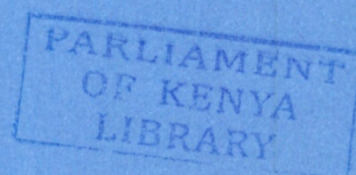


REPUBLIC OF KENYA



Enhancing Accountability

PAPERS	
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OF

THE AUDITOR-GENERAL

ON

**NOLTURESH LOITOKITOK WATER AND
SANITATION COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2023**

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For The Year ended June30,2023



*Annual Report and Financial Reporting Template for
Commercial Government Owned Entities*

**NOLTURESH LOITOKITOK WATER AND
SANITATION COMPANY LIMITED**

AMENDED ANNUAL REPORT AND FINANCIAL

STATEMENTS FOR THE FINANCIAL YEAR

ENDED

JUNE 30,2023

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

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For The Year ended June30, 2023

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NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For The Year ended June30, 2023

I. KeyEntityInformation

a) Background information

Nolturesh Loitokitok Water and Sanitation Company Limited was established by the Companies Act cap 486 and was incorporated on 3rd 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) Principal Activities

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

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For The Year ended June30, 2023

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
CATHERINE MUTANU-CECM WATER MACHAKOS COUNTY	BOARD MEMBER
DR. LEINA MPOKE – CECM WATER KAJIADO COUNTY	BOARD MEMBER
ENG. JOHN KASYOKI KIETI – CECM WATER MAKUENI COUNTY	BOARD MEMBER
GEDION. K. KETENTE – MANAGING DIRECTOR	BOARD SECRETARY.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For The Year ended June30, 2023

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

Sidian Bank.
Emali Branch,
P. O BOX 82,
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


NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For The Year ended June30, 2023

II THE BOARD OF DIRECTORS

a)Board Team

NAME	LEVEL OF QUALIFICATIONS	DATE OF BIRTH
<p>ELIJAH TIMPAINE</p>  <p>BOARD CHAIRMAIN</p>	<p>Holds a Post Graduate Dip in Port and Shipping from the University of Wales Higher Dip in Administration and Operations of Port Services UK</p>	<p>01.01.1961</p>
<p>CATHERINE MUTANU</p>  <p>MEMBER</p>		
<p>DR LEINA MPOKE</p>  <p>MEMBER</p>		
<p>ENG. JOHN KASKOKI KIETI</p>  <p>MEMBER</p>		
<p>WILAM KERINA</p> <p>MEMBER</p>	<p>Holds a degree in Bachelor Of Commerce from Kolhapur University of India</p>	<p>DOB 01.01.1966</p>

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For The Year ended June30, 2023



ANN MUTHUSI MEMBER	Holds a Masters in Strategic Management, Bachelor of Commerce(Marketing Option) Diploma in Business Management	DOB 01.01.1968
AUGUSTINE 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. 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. Dr Leina Mpoke- Member
Audit Committee	1. Jilam Kerina- Chairperson 2. Augustine Suka- Member 3. Catherine Mutanu- Member 4. Eng John K. Kieti- Member
Technical Committee	1. Augustine Suka- Chairperson 2. Catherine Mutanu- Member 3. Jilam Kerina- Member 4. Ann Muthusi- Member 5. Roimen Koyiet- Member

III. MANAGEMENT TEAM

The Company's senior management team is as follows:

1.	<p>GEDION KETENTE</p> 	<p>Msc. Dryland Agriculture and Enterprise Development.</p> <p>BSc Agricultural Land Use and Management.</p> <p>Cert in Procurement Processes and Public Finance Management Programme</p>	<p>MANAGING DIRECTOR</p>
2.	<p>JOSEPH MAPENA</p> 	<p>B.com Accounting Option.</p> <p>CPA (K) - KASNEB</p> <p>Computerised Accountancy.</p>	<p>FINANCE AND ADMINISTRATIO N MANAGER</p>
3.	<p>GABRIEL WAFULA</p>		<p>Ag. TECHNICAL SERVICES MANAGER</p>

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For The Year ended June30, 2023

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 2023 and restatement of annual reports and financial statements for the year ended 30th June 2022. 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.

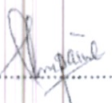
We know success depends on our ability to shape the future by anticipating and responding to change. Looking forward, the board will continue to support investment in new projects to ensure the continued growth of the company and progress towards achieving the company’s main objective, that of delivering 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, Machakos and 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 Kirisia Timpaine

Signed.....

Chairman, Board of Directors

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For The Year ended June30, 2023**

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 2023.

Financial Highlights & Overview

We are pleased to present the annual report and financial statements of the Company for the financial year ended 30th June 2023. 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

Sign.....

MANAGING DIRECTOR

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For The Year ended June30, 2023

VI. Corporate Governance Statement

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

In the recent 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 of counties Kajiado, Makueni and Machakos 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

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For The Year ended June30, 2023

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 six (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.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For The Year ended June30, 2023

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 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 Makeni, Kajiado and Machakos.

ii) Results

The results of the entity for the year ended June 30, 2023 are set out on page 1 and subsequent pages. Below is summary of the profit or loss made during the year.

	2022/2023	2021-2022
KshsKshs		
Profit/ (Loss) for the year	(6,238,665)	16,744,349

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, 2023, 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

Sign 

25/02/2024

Managing Director/Secretary to the Board

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For The Year ended June30, 2023

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.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For The Year ended June30, 2023

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, 2023, 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 financial statements were approved by the Board on 27 / Feb 2023 and signed on its behalf by:

Signed.....

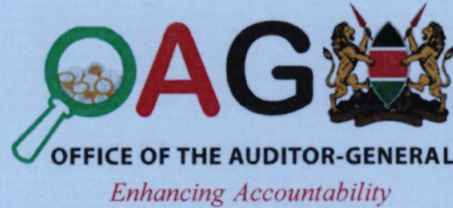
Name Elijah Kirisia Timpaine
Chairperson of the Board

Sign.....

Name Gedion Ketente
Managing Director

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

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 that the 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, 2023, and statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the

Report of the Auditor-General on Nolturesh Loitokitok Water and Sanitation Company Limited for the year ended 30 June, 2023

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 Sewerage Company Limited as at 30 June, 2023, 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 Public Finance Management Act, 2012, the County Governments Act, 2012, the Companies Act, 2015 and the Water Act, 2016.

Basis for Qualified Opinion

1. Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities of Kshs.301,463,389 against current assets of Kshs.89,549,105 resulting to a negative working capital of Kshs.211,914,284. Further, the Company recorded a loss of Kshs.6,238,665 which deteriorated the accumulated losses further to Kshs.123,690,760 from Kshs.117,452,095 in the previous year. This poor performance creates material uncertainty on the Company's ability to continue as a going concern. The company is therefore, not in a position to meet its obligations as they fall due. Management has not disclosed this matter in the financial statements nor indicated steps planned to reverse this trend.

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

2. Unconfirmed Property, Plant and Equipment Balance

The statement of financial position reflects a balance of Kshs.152,300,744 in respect of property, plant and equipment which, as disclosed in Note 17 to the financial statements, is the net book value after deduction of the depreciation charge for the year of Kshs.10,051,667. However, Management failed to revalue and subsequently depreciate office equipment, computer equipment, buildings and civil works which had been fully depreciated but which the Company continued to derive economic benefit from their use. In addition, four (4) motor vehicles of undetermined value had been grounded and remained unserviceable. Further, Management maintained an incomplete asset register which omitted crucial details such as cost of assets, date of purchase and the depreciation charge. Additionally, the acquisition cost of an ERP software at Kshs.3,985,760 in 2019 had not been capitalized in the financial statements as at 30 June, 2023.

In the circumstances, the accuracy and fair statement of property, plant and equipment balance and depreciation charge of Kshs.152,300,744 and Kshs.10,051,667, respectively could not be confirmed.

3. Unconfirmed Inventories Balance

The statement of financial position and, as disclosed in Note 18 to the financial statements, reflects an inventories balance of Kshs.2,765,855. However, the stock sheets, in support of the physical stock counts as at 30 June, 2023 and the inventory balance reported, were not provided for review.

In the circumstances, the accuracy and fair statement of the inventory balance of Kshs.2,765,855 could not be confirmed.

4. Anomalies in the Trade and Other Receivables Balance

The statement of financial position reflects a balance of Kshs.85,721,098 in respect of trade and other receivables which, as disclosed in Note 19 to the financial statements, is the balance after netting off provision for doubtful receivables from the gross balance of Kshs.98,257,267 out of which a balance of Kshs.86,564,358 had been outstanding for over 120 days. Demand notices for the debts were not provided for review. Further, no payment was received from the prior year's balance of Kshs.80,560,192 which increased by Kshs.5,160,906 despite the insignificant growth in sales.

In the circumstances, the accuracy and the recoverability of trade and other receivables balance of Kshs.85,721,098 could not be confirmed.

5. Inaccuracies in the Cash and Bank Balance

The statement of financial position reflects a balance of Kshs.1,062,152 in respect of bank and cash which, as disclosed in Note 20 to the financial statements, is made up of balances held in several bank accounts in two local banks. However, one of the Sidian bank accounts reflected a balance of Kshs.136 in the Note to the financial statements while the cash book balance reflected a negative balance of Kshs.384,134 resulting into an overstatement of the balance by an amount of Kshs.384,270.

In the circumstances, the accuracy and completeness of the cash and bank balance of Kshs.1,062,152 could not be confirmed.

6. Unconfirmed Customer Deposits Balance

The statement of financial position reflects a customer deposits balance of Kshs.2,292,697. However, the schedule in support of the customer deposits was not provided for review. Further, the related customer deposit bank account held at KCB reflected a balance of Kshs.883,073 resulting in an unexplained and unreconciled variance of Kshs.1,409,624.

In the circumstances, the accuracy and completeness of the customer deposits balance of Kshs.2,292,697 could not be confirmed.

7. Unsupported Casual Wages Expenditure

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.42,454,524 in respect of personnel costs which, as disclosed in Note 9(b) to the financial statements, includes an amount of Kshs.1,705,000 in respect of wages for

temporary employees. However, the Company engaged twelve (12) casuals for a period of more than three (3) months without offering them formal employment agreements. Further, work schedules or attendance registers were not provided for review and therefore the basis for the payment of a flat rate of Kshs.150,000 per month to the ten (10) casuals could not be established.

In the circumstances, the accuracy and regularity of wages for temporary employees expenditure of Kshs.1,705,000 could not be confirmed.

8. Unsupported Capital and Reserves Balance

The statement of financial position reflects a balance of Kshs.100,000 in respect of ordinary share capital which, as disclosed in Note 21 to the financial statements, is made up of 1,000 ordinary shares of a par value of Kshs.100 each. However, review of records revealed that the ordinary share capital should have been at Kshs.60 made up of 3 ordinary shares of a par value of Kshs.20 each. Further, capital reserves were not backed by any reserve account maintained by the company and Board minutes authorizing the creation of capital reserves from retained earnings were not provided for review.

In addition, donation reserves balance of Kshs.11,974,370 was not supported by any evidence of donations in kind that were capital in nature and no amortization over their useful lives was done on the assets.

In the circumstances, the accuracy of the ordinary share capital and donations reserves balances of Kshs.100,000 and Kshs.11,974,370 respectively, could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nolturesh Loitokitok Water and Sewerage 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.91,260,000 and Kshs.76,291,039 respectively, resulting to an under performance of Kshs.14,968,961 or 16% of the budget. Similarly, the Company budgeted to spend Kshs.97,162,000 during the financial year under review. However, the actual expenditure amounted to Kshs.77,655,168, resulting into an under absorption of Kshs.19,506,832 or 20% of the budgeted expenditure.

The under-performance and under absorption of funds may have affected the planned activities and programmes thus impacting negatively on service delivery to the residents of Kajjado, Makueni and Machakos Counties.

My opinion is not modified in respect of this matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year's Audit Issues

In the previous year's audit report, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which remained unresolved as at 30 June, 2023.

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. Non-Compliance with the Financial Reporting Template

The statement of profit or loss and other comprehensive income reflects income tax refundable of Kshs.1,871,599 which, however, was not supported with a corresponding disclosure note. In addition, the financial statements do not include an appendix on the implementation status of the Auditor-General's recommendations.

In the circumstances, the financial statements were not prepared in compliance with the financial reporting template issued by the Public Sector Accounting Standards Board (PSASB).

2. Lack of an Approved Water Tariff

The statement of profit or loss and other comprehensive income reflects revenue amounting to Kshs.75,451,039 relating to revenue from sale of water. However, the amount was unsupported by a gazetted water tariff approved by the Water Services Regulatory Board (WASREB). The Company used the Extraordinary Tariff Adjustment which was undated and ungazetted.

Further, review of records provided for audit revealed that unmetered water sales amounted to Kshs.35,999,578. A flat rate of Kshs.5,010 per customer per month was applied. However, the basis of the flat rate could not be ascertained since the fixed charge was not in the approved tariff by WASREB. In addition, on 11 April, 2023, the Company's

Board passed a resolution to increase the unapproved flat rate from Kshs.5,010 to Kshs.11,650 without seeking approval from the WASREB.

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

3. Unremitted Statutory Deductions

The statement of financial position and, as disclosed in Note 25 to the financial statements, reflects trade and other payables balance of Kshs.301,463,389. However, review of the schedules provided revealed there was no ageing analysis of the payables outstanding. Further, included in this balance were amounts of Kshs.29,629,050, Kshs.331,200, Kshs.1,441,200 and Kshs.17,199,963 relating to unremitted salary deductions due to Kenya Revenue Authority (KRA), National Social Security Fund (NSSF), National Hospital Insurance Fund (NHIF) and National Water Pension Scheme, respectively. In addition, analysis of statutory deductions and bank payment details provided for verification revealed that salary deductions in respect of KRA, NHIF and NSSF of Kshs.1,501,006, Kshs.291,400 and Kshs.120,200 respectively, were not remitted on time contrary to Section 19(4) of the Employment Act, 2007 which states that, "an employer who deducts an amount from an employee's remuneration in accordance with Subsection (1)(a), (f), (g) and (h) shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement court order or arbitration as the case may be". The unpaid statutory deductions may attract interest, penalties and legal actions.

In the circumstances, Management was in breach of the law and are likely to incur nugatory expenditure in respect of fines and penalties.

4. Excessive Non-Revenue Water (NRW)

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.75,451,039 in respect to revenue from sale of water. Management reported a total production of water of 3,060,000M³ and a total billing of 969,113M³ thus incurring a loss of produced water of about 2,090,887M³ equivalent to 68% of the total water produced or 43% above the allowable loss of 25%. In the month of December alone, the Non-Revenue Water amounted to 78% of the total water produced. 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 WASREB policies.

5. Prolonged Payment of Special Duty Allowance

Review of the payroll documents revealed that during the year under review, two (2) officers were in acting capacities as procurement and human resource officers, respectively. However, the appointment dates for the two were 05 April, 2022 and 25 March, 2022, respectively resulting to them in acting for more than six (6) months and yet earning a special duty allowance of 15% of their basic salary. This is contrary to Section C.15(4) of the Public Service Commission's Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that, special duty allowance will not be payable to an Officer for more than six (6) months.

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

6. Irregularities in Procurement and Award of Contracts

6.1. Framework Agreements

Review of procurement records revealed that the Company entered into a framework agreement with one supplier for the supply of fuel and therefore did not comply with the requirement for a minimum of seven (7) alternative suppliers or contractors provided for under Regulation 102(1)(b) of the Public Procurement and Asset Disposal Regulations, 2020 which states that, subject to Section 114 of the Act, a procuring entity may enter into a framework agreement through open tender using an invitation to tender which shall specify the number of suppliers or contractors but which shall not be less than seven alternative vendors.

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

6.2. Procurement of Water Fittings

Review of expenditure documents revealed that the Company tendered for the supply of water fittings through a request for quotation at a price of Kshs.94,500 but however failed to provide the professional opinion from the head of procurement against the provisions of Section 84(1) of the that states, the head of procurement function of a procuring entity shall, alongside the report to the evaluation committee as secretariat comments, review the tender evaluation report and provide a signed professional opinion to the Accounting Officer on the procurement or asset disposal proceedings.

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

6.3. Inoperative Enterprise Resource Planning (ERP) Software

Review of procurement records revealed that the Company acquired an ERP software via a tender sum of Kshs.3,985,760 on 19 July, 2019 which was to incorporate the general ledger, accounts payables/receivables, import cost allocations, inventory orders, order entry, financial reports cash book and bank reconciliation and procurement modules. However, as at the time of audit, in January, 2024, the software was not being used to maintain cash books, general ledgers or produce financial reports. The procurement module was also not in use.

In the circumstances, the value for money from the acquisition of the ERP software at a cost of Kshs.3,985,760 could not be ascertained.

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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 Kenyan Companies Act, 2015, I report based on the 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 my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The financial statements agree with the books of account.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and 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 going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

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

The Board of Directors is responsible for overseeing the 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 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 Company's 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 or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 April, 2024

Report of the Auditor-General on Nolturesh Loitokitok Water and Sanitation Company Limited for the year ended 30 June, 2023

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30, 2023

XI. Statement of Profit or Loss and Other Comprehensive Income For The Year Ended
30th June 2023.

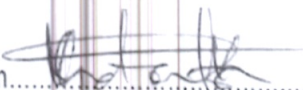
Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenues			
Revenue from water sale	6	75,451,039	74,459,738
Other income			
Grants from the national government		-	37,182,159
Other income	8	735,000	840,000
Total revenues		76,186,039	112,481,897
General and Operations costs			
Administration costs	9a	10,148,043	28,652,368
Personnel Costs	9b	42,454,524	39,694,442
Operations costs	10	7,021,841	13,718,856.36
Maintenance costs	11	2,834,026	4,699,272
Directors Allowances	12	1,475,250	1,934,778
Depreciation Charge	13	10,051,667	1,793,664
Levies	14	3,618,041.00	600,000
Subscriptions	15	538,800.00	317,500
Finance costs	16	4,282,512	5,244,168
Total operating expenses		82,424,704	96,655,048
			-
PROFIT/(LOSS) before taxation		(6,238,665.00)	15,826,849
Income tax		(1,871,599.50)	0
PROFIT/(LOSS) after taxation		(6,238,665)	16,744,349
Other Incomes		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(6,238,665)	16,744,349

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2023


XII. Statement of Financial Position As at 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Non-Current Assets			
Property, Plant And Equipment	17	152,300,744	162,352,410
Total Non-Current Assets		152,300,744	162,352,410
Current Assets			
Inventories	18	2,765,855	1,800,500
Trade And Other Receivables	19	85,721,098	80,560,192
Bank And Cash Balances	20	1,062,152	2,153,855
Total Non-Current Assets		89,549,105	84,514,547
TOTAL ASSETS		241,849,849	246,866,957
Equity And Liabilities			
Capital And Reserves	21		
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		-123,690,760	-117,452,095
Revaluation Reserve			
Capital And Reserves		-86,292,347	-80,053,682
Non-Current Liabilities			
Borrowings	21	26,678,721	35,161,126
Total Non-Current Liabilities		26,678,721	35,161,126
Current Liabilities			
Trade and other payables	23	299,170,778	289,957,409
Other current liabilities- customer deposits		2,292,697	1,802,104
Total Current Liabilities		301,463,389	291,759,513
TOTAL EQUITY AND LIABILITIES		241,849,849	246,866,957

The financial statements were approved by the Board on 27/Feb 2023 and signed on its behalf by:

Sign.....

Name: Gideon Ketente
 Managing Director

Signed.....

Name: Joseph Mapena
 ICPAK NO: 30127
 Head of Finance

Signed.....

Name: Elijah Timpaine
 Chairman of the Board

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2023

XIII. Statement Of Changes in Equity For The Year Ended 30 June 2023

	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)
As at July 1, 2022		100,000	25,324,043	11,974,370	(117,452,095)	(80,053,682)
Profit for the year					(6,238,665)	(6,238,665)
Movement during year		-	-	-	-	-
As at June 30, 2023		100,000	25,324,043	11,974,370	(123,690,760)	(86,292,347)

Note

The retained earnings are the prior years cumulated losses

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2023

XIV. Statement Of Cash Flows for The Year Ended 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Cash generated from/(used in) operations		(6,238,665.00)	16,744,349
Depreciation		10,051,667.00	
Interest paid		4,282,512.00	-5,244,168
Net cash generated from/(used in) operating Activities		8,095,514.00	11,500,181
Cash flows from investing activities			
Purchase of property, plant and equipment		-	-6,020,000
Increase/(decrease) in receivables		(5,160,906.00)	26,647,979
(Increase)(decrease in payables		9,213,369.00	-29,858,961
Increase/decrease in inventories		(965,355.00)	460,400
Increase/decrease in current liabilities		490,593.00	598,000
Increase/decrease in provisions		-	-4,171,352
Increase/(decrease) in trade and other payables			4,423,087
Increase/(decrease) in capital and Reserves			
Net cash generated from/(used in) investing Activities		3,577,701.00	-7,920,847
Cash flows from financing activities			
Proceeds from borrowings			-
Repayment of borrowings		(8,482,405.99)	-7,544,131
Interest paid		(4,282,512.00)	
Net cash generated from/(used in) financing		(12,764,918.00)	-7,544,131
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,091,703.00)	-902,645
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2,153,855.00	3,056,500
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1,062,152.00	2,153,855

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2023

XV. Statement Of Comparison Of Budget And Actual Amounts For The Period Ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue from water sale	90,000,000	-	90,000,000	75,451,039	14,548,961	0.16
Transfers from the government	-		-	-	-	-
Other income	1,762,000		1,260,000	840,000	420,000	0.33
Total income	91,762,000	-	91,260,000	76,291,039	14,968,961	0.49
Expenses						
Personnel Emoluments	36,037,471	2,000,000	38,037,471	38,070,775	(33,304)	0.00
Board Expenses	2,217,600	-	2,217,600	1,475,250	742,350	0.33
Administrative costs	9,967,838	-	9,967,838	8,644,633	1,323,205	0.13
Operating expenses	21,117,000		21,117,000	10,418,561	10,698,439	0.51
Maintenance Costs	3,400,000		3,400,000	2,834,026	565,974	0.17
Finance cost	6,400,000	-	6,400,000	4,282,512	2,117,488	0.33
Levies	2,626,993	-	2,626,993	1,354,510	1,272,483	0.48
Subscription & professional membership	375,000	-	375,000	538,800	(163,800)	-0.44
Pending Bills	13,020,098		13,020,098	10,036,100	2,983,998	0.23
Total expenditure	95,162,000	2,000,000	97,162,000	77,655,168	19,506,832	1.75
Surplus for the period	(3,400,000)	(2,000,000)	(5,902,000)	(1,364,129)	(4,537,871)	-1.25

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2023

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) 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.
- (iii) Personnel costs- The increase in such costs is attributable to increase in staff gratuities during the year
- (iv) Board Expenses- the expenditure is within the budget line
- (v) Administrative costs- the expenditure was within the budget line
- (vi) Operations and maintenance costs- Teamwork & coordination between management & Staff saw reduction in operational cost.
- (vii) Levies- its inclusive of all the fees for the year
- (viii) Subscription and professional membership- new members joined their professional bodies during the year under review
- (ix) Bank Facility- it includes repayment of a bank loan, the expenditure is within the budget line

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2023

XVI. Notes To the Financial Statements

1. General Information

NOLWASCO is established by and derives its authority and accountability from Companies Act. The entity is wholly owned by the County Government of Kajiado, Makueni and Machakos.

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.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

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 all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

Title	Description	Effective Date
Amendment to IFRS9 titled Fees 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 fanewormmodified 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 Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned therequirementsinIAS41on 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.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

Notes To the Financial Statements (Continued)

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

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

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 (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies(issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

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 away 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
IAS12—Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits ,are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors And Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities	The amendments are effective for annual reporting period beginning

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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 away 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
	Distinguish changes in accounting policies from Changes in accounting estimates.	onorafterJanuary1,2023. Early adoption is permitted.

iii. Early adoption of standards

The entity did not early –adopt any new or amended standards in the Financial year2022-2023.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

Notes To The Financial Statements (Continued)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from Water Sale** is recognized in the year in which the Company delivers 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 Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

Notes To The Financial Statements (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against 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.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

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:

Item	Years	Rates
Freehold Land	Nil	Nil
Leasehold Land	Nil	Nil
Buildings and civil works	25 years	4%
Plant and machinery	12.5 years	8%
Motor vehicles, including motor cycles	4 Years	25%
Computers and related equipment	3 Years	33%
Office equipment, furniture and fittings	12.5 years	8%

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

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

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

Notes To The Financial Statements (Continued)

Summary of Significant Accounting Policies

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

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

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

Notes To The Financial Statements (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, 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 underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term 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, the related right-of-use asset is depreciated over the useful life of the underlying asset. 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) Fixed interest investments(bonds)

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

j) Quoted investments

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

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

Notes To The Financial Statements(Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

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

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

Notes To The Financial Statements (Continued)

Summary of Significant Accounting Policies

Deferred Tax

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

Notes To The Financial Statements (Continued)

Summary of Significant Accounting Policies

p) Borrowing costs

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at 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.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

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

u) Provision for staff leave pay

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

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

NotesToTheFinancialStatements(Continued)

SummaryofSignificantAccountingPolicies

v) Budgetinformation

The original budget for FY 2021-2022 was approved by the Board of Directors on 30th June 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 statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

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, and only when, it controls or regulates the service the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of an asset other than 'whole- of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the 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, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

Notes To The Financial Statements (Continues)

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

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)

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

Notes To The Financial Statements (Continues)

6. Revenue

Description	2022-2023	2021-2022
	Kshs	Kshs
Water Sale from customers	61,497,520	56,836,012
Revenue from Kiosks	9,767,463	16,636,026
Income from water bowser	4,186,055	987,700
Total	75,451,039	74,459,738

7. Grants from National Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Reccurent grants received	-	-
Capital grants realized	-	37,182,159
Total	-	37,182,159

8. Other Income

Description	2021-2022	2021-2022
	Kshs	Kshs
Connection fees	735,000	840,000
Total	735,000	840,000

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

Notes To The Financial Statements (Continued)

9. (a) Administration Costs

	2022-2023	2021-2022
Description	Kshs	Kshs
Rent expenses	150,000	127,500
Office Stationary & Printing	723,006	571,510
Office Tea, supplies & consumables	294,982	153,000
Telephone Costs .	981,355	942,807
Postage & Courier Costs	18,900	18,900
Computer expenses	-	270,095
ICT Expenses	808,738	957,765
Auditors' Fees	50,000	150,000
Legal fees	1,436,894	1,661,940
Staff Training, Conferences & Seminars .	963,280	764,650
customer sensitization	39,500	400,000
Insurance costs	69,500	301,390
Transport Expenses - Operating	116,740	136,385
Provision for bad and doubtful debts	567,304	1,900
Sign Board Branding	-	45,000
Bank charges and commissions	209,874	191,142
Advertisement	-	246,384
Amortization	-	18,897,000
Repairs & maintenance - Buildings	219,250	157,500
Auctioneers fees	102,000	150,000
Travelling and Subsistence	3,396,720	2,190,000
Corporate Subscriptions- WASPA	-	317,500
	10,148,043	28,652,368

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

Notes To The Financial Statements (Continued)

9b) Staff Costs

	2022-2023	2021-2022
Description	Kshs	Kshs
Salaries and allowances of permanent employees	36,625,582	33,797,245
Wages of temporary employees	1,705,000	1,860,651
Employer's contributions to national social security schemes	140,000	140,400
Employer's contributions to pension scheme	284,044	196,250
Leave pay	304,401	304,401
Gratuity provisions	3,089,497	3,089,497
Staff welfare	306,000	306,000
Total	42,454,524	39,694,443
The average number of employees at the end of the year		
Contracted employees – management	4	4
Permanent employees – unionisable	16	17
Temporary and contracted employees	39	40
Total	59	61

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

Notes ToThe Financial Statements (Continued)

10. Operations Costs

	2022-2023	2021-2022
Description	Kshs	Kshs
Electricity Power Cost	928,835	805,610
Purchase of Water Chemicals	79,344	1,385,280
Fuel/ Gases and Lubricants .	4,060,886	4,680,000
Hire of Plant, Machinery, and Equipment	149,000	67,500
Purchase of Consumer Water Fittings	1,208,326	1,695,263
Travelling & Subsistence .	-	4,907,703
Water Quality Tests .	16,250	90,000
Tyres and tubes	579,200	87,500
	7,021,841	13,718,856

11. Maintenance Costs

	2022-2023	2021-2022
Description	Kshs	Kshs
Maintanance Of Plant and Equipment .	12,080.00	300,000.00
Maintenance of Water Supplies .	1,034,900.00	2,497,966.00
Maintenance of Motor Vehicle / Motor Cycle	1,787,046.00	1,901,306.00
	2,834,026.00	4,699,272.00

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June30,2023

Notes To the Financial Statements (Continued)

12. Directors' Allowances

	2022-2023	2021-2022
Description	Kshs	Kshs
Directors' Allowances	1,475,250	1,934,778
	1,475,250	1,934,778

13. Depreciation charge

	2022-2023	2021-2022
Description	Kshs	Kshs
Depreciation on Motor vehicle/cycle	5,605,723	752,500
Depreciation of Plant	4,445,944	1,041,164
Total	10,051,667	1,793,664

14. Levies

	2022-2023	2021-2022
Description	Kshs	Kshs
Water Services Regulatory Board(WASREB)	3,018,041	1,340,000
Water Resources Authority (WRA)	600,000	850,000
Total	3,618,041	2,190,000

15. Subscriptions

	2022-2023	2021-2022
Description	Kshs	Kshs
Corporate Subscription- WASPA	538,800	317,500
Total	538,800	317,500

16. Finance Costs

	2022-2023	2021-2022
Description	Kshs	Kshs
Interest Expense On Loans	4,282,512	5,244,168
Interest Expense On Bank Overdrafts	-	-
Total	4,282,512	5,244,168

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the Year Ended 30th June 2023

Notes To The Financial Statements (Continued)

17. 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	1	0.04	0.125	0.25	0.3	0.125		
At July 1, 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	-	-	-	17,125,737
Transfers	-	-	-	-	-	-	-	0
Disposals	-	-	-	-	-	-	-	0
At June 30, 2022	57,184,641	14,296,160	36,608,712	23,175,392	11,436,928	21,444,241	-	164,146,074
Depreciation								0
At July 1, 2021	-	-	-	-	-	-	-	0
Charge for the year	-	-	-1,041,164	-752,500	-	-	-	-1,793,664
At June 30, 2022								0
Net book value at June 30, 2022	57,184,641	14,296,160	35,567,548	22,422,892	11,436,928	21,444,241	-	162,352,410
Net book value at July 1, 2022	57,184,641	14,296,160	35,567,548	22,422,892	11,436,928	21,444,241	-	162,352,410
Additions	-	-	-	-	-	-	-	0
Transfers	-	-	-	-	-	-	-	0
Disposals	-	-	-	-	-	-	-	0
At June 30, 2023	57,184,641	14,296,160	35,567,548	22,422,892	11,436,928	21,444,241	0	162,352,410
Depreciation								0
At July 1, 2022	-	-	-	-	-	-	-	0
Charge for the year	-	-	-4,445,944	-5,605,723			-	-10,051,667
At June 30, 2023	57,184,641	14,296,160	31,121,605	16,817,169	11,436,928	21,444,241	0	152,300,744

Property, Plant and Equipment (Continued)

2022	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, 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	-	-	-	-	-	-	-	-
At June 30, 2022	57,184,641	14,296,160	36,608,712	23,175,392	11,436,928	21,444,241	-	164,146,074
Depreciation								
At July 1, 2021	-	-	-	-	-	-	-	-
Charge for the year	-	-	(1,041,164)	(752,500)	-	-	-	-
At June 30, 2022								
Net book value at June 30, 2022	57,184,641	14,296,160	35,567,548	22,422,892	11,436,928	21,444,241	-	162,352,410

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Notes To The Financial Statements (Continued)

17 (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	35,567,548	(4,445,944)	31,121,605
Motor vehicles, including motorcycles	22,422,892	(5,605,723)	16,817,169
Computers and related equipment	11,436,928	-	11,436,928
Office equipment, furniture, and fittings	21,444,241	-	21,444,241
	162,352,410	(10,051,667)	152,300,744

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

	Cost Valuation	Normal Annual Depreciation charge
Buildings	14,296,160	14,296,160
Computers And Related Equipment	11,436,928	11,436,928
Office Equipment, Furniture And Fittings	21,444,241	21,444,241
Total	47,177,329	47,177,329

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Notes To The Financial Statements(Continued)

18. Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs
Opening balance	1,800,500	2,260,900
Purchases	2,867,025	1,056,780
Total	4,667,525	3,317,680
Issued	(1,901,670)	(1,517,180)
Closed balance	2,765,855.00	1,800,500.00

19. Trade Receivables

Description	2022-2023	2021-2022
	Kshs	Kshs
Gross Trade Receivables	98,257,267.10	92,529,057.10
Provisions For Doubtful Receivables	(12,536,169.47)	(11,968,865.12)
Net Trade Receivables	85,721,097.64	80,560,191.99
At June 30,The Ageing Analysis Of The Gross Trade Receivables Was As Follows:		
LessThan30Days	4,920,706.00	4,666,992.00
Between 30 And 60 Days	2,879,941.00	2,727,213.00
Between 61 And 90 Days	2,387,076.50	1,801,767.00
Between 91 And 120 Days	1,505,185.50	1,322,798.00
Over120 Days	86,564,358.10	82,010,287.00
Total	98,257,267.10	92,529,057.00

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19(b). Reconciliation of Impairment Allowance for Trade Receivables

Description	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	92,529,057	123,348,389
Additional provisions during the year	5,728,210	-
Recovered during the year	(-)	(-)
Written off during the year	(-)	(30,819,332)
At the end of the year	98,257,267	92,529,057

20 Bank and Cash Balances

Description	2022-2023	2021-2022
	Kshs	Kshs
Cash At Bank	1,062,152	2,153,855
Cash In Hand	-	-
Total	1,062,152	2,153,855

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		2022-2023	2021-2022
Financial institution	Account number	Kshs	Kshs
a) Current Account			
Kenya Commercial Banks	1130831272	-	110,351.54
	1130831515	-	59,162.00
	1130830926	883,072.77	389,352.10
	1130831361	-	941.00
	1181677688	(4,240)	833,797.20
Sidian Bank	01021020003500	135.75	231,745.00
	01021020003100	112,590.36	397,333.75
	01021020004859	86	436.00
Mpesa Till Number	887800	70,593	130,736.41
Grant Total		1,062,152	2,153,855

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21. Capital and Reserves

Description	2022-2023	2021-2022
	Kshs	Kshs
Authorized:		
1,000 Ordinary Shares Of Kshs 100 Par Value Each	100,000	100,000
Issued And Fully Paid:		
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	(123,690,760)	(117,452,095)
Capital and Reserves	(86,292,347)	(80,053,682)

Retained Earnings

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

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. Fair Value Adjustment Reserve

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

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24. Borrowings

Description	2022-2023	2021-2022
	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	35,161,126.51	42,705,257.88
Domestic borrowings during the year		-
Repayments during the year	(8,482,405.99)	(7,544,131.37)
Balance at end of the year		-
Balance at end of the period-domestic And external borrowings c=a+b	26,678,720.52	35,161,126.51

25. Trade and Other Payables

Description	2022-2023	2021-2022
	Kshs	Kshs
Trade Payables	71,856,375	71,856,375
Accrued Expenses	229,607,014	218,101,034
Total	301,463,389	289,957,409

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26. Related Party Disclosures

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. Mulekyo & Co. Advocates Vs Nolturesh (HccMisc.Appl No 61 & 72 Of 2019)
2. Raphael Wambua Vs Nolturesh (Elrc No 880/2019)
3. Augustine Murandi & 2 Others V Noturesh (Civil Appeal No 40 Of 2018)
4. Patrick Mui Kamunya & 56 Others Vs Nolturesh (Elrc No 1073/2019)
5. Nolturesh Vs Breson O. Rakiro& 50 Others (Elrc No.1239/2016)
6. Sapadulo Ole Mosoi Kura Vs Nolturesh (Elrc No.881 Of 2019)

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27. Financial Risk Management

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

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

(i) Credit risk

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

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

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

(ii) Market risk

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

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Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

a) Foreign currency sensitivity analysis

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

b) Interest rate risk

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

i) Management of interest rate risk

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

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ii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions.

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

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

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Financial instruments not measured at fair value

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

iv) Capital Risk Management

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

Description	2022-2023	2021-2022
	Kshs	Kshs
Revaluation Reserve	-	-
Retained Earnings	-123,690,760.00	-117,452,095.00
Capital Reserve	-86,292,347.00	-80,053,682.00
Total Funds	-	-
Total Borrowings	26,678,720.52	35,161,126.00
Less: Cash And Bank Balances	-1,062,065.88	-2,153,855.00
Net Debt/(Excess Cash And Cash Equivalents)	25,616,654.64	33,007,271.00
Gearing	-	-

28. Incorporation

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

29. Events After The Reporting Period

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

30. Currency

The financial statements are presented in Kenya Shillings (Kshs)

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Appendix: Projects Implemented By The Entity Projects

There were No projects Implemented in the Financial 2022-2023