlyadoptionofstandards

Theentitydidnotearly –adoptanyneworamendedstandardsinyear2021-2022.

NotesToTheFinancialStatements(Continued)

4. SummaryofSignificantAccountingPolicies

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

a) **Revenuerecognition**

Revenue is measured based on the consideration to which the entity expects to be entitled in a contractwithacustomer andexcludesamountscollectedonbehalfofthirdparties.Theentity recognizes revenue when it transfers control of a product or service to a customer.

i) **RevenuefromWater Sale**isrecognizedintheyearinwhichtheCompanydelivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii) **Grants from National Government** are recognized in the year in which the Companyactually 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 thestatement of comprehensive income overthe 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,andisrecognizedinprofitorlossonatimeproportionbasisusingtheeffective interest rate method.

iv) **Dividend income** is recognized in theincomestatement in theyear in which theright to receive the payment is established.

v) **Rental income** is recognized in the income statement as it accrues using the effectiveinterest implicit in lease agreements.

vi) **Otherincome**isrecognizedasitaccrues.

NotesToTheFinancialStatements(Continued)

SummaryofSignificantAccountingPolicies

b) **In-kindcontributions**

In-kindcontributionsaredonationsthataremadetothe*entity*intheformofactualgoodsand/or servicesratherthaninmoneyorcashterms.Thesedonationsmayincludevehicles,equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Companyincludes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) **Property, plant and equipment**

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

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 itemsinanassetcategoryarere-valuedthroughperiodicvaluationscarriedoutbyindependent 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 their valuation 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.

NotesToThe Financial Statements (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

Freeholdlandandcapitalworkinprogressarenotdepreciated.Capitalworkinprogressrelates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

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

Freehold Land	Nil
Buildings and civil works	25yearsortheunexpired lease period
Plant and machinery	12.5years
Motor vehicles, including motorcycles	4years
Computers and related equipment	3years
Office equipment, furniture and fittings	12.5 years

Afullyear'sdepreciationchargeisrecognisedbothintheyearofassetpurchaseandintheyear 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.

NotesToTheFinancialStatements(Continued)

SummaryofSignificantAccountingPolicies

e) Intangibleassets

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 astraight-linebasisovertheirestimatedusefullives.Theestimatedusefullifeandamortization 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) Amortisationandimpairmentofintangibleassets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangibleasset.Allintangibleassetsarereviewedannuallyforimpairment.Wherethecarrying 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) Investmentproperty

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, includingtransactioncosts.Subsequenttoinitialrecognition,investmentpropertyismeasured 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 onderecognitionoftheproperty(calculatedasthedifferencebetweenthenetdisposalproceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

NotesToTheFinancialStatements(Continued)

SummaryofSignificantAccountingPolicies

h) Right of Use Asset

Theright-of-useassetscomprisetheinitialmeasurementofthecorrespondingleaseliability, lease payments made at or before the commencement day,less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlyingassettotheconditionrequiredbythetermsandconditionsofthelease,aprovision isrecognizedandmeasuredunderIAS37.Totheextentthatthecostsrelatetoaright-of-use asset,thecostsareincludedintherelatedright-of-useasset,unlessthosecostsareincurredto produceinventories.Right-of-useassetsaredepreciatedovertheshorterperiodofleaseterm and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option,therelatedright-of-useassetisdepreciatedovertheusefullifeoftheunderlyingasset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

i) Fixedinterestinvestments(bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK)long-terminfrastructurebondsandothercorporatebondswiththeintentionofearning interest income upon the bond's disposal or maturity. Fixed interest investments are freely tradedattheNairobiSecuritiesExchange.Thebondsaremeasuredatfairvaluethroughprofit or loss.

j) Quotedinvestments

Quoted investments are classified as non-current assets and comprise marketable securities tradedfreelyattheNairobiSecuritiesExchangeorotherregionalandinternationalsecurities exchanges. Quoted investments are stated at fair value.

NotesToTheFinancialStatements(Continued)

SummaryofSignificantAccountingPolicies

k) Unquotedinvestments

Unquotedinvestmentsstatedatcostundernon-currentassets,andcompriseequitysharesheld 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 incurredinbringingtheinventoriestotheirpresentlocationandcondition.Costiscalculated usingtheweightedaveragecostmethod.Netrealizablevaluerepresentstheestimatedselling pricelessallestimatedcostsofcompletionandcoststobeincurredinmarketing,sellingand distribution.

m) Tradeandotherreceivables

Tradeandotherreceivablesarerecognizedatfairvalueslessallowancesforanyuncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables basedonareviewofalloutstandingamountsattheyearend.Baddebts are written off after all efforts at recovery have been exhausted.

NotesToTheFinancialStatements(Continued)

SummaryofSignificantAccountingPolicies

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

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) Deferredtax

Deferred taxis provided using theliability method on temporarydifferences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

NotesToTheFinancialStatements(Continued)

Summary of Significant Accounting Policies

Deferred Tax

Deferredtaxliabilitiesarerecognizedforalltaxabletemporarydifferences,exceptinrespectoftaxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing ofthereversal ofthetemporarydifferences can becontrolled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arerecognizedforalldeductibletemporarydifferences,thecarryforwardofunusedtaxcreditsandany unusedtaxlosses.Deferredtaxassetsarerecognizedtotheextentthatitisprobablethattaxableprofit will beavailable against which thedeductibletemporarydifferences, and thecarry forwardof unused taxcreditsandunusedtaxlossescanbeutilized,exceptinrespectofdeductible temporarydifferences associated with investments in controlled entities, associates and interests in joint ventures, deferred taxassetsarerecognizedonlytotheextentthatitisprobablethatthetemporarydifferenceswillreverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Thecarryingamountofdeferredtaxassetsisreviewedateachreportingdateandreducedtotheextent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferredtaxassettobeutilized.Unrecognizeddeferredtaxassetsarere-assessedateachreportingdate 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 aremeasured at the tax rates that areexpectedto applyintheyearwhentheassetis realized ortheliabilityissettled,based ontaxrates (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 currenttaxassetsagainstcurrentincometaxliabilitiesandthedeferredtaxesrelatetothesametaxable entity and the same taxation authority.

NotesToTheFinancialStatements(Continued)

SummaryofSignificantAccountingPolicies

p) Borrowingcosts

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 flowhedgeofinterestraterisk,theeffective portionofthederivativeis recognized inother comprehensive income and reclassified to profit or loss when the qualifying asset impacts profitorloss. Totheextent that fixed rateborrowings areused to finance a qualifyingasset andarehedgedinaneffectivefairvaluehedgeofinterestraterisk,thecapitalizedborrowing costsreflectthehedgedinterestrate.Investmentincomeearnedonthetemporaryinvestment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowingcostseligibleforcapitalization.Allotherborrowingcostsarerecognizedinprofit or loss in the period in which they are incurred.

q) Cashandcashequivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on callandhighlyliquidinvestmentswithanoriginalmaturityofthreemonthsorless,whichare readilyconvertibletoknownamountsofcashandaresubjecttoinsignificantriskofchanges in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Borrowings

Interestbearingloansandoverdraftsareinitiallyrecordedatfairvaluebeingreceived,netof issuecostsassociatedwiththeborrowing.Subsequently,thesearemeasuredatamortisedcost 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 premiumspayableofsettlementorredemptionareaccountedforonaccrualbasisandare 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) Tradeandotherpayables

Trade andotherpayables arenon-interestbearing andarecarried atamortisedcost,whichis measured at the fair value of contractual value of the consideration to be paid in future in respectofgoodsandservicessupplied,whetherbilledtotheentityornot,lessanypayments made to the suppliers.

t) Retirementbenefitobligations

ThecompanycontributestothestatutoryNational 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 specificcontributionslegislatedfromtimetotimeandiscurrentlyatKshs.200peremployee per month.

u) Provisionforstaffleavepay

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

NotesToTheFinancialStatements(Continued)

SummaryofSignificantAccountingPolicies

v) Budgetinformation

The original budget for FY 2021-2022 was approved by the Board of Directors on 30thjune 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.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statementswererecastfromtheaccrualbasistothecashbasisandreclassifiedbypresentation tobeonthesamebasisastheapprovedbudget.Acomparisonofbudgetandactualamounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparisonof budget andactual amounts. In additiontotheBasisdifference, adjustmentsto 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) Serviceconcessionarrangements

The Entity 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 Entity recognizes that asset when,andonlywhen,itcontrolsorregulatestheservicestheoperatormustprovidetogetherwith theasset,towhomitmustprovidethem,andatwhatprice.Inthecaseofassetsotherthan'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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

b) Comparativefigures

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

c) Subsequentevents

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, 2022.

5. SignificantJudgmentsandSourcesofEstimationUncertainty

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues,expenses,assetsandliabilities,andthedisclosureofcontingentliabilities,attheendof thereportingperiod.However,uncertaintyabouttheseassumptionsandestimatescouldresultin outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

NotesToTheFinancialStatements(Continues)

a) Estimatesandassumptions

Thekeyassumptionsconcerningthefutureandotherkeysourcesofestimationuncertaintyatthe reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity baseditsassumptionsandestimatesonparametersavailablewhenthefinancialstatementswere prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

Theusefullivesandresidualvaluesofassetsareassessedusingthefollowingindicatorstoinform potential future use and value from disposal:

- Theconditionoftheassetbasedontheassessmentofexpertsemployedbythe Entity
- Thenatureoftheasset,itssusceptibilityandadaptabilitytochangesintechnologyand 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 organization e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

NotesToTheFinancialStatements(Continues)

6. Revenue

Description	2021-2022	2020-2021
	Kshs	Kshs
Water Sale from customers	56,836,012	75,087,447
Revenue from Kiosks	16,636,026	-
Income from water bowser	987,700	
Total	**74,459,738**	**75,087,447**

7. GrantsfromNationalGovernment

Description	2021-2022	2020-2021
	Kshs	Kshs
Reccurrent grants received	-	-
Capital grants realized	37,182,159	-
Total	**37,182,159**	

8. Other Income

	2021-2022	2020-2021
Description	Kshs	Kshs
Connection fees	840,000.00	1,491,000.00
Total	**840,000.00**	**1,491,000.00**

NotesToTheFinancialStatements(Continued)

9. AdministrationCosts

Description	2021-2022 Kshs	2020-2021 Kshs
Rent expenses	127,500	178,500.00
Office Stationery & Printing	571,510	139,055.00
Office Tea, supplies & consumables	153,000	139,390.00
Telephone Costs.	942,807	812,565.00
Postage & Courier Costs	18,900	18,900.00
Computer expenses	270,095	139,350.00
ICT Expenses	957,765	1,203,751.00
Fines & Commissions	-	168,458.00
Auditors' Fees	150,000	232,000.00
Legal fees	1,661,940	469,600.00
Staff Training, Conferences & Seminars.	764,650	690,062.00
customer sensitization	400,000	413,800.00
Insurance costs	301,390	22,500.00
Transport Expenses – Operating	136,385	-
Provision for bad and doubtful debts	1,900	-
Branding	45,000	-
Transportation, Travelling and subsistence	-	115,000.00
Bank charges and commissions	191,142	436,024.00
Advertisement	246,384	-
Amortization	18,897,000	-
Repairs & maintenance – Buildings	157,500	240,455.00
Auctioneers' fees	150,000	-
Levies	2,190,000	9,536,493.00
Subscriptions	317,500	514,266.00
	28,652,368	**15,470,169.00**

Notes ToThe Financial Statements (Continued)

9b) Staff Costs

Description	2021-2022 Kshs	2020-2021 Kshs
Salaries and allowances of permanent employees	33,797,244.76	35,030,754.00
Wages of temporary employees	1,860,650.50	3,440,326.00
Employer's contributions to national social security schemes	*140,400.00*	*118,400.00*
Employer's contributions to pension scheme	196,249.68	-
Leave pay	304,401.00	-
Gratuity provisions	3,089,496.58	-
Staff welfare	306,000.00	408,320.00
Total	**39,694,442.52**	**38,997,800.00**
The average number of employees at the end of the year		
Contracted employees – management	4	3
Permanent employees – unionisable	17	17
Temporary and contracted employees	40	39
Total	**61**	**59**

NotesToTheFinancialStatements(Continued)

10. Operations Costs

Description	2021-2022 Kshs	2020-2021 Kshs
Electricity Power Cost	805,610.00	817,915.00
Purchase of Water Chemicals	1,385,280.00	1,038,960.00
Contracted - Security Services	-	306,918.00
Fuel/ Gases and Lubricants .	4,680,000.00	4,300,702.00
Hire of Plant, Machinery, and Equipment	67,500.00	36,000.00
Purchase of Consumer Water Fittings	1,695,263.36	45,000.00
Purchase of Bulk Water Meters / Master Meters .	-	445,113.00
Travelling &Subsistence .	4,907,703.00	4,339,326.00
Water Quality Tests .	90,000.00	-
Tyres and tubes	87,500.00	3,500.00
Minor investments	-	128,002.00
	13,718,856.36	**11,461,436.00**

11. Maintenance Costs

Description	2021-2022 Kshs	2020-2021 Kshs
Maintanance Of Plant and Equipment .	300,000.00	431,000.00
Maintenance of Water Supplies .	2,497,966.00	496,400.00
Maintenance of Motor Vehicle / Motor Cycle	1,901,306.00	1,850,910.00
	4,699,272.00	**2,778,310.00**

Notes To the Financial Statements (Continued)

12. Directors' Allowances

	2021-2022	2020-2021
Description	Kshs	Kshs
	1,934,778	203,333
	1,934,778	**203,333**

13. Depreciation charge

	2021-2022	2020-2021
Description	Kshs	Kshs
Depreciation on Motor vehicle/cycle	752,500	-
Depreciation of Plant	1,041,164	-
Total	**1,793,664**	-

14. Finance Costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest Expense On Loans	5,244,168	6,275,285
Interest Expense On Bank Overdrafts	-	-
Interest On Lease Liabilities	-	-
Total	5,244,168	6,275,285

Notes To The Financial Statements (Continued)

15. Property, Plant and Equipment

	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers &related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Cost or valuation								
AtJuly1,2021	57,184,641	14,296,160	25,502,975	17,155,392	11,436,928	21,444,241	-	147,020,337
Additions	-	-	11,105,737	6,020,000	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
AtJune30,2022	**57,184,641**	**14,296,160**	**36,608,712**	**23,175,392**	**11,436,928**	**21,444,241**	**-**	**164,146,074**
Depreciation								
AtJuly1,2021	-	-	-	-	-	-	-	-
Charge for the year	-	-	(1,041,164)	(752,500)	-	-	-	-
AtJune30,2022								
Net book value at June30,2022	**57,184,641**	**14,296,160**	**35,567548**	**22,422,892**	**11,436,928**	**21,444,241**	**-**	**162,352,410**

Property,PlantandEquipment(Continued)

2021	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
At July 1, 2020	52,895,793	14,296,160	25,502,975	17,155,392	11,436,928	21,444,241	-	147,020,337
Additions	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	(-)	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2021	**52,895,793**	**14,296,160**	**25,502,975**	**17,155,392**	**11,436,928**	**21,444,241**	**52,895,793**	**147,020,337**
DEPRECIATION								
At July 1, 2020	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2021	-	-	-	-	-	-	-	-
NET BOOK VALUE At June 30, 2021	**52,895,793**	**14,296,160**	**25,502,975**	**17,155,392**	**11,436,928**	**21,444,241**	**52,895,793**	**147,020,337**

Notes To The Financial Statements(Continued)

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15 (b)Property, Plant and Equipment at Cost

If the free hold 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	57,184,641	-	57,184,641
Buildings	14,296,160	-	14,296,160
Plant and machinery	36,608,712	(1,041,164)	35,567,548
Motor vehicles, including motorcycles	23,175,392	(752,500)	22,422,892
Computers and related equipment	11,436,928	-	11,436,928
Office equipment, furniture, and fittings	21,444,241	-	21,444,241
	164,146,074	**(1,793,664)**	**162,352,410**

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

	Cost Valuation	Normal Annual Depreciation charge
Plant And Machinery	36,608,712	36,608,712
Motor Vehicles, Including Motor Cycles	17,155,392	17,155,392
Computers And Related Equipment	11,436,928	11,436,928
Office Equipment, Furniture And Fittings	21,444,241	21,444,241
Total	**86,645,273**	**86,645,273**

Notes To The Financial Statements(Continued)

16. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Opening balance	2,260,900	1,250,838.00
Purchases	1,056,780	2,078,074.00
Total	3,317,680	3,328,912.00
Issued	(1,517,180)	(1,068,012.00)
Closed balance	**1,800,500.00**	**2,260,900.00**

17 Trade Receivables

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Trade Receivables	92,529,057.10	123,348,389
ProvisionForDoubtfulReceivables	11,968,865.12	(16,140,218)
NetTradeReceivables	80,560,191.99	107,208,171
AtJune30,TheAgeingAnalysisOfTheGrossTrade ReceivablesWasAsFollows:		
LessThan30Days	4,666,992.00	3,959,663
Between30And60Days	2,727,213.00	2,375,071
Between61And90Days	1,801,767.00	2,014,000
Between91And120Days	1,322,798.00	2,619,202
Over120 Days	82,010,287.00	112,380,453
Total	**92,529,057.00**	**123,348,389**

17(b)Reconciliation of Impairment Allowance for Trade Receivables

Description	2021-2022	2020-2021
	Kshs	Kshs
Atthebeginningoftheyear	123,348,389	115,077,991
Additionalprovisionsduringtheyear	-	8,270,398
Recoveredduringtheyear	(-)	(-)
Writtenoffduringtheyear	(30,819,332)	(-)
Attheendoftheyear	**92,529,057**	**123,348,389**

18. BankandCashBalances

Description	2021-2022	2020-2021
	Kshs	Kshs
Cash At Bank	2,153,855.00	3,056,500.00
Cash In Hand	-	-
Total	**2,153,855.00**	**3,056,500.00**

The cash at bank was held at Sidian Bank of Kenya and Kenya Commercial Bank, which are the entity's main bankers.

Detailed analysis of the cash and cash equivalents

Description		2021-2022	2020-2021
Financialinstitution	Accountnumber	Kshs	Kshs
a)CurrentAccount			
Kenya Commercial Banks	1130831272	110,351.54	429,362.44
	1130831515	59,162.00	877,327
	1130830926	389,352.10	1,204,104
	1130831361	941.00	13,366.85
	1181677688	833,797.20	-
Sidian Bank	01021020003500	231,745.00	530,842.00
	01021020003100	397,333.75	1,497.61
	01021020004859	436.00	
Mpesa Till Number	887800	130,736.41	-
Grant Total		**2,153,855**	**3,056,500**

19. Capital and Reserves

Description	2021-2022	2020-2021
	Kshs	Kshs
Authorized:		
1,000OrdinarySharesOfKshs100 ParValue Each	**100,000**	**100,000**
IssuedAndFullyPaid:		
Nolturesh ordinary shares of ksh 100 per value	**100,000**	**100,000**
Capital Reserves	**25,324,043**	**25,324,043**
Donation Reserve	**11,974,370**	**11,974,370**
Retained Earnings	(117,452,095)	**(134,196,444)**
Capital and Reserves	**(80,053,682)**	**(96,798,031)**

RetainedEarnings

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.

22. 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.

23. FairValue AdjustmentReserve

Thefairvalueadjustmentreservearisesontherevaluationofavailable-for-salefinancialassets, 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 orloss. Wherea financial asset is impaired, theportion ofthereservethatrelates to that asset is recognised in profit or loss

20.Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
a)External borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-
b)Domestic borrowings		
Balance at beginning of the year	42,705,257.88	42,651,188.00
Domestic borrowings during the year	-	-
Repayments during the year	(7,544,131.37)	(6,059,234.00)
Balance at end of the year	-	-
Balance at end of the period-domestic And external borrowings c=a+b	**35,161,126.51**	**36,591,954.00**

21. Trade and Other Payables

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables	71,856,375	72,168,825.00
Accrued Expenses	218,101,034.00	246,379,056.00
Total	**289,957,409**	**318,547,881.00**

23. RelatedPartyDisclosures

Contingent Assets and Liabilities

Contingent Assets

The company did not have any form of contingent assets during the year under review

Contingent Liabilities

NOLWASCO had the following list of pending contingent liabilities

1. Kenya Union Of Commercial Food & Allied Workers Versus NolTureshLoitoktok Water & Sanitation Co. Ltd & National Water Conservation & Pipeline Corporation (Elrc Cause No 1528 Of 2018)
2. Kenya Union Of Commercial Food & Allied Workers Versus Tanathi Water Service Board &Nolturesh Pipeline Bulk Water & Supply Co. Ltd (Elrc Cause No 298 Of 2011)
3. Mulekyo& Co. Advocates Vs Nolturesh (HccMisc.Appl No 61 & 72 Of 2019)
4. Raphael Wambua Vs Nolturesh (Elrc No 880/2019)
5. AgustineMurandi& 2 Others V Noturesh (Civil Appeal No 40 Of 2018)
6. Patrick Mui Kamunya& 56 Others Vs Nolturesh (Elrc No 1073/2019)
7. Nolturesh Vs Breson O. Rakiro& 50 Others (Elrc No.1239/2016)
8. Sapadulo Ole Mosoi Kura Vs Nolturesh (Elrc No.881 Of 2019)

24. Financial Risk Management

Theentity'sactivitiesexposeittoavarietyoffinancialrisksincludingcreditandliquidityrisks andeffectsofchangesinforeigncurrency.Thecompany'soverallriskmanagementprogramme focuses on unpredictability of changes in the business environment and seeks to minimise the potentialadverseeffectofsuchrisksonitsperformancebysettingacceptablelevelsofrisk.The companydoesnothedgeanyrisksandhasinplacepoliciestoensurethatcreditisonlyextended to customers with an established credit history.

Thecompany's financial riskmanagementobjectivesandpoliciesaredetailed below:

(i)Creditrisk

Theentityhasexposuretocreditrisk,whichistheriskthatacounterpartywillbeunabletopay amountsinfullwhendue.Creditriskarisesfromcashandcashequivalents,anddepositswith 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 thestatementoffinancialpositionarenetofallowancesfordoubtfulreceivables,estimatedby 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 exposureto credit risk without taking account ofthevalueofany collateral obtained is made up as follows:

(ii)Marketrisk

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

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

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

a) Foreigncurrencysensitivityanalysis

No effect of curreny changes on the Financial statements of the company.

b) Interestraterisk

Interestrateriskistheriskthattheentity'sfinancialconditionmaybeadverselyaffectedasaresult 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) Managementofinterestraterisk

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

ii) Fairvalueoffinancialassetsandliabilities

a) Financialinstrumentsmeasuredatfairvalue

Determinationoffairvalueandfairvalueshierarchy

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 obtainedfromindependentsources;unobservableinputsreflectthe*entity's*marketassumptions.

These two types of inputs have created the following fair value hierarchy:

i) Level1–Quotedprices(unadjusted)inactivemarketsforidenticalassetsorliabilities. This level includes listed equity securities and debt instruments on exchanges.

ii) Level 2 – Inputs other than quoted prices included within Level 1 that areobservable fortheassetorliability,eitherdirectly(thatis,asprices)orindirectly(thatis,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 *entity* considers relevant and observable market prices in its valuations where possible.

Financial instruments not measured at fair value

Disclosuresoffairvaluesoffinancialinstrumentsnotmeasuredatfairvaluehavenotbeenmade because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

Theobjectiveoftheentity'scapitalriskmanagementistosafeguardtheBoard'sabilitytocontinue as a going concern. The entity capital structure comprises of the following funds:

Description	2021-2022 Kshs	2020-2021 Kshs
Revaluation Reserve	-	-
Retained Earnings	(117,452,095)	(134,196,444)
Capital Reserve	(80,053,682)	(96,798,031)
Total Funds	-	-
Total Borrowings	35,161,126	36,591,954
Less Cash And Bank Balances	(2,153,855)	(3,056,500)
Net Debt/(Excess Cash And Cash Equivalents)	33,007,271	33,535,454
Gearing	**0%**	**0%**

25. Incorporation

TheentityisincorporatedinKenyaundertheKenyanCompaniesActandisdomiciledin Kenya.

26. EventsAfterTheReportingPeriod

Therewerenomaterial adjustingandnon-adjustingeventsafterthereportingperiod.

27. Currency

ThefinancialstatementsarepresentedinKenyaShillings (Kshs)

Appendix:ProjectsImplementedByTheEntity Projects

ProjectsimplementedbytheStateCorporation/SAGAFundedby development partners.

Projecttitle	Project Number	Donor	Period/ duration	Donor commitment	Separatedonor reporting requiredasper the donor agreement (Yes/No)	Consolidatedin these financial statements (Yes/No)
1	0001	Water Sector Trust Fund(WSTF)	4 months	Fully funded	Yes	YES
2	0002	Water Sector Trust Fund(WSTF)	4 months	Fully funded	Yes	YES
3	0003	Water Sector Trust Fund(WSTF)	4 months	Fully funded	Yes	YES

StatusofProjectscompletion

	Project	Totalproject Cost	Total expendedto date	Completion %todate	Budget	Actual	Sourcesof funds
1	Simba Water Project	7,169,573	6,811,094	100	7,000,000	7,169,573	WSTF
2	Enooretet water project	2,467,423	2,344,052	100	2,397,000	2,467,423	WSTF
3	Gabions Installation	2,294,813	1,950,590.85	100	3,000,000	2,294,813	WSTF