



**ELDAMA RAVINE WATER AND SEWERAGE COMPANY
LIMITED**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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1. ACRONYMS AND GLOSSARY OF TERMS

NRW	Non-Revenue Water
IAS	International Accounting Standards
CECM	County Executive Committee Member
ICPAK	Institute of Certified Public Accountants of Kenya (ICPAK)
WSP	Water Service Provider
OAG	Office of Attorney General
SPA	Service Provision Agreement
CMT	Corporate Management Team
RRI	Rapid Response Initiative
NSSF	National Social Security Fund
WHO	World Health Organization
CRVWWDA	Central Rift valley Water Works Development Agency
WASREB	Water Service Regulatory Board
ERAWASCO	Eldama Ravine Water and Sewerage Company Limited
KEBS	Kenya Bureau of Standards

2. 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 **Chemususu Dam**. The Company's 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

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.

<u>NAME</u>	<u>DESIGNATION</u>	<u>APPOINTMENT</u>
<u>PERIOD</u>		
1.Oliver Cheruiyot-	Chairman	1 st September 2021
2.June Kiptanui	Board Member	1 st September 2021
3. Richard Kamng'oror	Board Member	1 st September 2021
4. Milka Toromo	Board Member (CO Water and Irrigation)	July 2023
5. Kiptoo Gikono	Board Member (CO Finance)	September 2023

Corporate Secretary

Mr. Zephania Kurere
P.O Box 826, Eldama-Ravine.

+254721-471-804

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: crawasco2007@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
- (v) 1288015348

Independent Auditors

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

Principal Legal Advisers

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

- b) The County Attorney
Baringo County Government
P.O Box 53-30400
Kabarnet, Kenya

3 BOARD OF DIRECTORS

S/N O.	NAME	POSITION	QUALIFICAT IONS	RESPONSIBI LITY
01.	OLIVER CHERUIYOT 	Board Chair	BSC, Business	Business Community Representation
02.	JUNE KIPTANUI 	Board Member	Trainer,Msc	Women in Business Representation
03.	RICHARD KAMNG'OROR 	Board Member	Bsc,Agriculture	Institutional Environment
04.	MILKA TOROMO	Board Member		(CO Water and Irrigation) Baringo County

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05.	KIPTOO GIKONO	Board Member		(CO Finance) Baringo County
06.	ZEPHANIA KURERE 	Managing Director/Company Secretary	Bsc Business Management 55 years of Age	Ag. Managing Director and in charge of Technical Services.

The company has informed the board of directors in writing to submit their academic qualifications to be filed as required.

4 KEY MANAGEMENT TEAM

S/NO.	NAME	POSITION	QUALIFICATIONS	RESPONSIBILITY
01.	ZEPHANIA KURERE 	Managing Director	- Bsc Business Management - 55 years of Age	Ag. Managing Director and in charge of Technical Services.

The company is in the process of recruiting the missing corporate management team as required.

5 CHAIRMAN'S STATEMENT

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 2022/2023. These financial statements were 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

The County Government of Baringo formed and recruited the new Board of directors for Chemususu Water Company to oversee and direct the operations for ERAWASCO to enhance successful transition to the newly formed Chemususu Water Company under its Service Provision Agreement (SPA) of expanded mandate.

The Board of directors together with the County Government are still under the process of fast-tracking the transition to enable the entire process captures all the legal requirements.

Overall Organizational Performance

In response to the emerging challenges, the company is putting up measures to taking up several steps to improve and sustain its leadership role 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 substantive Managing Director, Human Resource, as well as the commercial manager. The acting 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 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.

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.

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.

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.

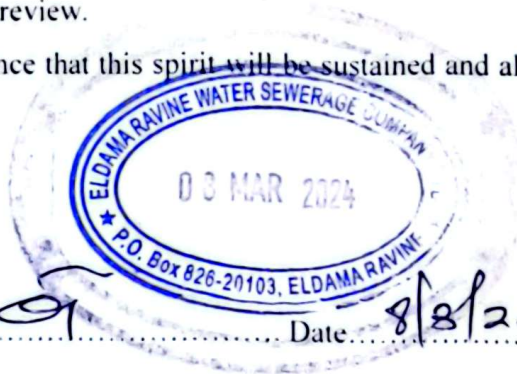
Conclusion

I am glad to record my profound gratitude to all members of the Board, the Management and entire staff for the commitment and dedication with which the affairs of the Company were conducted in the year under review.

I have confidence that this spirit will be sustained and also weak areas identified are improved in the years ahead.

Thank You

Signature.....  Date..... 8/8/2024



Name **OLIVER CHERUIYOT-CHAIRMAN**
ERAWASCO/ CHEWASCO.

6 REPORT OF THE MANAGING DIRECTOR.

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 2022/2023. 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 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 pumps, testing and maintenance equipment's 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.

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.

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.

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.

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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. Zephania Kurere
Name


Sign



Date

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

**7 STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR
FY 2022/2023**

Eldama Ravine Water and Sewerage Company Limited (ERAWASCO) has Strategic pillars and objectives within its strategic Plan for the year 2023-2028, it focuses on the twin theme of improving water supply infrastructure and the enhancement of service delivery to the clients. It is recognized that a significant section of the water supply infrastructure currently in place was established more than 30 years ago and has inadequate capacity to supply the growing population.

The strategic Plan for 2023-2028 is hinged on the following key strategic objectives:

1. To develop effective Human Resource capacity for efficient corporate governance to meet Shareholder, stakeholders and clients demands
2. Improve water and infrastructure
3. To operate efficiently, reduce non-revenue water and improve the billing system
4. To protect the environment and water catchment areas as well as check the quality of potable water
5. To improve on the quality of data and dissemination of information as well as communication with stakeholders
6. To increase revenues
7. To continue mainstreaming cross cutting issues: Gender, HIV/AIDS and corruption
8. Maximize the utility of ERAWASCO Fixed and Current Assets

To achieve the commercial aspects of the above, the company would implement a comprehensive corporate business plan focusing on:

- i. Reduce UFW from the current 54% to at least 50% by year three of plan
- ii. Increase customer connections by at least 500 by year three of plan
- iii. Reduce billing related complaints from the current 10% to 1% by year three of plan
- iv. Improve revenue collection from 80% to 90% by year three of plan
- v. Continuous negotiations with the Government and development partners with an intention of bringing down the cost of debts by the Company to 25% from the current estimated 75%.
- vi. Initiation of PPP arrangements
- vii. Ensure strict monitoring of the implementation of the Strategic and Business plans
- viii. Implementation of effective risk mitigation and management strategies
- ix. Application of new tariff structure as recommended by the tariff review consultancy.

Achievements

- 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. ERAWASCO has established Laboratory system capable to monitor water quality and is in the process of procuring modern equipment's. The company often gets routine surveillance monitoring from CRVWDA

Progress Made to-date

- New treatment Plant in Chemususu T.works is complete and is in full use.
- The company applied for the tariff adjustment, which was approved by CRVWDA 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. However, the Company have applied for the new tariff through the newly formed water Company (CHEMUSUSU)

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 1500 as at 2021, 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 I summary of projected water demand for area

Consumer category	Water demand(m ³ /day)			
	Present	Initial	future	ultimate
	2023	2024	2025	2026
Human	8,000	10,000	12,500	15,000
Livestock	900	1,100	1,430	1,550
Institutional and commercial	1,260	1,490	2,160	2,800
Sub total	10,160	12,590	16,090	19,350
UFW/NRW (30%)	3,048	3,777	4,827	5,805
TOTAL	13,209	16,367	20,917	25,155

Increasing Water Supply to meet Demand

Treatment works at Chemususu is currently undergoing expansion. For the planning period 2023-2028, 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 dry 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:

In order to achieve the desirable economic and social benefits related to the provision of adequate water supply and sanitation services the company may adopt funding in three basic forms:

- (1) Funds for capital investment in infrastructure to extend basic services to those without,
- (2) Funds for ongoing provision of water.
- (3) Funds to develop the capacity of water services institutions.

Because water is inextricably linked to the environment, the financial and pricing arrangements should also take into account the effects of the use of water services on the environment. Beyond these social and environmental mandates, water services will be managed in terms of normal financial and economic principles (commercial) that will be applied to the financing and pricing of water services that are not basic services, provided that environmental impacts are appropriately managed.

Table II water supply verses demand and sales per day

	supply(m ³ /day)	demand(m ³ /day)	Deficit /surplus(m ³ /day)	Sales @42/=per m ³	Surplus sold as bulk
2023	18209	13209	5000	764,778	75,000.00
2024	21367	16367	5000	897,414	75,000.00
2025	22500	17,500	6000	945,000	90,000.00
2026	24600	19,600	6000	1,033,200	90,000.00

Strategic Objectives

Based on the situational analysis and strategic plan the following have been identified as the main strategic objectives:

1. To develop effective HR capacity for efficient corporate governance to meet stakeholders and clients demands
2. Improve water infrastructure
3. To operate efficiently, reduce non-revenue water and improve the billing system
4. To protect the environment and water catchment areas as well as check the quality of potable water
5. To improve on the quality of data and dissemination of information as well as communication with stakeholders
6. To increase revenue
7. To continue mainstreaming cross cutting issues: Gender, HIV/AIDS and corruption
8. Maximize the utility of ERAWASCO Fixed and Current Assets

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Eldama Ravine water and Sewerage Company Limited Performance targets set for the year 2022/2023 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	Board of directors took office in 1 st September 2021
Have expanded and well-equipped office	To obtain enough space for office operations	The company has occupied the new offices	New offices and boardroom have 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 60% of water loss is unaccounted for.	Survey reports to be done. Installation of water meters in identified key area	Survey reports has been done

8 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 the sole shareholder 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
ERAWASCO /CHEWASCO LTD

Sign

Date

Mr. Zephania Kurere

Sign

Date

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

9 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 2022/2023 was **Kshs.22,995,612.00**. The main source of income is Water Sale contributing **90%** of the total income

Accounts Receivables

Accounts receivables decreased by **Kshs.848,939.00** that is from **Kshs.42,761,951.00** to **Kshs.41,913,012.00**.

Expenditure Items

The total expenditure for the year amounted to **Kshs.19,569.159.00**

Accounts Payables

Accounts payables decreased by **Kshs.3,128,211.00** that is from **Kshs.94,284,098.00** to **Kshs.91,155,887.00**. 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 after 30% Corporation tax for the year ended 30th June 2023 was **Kshs. (96,465)** This was from a surplus of **Kshs. 86,561** in the year ended 30th June 2022. 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 Non-Revenue Water (NRW) poses considerable challenges to the efforts of the company to operate in a financially sustainable manner. The level of NRW reduced from **60%** in the year **2022** to **54%** in the year **2023**. 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 appreciable 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.

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 Water Supply as its main source of water and hence revenue to cater for its operations and maintenance. The Company draws its water from Chemususu dam and distributes it by gravity to an estimated population of 62,006people 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

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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. Zephania Kurere

Sign

Date

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

10 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 2023 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.

11 REPORT OF THE DIRECTORS

The county Government of Baringo have formed a new water Company (CHEWASCO) and constituted a board of directors under the expanded mandate attained from the Service Provision Agreement (SPA). The main aim is to take over its operations from the existing Company (ERAWASCO).

Principal activities

The principal activity of the Company is the 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, 2023 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 lapsed 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.

By Order Of the Board

Mr. Zephania Kurere



Sign



Date

7/3/2024

Company Secretary/Secretary to the Board
Eldama Ravine Water and Sewerage Company Limited

12 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 2023 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 CECM 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

Sign

Chairman

ERAWASCO /CHEWASCO LTD



Mr. Zephania Kurere

Sign

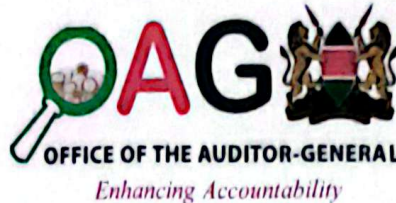
Date

Ag. Managing Director/Technical Manager

Eldama Ravine Water and Sewerage Company Limited

REPUBLIC OF KENYA

Phone: +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, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Eldama Ravine Water and Sewerage Company Limited set out on pages 1 to 29, which comprise the statement of

Report of the Auditor-General on Eldama Ravine Water and Sewerage Company Limited for the year ended 30 June, 2023

financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and 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 the Eldama Ravine Water and Sewerage Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, Public Finance Management Act, 2012 and the Water Act, 2016.

Basis for Qualified Opinion

1. Undisclosed Material Uncertainty in Relation to Going Concern

The statement of financial performance reflects a deficit of Kshs.96,465 resulting to accumulated deficit of Kshs.60,793,978 for the year under review. Further, the statement of financial position reflects total current assets and liabilities balances of Kshs.43,452,589 and Kshs.91,155,887 respectively resulting in negative working capital of Kshs.47,703,298. This is an indication of the existence of material uncertainty which casts doubt on the Company's ability to continue as a going concern and to meet its obligations as and when they fall due. However, the material uncertainty in relation to going concern and the mitigation measures put in place to reverse the situation have not been disclosed in the financial statements.

In the circumstances, the continued survival and ability of the Company to continue as a going concern is dependent on continued support from the County Government of Baringo and Creditor's.

2. Unsupported Water Treatment Chemicals

The statement of profit or loss and loss and other comprehensive income and as disclosed in Note 7 to the financial statements reflects goods and services expenditure of Kshs.3,522,918. The amount includes water treatment chemicals of Kshs.3,111,320. However, procurement records such as user requisitions, tender advertisement, tender evaluation and award minutes, professional opinion, letter of offer, delivery notes, counter receipt vouchers, store records in support of the expenditure were not provided for audit.

In the circumstances, the accuracy and propriety of water treatment chemicals expenditure of Kshs.3,111,320 for the year ended 30 June, 2023 could not be confirmed.

3. Unsupported Insurance Costs

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects administrative expenses of Kshs.1,663,758. The

amount includes insurance (motor vehicles/cycles) expenditure of Kshs.161,053. However, insurance policy, valuation reports, list of vehicles/motor cycles and premiums paid in respect of each were not provided for audit.

In the circumstances, the accuracy and propriety insurance expenditure of Kshs.161,053 for the year ending 30 June, 2023 could not be confirmed.

4. Unsupported Fuel, Oil and Lubricants

The statement of profit and loss and other comprehensive income and as disclosed in Note 13 to the financial statements reflects general operating cost Kshs.6,104,789. The amount includes fuel, oils and lubricants expenditure of Kshs.1,275,577. However, the detail orders, fuel register, supplier statements and motor vehicle work tickets in support of the expenditure were not provided for audit.

In the circumstances, the accuracy and propriety of fuel, oil and lubricants expenditure of Kshs.1,275,577 for the year ended 30 June, 2023 could not be ascertained.

5. Directors Expenses

The statement of profit or loss and other comprehensive income reflects Directors' expenses of Kshs.181,180 in respect of sitting allowances. However, the allowances were paid to directors who are not indicated in the company's Memorandum and Articles of Association. Further, and as previously reported, the Director's term of office elapsed on 30 September, 2013 and have not been renewed nor fresh appointments made.

In the circumstances, the accuracy and propriety of Directors' expenses of Kshs.181,180 for the year ended 30 June, 2023 could not be confirmed.

6. Accounts Receivables

The statement of financial position reflects accounts receivables balance of Kshs.41,913,012 that varies with the ledger balance of Kshs.42,377,899 resulting to a variance of Kshs.464,887. In addition, the debtors' aging analysis and the movement schedule for the period were not provided for audit. Further, no provision for bad and doubtful debts were made in preparation of the financial statements.

In the circumstances, the accuracy and fair statement of accounts receivables balance of Kshs.41,913,012 as at 30 June, 2023 could not be confirmed.

7. Trade and Other Payables

The statement of financial position and as disclosed in Note 21 to the financial statements reflects accounts payables balance of Kshs.91,155,887. However, the creditors aging analysis and movement schedule was not provided for audit. Further, the balance includes long outstanding levies to regulatory bodies of Kshs.35,538,035 which should be reclassified as non-current liabilities. In addition, the amount includes customer deposits of Kshs.2,149,000 which are not held in a designated bank account.

Included in the balance of Kshs.91,155,887 is unremitted statutory deduction of Kshs.5,819,232 recovered from employees that had not been remitted to various institutions as required by law and thereby exposing the Company to further penalties and interest that is avoidable.

In the circumstances, the accuracy, presentation, disclosure and fair statement of trade and other payables balance of Kshs.91,155,887 as at 30 June, 2023 could not be confirmed.

8. Grant - Inherited Debts

As previously reported, the statement of financial position reflects grant - inherited debts of Kshs.13,209,459 which is part of equity. 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 have been given for the failure to settle the debts.

In the circumstances, the accuracy and fair statement of grant inherited debts of Kshs.13,209,459 as at 30 June, 2023 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.49,720,000 and Kshs.22,995,612 respectively resulting to income shortfall of Kshs.26,724,388 or 54 % of the budget. Similarly, the statement reflects total expenditure of Kshs.23,092,077 against an approved budget of Kshs.49,720,000, resulting to budget under expenditure of Kshs.26,627,923 or 53% of the budget.

The income shortfall and under expenditure may have negatively affected the company's operations and service delivery to the public during the year under review.

My opinion is not modified in respect of this matter.

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

Prior Year Unresolved Issues

In the report of the previous year, several audit matters were raised under report on the financial statements and report on lawfulness and effectiveness in use of public resources. However, review of the progress on follow up of auditor's recommendations showed that the Management had not resolved the issues or provided satisfactory explanation for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water

During the year under review, the company produced 882,803 m³ of water produced, out of which only 402,580 m³ were billed to customers for Kshs.20,701,471. The balance of 480,223 m³ (or 54%) of the total volume of water produced represented non-revenue water which is above the allowable loss of 25% as per the Water Services Regulatory Authority Board guidelines. The non-revenue water loss resulted in lost sales amounting to Kshs.13,339,482 computed at the rate Kshs.51.4 per cubic meter. Management has not explained the measures which have been put in place to control the losses.

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

2. Lack of Approved Tariffs

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects total income of Kshs.22,995,612 which includes revenue from water sales of Kshs.20,701,155. Included in water sales are 5,085 accounts with total consumption units of 30,246 M³ that were billed at Kshs.1,560,590. However, review of the billings generated revealed constant monthly meter readings for the financial year 2022-2023. Further, the Company was billing customers using tariffs that expired in the year 2008.

Consequently, the lawfulness of the tariffs applied in billing customers and the constant billing of 5,085 accounts could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 4000. The standard requires that I comply with ethical

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Approved Staff Establishment

The Company did not have an approved staff establishment contrary to the requirements of Section B.2(1) of the Public Service Human Resource Manual, 2016 that requires all state departments to prepare Human Resource Plans to support achievement of goals and objectives in their strategic plans.

In the circumstances, it was not possible to confirm whether the company was operating with optimum staff levels.

2. Lack of Internal Audit Function and Audit Committee

The Company does not have an internal audit function to guide and evaluate its internal controls. This is contrary to Section 153(1) of the Public Finance Management (County Government) Regulations, 2015 which requires the internal auditors to review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes of the Company. Further, the Company has not established audit committee as stipulated in Regulation 167(1) of Public Finance Management (County Governments) Regulations, 2015.

As a consequence, the effectiveness of the internal controls mechanism to management of the Company could not be confirmed

3. Lack of Risk Management Policy

The Company does not have a risk management policy to guide management in risk evaluation and decision making. In addition, the Company has not implemented effective, efficient and transparent financial management and internal control systems. This was evidenced by lack of a strategic plan, an Information Communication Technology (ICT) policy, a disaster recovery plan or business continuity plan, a code of ethics policy, an

Information Technology (IT) strategic committee, an IT steering committee and an IT security policy.

The company has not provided any written assurance that the internal controls systems are in place and no explanation was provided for failure to have the policies in place. This is contrary to Section 158(1) of the Public Finance Management (County Government) Regulations 2015 which requires the accounting officer to develop risk management strategies, which include fraud prevention mechanism and internal control that builds robust business operations.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 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 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 control, risk management and governance.

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 April, 2024

Report of the Auditor-General on Eldama Ravine Water and Sewerage Company Limited for the year ended 30 June, 2023

14 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

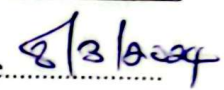
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023			
		2023	2022
	Notes	Kshs.	Kshs.
REVENUES			
Water Sales	6	20,701,155	18,611,850
Other Income	9	2,294,457	434,947
Grant in Kind-Baringo County Government	8(b)	-	1,491,650
Grant in Kind-Water Sector Trust Fund	8(a)	-	1,759,371
TOTAL REVENUES		22,995,612	22,297,818
COST OF SALES			
Goods and services	7	3,522,918	2,967,791
Gross Surplus		19,472,694	19,330,027
OPERATING EXPENSES			
Personnel costs	11	11,458,426	11,026,447
Administrative expenses	10	1,663,758	1,281,083
Depreciation of PPE.	16	33,198	40,185
General Operating Cost	13	6,104,789	6,205,811
Finance costs	12	127,808	136,233
Directors Expenses	14	181,180	516,610
TOTAL OPERATING EXPENSES		19,569,159	19,206,369
OPERATING PROFIT/(DEFICIT)		(96,465)	123,658
PROFIT/(DEFICIT) BEFORE TAXATION		(96,465)	123,658
COORPORATION TAX 30%		-	37,097
PROFIT/(DEFICIT) AFTER TAXATION		(96,465)	86,561

Eldama Ravine Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

15 STATEMENT OF FINANCIAL POSITION

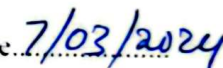
STATEMENT OF FINANCIAL POSITION AS AT 30 th JUNE 2023.			
	Note	2023	2022
		Kshs	Kshs
ASSETS			
Current Assets			
Cash and cash equivalents	19	957,177	3,226,311
Accounts Receivables	18(a)	41,913,012	42,761,951
Inventories	17	514,400	535,889
Utility Deposits		68,000	68,000
Total Current Assets		43,452,589	46,592,151
Non-Current Assets			
Property plant and equipment	16	218,779	251,977
Total Non-Current Assets		218,779	251,977
TOTAL ASSETS		43,671,368	46,844,128
LIABILITIES			
Current Liabilities			
Accounts payables	21	91,155,887	94,284,098
Total Current Liabilities		91,155,887	94,284,098
Equity			
Share Capital	20	100,000	100,000
Grant-Inherited Debts		13,209,459	13,209,459
Accumulated Loss		(60,793,978)	(60,749,429)
Total Equity		(47,536,119)	(47,439,970)
TOTAL EQUITY AND LIABILITIES		43,671,368	46,844,128

Name: Oliver Cheruiyot

Sign..........Date.....

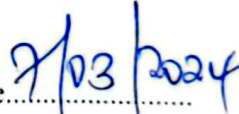
Designation: Chairman ERAWASCO/ CHIEF EXECUTIVE OFFICER

Name: Zephania Kurere

Sign..........Date.....

Designation: Ag. Managing Director ERAWASCO LTD

Name: Joseph K. Kong'a

Sign..........Date.....

Designation: Accountant/Finance

ICPAK M/NO: 307514

16 STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023								
	Notes	Ordinary Share Capital	Revaluation on Reserve	Fair Value adjustment reserve	Retained Earnings	Proposed dividends	Capital/Development Fund	Total
At July 1, 2021		100,000	-	-	(60,835,990)	-	13,209,459	(47,526,531)
New capital issued		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Surplus/Deficit for the Year					86,561			86,561
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
At June, 30 2022		100,000	-	-	(60,749,429)	-	13,209,459	(47,439,970)
		-	-	-	-	-	-	-
At July 1, 2022		100,000	-	-	(60,749,429)	-	13,209,459	(47,439,970)
New capital issued		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Surplus/Deficit for the Year		-	-	-	(96,465)	-	-	(96,465)
Adjustments	Note 26	-	-	-	51,916	-	-	51,916

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Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
At June 30, 2023		100,000	-	-	(60,793,978)	-	13,209,459	(47,483,519)

17 STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS FOR THE ENDED 30 JUNE 2023			
	Note	2022-2023	2021-2022
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/(used in)operations	23	(2,206,183)	(321,194)
	Note		
Net cash generated from/(used in)operating activities		(2,206,183)	(321,194)
INCREASE/(DECREASE)IN CASH AND CASH EQUIVALENTS		(2,269,134)	(182,561)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,226,311	3,408,872
CASH AND CASH EQUIVALENTS AT END OF YEAR		957,177	3,226,311

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18 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2023

	Original Budget 2022- 2023	Adjustments 2022-2023	Final Budget 2022-2023	Actual on comparable basis	Performance Difference 2022-2023
	Kshs	Kshs	Kshs	Kshs	Kshs
REVENUE					
Water Sales	42,020,000	-	42,020,000	20,701,155	21,318,529
Labour charges	1,200,000	-	1,200,000	2,138,322	(938,322)
Reconnection Fees	300,000	-	300,000	58,500	241,500
Other Miscellaneous Income	200,000	-	200,000	97,635	102,365
Total Income	43,720,000	-	43,720,000	22,995,612	20,724,072
GRANT/SUBSIDY					
Baringo County Government	6,000,000	-	6,000,000	-	6,000,000
TOTAL INCOME	49,720,000		49,720,000	22,995,612	26,724,072
EXPENSES					
Personnel Expenses	21,528,000	-	21,528,000	11,458,426	10,069,574
Operational Costs	8,470,000	-	8,470,000	4,836,305	3,633,695
Administrative Expenses	3,388,000	-	3,388,000	1,645,308	1,742,692
Production and Maintenance costs	12,744,000	-	12,744,000	3,625,868	9,118,132
Storage & Distribution costs	2,640,000	-	2,640,000	1,183,984	1,456,016
Company Investments	300,000	-	300,000	-	300,000
Board of Directors Expenses	650,000	-	650,000	181,180	468,820
Finance Costs	-	-	-	127,808	(127,808)
Depreciation	-	-	-	33,198	(33,198)
Total Expenditure	49,720,000	-	49,720,000	23,092,077	26,627,923
Surplus/(Deficit) for the period	-	-	-	(96,465)	

19 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 Companies' 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. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022-202

4. Summary of Accounting Policies

The principal 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.

NOTES TO THE FINANCIAL STATEMENTS

Summary of Accounting Policies

a) 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.

b) 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.

c) 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	4%
Plant and machinery	12.5 years	12.5%
Motor vehicles, including motor cycles	4 years	25%
Computers and related equipment	3 years	33.33%
Office equipment, furniture and fittings	12.5 years	12.5%

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.

d) 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.

e) 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.

f) 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.

g) 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.

h) 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.

a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

j) Trade and other payables

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

k) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2022. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

l) Provision for staff leave pay

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

m) Budget information

The original budget for FY 2022-2023 was approved by the Board on 14th July 2022. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under Note 18 of page 5 of these financial statements.

n) Comparative figures

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

o) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

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

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

Estimates and assumptions

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

a) Useful lives and residual values

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

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

6. Revenue

	2022/2023	2021/2022
	Kshs.	Kshs.
Water Sales	20,701,471	18,611,850
Total Water Sales	20,701,471	18,611,850

7. Cost of Sales

	2022/2023	2021/2022
	Kshs.	Kshs.
Water Treatment Chemicals	3,111,320	2,917,745
Electricity production	411,598	50,046
Total	3,522,918	2,967,791

8. Grants from National Government
(a) Water Sector Trust Fund

	2022/2023	2021/2022
	Kshs.	Kshs.
Grant in Kind/Donations	-	1,759,371
Total	-	1,759,371

b) Baringo County Government

	2022/2023	2021/2022
	Kshs.	Kshs.
Grant in Kind/Donations	-	1,491,650
Total	-	1,491,650

9. Other Income

	2022/2023	2021/2022
	Kshs.	Kshs.
Labour Charges	2,138,322	357,947
Reconnection Fees	58,500	57,000
Other Miscellaneous Receipt	97,635	20,000
Total	2,294,457	434,947

10. Administration Costs

Description	2023	2022
	Kshs.	Kshs.
Office Rent	28,800	28,800
Telephone, Postages & Postal Rent	112,240	127,070
Printing and Stationeries	221,345	187,465
Electricity (Office)	3,000	-
Cleaning materials/Miscellaneous	105,180	131,750
Entertainment/Hospitality expenses	197,100	245,695
Audit Fees	348,000	232,000
Insurance (Motor Vehicle/Cycles)	161,053	130,433
Journals & Periodicals	4,200	-
General Office repairs, Furniture and Maint		
Computer Repairs and Maintenance	28,550	3,430
Internet Services	223,280	154,540
Uniforms & Protective Gears	18,450	9,400
Harzadious/Risks Expenses	34,800	30,500
Staff Welfare	20,000	-
Legal fees	157,760	-
Total Administrative Expenses	1,663,758	1,281,083

11. Personnel Costs

Description	2023	2022
	Kshs.	Kshs.
Salaries and allowances of permanent employees	9,296,272	9,337,436
Compulsory national health insurance schemes	297,800	308,800
Compulsory national social security schemes	116,920	58,400
Other pension contributions	925,618	916,776
Leave pay and gratuity provisions	280,283	405,035
Casual Wages	541,533	-
Total Staff Costs	11,458,426	11,026,447
Basic Pay	6,170,772	6,111,436
House Allowance	2,119,500	2,202,000
Leave Allowance	280,283	405,035
Medical Allowance	297,800	308,800
N.W.C.P.S (Employer's Contribution)	749,080	749,232
N.S.S.F (Employer's Contribution)	116,920	58,400
Commuter Allowance	406,000	424,000
CMT Responsibility Allowance	600,000	600,000
Lap trust (Employer's Contribution)	176,538	167,544
Casual Wages	541,533	-
Total	11,458,426	11,026,447

12. FINANCE COSTS

Description	2023	2022
	Kshs	Kshs.
Bank Charges	127,808	136,233
Total Finance Costs	127,808	136,233

13. GENERAL OPERATING COSTS

Description	2023	2022
	Kshs.	Kshs.
Fuel Oils and Lubricants	1,275,577	1,347,269
Travelling and Subsistence	1,258,750	1,181,800
Computer Repairs and Maintenances	78,750	122,992
Hired Casuals	285,550	352,051
Repair of Vehicles/ M.Bikes	222,316	259,540
Water Pipes and Fittings	371,554	596,932
Repair of Pumps & Distr. network	91,850	92,950
Regulatory Levy (4%)-WASREB	828,059	744,474
WARMA-Permit Fees	882,803	982,800
WASPA-Membership Fees	-	45,000
Metering-CLSG	-	480,003
Hire of equipment	1,500	-
Refund of Tender (overpayment)	3,000	-
Water Meters	793,980	-
Routine Maintainance	11,100	-
Total Operating Costs	6,104,789	6,205,811

14. Board Expenses

Description	2023	2022
	Kshs.	Kshs.
Board expenses	181,180	516,610

15. OPERATING PROFITS/(LOSS)

Description	2023	2022
	Kshs.	Kshs.
Staff Costs (Note 12b)	11,458,426	11,013,943
Depreciation of property, plant and Equipment	33,198	40,185
Auditors Remuneration	348,000	232,000
Total Operating Profit/(loss) Credit	11,839,624	11,286,128

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

Description	2023	2022
	Kshs.	Kshs.
Profit before Taxation	-	136,712
Tax at the applicable tax of 30%	-	41,014
Current Tax	-	41,014
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	-	41,014

16. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment's					
	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>
Cost/Valuation					
At 1 st July 2022	491,890	638,000	48,390	316,790	1,495,070
Additions	-	-	-	-	-
As at 30th June 2023	<u>491,890</u>	<u>638,000</u>	<u>48,390</u>	<u>316,790</u>	<u>1,495,070</u>
Depreciation					
As at 1 st July 2022	459,939	482,371	39,591	261,192	1,243,093
Charge for the year	<u>9,585</u>	<u>15,563</u>	<u>1,100</u>	<u>6,950</u>	<u>33,198</u>
As at 30th June 2022	<u>469,524</u>	<u>497,934</u>	<u>40,691</u>	<u>268,142</u>	<u>1,276,291</u>
Net book value					
As at 30th June 2023	<u>22,366</u>	<u>140,066</u>	<u>7,699</u>	<u>48,648</u>	<u>218,779</u>
As at 30th June 2022	<u>31,951</u>	<u>155,629</u>	<u>8,799</u>	<u>55,598</u>	<u>251,977</u>

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

		Normal
		Annual
	Cost or	Depreciation
	valuation	Charge
Billing Software	638,000	15,563
Computers and related equipment	491,890	9,585
Furniture's and fittings	48,390	1,100
Tools and Equipments	316,790	6,950
Total	1,495,070	33,198

17. Inventories

Description	2023	2022
	Kshs.	Kshs.
Water treatment Chemicals	514,400	55,200
Pipes and Fittings	-	480,689
TOTAL	514,400	535,889

18. Trade and Other Receivables

Description	2023	2022
	Kshs.	Kshs.
Trade receivables (Note 27b)	41,913,012	40,740,451
Deposits and prepayments	68,000	68,000
Staff receivables (Note 27c)	-	2,021,500
Share Capital (Baringo County)	100,000	100,000
Gross Trade and other Receivables	42,081,012	42,929,951
Net trade and other receivables	42,081,012	42,929,951

(a) Trade Receivables

Description	2023	2022
	Kshs.	Kshs.
Gross Trade Receivables	41,913,012	40,740,451
Provision for doubtful receivables	-	-
At 30th June, the aging analysis of the gross trade receivables was as follows:		
Less than 30 days	2,122,345	1,020,657
Between 30 and 60 days	4,266,012	4,672,148
Between 61 and 90 days	4,876,200	3,824,864
Between 91 and 120 days	5,892,655	4,282,315
Over 120 days	24,755,800	26,940,467
Total	41,913,012	40,740,451

(b) Staff Receivables

Description	2023	2022
	Kshs.	Kshs.
Gross Staff Receivables	-	2,021,500
Provision for impairment	-	-
Less: amounts within one year	-	-
Amounts Due after one year	-	2,021,500

19. Bank and Cash Balances

Description	2023	2022
	Kshs.	Kshs.
Cash at Bank	957,177	3,226,311
Total	957,177	3,226,311

Detailed analysis of the cash and cash equivalents

Description	2023	2022
	Kshs.	Kshs.
(a) Current Account		
Kcb Bank-1118994051	830,556	495,716
Kcb Bank-1105641945	1,294	367,532
Kcb Bank-1288015348	-	6,490
Kcb Bank-1161792953	81,911	(49,130)
Kcb Bank-1111359407	(2,034)	2,311,133
Sub Total	911,727	3,131,741
M.pesa	25,250	94,570
Post bank	20,200	-
Sub Total	45,450	94,570
Grand Total	957,177	3,226,311

20. Ordinary Share Capital

Description	2023	2022
	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	-	-

21. Trade and Other Payables

Description	2023	2022
	Kshs.	Kshs.
Net Salaries	26,541,072	27,511,201
Ukulima Co-operative Society	1,038,123	994,723
Ardhi Co-operative Society	814,804	814,804
British American Insurance	115,987	97,987
KUCFAW	171,971	149,102
N.W.C.P Scheme	13,315,852	15,775,693
Kenya Power & Lighting Co. Ltd	118,017	59,193
Flexilink Company Ltd	19,000	39,000
Lease Fee 14% -RVWWDA	24,787,164	24,787,164
Regulatory Levy 4% -WASREB	2,374,303	2,156,244
WRMA Levy	8,376,568	8,226,765
Net C.M.T Responsibilities Allowances	745,000	700,000
Smart Chip Dynamics	73,358	50,158
County Government of Baringo	542,936	542,936
Kenya Revenue Authority (PAYE)	2,585,218	3,210,209
National Hospital Insurance Fund	17,450	18,050
Co-operative Check-Off Loan	-	92,160
L.K. Hardware	155,900	131,680
N.S.S.F	538,428	741,840
Office Auditor General (OAG)	3,232,000	2,884,000
Customer Deposits	2,149,000	1,918,000
Laptrust	2,094,283	2,064,936
Gratuity	583,853	583,853
County Building – Office Rent	756,000	734,400
NITA Levy	9,600	-
TOTAL	91,155,887	94,284,098

22. Provisions for Leave Pay

Description	2023	2022
	Kshs.	Kshs.
Balance at the beginning of the year	280,283	405,035
Additional provision at end of year	-	-
Leave paid out or utilized during the year	280,283	405,035
Balance at end of the year	-	-

23. Notes to The Statement of Cash Flows

Description	2023	2022
	Kshs.	Kshs.
(a) Reconciliation of operating Profit/(Loss) to cash generated from/(used in) operations		
Operating Profit/(loss)	(96,149)	95,968
Depreciation	33,198	40,185
Operating Profit/(loss) before working capital changes	(62,951)	136,153
(Increase)/decrease in inventories	21,489	1,440
(Increase)/decrease in in trade and other receivables	848,939	(4,925,821)
Increase/(decrease) in in trade and other Payables	(3,076,611)	4,603,187
Cash generated from/(used in) operations	(2,206,183)	(321,194)
Analysis of cash and cash equivalents		
Cash at bank	957,177	3,226,311
cash in hand	-	-
Balance at end of the year	957,177	3,226,311

24. Related Party Disclosures

Description	2023	2022
	Kshs.	Kshs.
(a) Grants from the Government		
Grants in kind from County Government	-	1,491,650
Grants in kind from Water Sector Trust Fund	-	1,759,371
Total	-	3,251,021

25. Refundable Deposits and Prepayments

	2022-2023	2021-2022
	Kshs	Kshs
Customer deposits	2,149,000	1,918,000
Prepayments by customers	-	-
Retention/Contract deposits	-	-
Others (Specify)	-	-
Total	2,149,000	1,918,000

Aging Analysis for Refundable Deposits and Prepayments

	2022-2023		% of the total	2021-2022	% of the total
Under one year	66,000		3%	59,000	3%
1-2 years	365,000		17%	326,000	17%
2-3 years	429,000		20%	383,000	20%
Over 3 years	1,289,000		60%	1,150,000	60%
Total	2,149,000			1,918,000	

26. Adjustment for Accumulated Loss.

Adjustments Account.

VOTE	NARATION	DEBIT Kshs.	CREDIT Kshs.
Water Sales	Overstatement of income	316.00	
NSSF	Overstatement of a Creditor	51,600.00	
EFFECT	Accumulated surplus (deficit)	51,916.00	

27. Financial Risk Management

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

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

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 2023				
Receivables from exchange transactions	41,913,012	17,319,527	24,593,485	-
Receivables from non exchange transactions	-	-	-	-
Bank balances				
Total				
At 30 June 2022				
Receivables from exchange transactions	40,740,451	14,818,654	25,921,797	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	3,223,832	3,223,832	3,223,832	-
Total	43,964,283	18,042,486	29,145,629	-

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 2023				
Trade Payables	9,104,287	16,900,632	65,154,025	91,155,887
Total	9,104,287	16,900,632	65,154,025	91,155,887
At 30 June 2022				
Trade Payables	9,428,410	18,856,820	65,998,868	94,284,098
Total	9,428,410	18,856,820	65,998,868	94,284,098

(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.

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
sr/eldama ravine water company 2022/2023	Going Concern	Request for support from the county.	Zephania Kurere- MD	Not Resolved	End of FY 2024/2025
sr/eldama ravine water company 2022/2023	Financial Statement Inaccuracies	Errors and comparative figures corrected, lack of accounting system to support accuracy.	Joseph Kong'a-Acct.	Not Resolved	End of FY 2024/2025
sr/eldama ravine water company 2022/2023	Share Capital	Reported the matter to the county government-Function owner.	Zephania Kurere- MD	Not Resolved	By December 2023
sr/eldama ravine water company 2022/2023	Non-Revenue water compliance	Request of water meters from the county.	Zephania Kurere- MD	Not Resolved	End of FY 2024/2025
sr/eldama ravine water company 2022/2023	Lack of service provision agreement	Issued with SPA for Chemususu water company taking over from ERAWASCO.	Zephania Kurere- MD	Resolved	
sr/eldama ravine water company 2022/2023	Lack of Board of Directors	Recruited	Zephania Kurere- MD	Not Resolved	By December 2023

Managing Director

Sign.....*Zephania Kurere*.....

Date.....*7/3/2024*.....



Chairman of the Board

Sign.....*[Signature]*.....

Date.....*8/3/2024*.....

