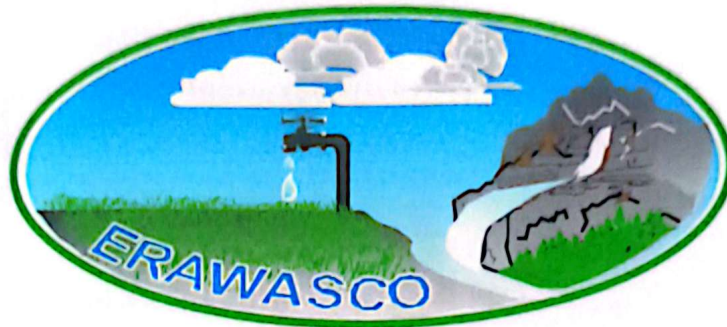




ELDAMA RAVINE WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2021

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

Eldama Ravine Water and Sewerage Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2021

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I. KEY ENTITY INFORMATION

Background information

Eldama Ravine Water and Sewerage Company Limited was established in Kenya as a Public limited Company under the provisions of the Company's Act Cap 486 on 15th December 2005 and started its operations on 15th January 2007. It took over the Management of Water Supply as a Service Provider within the mandated Jurisdiction of Eldama Ravine Sub-County and its environs after signing a Service Provision Agreement (SPA) with the then Rift Valley Water Works Development Agency (Licensee) on 15th January 2007.

It gets its water supply from two main water sources i.e. **Narasura River** and **Chemususu Dam Water Supply**. The Company's main shareholder is Baringo County Government. The Company is managed independently through a **Board of Directors** representing various Stakeholders.

Principal Activities

The principal activity of the Company consists of provision of water services within the Legal jurisdiction of Eldama Ravine Town and its Environs.

Vision.

To be a model of excellence in Water Provision.

Mission.

To optimally provide adequate, safe and reliable water and sewerage services to our customers at a commercially sustainable level.

Core objectives.

Provision of water within the Jurisdiction of Eldama Ravine Town and its environs.

Directors

The Company Board of director's tenure elapsed on 30th September 2013. However the Company is working closely with Baringo County Government together with the Central Rift Valley Water Works Development Agency (CRVWWDA) in ensuring that Board of Directors for the Company is concluded. Under the expanded mandate of enhancing service delivery on water supply, Baringo County Government have formed CHEMUSUSU Water Company which is intended to take over the operation from ERAWASCO. The County have also recruited the Board of directors for Chemususu water Company to ensure transition and smooth operation as required.

Corporate Secretary

Mr.Samwel k. Koech
P.O Box 826,
Eldama-Ravine.

+254722-579-237

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Registered Office

Kenya Commercial Bank Building, 1st floor, Market road,
P.O. Box 826 – 20103,
ELDAMA RAVINE.
Corporate Headquarters

P.O Box 826,
Kamelilo Along E/Ravine Nakuru highway
Eldama-Ravine-KENYA

Corporate Contacts

Telephone: 2540794 257 299
E-mail: erawasco2007@yahoo.co.uk

Corporate Bankers

Kenya Commercial Bank,
Eldama Ravine Branch,
Market Road,
P.O. Box 415 – 20103,
ELDAMA RAVINE.

Bank Account Numbers:

- (i) 1105641945
- (ii) 1161792953
- (iii) 1111359407
- (iv) 1118994051

Independent Auditors

Auditor General,
Office of the Auditor General,
Anniversary Towers, University Way
P.O. Box 30084,
GPO 00100
NAIROBI, KENYA.

Principal Legal Advisers

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

II. BOARD OF DIRECTORS

S/NO.	NAME	POSITION	QUALIFICATIONS	RESPONSIBILITY
01.	SAMUEL KIPLIMO KOECH 	Managing Director	-Higher National Diploma in Water Engineering. -Served as Sub-County Water officer-Baringo County Government	Ag.Managing Director and in charge of Technical Services.

III. MANAGEMENT TEAM

S/NO.	NAME	POSITION	QUALIFICATIONS	RESPONSIBILITY
01.	SAMUEL KIPLIMO KOECH 	Managing Director	-Higher National Diploma in Water Engineering. -Served as Sub-County Water officer-Baringo County Government	Ag.Managing Director and in charge of Technical Services.

IV. REPORT OF THE CHIEF EXECUTIVE OFFICER.

Introduction

It is my pleasure to release these financial statements relating to the operations of Eldama Ravine Water and Sewerage Company Limited for the financial year 2020/2021. These financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), Public Audit Act, 2015, and Water Act 2016 and within the requirements stated in the Company's Act Cap 486 Laws of Kenya.

Overview

During the year under review, the Company reached out the areas requiring Water Services. Although there is low performance and low revenue base the company strives to enhance its service delivery levels through completion of Chemususu Dam and distribution network.

Sewerage

Currently sewerage services are being provided by Baringo County Government.

Maintenance

The main works carried out composed repair and replacement of pipes and pipe fittings, inspection of water works and machineries, testing and maintenance of fire fighting equipments and cleaning of sedimentation tanks at Chemususu Treatment Works. This would improve on the quality of water supplied.

Water Sector Reforms

Under the water Act 2016, the following institutional framework has been created for the water services sector. The Company falls under the legal jurisdiction of Central Rift Valley Water Works Development Agency (CRVWDA). Various Water Sector Reforms includes:

- (i) Water Resources Authority
- (ii) Water Services Regulatory Board
- (iii) Water Works Development Agencies
- (iv) Water Sector Trust Fund
- (v) Water tribunal
- (vi) The county governments- who owns and establishes all the water service providers

Training, Capacity Building and Human Resources Development

The Company values and appreciates the enormous contribution and commitment of personnel towards improved performance. In this regard, the company is focusing in developing its human capital and enhancing the skills and abilities for the personnel development as well as towards meeting the company's business challenges. The training process will always be customized to suit the specific needs of the company, its customers, stakeholders and all-round development of personnel.

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Performance Management

In response to the emerging challenges, the company is putting up measures to taking up several steps to improve and sustain its role leadership in the water sector. In addition, strategic business planning and periodic business review will be invigorated and strengthened.

The company is in the process of establishing a performance management system where the Board of Directors and the Corporate Management Team (C.M.T) are going to be appraised of their performance. Through this system all the company staff will be appraised as well.

As at now, the company does not have the Human Resource, as well as the commercial manager. The Managing Director is being assisted by section heads and zonal supervisors on day to day basis to run company business.

From the performance appraisals, skill gaps established, will be filled through training and capacity building.

Public Relations

Public relations remained good during the year. The Management and the Shareholders upped their efforts leading to improvement in productivity, cost reduction, quality services and employee performance.

International Standards Organization (ISO)

The company is in the process of aligning its systems with the best practices and is presently in process of acquiring the ISO quality management systems certification. A team will be established to spearhead the process.

Health and Safety

The company is in the process of establishing an Occupational Health and Safety committee in line with the requirements of the factories and other places of Work Act.

Corporate Social Responsibility

The company is in the process of forming a committee which will foster strong relationship with the community. This will be achieved after implementing a well-defined corporate social responsibility frame work.

Corporate Governance Issues

The company is in the process of implementing the Corporate Governance guidelines as set out by the Water Services Regulatory Board. This is aimed at achieving transparency, accountability efficiency and effectiveness in service delivery.

Internal Control Systems and their Adequacy

I wish to confirm that the Company has proper and adequate systems of internal controls geared towards achieving efficiency in its various business operations, safeguarding of assets, optimum utilization of resources, and compliance with the law and statutory regulations.

Disclosures

During the year under review, besides the transactions reported in the notes to the Accounts, there were no transactions with the Directors and Management that had Conflict with the company's interest.

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Conclusion

I am glad to record my profound gratitude to the Management and the entire staff, for the commitment, hard work and dedication with which the affairs of the company were conducted in the year under review

Finally, I wish to extend my sincere thanks to the entire fraternity of all class of stakeholders and the Office of the Auditor General (OAG) in particular for their input and all the consumers for their continued support, advice and guidance.

I have every confidence that this spirit will be sustained in the years ahead and for ERAWASCO the future is bright and we hope to satisfy the stakeholders.

Thank you.

Mr. Samwel K. Koech
Name

Sign

23 JUN 2022

Date

Ag. Managing Director/Technical Manager
Eldama Ravine Water and Sewerage Company Limited

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Progress Made to-date

- Treatment works at Chemususu is undergoing rehabilitation and a new one is under construction.
- The company applied for the tariff adjustment, which was approved by CRVWWDA in January 2009 and implemented immediately and was due for review in 2010. The tariff was however not reviewed, in 2013 an application for new tariff was forwarded, but due to the rigorous processes the term of the then Board of directors lapsed before completion. To date the company still uses the old extra ordinary tariff adjustment.

Water Demand in Eldama Ravine

Eldama Ravine town is home to a large market for permanent and passing population. Some large institutions e.g. Baringo school with a student population of 1000 as at 2018, Eldama Ravine Referral Hospital, are also located within the town. Commercials and other numerous colleges and schools are based within town.

Currently the water supply coverage is about 56% of population within the boundaries of Eldama Ravine. This represents a population of approximately 22,470 people

Eldama Ravine is highly commercial Town and the rate of population and industrial (light industries) growth is equally high. Soaring water demand emanates from high water-demanding commercials and residential

It is recommended that every 3 years, the technical team, marketing and sales department work together to assess the water and sanitation demands, within the constraints of the market and propose appropriate tariffs for consideration by the Management.

Table 1 summary of projected water demand for area

Consumer category	Water demand(m ³ /day)			
	Present	initial	future	ultimate
	2020	2021	2023	2024
Human	4000	7000	8000	10000
Livestock	500	700	900	1100
Institutional and commercial	800	1030	1260	1490
Sub total	5,300	8730	10160	12590
UFW/NRW (30%)	1590	2619	3048	3777
TOTAL	6890	11349	13209	16367

Increasing Water Supply to meet Demand

Treatment works at Chemususu is currently undergoing expansion. For the planning period 2020-2024, it is projected to produce further 5,000 m³ daily, bringing total daily productions to 7,500m³.

At the same period we expect to energize the try empty pipelines that have not been getting any water.

If all the above, as extensively discussed in the strategic planning meeting, are implemented the production capacity will be as shown in the table below:

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Eldama Ravine water and Sewerage Company Limited Performance targets set for the year 2019/2020 are show in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Recruit board of directors	Improved capacity in Governance IT Resource mobilization Financial management	Information has been given to shareholders to fast track the recruitment process.	Requirement obtain for the process of recruitment	Schedule to take place before the end of year.
Have expanded and well equipped office	To obtain enough space for office operations	The company has occupied the new offices	New offices and boardroom has been constructed	Offices and boardroom in place – to be furnished.
Strengthened staff skills	To improve on performance and service delivery	List of staff and key areas has been identified to be focused.	Undertake staff training needs assessment	Schedule to take place before the end of year.
Develop modern human resource capacity	Have standard appraisal mechanism in place	Planning has been put in place awaiting Board of Directors for approvals and execution.	Develop performance, appraisal tools	All requirements put in place including documentations
Improve water Capacity	To improve on revenue base and increase coverage	Chemususu dam completion, construction of more water tanks and pipeline extension	Chemususu dam completion, construction of more water tanks and pipeline extension	Chemususu dam completed pipe extension 80% completed. More tanks have been constructed.
Reduction of UFW	To minimize water loss and increase customer satisfaction	Current state at 68% of water loss is unaccounted for.	Survey reports to be done. Installation of water meters in identified key area	Survey reports has been done

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VI. CORPORATE GOVERNANCE STATEMENT

Eldama Ravine Water and Sewerage Company Limited is committed to operating under clear governance frame work and adhere to sound management practices.

We are committed to ensuring compliance with all the provisions of the water Act 2016, the Service Provision Agreement (SPA) granted by Central Rift Valley Water Works Development Agency (CRVWDA) and the Companies Act, Cap 486 as well as the corporate governance guidelines issued by WASREB vide a gazette notice on 18th June 2010.

Baringo County Government is in charge of the Company operations and has recruited the Board of Directors who will be inducted and to take office in the financial year 2022/2023. However, the CHEWASCO current board of directors are responsible for the ERAWASCO operations as they transit to CHEMUSUSU Water Company.

For and on its behalf;

Mr Oliver Cheruiyot
Chairman
CHEWASCO LTD

Mr. Samwel Koech

Ag. Managing Director/Technical Manager
Eldama Ravine Water and Sewerage Company Limited

Sign:  Date: 24/6/2022

Sign:  Date: 6/22



VII. MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the year under review, the Company reached out to the areas requiring Water Services. Although there is low performance and low revenue base the company strives to enhance its service delivery levels through completion of Chemususu Treatment plant and the distribution network which will be able to reach more consumers.

Performance

The company's performance has been disclosed in page 1 to 5 of the financial reports

Revenue items

The total Company's income for the financial year 2020/2021 was **Kshs.19,062,326.00**. The main source of income is Water Sale contributing **68%** of the total income. Out of the total income realized the Company received grant in kind from the County Government of Baringo amounting to **Kshs.4,686,859**, these relates to supply of water chemicals and payment of part PAYE arrears on behalf of the Company. Also included in the total income for the financial year is chemicals supplied by Water Sector Trust Fund worth **ksh.842,900.00**

Accounts Receivables

Accounts receivables rose by **Kshs.789,495.00** that is from **Kshs.37,046,635.00** to **Kshs.37,836,130.00** due to non-settlement of billed Water on time, non-payment of share capital to mention but a few. However, we are putting in place mechanisms to recover these debts.

Expenditure Items

The total expenditure for the year amounted to **Kshs.19,305,065.00**

Accounts Payables

Accounts payables rose by **Kshs.955,049.00** that is from **Kshs.88,725,862.00** to **Kshs.89,680,911.00**. Delay to clear these liabilities was highly contributed by the fact that we have a lot of outstanding debts from consumers and especially those we inherited from the licensee whose collectability is in doubt. However, the Company through the assistance of licensee endeavours to recover this amount and reduce the liabilities to a manageable level.

Operating deficit

The Company's operational deficit for the year ended 30th June 2021 was **Kshs. (224,712)**. This was from a deficit of **Kshs. (6,550,949)** in the year ended 30th June 2020. The management has imposed strict measures in ensuring that it increases the revenue base and collections thereof hence reduction of deficits in future.

The resultant deficit is posted to the General Reserve Account as required by the company's Act Cap 486 Laws of Kenya.

Rapid Results Initiative (R.R.I)

The level of unaccounted for water (UFW) poses considerable challenges to the efforts of the company to operate in a financially sustainable manner. The level of UFW increased from 68% in the year 2020 to 69% in the year 2021, the increase of 1% was due to the ongoing testing of the new distribution network and various attempts to transfer to the new system from the old dilapidated one. We are putting all our efforts in ensuring that we regulate the rate of unaccounted for water to a manageable level. To account for the water produced, we have gradually and consistently installed water meters to our consumers. We have also ensured that leaks and bursts are attended to on time. In addition, we have been making frequent and surprise visits to our consumers in a view of advising them on ways of conserving water. We are in the process of acquiring master/zonal meters in order to establish how much water is lost and where.

Other Challenges

In the year under review, the company faced challenges which put pressure on profitability in various segments of its operations. These were:

- (i) Rampant illegal connections due to private plumbers
- (ii) Eldama Ravine Town has not witnessed any applicable increase in industrial activities.
- (iii) The Main Shareholder (Baringo County Government) has not handed over the control of sewerage services to the company which could have boosted the company's revenue base.
- (iv) Metering Services: - The Company has not managed to meter all consumers due to lack of enough meters and fittings for installations that could serve the high demand in terms of consumers due to lack of funds.
- (v) The Company's current water distribution network (obsolete) cannot serve the bloated population within its area of Jurisdiction
- (vi) Leakages/ bursts due to aged pipeline systems.
- (vii) Old treatment plant which is prone to water quality issues
- (viii) Staff unrest due to continuous delay in payment of salaries which reduces morale
- (ix) Increase in creditors which hinder the smooth running of the operations by the organization.

Water Extension Projects.

Water distribution Network from the Chemususu Main supply financed by the National Government is ongoing.

Sewerage

Currently sewerage services are being provided by Baringo County Government.

Maintenance

The main works carried out composed of pipe fittings, inspection of water works and machineries, cleaning of sedimentation tanks at Chemususu Treatment Works. This would improve on the quality of water supplied.

Training, Capacity Building and Human Resources Development

The Company values and appreciates the enormous contribution and commitment of personnel towards improved performance. In this regard, the company is focusing in developing its human capital and enhancing the skills and abilities for the personnel development as well as towards meeting the company's business challenges. The training process will always be customized to suit the specific needs of the company, its customers, stakeholders and all-round development of personnel. However the Company has not been able to either carry out this requirement due to the financial constraints, to meet this requirement the Company will approach the Licensee to assist in building the Capacity of the employees.

Performance Management

In response to the emerging challenges, the company is putting up measures to taking up several steps to improve and sustain its role leadership in the water sector. In addition, strategic business planning and periodic business review will be invigorated and strengthened. The company is in the process of establishing a performance management system where the Board of Directors and the Corporate Management Team (C.M.T) are going to be appraised of their performance. Through this system all the company staff will be appraised as well. From the performance appraisals, skill gaps established, will be filled through training and capacity building.

Public Relations

Public relations remained good during the year. The Management and the Board of Directors upped their efforts leading to improvement in productivity, cost reduction, quality services and employee performance.

International Standards Organization (ISO)

The company is in the process of aligning its systems with the best practices and is presently in process of acquiring the quality management systems certification. A team will be established to spearhead the process.

Health and Safety

The company is in the process of establishing an Occupational Health and Safety committee in keeping line with the requirements of the factories and other places of Work Act.

Corporate Social Responsibility

The company is in the process of forming a committee which will foster strong relationship with the community. This will be achieved after implementing a well-defined corporate social responsibility frame work.

Corporate Governance Issues

The company is in the process of implementing the Corporate Governance guidelines as set out by the Water Services Regulatory Board. This is aimed at achieving transparency, accountability efficiency and effectiveness in service delivery.

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Internal Control Systems and their Adequacy

I wish to confirm that the Company has proper and adequate systems of internal controls geared towards achieving efficiency in its various business operations, safeguarding of assets, optimum utilization of resources, and compliance with the law and statutory regulations.

Company's Operations

Eldama Ravine Water and Sewerage Company operates Chemususu and Narasura Water Supplies as its main sources of water and hence revenue to cater for its operations and maintenance. The Company draws its water from Chemususu and Narasura intake and water is distributed by gravity to an estimated population of 62,006 people within the area of supply with an average production of 2700m³ per day.

The Government through the National Water and Pipeline Corporation has completed constructing a dam at Chemususu with a capacity of 11,000,000m³ and an estimated production of 35,000m³ per day at the ultimate period. However, the construction of the distribution network is ongoing and is expected to meet the demands of its consumers and also will be able to extend to the new consumers hence expectations in the increase in revenue base.

Disclosures

During the year under review, besides the transactions reported in the notes to the accounts, there were no transactions with the Directors and Management that had any conflict with the company's interest.

Conclusion

Now that the distribution network project is almost complete, the company expects to improve on pipe extension with a view to selling more water and thus increase the revenue collection. This will enable the company improve service provision. Finally I would like to thank the Baringo County Government, Central Rift Valley Water Works Development Agency(CRVWWDA), the staff and all our consumers for their support during the year.

I look forward to more support and co-operation in the coming year.

Thank you.

Mr. Samwel Koech


.....23 JUN 2022.....
Sign Date



Ag. Managing Director/Technical Manager,
Eldama Ravine Water and Sewerage Company Limited

VIII. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Sustainability strategy and profile

The company continues to be a leading WSP in the sub county despite numerous challenges, old and dilapidated infrastructure, and financial constraints.

- Environmental issues have taken lots of priority. The Company has established Laboratory system capable to monitor water quality and is in the process of procuring modern equipment. The company often gets routine surveillance monitoring from CRVWWDA. Treatment works at Chemususu is undergoing rehabilitation and a new one is under construction.
- The company applied for the tariff adjustment, which was approved by CRVWWDA in January 2009 and implemented immediately and was due for review in 2010. The tariff was however not reviewed, and in 2013 an application for new tariff was forwarded, but due to the rigorous processes the term of the then Board of directors lapsed before completion. To date the company still uses the old extra ordinary tariff adjustment.
- Eldama Ravine town is in Baringo County. ERAWASCO was appointed by CRVWWDA as Water Service Provider for Eldama Ravine town and its environs. It extends its services 3kilometers beyond Town boundaries. Currently water coverage is 56% of the population within this area. The coverage decreases with distance from the central business district. In the low-income settlements, it is a mixed scenario: some parts are partially or well covered, while others are not covered at all. To ensure the financial self- sufficiency of the company, expansion should focus on the medium income areas. By 2021 coverage is projected to be 80% of the total population. However the increase in geographical coverage is made complex by the new constitutional dispensation, especially with respect to county boundaries.
- CRVWWDA is licensed by the WASREB to be responsible for the efficient and economical provision of water Services within its jurisdiction. RVWSB in turn engaged ERAWASCO to be a Water Service Provider in Eldama Ravine town and its environs through a Service Provision Agreement (SPA)¹ as required by the water Act 2002, sections 53 and 55, and water act 2016.

Environmental performance

To attain the principle of sustainable development the Company have adopted the recommended procedure to be followed before a project is implemented. This involves approvals to ensure that the project does not pose any negative effects to the environment.

Employee welfare

The Company values and appreciates the enormous contribution and commitment of personnel towards improved performance. In this regard, the company is focusing in developing its human capital and enhancing the skills and abilities for the personnel development as well as towards meeting the company's business challenges. The training process will always be customized to suit the specific needs of the company, its customers, stakeholders and all-round development of personnel.

Water quality Control.

The company will ensure that its water quality meets national standards through internal and external tests in compliance to KEBs & WHO standards. In addition to its in-house laboratory tests, samples will be sent on a regular basis to the Kenya Bureau of Standards.

Employee Relations/Fair remunerations

The Company ensures fair remunerations and has a committee in place who will always deal with any conflict or disagreement amongst the employees.

Customer service

The Company has put in place standards of meeting the customer demands, these includes how customers complaints are handled also period to which bursts are attended from the time it is reported.

Approved Tariffs.

The Company uses the approved tariffs by the regulator (WASREB) this will ensure the customers are not exploited in any way.

Community Engagements

The company is in the process of forming a committee which will foster strong relationship with the community. This will be achieved after implementing a well-defined corporate social responsibility frame work. However the Company ensures close relationship with its customers through effective communication and conducting water clinics. Also community involvements in projects implementation to enable them own the projects.

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IX. REPORT OF THE DIRECTORS

The Board of Directors for the Company is in the process of its constitution, the process is spearheaded by the Baringo county Government. Meanwhile the County under the CECS office oversees the Company's operations and supports in all Technical matters required by the Company.

Principal activities

The principal activities of the Company are provision of water services within the legal jurisdiction of the defunct Town Council of Eldama-Ravine.

Financial Results

The results of the entity for the year ended June 30, 2021 are set out on page 1-5.

Dividends

The Company did not declare any dividends during the period under review

Board of Directors

The Company Board of Directors tenure elapsed on 30th Sept 2013, the new Board has been constituted under the new formed Company CHEMUSUSU water Company and will oversee the transition of the ERAWASCO to Chemususu which will involve an execution agreement on its assets and liabilities transfers.

Auditors

The Auditor General is responsible for the statutory audit of Eldama-Ravine Water and Sewerage Co. Ltd in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditor General has expressed his willingness to continue in office in accordance with section 159(2) of the Companies Act and section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

This statement is approved by the directors and signed on its behalf by:-

Mr. Oliver Cheruiyot

Chairman
CHEWASCO LTD

Mr. Samwel Koech

Ag. Managing Director/Technical Manager
Eldama Ravine Water and Sewerage Company Limited



X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

We are responsible for the preparation of this Annual Report and Financial Statements, in accordance with the Company's Act Cap.486 Laws of Kenya, the Public Audit Act 2015 and Public Finance Management Act, 2012 Section 14 of the State Corporations Act.

We are of the opinion that these financial statements give a true and fair view of the state of affairs of the Company as at 30th June 2021 and its deficit for the year ended. We have ensured that the Company maintains proper accounting records which disclose with reasonable accuracy, the financial position of the Company. We are also responsible for safeguarding the assets of the Company.

We accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, and in conformity with the International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporation Act, International Accounting Standards (IAS), and Company's Act and the Water Act 2016.

In the absence of the Board of directors of the Company the office of the CEC Baringo County takes responsibility of overseeing the operations of the Company, We are therefore aware of the challenges reported in the Financial Statements together with the previous observations by office of the auditor general which pertains the going concern of the Company. To arrest the highlighted issues, the County Government together with the Central Rift Valley Water Works Development Agency are working on a strategy to resolve these issues and will consolidate in its annual reports on its progress once a decision is reached.

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

Approval of the financial statements

The Company's financial statements were approved by the Board and signed on its behalf by:

Mr. Oliver Cheruiyot

Chairman
CHEWASCO LTD

Sign

Date

Mr. Samwel Koech

Sign

Date

Ag. Managing Director/Technical Manager
Eldama Ravine Water and Sewerage Company Limited

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON ELDAMA RAVINE WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for 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 Eldama Ravine Water and Sewerage Company Limited set out on pages 1 to 35, which comprise of the statement

Report of the Auditor-General on Eldama Ravine Water and Sewerage Company Limited for the year ended 30 June, 2021

of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Eldama Ravine Water and Sewerage Company Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Public Finance Management Act, 2012 and the Water Act, 2016.

Basis for Qualified Opinion

1. Presentation and Inaccuracies of Financial Statements

Review of the financial statements of the Company revealed the following anomalies:

- i) The Management discussion and analysis indicate that the deficit for the year is Kshs.224,712 instead of Kshs.242,712 as reflected in the statement of profit or loss and other comprehensive income.
- ii) The statement of changes in equity reflects adjustments for accumulated loss of Kshs.860,649 which is not supported by way of Note.
- iii) The statement of cash flows reflects cash generated from operations amount of Kshs.1,427,286 as reflected in Note 22 to the financial statements which differs with the computed figure of Kshs.1,233,863 resulting to an unexplained variance of Kshs.193,423.
- iv) The statement of comparison of budget and actual amounts reflects a performance difference of Kshs.19,062,326 being variance between total estimated income and actual amounts. However, the recomputed amount is Kshs.5,637,674 thereby resulting to unexplained variance of Kshs.13,424,652.
- v) The Company has not disclosed Court Cases Number 217 of 2018 and 263 of 2016 with claims of Kshs.16 Million and 7 Million respectively.

In the circumstances, the accuracy and fair presentation of the financial statements could not be confirmed.

2. Material Uncertainty Related to Concern

The statement of financial position as at 30 June, 2021 reflects an accumulated loss of Kshs.60,733,575 (2020: Kshs.59,732,629). Further, the current liabilities balance of Kshs.89,680,911 (2020: Kshs.88,725,862) exceeded the current assets balance of

Kshs.41,964,632 (2020: Kshs.41,961,240), resulting to negative working capital of Kshs.47,716,279, demonstrating that the Company is unable to meet its financial obligations as and when they fall due. This state of affairs is indicative of an acute financial challenge facing the Company which raises significant doubts on its ability to operate as a going concern. However, this fact was not disclosed by way of a Note to the financial statements as required by the accounting standards.

The Company is therefore technically insolvent and its continued existence as a going concern is dependent upon financial support from the County Government and creditors.

3. Unsupported Expenditure

- i. The statement of profit or loss and other comprehensive income and Note 7 to the financial statements reflects cost of sales amount of Kshs.2,229,899 which includes water treatment chemicals expenditure of Kshs.2,061,000. Management has not supported the amount with user requisitions, delivery notes, inspection and acceptance reports, counter receipt vouchers and signed contracts.
- ii. The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflects an administrative expenses amount of Kshs. 2,564,269 which includes travelling and subsistence amount of Kshs.1,027,975. The amount further includes an expenditure of Kshs.155,500 on training which was not supported with training needs assessment, invitation letters, signed attendance list and travel tickets.
- iii. The administrative expenses amount of Kshs. 2,564,269 also includes printing and stationery expenditure of Kshs.141,765. The expenditure was not supported with user requisitions, ETR receipts, cash sale receipts, counter receipt voucher, stores ledger(S3) and counter receipt and issue vouchers.
- iv. In addition, the administrative expenses amount of Kshs.2,564,269, includes insurance (motor vehicle/cycles) expenditure of Kshs.81,233. However, the valuation report for insurance and procurement records such as user requisition, advertisement or quotations, tender evaluation, letter of offer, acceptance letter and signed contract were not provided for audit verification.
- v. The statement of profit or loss and other comprehensive income and Note 13 to the financial statements reflects general operating costs amount of Kshs.2,971,304 which includes fuel, oil and lubricants expenditure of Kshs.596,024 which was not supported with cash sale receipts, electronic tax register receipts and work tickets of respective motor vehicles.

In the circumstances, the accuracy and completeness of cost sales administrative expenses and operating cost amounts of Kshs.2,229,899, Kshs.2,564,269 and Kshs.2,971,304 respectively could not be confirmed.

4. Unconfirmed Account Receivables

The statement of financial position and Note 18(b) to the financial statements reflects account receivables balance of Kshs.37,836,1305) which includes receivables which have been outstanding for over 30 days amounting to Kshs.37,105,905 . No effort seems to have been made to recover the long outstanding receivables and no provisions for bad and doubtful debts has been made in the financial statements.

In the circumstances, the recoverability of the trade receivables balance of Kshs.37,105,905 could not be confirmed.

5. Unconfirmed Customer Deposits

The statement of financial position and Note 21 to the financial statements reflects account payables balance of Kshs.89,680,911 which includes customer deposits of Kshs.1,728,000. However, the deposits were not banked in a separate customers deposits bank account and therefore the deposits could not be accounted for.

In the circumstances, the accuracy and existence of customer deposits of Kshs.1,728,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Eldama Ravine 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.

Key Audit Matters

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

Other Matter

1. Outstanding Inherited Debts

As previously reported, the statement of financial position as at 30 June, 2021 reflects granted - inherited debts (from Rift Valley Water Works Development Authority) of Kshs.13,209,459. The debts have remained outstanding since inception of the Company in 2007 and comprise of unpaid water bills and salaries of Kshs.11,592,483 and Kshs.1,616,976 respectively. However, no explanations for failure to settle the debts have been provided.

In the circumstances, regularity of the balance could not be confirmed.

2. Unresolved Prior Year Audit Matters

Various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues were not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's Statement, report of directors, report of the managing directors, the statement of corporate governance, management discussions and analysis, statement of corporate social responsibility and the statement of directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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. Losses due to Non-Revenue Water

During the financial year under review, the company produced 869,952 cubic meters of water, out of which 272,263 cubic meters of water was billed to customers. The balance of 597,689 cubic meters or 69% of the total volume of water produced represented Non Revenue Water which is above the allowable water loss of 25% as per the Water Service Regulatory Board guidelines.

The Non Revenue Water loss resulted in lost sales amounting to Kshs.26,336,442 computed at the rate of Kshs.69.10 per cubic meters. The Management has not explained measures which have been instituted to control the losses.

In the circumstances, the huge volume of non-revenue water and related losses negatively impacted on the Company's profitability and its going concern.

2. Outstanding Salary Arrears

The statement of financial position and Note 20 to the financial statements reflects account payables balance of Kshs.89,680,911 which includes salary arrears totalling to

Kshs.25,584,856 for the period between August, 2018 and June, 2021. This is contrary to Section 17(10) of the Employment Act, 2007 which stipulates that a person who willfully fails to make payment of or to tender the wages earned by or payable to an employee commits an offence.

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

3. Non-Remittance of Statutory Deductions

The statement of financial position and Note 20 to the financial statements reflects account payables balance of Kshs.89,680,911 which includes unremitted statutory deductions totalling to Kshs.20,707,682. The Management did not provide explanation for failure to remit the deductions which would attract interest and penalties and exposes the Company to risk of loss.

In the circumstances, Management was in breach of the law and also exposes the Company to risk of loss.

4. Lack of Annual Procurement Plan

The statement of profit or loss and other comprehensive income and Note 13 to the financial statements reflects general operating costs amount of Kshs.2,971,331 which includes procurement of good and services amounting to Kshs.1,389,324. However, the procurement plan was not prepared and approved contrary to Section 53(2) of the Public Procurement and Assets Disposal Act, 2015 which stipulates that an accounting officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.

In the circumstances, Management was in breach of the law and also exposes the Company to risk of loss.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my

report, 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

Lack of a Substantive Board of Directors

Review of records and operations revealed that the Company did not have a substantive Board of Directors contrary to Section 79(1) of the Water Act, 2016 which stipulates that a water services provider shall have a board of directors and in the case of a Company, the members of its Board of Directors shall be constituted in accordance with the Companies Act, 2015 or any other written law and the Directors shall be nominated to serve on the Board in accordance with the Company's memorandum and articles of association. The Management explained that the term of the last Board of Directors expired in September, 2013 and the Company has not constituted a new Board since then.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's Financial Statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of

the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 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's to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company's to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 September, 2022

Eldama Ravine Water and Sewerage Company Limited
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XII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021.

		Kshs.	Kshs.
REVENUES	Notes		
Water Sales	6	12,998,305	10,640,100
Other Income	9	454,662	140,578
Grant in Kind-Baringo County Government	8(b)	4,686,859	842,900
Grant in Kind-Water Sector Trust Fund	8(a)	922,500	-
TOTAL REVENUES		19,062,326	11,623,578
COST OF SALES			
Goods and Services	7	2,229,899	1,336,037
Gross Surplus		16,832,427	10,287,541
OPERATING EXPENSES			
Personnel costs	11	11,389,576	11,229,420
Administrative Expenses	10	2,564,269	1,630,052
Depreciation of PPE.	16	49,289	61,309
General Operating Costs	13	2,971,304	3,814,797
Finance costs	12	100,701	102,912
TOTAL OPERATING EXPENSES		17,075,139	16,838,490
OPERATING PROFIT/(DEFICIT)		(242,712)	(6,550,949)
PROFIT/(DEFICIT) BEFORE TAXATION		(242,712)	(6,550,949)
COORPORATION TAX 30%		-	-
PROFIT/(DEFICIT) AFTER TAXATION		(242,712)	(6,550,949)

Eldama Ravine Water and Sewerage Company Limited
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XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

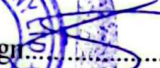
	Note	2021	2020
		Kshs	Kshs
ASSETS			
Current Assets			
Cash and cash equivalents	19	3,408,872	2,933,243
Accounts Receivables	18(b)	37,836,130	37,046,635
Inventories		651,630	1,913,362
Utility Deposits		68,000	68,000
Total Current Assets		41,964,632	41,961,240
Non-Current Assets			
Property plant and equipment	16	292,163	341,452
Total Non-Current Assets		292,163	341,452
TOTAL ASSETS		42,256,795	42,302,692
LIABILITIES			
Current Liabilities			
Accounts payables	21	89,680,911	88,725,862
Total Current Liabilities		89,680,911	88,725,862
Equity			
Share Capital	20	100,000	100,000
Grant-Inherited Debts		13,209,459	13,209,459
Accumulated Loss		(60,733,575)	(59,732,629)
Total Equity		(47,424,116)	(46,423,170)
TOTAL EQUITY AND LIABILITIES		42,256,795	42,302,692

Name: Oliver Cheruiyot

Sign.  Date 24/6/2022

Designation: Chairman CHEWASCO LTD

Name: Samwel Koech

Sign.  Date 23.6.22

Designation: Ag. Managing Director CHEWASCO LTD

Name: Joseph K. Kong'a

Sign.  Date 23/06/2022

Designation: Accountant/Finance

Eldama Ravine Water and Sewerage Company Limited
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XIV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Ordinary Share Capital	Accumulated Loss	Grant (CRVWWDA)	Total
At July 1,2019	100,000	(42,376,871)	13,209,459	(29,067,412)
Surplus/Deficit for the Year	-	(6,550,949)	-	(6,550,949)
Work in progress	-	(10,711,394)	-	(10,711,394)
At June,30 2019	100,000	(59,732,629)	13,209,459	(46,329,755)
				-
At July 1,2020	100,000	(59,630,214)	13,209,459	(46,320,755)
Surplus/Deficit for the Year	-	(242,712)	-	(242,712)
Adjustment:	-	(860,649)	-	(860,649)
At June 30,2021	-	(60,733,575)	-	(242,712)

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XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/(used in)operations	23	1,427,286	7,599,924
Net cash generated from/(used in)operating activities		1,427,286	7,599,924
INCREASE/(DECREASE)IN CASH AND CASH EQUIVALENTS	19	475,629	130,463
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,933,243	2,802,780
CASH AND CASH EQUIVALENTS AT END OF YEAR		3,408,872	2,933,243

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**AVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR
THE PERIOD ENDED 30 JUNE 2021**

	Original Budget 2020- 2021	Adjustme nts 2020- 2021	Final Budget 2020-2021	Actual on comparable basis	Performance Difference 2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
REVENUE					
Water Sale	17,800,000	-	17,800,000	12,998,305	4,801,695
Labour charges	600,000	-	600,000	262,490	337,510
Reconnection Fees	150,000	-	150,000	62,600	87,400
Other Misceleneuos Income	150,000	-	150,000	129,572	20,428
Total Income	18,700,000	-	18,700,000	13,452,967	5,247,033
GRANT/SUBSIDY					
Baringo County Government	6,000,000	-	6,000,000	5,609,359	390,641
TOTAL EXTIMATED INCOME	24,700,000		24,700,000	19,062,326	19,062,326
EXPENSES		-	-		-
Personnel Expenses	12,747,350	-	12,747,350	11,389,576	1,357,774
Operational Costs	5,880,400	-	5,880,400	3,965,318	1,915,082
Production and Maintainance costs	4,491,250	-	4,491,250	3,160,115	1,331,135
Storage & Distribution costs	981,000	-	981,000	790,029	190,971
Board of Directors Expenses	600,000	-	-	-	-
Total Expenditure	24,700,000	-	24,100,000	19,305,038	19,305,038
Surplus/(Surplus) for the period	-	-	-		(242,712)

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Eldama Ravine Water and Sewerage Company Limited was established in Kenya as a Public limited Company under the provisions of the Company's Act Cap 486 on 15th December 2005 and started its operations on 15th January 2007. It took over the Management of Water Supply as a Service Provider within the mandated Jurisdiction of Eldama Ravine Sub-County and its environs after signing a Service Provision Agreement (SPA) with the then Rift Valley Water Works Development Agency (Licensee) on 15th January 2007.

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 Eldama Ravine Water and Sewerage Company Limited.

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

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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

Title	Description	Effective Date
IAS39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Eldama Ravine Water and Sewerage Company Limited
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Title	Description	Effective Date
	becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	
IFRS 4- Insurance Contracts(Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions; to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Title	Description	Effective Date
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The Management have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

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 2021.

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

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Title	Description	Effective Date
	of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 16 — Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, or depreciated so that its	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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Title	Description	Effective Date
	depreciable amount is allocated on a systematic basis over its useful life.	
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 41 — Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 1 — First-time Adoption of International Financial Reporting Standards	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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Title	Description	Effective Date
	the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	
IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/202

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

Summary of Significant Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment 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 the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

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

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

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

Freehold Land	Nil
Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

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

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

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.

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.

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. Costs comprise 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.

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.

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6. Revenue

	2020/2021	2019/2020
	Kshs.	Kshs.
Water Sales	12,998,305	10,640,100
Total Water Sales	12,998,305	10,640,100

7. Cost of Sales

	2020/2021	2019/2020
	Kshs.	Kshs.
Water Treatment Chemicals	2,061,000	1,215,250
Electricity production	168,899	120,787
Total	2,229,899	1,336,037

8.

Grants from National Government

(a) Water Sector Trust Fund

	2020/2021	2019/2020
	Kshs.	Kshs.
Grant in Kind/Donations	922,500	-
Total	922,500	-

(b) Baringo County Government

	2020/2021	2019/2020
	Kshs.	Kshs.
Grant in Kind/Donations	913,500	842,900
Payment of PAYE Arrears	3,773,359	-
Total	4,686,859	842,900

9. Other Income

	2020/2021	2019/2020
	Kshs.	Kshs.
Labour Charges	262,490	74,878
Reconnection Fees	62,600	45,500
Other Miscellaneous Receipt	129,572	20,200
Total	454,662	140,578

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10. Administration Costs

Description	2021	2020
	Kshs.	Kshs.
Office Rent	14,400	158,400
Telephone, Postages & Postal Rent	130,690	39,818
Travelling and Subsistence Allowances	1,027,975	443,230
Printing and Stationeries	141,765	138,052
Electricity (Office)	15,200	103,997
Cleaning materials/Miscellaneous	99,430	66,630
Entertainment/Hospitality expenses	141,370	38,400
Audit Fees	232,000	232,000
Insurance (Motor Vechle/Cycles)	81,233	66,225
Journals & Periodicals	9,600	3,600
General Office repairs, Furnitures and Maintenance	35,300	7,000
Computer Repairs and Maintainance	215,681	82,400
Internet Services	111,400	27,300
Staff Welfare	5,000	-
Uniforms & Protective Gears	18,100	6,900
Hazadious/Risks Expenses	49,000	30,400
Hired Casuals	236,125	185,700
Total Administrative Expenses	2,564,269	1,630,052

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11. Personnel Costs

Description	2021	2020
	Kshs.	Kshs.
Salaries and allowances of permanent employees	9,631,157	9,644,106
Compulsory national health insurance schemes	327,800	334,800
Compulsory national social security schemes	62,200	63,600
Other pension contributions	939,882	933,216
Leave pay and gratuity provisions	428,537	253,698
Total Staff Costs	11,389,576	11,229,420
Basic Pay	6,265,657	6,221,106
House Allowance	2,322,500	2,373,000
Leave Allowance	428,537	253,698
Medical Allowance	327,800	334,800
N.W.C.P.S (Employer's Contribution)	777,186	775,248
N.S.S.F (Employer's Contribution)	62,200	63,600
Commuter Allowance	443,000	450,000
CMT Responsibility Allowance	600,000	600,000
Lap trust (Employer's Contribution)	162,696	157,968
Total	11,389,576	11,229,420

12. FINANCE COSTS

Description	2021	2020
	Kshs	Kshs.
Bank Charges	100,701	102,912
Total Finance Costs	100,701	102,912

13. GENERAL OPERATING COSTS

Description	2021	2020
	Kshs.	Kshs.
Fuel Oils and Lubricants	596,024	430,350
Repair & Maint.of Motor Vehicle /Mbike Repairs	233,000	168,910
Water Pipes and Fittings	560,300	251,860
Repair of Pumps & Distr.network	90,075	76,450
Regulatory Levy (4%)-WASREB	519,932	425,606
Lease Fees (14%)-CRVWWDA	-	1,489,621
WARMA-Permit Fees	971,973	972,000
Total Operating Costs	2,971,304	3,814,797

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14. OPERATING PROFITS/(LOSS)

Description	2021	2020
	Kshs.	Kshs.
Staff Costs (Note 12b)	11,389,576	11,229,420
Depreciation of property, plant and Equipment	49,289	61,309
Auditors Remuneration	232,000	232,000
Total Operating	11,670,865	11,522,729

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

Description	2020/2021	2019/2020
	Kshs.	Kshs.
Profit before Taxation	(242,712)	(6,550,949)
Tax at the applicable tax of 30%	-	-
Current Tax	-	-
Prior year Under-Provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects for income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year Over-provision	-	-
TOTAL	(242,712)	(6,550,949)

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15. PROPERTY, PLANT AND EQUIPMENT

	Computer, Printers and Cameras	Billing Software	Furniture & fittings	Tools, Equipment & Machinery	Total
	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>
<u>Cost/Valuation</u>					
At 1 st July 2020	491,890	638,000	48,390	316,790	1,495,070
Additions	-	-	-	-	-
As at 30th June 2021	<u>491,890</u>	<u>638,000</u>	<u>48,390</u>	<u>316,790</u>	<u>1,495,070</u>
<u>Depreciation</u>					
As at 1 st July 2020	426,684	445,865	36,897	244,172	1,153,618
Charge for the year	19,562	19,214	1,437	9,077	49,289
As at 30th June 2020	<u>446,246</u>	<u>465,079</u>	<u>38,334</u>	<u>253,249</u>	<u>1,202,907</u>
<u>Net book value</u>					
As at 30th June 2021	<u>45,644</u>	<u>172,922</u>	<u>10,056</u>	<u>63,541</u>	<u>292,163</u>
As at 30th June 2020	<u>65,206</u>	<u>192,135</u>	<u>11,493</u>	<u>72,618</u>	<u>341,452</u>

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

		Normal
		annual
	Cost or	depreciation
	valuation	charge
Billing Software	638,000	19,214
Computers and related equipment	491,890	19,562
Furniture's and fittings	48,390	1,437
Tools and Equipments	316,790	9,077
Total	1,495,070	49,289

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16. Inventories

Description	2021	2020
	Kshs.	Kshs.
Water treatment Chemicals	543,000	1,913,362
Pipes and Fittings	108,630	-
Stationeries	-	-
TOTAL	651,630	1,913,362

17. (a) Trade and Other Receivables

Description	2021	2020
	Kshs.	Kshs.
Trade receivables (Note 27b)	37,836,130	37,046,635
Deposits and prepayments	68,000	68,000
Staff receivables (Note 27c)	1,857,500	1,809,000
Share Capital (Baringo County)	100,000	100,000
Gross Trade and other Receivables	39,861,630	39,023,635
Net trade and other receivables	39,861,630	39,023,635

(a) Trade Receivables

Description	2021	2020
	Kshs.	Kshs.
Gross Trade Receivables	37,836,130	37,046,635
Provision for doubtful receivables	-	-
At 30th June, the aging analysis of the gross trade receivables was as follows:		
Less than 30 days	730,225	829,230
Between 30 and 60 days	4,236,500	3,945,408
Between 61 and 90 days	3,244,000	3,053,935
Between 91 and 120 days	3,556,235	3,412,439
Over 120 days	26,069,170	25,805,623
Total	37,836,130	37,046,635

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(b) Staff Receivables

Description	2021	2020
	Kshs.	Kshs.
Gross Staff Receivables	1,857,500	1,809,000
Provision for impairment	-	-
Less: amounts within one year	-	-
Amounts Due after one year	1,857,500	1,809,000

18. Bank and Cash Balances

Description	2021	2020
	Kshs.	Kshs.
Cash at Bank	3,117,852	2,642,223
Total	3,117,852	2,642,223

Detailed analysis of the cash and cash equivalents

Description	2021	2020
	Kshs.	Kshs.
(a) Current Account		
Kcb Bank	3,117,852	2,642,223
Sub Total	3,117,852	2,642,223
M.pesa	291,020	291,020
Sub Total	291,020	291,020
Grand Total	3,408,872	2,933,243

19. Ordinary Share Capital

Description	2021	2020
	Kshs.	Kshs.
Authorised		
5,000 Ordinary shares of Kshs 20 Per share	100,000	100,000
Issued and fully paid		
5,000 Ordinary shares of Kshs 20 Per share	-	-

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20. Trade and Other Payables

Description	2021	2020
	Kshs.	Kshs.
Net Salaries (Aug 2018 - June 2021)	25,584,856	22,166,812
Ukulima Co-operative Society	926,323	852,223
Ardhi Co-operative Society	814,804	753,204
British American Insurance	73,987	49,987
KUCFAW	117,930	85,398
N.W.C.P Scheme	14,651,845	13,486,048
Kenya Power & Lighting Co. Ltd	44,791	101,031
Flexilink Company Ltd	39,000	50,182
Lease Fee 14% -RVWDA	24,787,164	26,744,605
Regulatory Levy 4% - WASREB	1,711,770	1,391,710
WRMA Levy	7,643,965	6,871,992
Net C.M.T Responsibilities Allowances	654,100	579,700
Smart Chip Dynamics	88,150	89,081
County Government of Baringo	542,936	542,936
Kenya Revenue Authority (PAYE)	3,187,127	6,781,577
National Hospital Insurance Fund	19,400	19,300
Co-operative Check-Off Loan	181,450	261,811
L.K. Hardware	131,680	131,680
N.S.S.F	741,840	711,040
African Merchant Assurance co. ltd.	50,000	50,000
Office Auditor General (OAG)	2,652,000	2,420,000
Customer Deposits	1,728,000	1,585,000
Laptrust	1,989,540	1,696,692
Gratuity	583,853	583,853
County Building – Office Rent	734,400	720,000
TOTAL	89,680,911	88,725,862

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21. Provisions for Leave Pay

Description	2021	2020
	Kshs.	Kshs.
Balance at the beginning of the year	428,537	253,698
Additional provision at end of year	-	-
Leave paid out or utilized during the year	428,537	253,698
Balance at end of the year	-	-

22. Notes to The Statement of Cash Flows

Operating Profit/(loss)	(242,712)	(6,550,949)
Depreciation	49,289	61,309
Operating Profit/(loss) before working capital changes	(193,423)	(6,489,640)
(Increase)/decrease in inventories	1,261,732	(223,420)
(Increase)/decrease in in trade and other receivables	(789,495)	(471,444)
Increase/(decrease) in in trade and other Payables	955,049	8,294,788
Cash generated from/(used in) operations	1,427,286	7,599,924
Analysis of cash and cash equivalents		
Cash at bank	3,117,852	2,642,223
cash in hand	-	-
Balance at end of the year	3,117,852	2,642,223

23. Related Party Disclosures

Description	2021	2020
	Kshs.	Kshs.
(a) Grants from the Government		
Grants in kind from County Government	4,686,859	842,900
Grants in kind from Water Sector Trust Fund	922,500	-
Total	5,609,359	842,900

24. 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:

Credit risk

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

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

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

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	Total Amount Kshs.	Fully Performing Kshs.	Past due	impaired Kshs.
At 30 June 2021				
Receivables from exchange	37,836,130	13,242,646	24,593,485	-
Receivables from non exchange transactions	-	-	-	-
Bank balances				
Total				
At 30 June 2020				
Receivables from exchange transactions	37,046,635	14,818,654	22,227,981	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	2,642,223	2,642,223	2,642,223	-
Total	39,688,858	17,460,877	24,870,204	-

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

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

ii) Liquidity risk management

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

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

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	Less Than one Month	Between 1-3 Months	Over 5 Months	Total Kshs.
At 30 June 2021				
Trade Payables	5,568,014	33,408,081	50,704,353	89,680,448
Total	5,568,014	33,408,081	50,704,353	89,680,448
At 30 June 2020				
Trade Payables	8,872,587	17,745,172	62,108,103	88,725,862
Total	8,872,587	17,745,172	62,108,103	88,725,862

(iii) Market risk

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

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

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

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

25. Incorporation

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

26. Events After The Reporting Period

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

27. Currency

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