REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE AUDITOR-GENERAL

ON

SIBO WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2021

OFFICE OF THE AUDITOR GENERAL
RECEIVED
31 AUG 2022
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SIBO WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING JUNE 30, 2021

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

Table of Contents

	Page
KEY ENTITY INFORMATION	II - IV
THE BOARD OF DIRECTORS	V - VII
MANAGEMENT TEAM	VIII -IX
CHAIRMAN'S STATEMENT	X
REPORT OF THE MANAGING DIRECTOR	XI - XIII
COMPANY GOVERNANCE STATEMENT	XIV – XVI
MANAGEMENT DISCUSSION AND ANALYSIS	XIX - XX
REPORT OF THE DIRECTORS	XXIV
STATEMENT OF DIRECTOR'S RESPONSIBILITIES	XXV
REPORT OF THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENT'S OF SIBO WATER AND SANITATION CO LTD	XXVI
STATEMENT OF COMPREHENSIVE INCOME	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CHANGES IN EQUITY	3
STATEMENT OF CASHFLOW	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT	5
NOTES TO THE FINANCIAL STATEMENTS	6
APPENDIX 1: Progress on follow up of auditor's recommendations	51
2: Project implementation by the entity	56
3: Recording of transfers from other government entities	57
4: Creditors schedule	58

KEY ENTITY INFORMATION

Background information

SIBO Water and Sanitation Company Ltd Was established by the 2006 Act of Parliament on 12th June, 2006. The company was formed by Lake Victoria South Water Works Development Agency and initially mandated to provide Water and Sanitation Services within the 2 districts of Siaya and Bondo, this has since been enhanced to cover Siaya County, represented as follows

1. Siaya Area
2. Bondo Area
3. Ugenya Area
4. Yala Area

Principal Activities

The principal activity of the company is to provide water and sanitation services within the county of Siaya.

Vision
To be the leader in the provision of water and sewerage services in Kenya.

Mission
To provide quality, reliable and affordable water and sewerage services to our customers guided by our Company values, using modern technology and motivated staff to ensure sustainable growth.

Our Mandate
The core responsibilities and mandate of SIBOWASCO as a water service provider are stipulated in Section 78. (1) Of the Water Act 2016 and they include:

- The provision of water services within the area specified in the license; and
- The development of county assets for water service provision.

Directors

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

1. Mr. William Ochieng Oungo	- Chairperson	- Appointed In Nov 2020
2. Eng. Michael Ogol	- MD	- Appointed In April 2021
3. Mrs. Caroline Atieno Tiko	- Member	- Appointed In Nov 2020
4. Mrs. Hellen Akinyi Otieno	- Member	- Appointed In Nov 2020
5. Eng. Bob Erick Odawa	- Member	- Renewed In Nov 2020
6. Bishop Martin Arara	- Member	- Renewed In Nov 2020
7. Charles Ogada	- Member	- Appointed In April 2021
8. Amb. Philip Owade	-Member	- Appointed in Nov 2020
9. Mr. Owuor Geoffrey Ochieng	- Alt. Member	- Appointed In Nov 2020

Registered Office

Company Headquarters
Sibo Water and Sanitation Co. Ltd
P.O. Box 214, 40600
Opposite Siaya Police Station
Off Siaya - Boro Road
Siaya, KENYA

Company contacts
Telephone: (254)708558944
E-mail: sibowasco@gmail.com
: info@sibowasco.co.ke

ompany Bankers

1. KCB Bank Kenya Limited,
   Siaya Branch
   P. O. Box 52
   SIAYA

2. Co-operative Bank Of Kenya,
   Siaya Branch
   P.O. Box 847
   SIAYA

3. The Kenya Post Office Savings Bank
   Siaya Branch

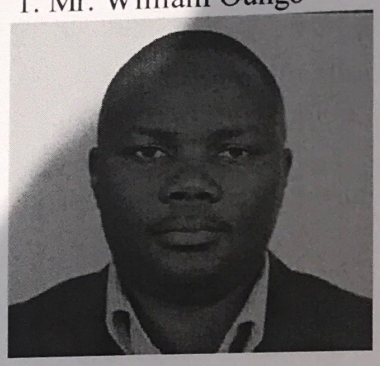
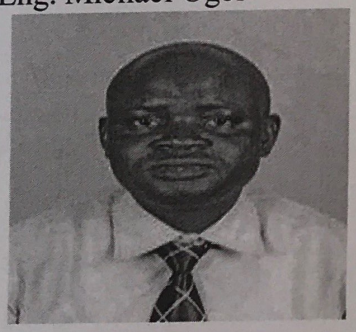
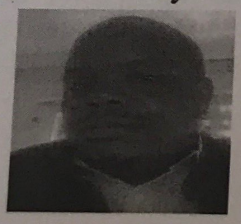
4. Safaricom PLC
   Mpesa pay bill number 233491

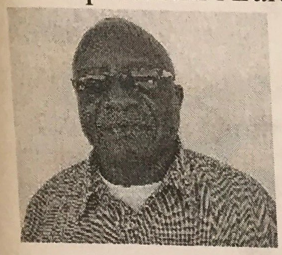
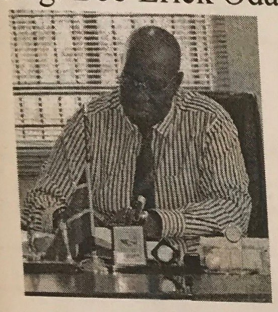
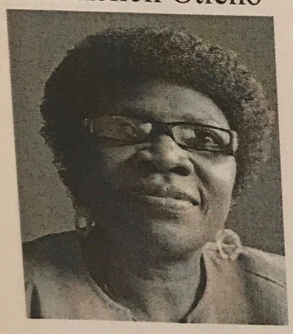
Independent Auditors
Auditor General
Office of the Auditor General.
Anniversary Towers, University Way
P.O. Box 30084-00100
NAIROBI, KENYA

Principal legal advisers
The Attorney General
Office of the Attorney General and State Law Office and Department of Justice
Sheria House, Harambee Avenue.
P.O. BOX 40112 – 00100, Nairobi, Kenya.

Kirui Registrars
Certified Public Secretaries and Management Consultant
Ground Floor-Murkiyeny Building
P.O. Box 1087-20200
KERICHO, KENYA.

THE BOARD OF DIRECTORS

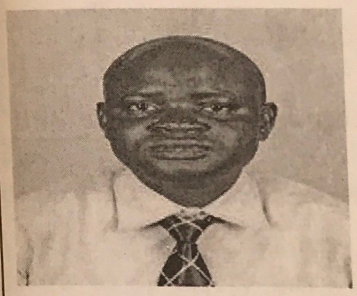
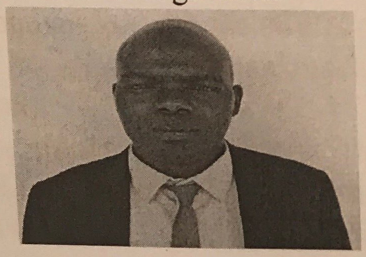
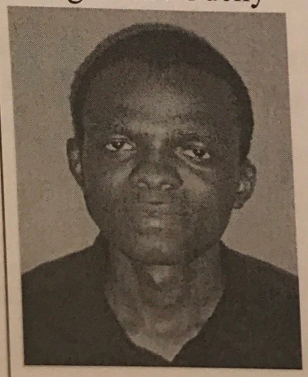
1. Mr. William Oungo 	**Age:** Years **Academic /Professional Qualification:** Bachelor of Business Administration {BBA} Mini MBA – Telecoms – London (UK) Bid Process –Telecommunication Authority Of San Luciana ICCP – International Customer Care Skills Passport (UK)
2. Eng. Michael Ogol 	**Age :** years **Academic Professional Qualification:** BSc. Mechanical Engineering Member institute of Engineers Kenya
3. Mr. Charles Ogada	**Age:** years **Academic /Professional Qualification:**
4. CPA Geoffrey Ochieng 	**Age: 36**years **Academic /Professional Qualifications:** ▪ MBA ▪ BCOM ▪ C.P.A

Bishop Martin Arara 	**Age :**59years **Academic /Professional Qualification:** ▪ KACE,A LEVEL ▪ Communication Technology- KCCT
6. Eng. Bob Erick Odawa 	**Age:** 69years **Academic /Professional Qualification:** □ BSc. Mechanical Engineering □ Member institute of Engineers Kenya
7. Mrs. Hellen Otieno 	**Age:** years **Academic/Professional Qualification:** Master of Arts – Diplomacy, Development And Security Studies Bachelor of Arts – in peace and conflict transformation
8. Mrs. Caroline Tiko	**Age :** years **Academic/Professional Qualification :** Bachelor of Education Arts

BOARD COMMITTEES:

COMMITTEE	COMPOSITION
1. FINANCE, COMMERCIAL & HUMAN RESOURCE COMMITTEE	I. Martin Arara - Chairperson II. Amb. Philip Owade - Member III. Hellen Otieno - Member IV. CPA Geoffrey Ochieng - Atl. Member
2.TECHNICAL COMMITTEE	I. Bob Erick Odawa - Chairperson II. Caroline Tiko - Member III. Charles Ogada - Member
3.AUDIT COMMITTEE	I. Caroline Tiko - Chairperson II. Bob Erick Odawa - Member III. Charles Ogada - Member

MANAGEMENT TEAM

1. Eng. Michael Ogol 	**Qualification :** BSc. Mechanical Engineering Member of the Engineers Board of Kenya **Responsibility :** Managing Director
2. CPA. Okundi Kevin	**Qualification:** Bcom - Finance CPA(K) PGD – Tax and Revenue Administration **Responsibility** Finance Manager Appointed in December 2020
3.CPA George Keter 	**Qualification:** MBA(Finance) B.Com-Accounting CPA(K) **Responsibility** Rick and Internal Audit Manager Appointed in August 2018
4.Eng. Brian Odeny 	**Qualification** BSC Mechanical Engineering Member of Engineers Board of Kenya **Responsibility:** Technical Manager **(Ag)** Appointed in July 2019

6. CHRP- Loise Omoga	**Qualification :** MBA cont. (Industrial Psychology) Bsc. Human Resource Management HND Human Resource Management **Responsibility :** Human Resource & Admin Manager Joined in October 2019
7. Leonard Ogutu	**Qualification :** MBA cont. (Finance) Bcom – Accounting **Responsibility :** Commercial and Customer Care Manager Appointed in March 2021

CHAIRPERSON'S STATEMENT

SIBO Water and Sanitation Company Ltd Was established by the 2006 Act of Parliament on 12th June, 2006. The company was formed by Lake Victoria South Water Works Development Agency and initially mandated to provide Water and Sanitation Services within the 2 districts of Siaya and Bondo, this has since been enhanced to cover Siaya County.

We are gradually improving water and sanitation services provision, through the support received from the County Government of Siaya, Asset developer - Lake Victoria Water Works Development Agency, Government of Kenya and other Development partners like Water Services Trust Fund, Water Services Regulatory Board, Water Resources Authority, Water Services Providers Association and KIWASH who have all played a very key role in our continued growth as a water service provider.

I wish to sincerely thank all the stakeholders, development Partners/Donors for their most kind heart in providing financial and material help .The company has received in the past, mobile water tanker, motor bikes, cold water consumer meters and master meters (DMA's). All these were realized courtesy of our development partners.

The Commissioning of the AFDB (African Development Bank) funded, Siaya – Bondo water supply project in Yala, by the president on 30th May 2021, will greatly improve our daily water production levels, thus improving water service delivery to residents of Siaya, Bondo and Yala, in addition to reducing the high electricity power bills incurred by the company, making our operations more sustainable and reliable.

The company has been growing from leaps and bounds since we took over as members of the Board of Directors. However, we have experienced several challenges including, high debts owed by the company to suppliers , high level of non-revenue water, poor and dilapidated infrastructure and limited resources, this compounded with the effects of Covid 19 in terms of reduced collections and billing, despite of these hurdles, we has a Board of Directors, have made every effort within our means to sail through the difficulties up to this level.

The Board undertook a major restructuring during the financial year, which turned around the company as evidenced in the financial results. This saw the company acquire professionals with expertise in key areas that ensured that the company's vision is realized. With the implementation of a 5 year strategic plan the Board is positive that to turn around the fortunes of the company will be achieved in the next financial year (2021 – 2022) and propel it to greater heights of sound management systems, financial and operational stainability.

We are still working hard and hopefully, we shall achieve our core mandate of providing efficient, clean, safe, affordable drinking water and sanitation services to residents of Siaya County.

Thank you.

.....

William Oungo

CHAIRPERSON – BOARD OF DIRECTORS

REPORT OF THE MANAGING DIRECTOR

I am delighted to present the Annual Report and financial statements for the year ended 30th June 2021. The performance of the company in this financial year witnessed tremendous resilience, to remain relatively stable, despite the enormous strain that the Covid 19 pandemic has been to the Kenyan and indeed the global economy. The company recorded an operating deficit of **Kshs.3, 304,510**, under pinning the challenging business environment that this financial year has been.

The company's internal revenue base grew by 13.87% (Kshs.15, 029,767) from Kshs.108.3 million in the last financial year to Kshs.123.35 million this financial year, a miss of Kshs. 23.4 million from our annual budgeted target, as compared to 162.583 million in the last financial year. The company also received external funding of Kshs.19.3 million from the County Government of Siaya, in the form of recurrent grant amounting to Kshs 8,000,000 and development / Capital grant of Kshs11, 304,171. The corresponding operating expenses stood at Kshs.134.659 million from Kshs.127.6 million recorded in the previous financial year.

In the backdrop of the prevailing Covid 19 pandemic and the associated challenges brought about by the containment measures put in place by the government, for the most part of the financial year, the management is working on rededicating their efforts and focus to revamp the revenue channels by fixing the gaps identified in the sales and distribution infrastructure. During the year our connections grew from 12,850 to 14,546 connections and the billing figure increased from Kshs. 9.027 million averagely per month to a monthly average of Kshs.10.280 million, this against a budget target of Kshs.12.230 million per month.

During the period under review, the company recorded a collection efficiency of 81.68% (inclusive of both current billing and outstanding debts) against a sector benchmark of >95%.

On the customer satisfaction front, in terms of reliability and hours of supply, we still have room for improvement, however we continue to align our efforts aimed at ensuring that the company's water treatment plants operate in their most efficient and effective way.

Water production levels, has remained a thorn in our flesh with the AFDB, funded Siaya - Bondo Water supply project, operating at only 63% of its design capacity, with all other production units in our areas operating below 40%, especially Bondo area production units of Asembo and South Sakwa being out of operation for most parts of the year, due to flooding in the low lift pump houses as a result of rise in lake levels and unstable power supply from KPLC, this affected our coverage and reliability which in turn ruined our water sales.

We hope to bridge these production gaps by installation of hybrid solar system, redesigning and relocation of the treatment works in the next financial year by addressing such short comings with the assistance of our development partners.

So far the company have installed standby pumping unit at Bondo water treatment works, with Plans of installing a submersible pump at South Sakwa treatment plant to leverage on service hours and reliability of supply, the remaining units of Mauna, Sega and Ugunja will be fixed in the next financial year, with the help of development partners and also taking into account the ongoing ugunja project, that will see the company move from borehole schemes in the larger Ugenya area to turbine driven and gravity dependent water distribution network.

In the human resource and administration front, the department managed to resolve major administrative issues both within the organization as well as with the regulatory authorities which has boosted the morale, productivity and discipline amongst our employees. The management is implementing performance contracting to all staff as a way of ensuring quality service provision to our esteemed customers and for improved business performance. This will also ensure effective and smooth administrative operations.

The Non-Revenue Water (NRW) menace poses sustainability threat to the company and a NRW team has been formed with clear terms of reference to steer the implementation of strategies that will ensure that NRW levels are kept at a maximum of 45% from current average of 62.7% in the current financial year, through a clear NRW Reduction roadmap. Some of the planned activities to be adopted in the reduction and management of NRW levels, include but not limited to;

i. Metering of all flat rate connections
ii. Replacement of stuck and malfunctioned meters
iii. Customer GIS mapping
iv. Regular inspection of dormant accounts to establish and regularise illegal water use
v. Establishment of DMA's for easy of water management
vi. Ensuring 100% of customers' meter reading and billing.
vii. Rehabilitation of damaged / dilapidated pipelines.
viii. Effective control of over flows from storage facilities
ix. Prompt response to burst and leakages
x. Embrace use of quality materials for operations and maintenance.
xi. Staff capacity building through training and benchmarking.
xii. Strengthening of NRW unit.
xiii. Rehabilitation of leaking storage tanks in Sega, South Sakwa and Mauna.

Finally, on behalf of the management team of SIBO water and Sanitation Company, I wish to thank the Board of Directors for the prudent guidance and direction and the entire staff for their dedication and hard work, the customers for their support, and to all the stakeholders of the company. I also wish to express my gratitude to Water Sector Trust Fund (WSTF), Lake Victoria South Water Works Development Agency, Siaya County Government and Kenya Integrated Water, Sanitation and Hygiene (KIWASH) for their continued support to the company that has enabled us to make the much needed difference in pursuit of our stated mission and vision.

Thank you very much.

.....

Eng. Michael Ogol
Managing Director

1. COMPANY GOVERNANCE STATEMENT

Company Governance is a system of rules practices and process by which a company is directed and controlled. Company Governance involves many stakeholders e.g. shareholders, senior management, customers, suppliers, financiers, the government and the Community. It also provides framework for attaining SIBOWASCO objectives and includes practically every sphere of management from action plans and internal controls to performance measurement and Company disclosure.

The Board of Directors is pivotal in governance, and can have major ramifications for equity valuation.

Communicating a company's Company governance is a key component of community and investor relations. The company outlines its Company leadership, constitutive documents, Board charter, committee charter and articles of incorporation.

Good Company governance creates a transparent set of rules and controls in which Shareholders, Directors and Officers have aligned incentives.

For this purpose we have considered some areas of Company governance in Sibo Water and Sanitation Company Limited as follows:-

1. **Number of Board meetings**

Committees	–	Twelve(12)
Full Board	–	Four (4)
Special Board Meetings	–	Seven (7)
Annual General Meeting	–	One (1)
Consultative	–	Five (5)

2. **Attendance to Board meetings**

Committees	–	99%
Full Board	–	100%
Average for both	–	99%

3. **Succession plan**

   Article 93 B of the Company's Articles of Association deals with Board succession policies and period in office.

   The Article specifically provides for retirement of two thirds of the stakeholder Directors. This then leaves a third for institutional memory and succession.

4. **Existence of a Board charter**

   A Board Charter is a policy document that clearly defines the respective roles, responsibilities and authorities of the Board of Directors (both individually and collectively) and management in setting the direction, the management and the control of the organization.

5. **Process of appointment and removal of Directors**

   The Procedure for appointment and removal of Directors are clearly stated in the Company's Act No. 17 of 2015 and the Company's Articles of Association.

   The procedure under Article 68 (i), (ii), (iii) and (iv) clearly spells out the size of the Board, background of the Directors, eligibility criteria and stakeholder participation

6. Procedure. Further, Article 84 deals with disqualification of Directors. The Companies Act further provides procedures for removal of Director.

7. **Roles and functions of the Board**

   Article 73 of the Company's Articles of Association spells out the powers, duties, functions and authorities of SIBOWASCO Board. It states that the Board of Directors shall adhere to the Memorandum and Articles of Association whose first object is to be an agent of the Water Services Board. Specifically, the Board of Directors shall:

i. Before commencing business sign the code of ethics as circulated by WASREB.
ii. Have a schedule of full Board meetings at the end of every year for the next year.
iii. Have only one full Board meeting in every quarter.

iv. Inform the respective County Government (CECM in charge of water services) of other meetings not within the schedule of Board meetings.

v. Employ and define the limits of authority of the Managing Director and other top executives in a schedule of duties.

vi. Approve an Annual budget, Procurement plan and Annual work plans.

vii. Devote sufficient time to their responsibilities.

viii. Have an approved organizational structure and adhere to the staff productivity ratio guideline by WASREB.

ix. Have a performance management and appraisal system in place.

x. Map out communication strategy for both internal and external liaisons.

xi. Embark on benchmarking with other WSP to constantly monitor management performance and the financial progress of the company.

xii. Evaluate its own performance at least once every year based on the Service Provision Agreement.

xiii. Ensure that the company is properly managed and for the attainment of lawful objectives.

xiv. Ensure that the company's affairs are not managed or conducted in a manner oppressive to any of its shareholders or for fraudulent purposes.

xv. Ensure that the company complies with all statutory requirements including directives issued by WASREB.

xvi. Ensure that sitting allowances and other expenditures of the Board and its committees do not exceed two percent of the annual recurrent budget for a WSP for efficiency purposes;

8. Induction and training

An induction program is a structured way of providing Board members with all the information and the support they need to be confident and productive in their role.

The aim is to help new members to understand the organization, the environment in which it operates, and their role in making the organization a success.

Continual training and development keeps Board members abreast of acceptable activities, policies, rules and regulations impacting the organization. This also involves training them on the ever changing business environment, new technology and their challenges.

9. **Board and member performance**

Article 73 (i) of the Company's Articles of Association clearly states that the Board shall evaluate its performance once every year and set up achievable action points to assess its performance as a whole and that of individual members including the Managing Director.

The resultant report is then presented to the shareholders.

10. **Conflict of interest**

Conflict of interest is a transaction or relationship which presents or may present a conflict between a Board member's obligations to the Company and the Board member's personal, business or other interests.

The Company has a conflict of interest register.

The Companies Act No. 17 of 2015 and the Company's Articles of Association clearly spell out the provisions and sanctions of non-compliance with the same.

Board remuneration

Article 73 (h) (5) clearly states that the Board shall set up an independent ad Hoc Committee to fix the remuneration of Directors which must remain within the benchmark set by WASREB.

The total Board expenditure for the financial year was Kshs.**6, 416,985.**

Ethics and conduct

The Code of conduct and ethics defines business conduct of the Directors of SIBOWASCO and embodies their commitment to pursue the highest standards of ethical conduct. The code is intended to describe areas of ethical risk, provide guidance to Directors and helps foster a culture of honesty, transparency and accountability.

Article 68 (IV) (7) of the Company's Articles of Association clearly states that Directors Must sign the code of ethics before commencing the day's business. The Directors signed a code of ethics and conduct.

Governance Audit

A Governance Audit is an independent assessment of an organization with a view to expressing an opinion on the adequacy and effectiveness of the organization's policies, systems, practices and processes. It is an objective assurance engagement.

Kirui Registrars
Certified Public Secretaries and Management Consultant
Ground Floor Murkiyeny Building
P.O. Box 1087-20200
KERICHO, KENYA

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE OVERVIEW

1.1 INTRODUCTION

The management of SIBOWASCO hereby presents to the shareholders and stakeholders reports and statements on the financial performance of the company for the financial year ended June 2021. The year was characterized with tremendous revenue growth and investments towards improved services.

1.2 REVENUES

The company achieved a total income of **Kshs.161, 916,348** against a budgeted figure of **Kshs.243, 035,572** representing a **66.62%** budget attainment rate (Kshs.81, 119,224 short fall from the budget projections). Representing a 22.791% increase from the previous year's total income which stood at Kshs.131, 863,490.

These incomes were made up of company water sales at **Kshs.101,986,688** sewerage sales at **Kshs.6,077,707.5** Bowser, Excavator and Exhauster services at **Kshs.3,178,600,** meter rent at **Kshs.5,240,200**,grants from County Government at **Kshs.19,304,171** {with 8,000,000 being in support of recurrent expenses - electricity bills and 11,304,171 being geared towards acquisition of capital assets / development}, other miscellaneous income at **Kshs.6,871,598** and donation in kind (assets transfer) of **Kshs.19,257,383.76** received from the Franciscan sisters of St. Anne Lwak.

	2020 / 2021	2019 / 2020	VARIANCE	%
Water sales	101,986,688.00	90,061,644.00	11,925,044.00	13.24
Sewerage Sales	6,077,707.50	5,252,030.00	825,677.50	15.72
Excavator, Exhauster & Bowser services	3,178,600.00	2,865,455.00	313,145.00	10.93
Meter rent	5,240,200.00	3,962,950.00	1,277,250.00	32.23
Grants from County Government	19,304,171.00	23,538,462.00	(4,234,291.00)	(17.99)
Other Incomes	6,871,598.00	6,182,949.00	688,649.00	11.14
Donations in Kind	19,257,383.76		19,257,383.76	
	161,916,348.26	**131,863,490.00**	**30,052,858.26**	**22.79**

The Company also achieved an average monthly billing of **Kshs.10.280 Million**, as compared to **Kshs.9.027Million** achieved in the previous financial year, translating to a **Kshs.1.253Million** or a 13.88% increase in average monthly billing.

The average revenue collection efficiency for the year 2020 / 2021 was **81.68%** as compared to **76.63% in the financial year 2019 / 2020** translating to a **5.05%** improvement. The Water Sector benchmark of >95% .hence the company still has an opportunity for improvement.

The average prevailing rate of Non-Revenue Water level at 62.7% against a sector benchmark of <25%. The management has developed performance improvement plan as outlined on page xiv under the report of the managing director.

1.3 EXPENDITURES

The company incurred a total expenditure of Kshs.**162, 382,663 (recurrent and capital expenditures),** translating to a deficit of Kshs. - 466,314 (161,916,348 – 162,382,663).

The total expenditure of **Kshs.162,382,663**, comprised of **Kshs.134,659,304** in recurrent expenses (being 82.93% of total expenditures), with capital expenditures amounting to **Kshs.27,723,359** (being 17.073% of the total expenditures), of the Kshs.27,723,359 in capital expenditures, Sibo contributed Kshs.8,465,974.96 while chalice contributed 19,257,383.76 (note 13c).

In Comparison to the budget (budgetary absorption rate), the performance was as below.

	Budgeted figures	Actual Expenditures	Variance	%
Capital expenditures	43,871,229.80	27,723,359.00	16,147,870.80	63.19
Recurrent expenditures	197,148,257.50	134,659,304.00	62,488,953.50	68.30
Total	241,019,487.30	162,382,663.00	78,636,824.30	67.37

With a cost recovery rate (internally generated funds / total operating expenses) of 91.605% {123, 354,793.50 / 134,659,304 (page 1)}, being an improvement of 5.8% from last year's rate of 84.9%, against a sector benchmark of >_100%.

1.4 FINANCIAL POSITION

The company attained net fixed assets of **Kshs.62.040Million** due to new assets acquired in the course of the financial year. The current assets stood at **Kshs.137.838 Million** against current liabilities of **Kshs.147.692Million**, giving a current ratio of **0.933:1** against a recommended ration of **2:1.**

There was an addition of **19,257,383.76** to the capital reserves due to transfer of deferred Income liability to capital after a successful completion and handing over of the asset developed by the deferred income grant (Chalice works under the co funded Aduoyo Kokise water project).

With a total net asset base of 22.926M (199,878,732 – 176,952,498) total assets less total liabilities.

1.5 COMPLIANCE WITH STATUTORY REQUIREMENTS

The company is committed to paying all statutory obligations as and when they fall due. These levies and fees are WASREB WRMA and LVSWSB levies. There has been a cash flow challenge crippling this commitment over the past and presently The company will strive to pay current continuous liabilities to such bodies as and when they fall due in the subsequent years.

Amounts owed to these bodies as at 30 June 2021 stood as follows;

WASREB -	17,184,743.34
WARMA -	5,634,835.77
OAG -	2,656,000
WCSO -	80,000
WASPA -	216,000
LVSWWDA -	35,583,930
TOTAL	**61,355,509.11**

1.6 RISKS

The company faces several risks that might impede the achievement of its objectives. The major risks identified are;-

i. Harsh economic conditions prevailing in the country due to the impacts of C - 19 in the last two years.
ii. Credit risk resulting from debtors not paying all their bills as and when they fall due.
iii. Water pollution due to human activities such as farming, disposal of grease and oil into storm water drainage system.
iv. Flooding resulting from global warming and climate change, this has brought operational challenges as a result of submerged treatment works at South Sakwa and Asembo bay.
v. Destruction of water supply and sewerage network during road constructions and rehabilitations.
vi. Inadequate funds for network expansion and maintenance.
vii. Delay in receiving support from Development partners
viii. High maintenance costs owing to the dilapidated status of supply networks and treatment plants
ix. High inflation rates against constant approved tariff from WASREB.

1.7 DEVELOPMENTS

During the period under review, the company commissioned and operationalized the Aduoyo Kokise water project in Asembo bay, funded through a partnership of SIBOWASCO and The Franciscan Sisters of St. Anne Lwak (chalice). This project is intended to serve the residents of Aduoyo and Kokise area in Asembo, who previously had no access to clean tapped water.

Below is a summary listing of the company's projects

	PROJECT NAME	FINANCIER	STATUS
1	Rehabilitation of Abura Dam	County Government of Siaya to the tune of Kshs.2,958,000	Procurement process is completed awaiting contractor mobilization
2	Ugunja, Sega and Ukwala Water Supply and Sanitation Project	Africa Development Bank to the tune of Kshs.1.1 billion	Project is 65% completed
3	Aduoyo - Kokise Water Project	Joint Partnership of SIBOWASCO and Chalice - Canada to the tune of Kshs.22,220,578.72	100% completed for works funded by Chalice Construction of water kiosk - pending Sibo works
4	SIBO Zonal Meters	KIWASH to the tune of Kshs.4,266,352.40	100% completed, pending handover to SIBOWASCO

The company also procured and installed submersible pumps at Camunya and ugunja slaughter in Ugenya area at a combined cost of Kshs 395,300 this is expected to improve the supply reliability in the area.

The company still expects to have more development partnerships that can provide interventions towards, Non-Revenue Water reduction through plant and network rehabilitations and increased metering efficiency so as to achieve sustainable operations. During the Financial year, the company invested in installation of new and replacement of stuck meters by investing an amount of Kshs 4,635,000 towards the purchase of cold water consumer meters, a move aimed towards Non-Revenue water reduction and improved billing.

1.8 CHALLENGES

The company still experiences several challenges crippling its smooth operations. The following are some of the challenges:

i. High level of outstanding bills due to poor bill payment by the customers, this can be partly attributed to the directive by the president to water companies to avoid disconnection of customers for nonpayment of water bills during this period, this is clearly manifested in the increase of our accounts receivables by Kshs 11,740,600 from Kshs 100,966,496 at close of FY 2019/ 2020 to stand at Kshs 112,707,096 by close of FY 2020 / 2021.

ii. Low levels of budgetary attainment, especially with regards to projected revenues, this largely resulting from the impacts of the prevailing Covid 19 pandemic and the ensuing containment measure put in place by the National government, which brought about closure of learning institutions, hotels and restaurants, who are our major consumers in terms of volumes of water sold to them.

iii. Low cost recovery due to old dilapidated system which increases operational costs.

iv. Vandalism of existing infrastructure by the public especially on the clear water and waste water pipelines and manhole covers

v. Poor commercial financing access due to poor Asset ratio since most of the assets are developed and owned by Lake Victoria Water Works Development Agency hence the Company's Balance sheet cannot offer loan security.

vi. High Non-Revenue Water levels occasioned by both commercial and technical losses due to old network system and illegal connections.

vii. Low network coverage hence low service coverage within the service area High staff turnover rate

viii. Destruction of water catchment area thereby threatening sustainability of water sources

ix. Non reliable power supply from the KPLC grid.

x. Mushrooming of boreholes within our area of jurisdiction.

REPORT OF THE DIRECTORS

The Directors submit their report together with the unaudited financial statements for the year ended 30 June 2021 which shows the state of the company's affairs.

Principal activities

The principal activity of the company is to provide water and sanitation services within Siaya County.

Results

The results of the company for the year ended 30 June 2021 are set out on page 1 – 44.

Dividends

The Directors do not propose any dividend for the year

Directors

The members of the Board of Directors who served during the year are shown on page iii in accordance with the regulation of the company's articles of association.

Auditors

The Office of the Auditor General draws its mandate from the Constitution of Kenya. Chapter 12, Part 6, Article 229 (4).

Which states that

Within six months after the end of each financial year, the Auditor-General shall audit and report, in respect of that financial year, on:-

- The accounts of the national and county governments;
- The accounts of all funds and authorities of the national and county governments;
- The accounts of all courts;
- The accounts of every commission and independent office established by this Constitution;
- The accounts of the National Assembly, the Senate and the county assemblies;
- The accounts of political parties funded from public funds;
- The public debt and the accounts of any other entity that legislation requires the Auditor-General to audit.

By Order of the Board

Thank you.

.....

William Oungo.

CHAIRPERSON – BOARD OF DIRECTORS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 68 of the State Corporations Act, requir the Directors to prepare financial statements in respect of that company at the end of the financial year/period The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes:

(i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.

(ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity.

(iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements while ensuring that they are free from material misstatements, whether due to error or fraud.

(iv)Safe guarding the assets of the company.

(v) Selecting and applying appropriate accounting policies.

(vi)Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with international financial reporting standards (IFRS), and in the manner required by the PFM Act and the States Corporations act.

The Directors are of the opinion that the company's financial statements give a true and fair view of the states of company's transactions during the financial year ended June 30th, 2020 and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

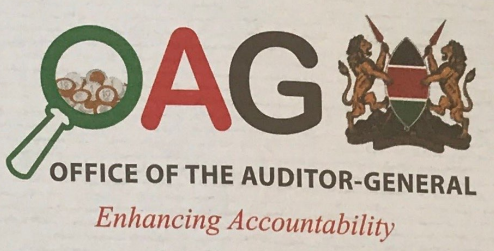
The financial statements were presented to the Board on 27th September 2021 and signed on its behalf by:

.....
Chairperson of the Board

.....
Managing Director.

REPUBLIC OF KENYA

ephone: +254-(20) 3214000
nail: info@oagkenya.go.ke
ebsite: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON SIBO WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of SIBO Water and Sanitatior Company Limited as set out on pages 1 to 55, which comprise of the statement

financial position as at 30 June, 2021, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provision 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, the financial position of SIBO Water and Sanitation Company Limited as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

Basis for Qualified Opinion

1. Understatement of New Connection Income

The statement of comprehensive income reflects other income of Kshs.6,871,598 which, as disclosed in Note 8 to the financial statements includes new connection charges income of Kshs.3,438,245. However, an analysis of the new connection register revealed that the Company realised a total of Kshs.3,896,250 from new connections in Yala (Kshs.1,057,500), Bondo (Kshs.1,477,750), Ugenya (Kshs.192,500) and Siaya (Kshs.1,168,500) during the year under review resulting to an unexplained variance of Kshs.458,005.

In the circumstances, the accuracy and completeness of the revenue from new connection charges of Kshs.3,438,245 could not be confirmed.

2. Unsupported Board of Directors Allowances

The statement of comprehensive Income and as disclosed in Note 9(a) to the financial statements reflects administration costs of Kshs.93,212,521 which includes an amount of Kshs.6,416,985 in respect to governance costs. Included in the expenditure is an amount of Kshs.5,132,200 in respect of board of directors' sitting allowances. However, the expenditure was not supported with a detailed analysis indicating the individual board member paid, nature of allowances, date of meeting and amount paid to individual directors. Further, the expenditure was not supported with evidence of attendance of the meetings and minutes of the meetings.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.5,132,200 on board of directors sitting allowances could not be confirmed.

3. Unsupported Provision for Bad and Doubtful Debts

The statement of comprehensive income and Note 9(a) to the financial statements reflects administration costs of Kshs.93,212,521 which includes provision for bad and

doubtful debts of Kshs.3,913,533. However, it was not explained how the provision was computed.

In the circumstances, the accuracy and completeness of provision for bad and doubtful debts of Kshs.3,913,533 could not be confirmed.

4. Unsupported Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 13(a) to the financial statements reflects property, plant, and equipment balance of Kshs.62,040,819. Included in the balance, an amount Kshs.27,723,359 in respect of additional assets which in turn includes an amount of Kshs.20,302,867 in respect of buildings and civil works. However, the expenditure was not supported with certificates of completion. Further, the additions to plant and machinery amounting to Kshs.2,313,012 includes an expenditure of Kshs.1,917,712 in respect to purchase of a surface pump with complete 3 phase panel system which was not supported with an invoice, a delivery note and a goods received note.

In addition, review of the assets register revealed that assets acquired during the year were not recorded in the register.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.62,040,819 could not be confirmed.

5. Inaccuracies in Customer Deposits Balance

The statement of financial position reflects customer deposit balance of Kshs.15,065,027 which was an increase of Kshs.4,273,967 from the previous financial year's balance of Kshs.10,791,060. However, review of the customer deposit bank account and bank statement reflected a closing balance of Kshs.3,389,471, resulting in an unexplained variance of Kshs.11,675,556. Although Management explained that the amount was borrowed vide a Board approval and Kshs.100,000 was to be refunded to the account monthly, there was no documentary evidence to support the explanation.

In the circumstances, the accuracy and completeness of customer deposits balance of Kshs.15,065,027 could not be confirmed.

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

Emphasis of Matter

Uncertainty on Going Concern

The statement of financial position indicates that current liabilities of Kshs.147,691,913 exceeded current assets of Kshs.137,837,913 resulting in a

negative working capital of Kshs.9,854,000. In addition, the accumulated losses increased from Kshs.10,050,882 as at 30 June, 2020 to accumulated loses of Kshs.16,221,910 as at 30 June, 2021. Despite the negative performance, the Management has not provided plausible explanation on efforts put in place to reverse the downward trend.

In the circumstances, the Company's preparation of the financial statements on a going concern basis is on the assumption that it will continue to receive support from the County Government and creditors.

My opinion is not modified in respect to this matter.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.243,035,572 and Kshs.161,916,348 respectively resulting to an under-funding of Kshs.81,119,224 or 33% of the budget. Similarly, the Company expended Kshs.162,382,663 against an approved budget of Kshs.241,019,488 resulting to an under-expenditure of Kshs.78,636,825 or 33% of the budget.

In the circumstances, the underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unaccounted for Water

During the year under review, the Company produced a total of 2,928,535 M^3 of water. However, a total of 975,101 M^3 was billed to customers resulting to Non-Revenue Water (NRW) of 1,853,434 M^3 or 67%. The allowable NRW rate according to Water Service Regulatory Board (WASREB) guidelines is 25%, resulting to excess NRW allowance of 42% representing 1,229,985 M^3 of water which is estimated to be loss of Kshs.36,899,550 at a rate of Kshs.30 per cubic meter.

The significant level of Non-Revenue Water may negatively impact on the Company's profitability and is a risk to sustainability of its operations.

Other Information

The Directors and Management are responsible for the other information, which comprises the Chairman's Report, Directors' Report, the Statement of Corporate Governance, Management Discussions and Responsibilities, Statement of Corporate

Social Responsibility and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non- compliance with the Law on Ethnic Diversity

Review of personnel records revealed that the Company had one hundred and twenty-one (121) employees in the year under review.Out of this number, one hundred and ten (110) or 91% were from the dominant ethnic community .This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public entities offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

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

2. Non-payment of National Social Security Fund Penalties

Review of the financial records revealed that the Company owed National Social Security Fund (NSSF) an amount of Kshs.556,400 in penalties due to non-remittance of statutory dues which were communicated through three (3) demand notes. Management has explained that they have entered into a repayment plan with NSSF, and that the one (1) instalment was done in April, 2022. However, no agreement with NSSF has been provided for audit review and the outstanding amount has not been recognised as a payable in the financial statements.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Serviceable and Unserviceable Motor Vehicles

Review of motor vehicle and motorcycle records revealed that five (5) motor vehicles and thirteen (13) motorcycles were not operational. Further, review of the internal auditors' report revealed that servicing of motor vehicles was not done within the service period and those two exhausters have faulty speedometers thus making it difficult to measure the distance covered and estimated fuel consumption.

In the circumstances, it was not possible to confirm the existence an effective system of internal controls that guarantees servicing of vehicles and motor cycles at the required time.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

Responsibilities of Management and the Board of Directors

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in

compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company's policies and procedures may deteriorate.

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 September, 2022

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30TH JUNE 2021

REVENUES			
Sales / Billing	6	116,483,196	102,142,079
Grants from County Government	7	8,000,000	23,538,462
Other Income	8	6,871,598	6,182,948
TOTAL REVENUES		**131,354,794**	**131,863,489**
OPERATING EXPENSES			
Administration Costs	9(a)	93,212,521	76,953,549
Production and Distribution Costs	10	35,533,574	43,714,593
Depreciation of property, plant and equipment	13a	4,916,292	2,961,007
Amortisation of Intangible Assets	13(b)	1,140,000	1,140,000
Decrease /(Increase) in inventories	14(b)	(143,083)	2,824,747
TOTAL OPERATING EXPENSES		**134,659,304**	**127,593,896**
OPERATING PROFIT/(LOSS)	11	**(3,304,510)**	**4,269,593**
PROFIT/(LOSS) BEFORE TAXATION		**(3,304,510)**	**4,269,593**
INCOME TAX EXPENSE/(CREDIT)		**(991,353.1)**	**1,280,878.0**
PROFIT/(LOSS) AFTER TAXATION		**(4,295,864)**	**2,988,715**

The financial statements were approved by the Board on 27th September 2021 and signed on its behalf by:-

Managing Director Eng. Michael Ogol	Head of Finance Okundi Kevin 26225	Chairperson of the Board William Oungo

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

ASSETS			
Non-Current Assets	**Note**		
Property, plant and equipment	13a	62,040,819	39,233,751
Intangible assets	13b	-	1,140,000
Total Non-Current Assets		**62,040,819**	**40,373,751**
Current Assets			
Inventories	14a	7,527,609	7,384,526
Trade and other receivables	15(a, b and c)	112,785,673	101,123,514
Bank and cash balances	16	17,524,632	6,117,169
Total Current Assets		**137,837,913**	**114,625,209**
Total Assets		**199,878,732**	**154,998,960**
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	23	100,000	100,000
Capital reserve		39,076,199	19,818,815
Retained earnings		(16,249,965)	(10,050,882)
Proposed dividends		-	-
Capital and Reserves		**22,926,234**	**9,867,933**
Non-Current Liabilities			
Borrowings		-	-
Deferred Income Liability	22	29,260,585	17,956,414
Total Non-Current Liabilities		**29,260,585**	**17,956,414**
Current Liabilities			
Borrowings		-	-
Trade and other payables	24	**132,626,886**	116,383,552
Customer deposits		15,065,027	10,791,060
Dividends payable		-	-
Total Current Liabilities		**147,691,913**	**127,174,612**
TOTAL EQUITY AND LIABILITIES		**199,878,732**	**154,998,959**

The financial statements were approved by the Board on 27th September 2021 and signed on its behalf by :

.....	.....	.....
Managing Director	Head of Finance	Chairperson of the Board
Eng. Michael Ogol	Okundi Kevin	William Oungo
	26225	

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDING 30TH JUNE 2021

	Ordinary share capital	Capital Reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
At July 1, 2019	100,000	19,818,815	-	(5,955,176)	-	30,807,450	44,771,089
Transfer to capital Reserves	-	-	-		-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Prior Year Adjustment				(7,084,422)			
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	2,988,716	-	-	2,988,716
Capital/Development grants received during the year	-	-	-	-	-	4,372,432	4,372,432
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid – 2018	-	-	-	-	-	-	-
Interim dividends paid – 2019	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
At June 30, 2020	100,000	19,818,815	-	(10,050,882)	-	35,179,882	45,047,815
At July 1, 2020	100,000	19,818,815	-	(10,050,882)	-	35,179,882	45,047,815
Issue of new share capital	-	-	-	-	-	-	-
Transfer to capital reserves	-	19,257,384	-		-	-	-
Transfer of excess depreciation on revaluation	-	-	-		-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Prior Year Adjustment	-	-	-	(1,903,219)	-	-	-
Fair value adjustment on quoted investments	-	-	-		-	-	-
Total comprehensive income	-	-	-	(4,295,864)	-	-	(4,295,864)
Capital/Development grants received during the year	-	-			-	27,779,736	27,779,736
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid – 2019	-	-	-	-	-	-	-
Interim dividends paid – 2020	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
At June 30, 2021	100,000	39,076,199	-	(16,249,965)	-	62,959,618	85,885,852.19

The financial statements were approved by the Board on 27th September 2021 and signed on its behalf by :

Managing Director
Eng. Michael Ogol

Head of Finance
Okundi Kevin
26225

Chairperson of the Board
William Oungo

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30TH JUNE 2021

CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	25	11,463,840	8,848,656
Net cash generated from/(used in) operating activities		**11,463,840**	**8,848,656**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13c	27,723,359	4,711,528
Purchase of intangible assets	13(b)		-
Net cash generated from/(used in) investing activities		**27,723,359**	**4,711,528**
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital Grants		(27,779,736)	4,372,432
Net cash generated from/(used in) financing activities		**(27,779,736)**	**4,372,432**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**11,407,463**	**(235,303)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	25	**6,117,169**	**6,352,472**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**17,524,632**	**6,117,169**

The financial statements were approved by the Board on 27th September 2021 and signed on its behalf by :

.....	.....	.....
Managing Director	Head of Finance	Chairperson of the Board
Eng. Michael Ogol	Okundi Kevin	William Oungo
	26225	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Water Sales	161,261,722	(33,686,080)	127,575,642	101,986,688	25,588,954
Sewerage income	6,189,097	(1,249,072)	4,940,025	6,077,708	(1,137,683)
Bowser, Exhauster & excavator Income	5,720,000	(1,950,000)	3,770,000	3,178,600	591,400
Grants from the Government	22,865,347	2,787,853	25,653,200	19,304,171	6,349,029
Donations in kind (The Franscisscan Sisters of St. Anne Lwak)	18,556,008	-	18,556,008	19,257,384	(701,376)
Finance Income	-	-	-	-	-
Other income	10,617,477	(140,718)	10,476,759	12,111,798	(1,635,039)
WSTF Grant	-	52,063,938	52,063,938	-	52,063,938
Total income	**225,209,651**	**17,825,921**	**243,035,572**	**161,916,348**	**81,119,224**
Expenses					
Personnel costs	59,163,720	(1,495,825)	57,667,895	51,912,664	5,755,231
Administration Costs	30,969,104	27,022,148	57,991,252	28,487,209	29,504,043
Technical Costs	76,403,093	(22,202,804)	54,200,289	35,533,574	18,666,715
Bowser, Exhauster & Excavator Running cost	3,780,200	-	3,780,200	2,075,059	1,705,141
Governance Costs	2,488,200	2,339,600	4,827,800	6,416,985	(1,589,185)
Compliance levies	17,006,315	1,674,507	18,680,822	4,177,522	14,503,300
Capital Investments	35,056,008	8,815,222	43,871,230	27,723,359	16,147,871
Depreciation of PPE	-		-	4,916,292	(4,916,292)
Amortisation charge				1,140,000	(1,140,000)
Total expenditure	**224,866,640**	**16,152,848**	**241,019,488**	**162,382,663**	**78,636,825**
Surplus for the period	**343,011**	**0**	**2,016,084**	**(466,314)**	**2,482,398**

NOTES

Water sales did not meet the budgeted target due to the impacts of the prevailing Covid 19 pandemic on the company's billing and collection figures, the high levels of NRW rates prevailing within the company, coupled with our dilapidated and inadequate network systems that is prone to burst, leaks and frequent plants break down.

i. Sewerage income on the other hand, surpassed the budgeted amount by a sum of 1,137,683 { actual amount realized 6,077,708 while budgeted figures were 4,940,025}

ii. Bowser, Excavator and Exhauster revenues did not meet the budget target, resulting from the breakdown of the three company exhauster with only one being brought back to operations towards the end of the second quarter. The implementation of the Covid 19 containment measures, also resulted in closure of learning institutions and hotels who form the bulk of our exhausting services clientele.

The financial statements were approved by the Board on 27th September 2021 and signed on its behalf by :

Managing Director
Eng. Michael Ogol

Head of Finance
Okundi Kevin
26225

Chairperson of the Board
William Oungo

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

SIBO WATER &SANITATION COMPANY LIMITED is established by and derives its authority and accountability from the Company's Act 2015. The Company is wholly owned by the Government of Kenya through the County Government of Siaya and is domiciled in Kenya. The entity's principal activity is provision of water & sanitation services.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3 & 5.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company.

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the company's activities as described below.

i) **Revenue from the sale of goods and services** is recognized in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii) **Grants from National Government** are recognized in the year in which the company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.

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

vi) **Other income** is recognized as it accrues.

b) In-kind contributions

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

c) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.
Depreciation on property, plant and equipment is recognized 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:

Buildings and civil works	4%
Plant and machinery	25%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5 %
Water meters and leak detection equipment's	12.5%

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.
Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

e) Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years.
All computer software is 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 recognized so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

l) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

m) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end, at 25%. Bad debts are written off after all efforts at recovery have been exhausted.

n) Taxation

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 (Continued)

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 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.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re- assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

o) 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

p) Borrowings

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

q) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortized 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.

r) **Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 2018 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.

s) **Provision for staff leave pay**

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

t) **Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss

u) **Budget information**

The original budget for FY 2020-2021 was approved by the Board of Directors. With a subsequent revisions, in the form a supplementary budget being done on, where additional appropriations and reductions were made to the approved budget. Any additional appropriations are added to the original budget by the company upon receiving the respective approvals in order to conclude the final budget.
The company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

v) Service concession arrangements

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

w) Comparative figures

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

x) 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, 2021.

SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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.

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
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material

6. Sales / Billing

6.SALES / BILLING		
Water Sales	101,986,688	90,061,644
Bowser, Exhauster & Excavator Sales	3,178,600	2,865,455
meter rent	5,240,200	3,962,950
Sewerage Sales	6,077,708	5,252,030
Total	**116,483,196**	**102,142,079**

7. Grants Received from the National / County Governments

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

GRANT FROM THE COUNTY GOVERNMENT OF SIAYA

County Government of Siaya	**8,000,000**	**11,304,171.00**	**0**	**19,304,171**	**23,538,462**
Total	**8,000,000**	**11,304,171.00**	**0**	**19,304,171**	**23,538,462**

8 OTHER INCOME

Miscallenous water income	299,620	1,972,635
late payment penalty	24,000	104,500
Millage charge	1,286,150	1,280,540
Meter sales	9,500	19,410
Reconnection fees	260,200	110,700
Statement Fees	17,400	5,000
levy	-	398,739
Change of Tenancy	7,600	4,200
Convenience Fees	71,198	200,200
illegal connection penalties	1,296,685	
Sewer connection	160,000	
Refuse	1,000	
Sale of tender documents	-	1,000
New connection charges	3,438,245	2,086,024
Total	**6,871,598**	**6,182,948**

Note: in the FY 2019/2020 miscellaneous income included both income realized from prepaid meters water sales and illegal connections penalties, however in the FY 2020/2021 income from illegal connection penalties are analyzed separately, resulting in the noted variance.

9 (a) ADMINISTRATION COSTS

Personnel costs (note 9b)	51,912,664	46,737,224
Office running costs (office rent inclusive)	2,917,269	2,302,763
travel & subsistance	1,686,444	1,409,105
Motor vehicle running costs	6,718,327	4,992,868
Communication costs	920,956	1,010,385
Monitoring & Evaluation costs	176,600	31,600
PR/ Corporate Affairs costs	1,219,124	584,080
Professional services & fees	10,880,996	6,819,289
Bowser,Excavator & Exhauster running costs	2,075,059	2,139,702
Governance costs	6,416,985	2,707,860.00
Compliance levies / costs (less warma charges)	4,177,522	3,718,143
Finance costs (bank charges)	197,043	243,278.00
Provision for bad and doubtful debts	3,913,533	4,257,252.00
Total	**93,212,521**	**76,953,549**

9 (b) STAFF COSTS

	2020 / 2021	2019 / 2020
Salaries and allowances of permanent employees	44,525,806	43,253,042
Wages of Temporary employees	492,300	276,800
medical insurance schemes	-	515,727
Employer's Contributions to National Social Security Schemes	286,000	527,363
Employers Contributions to pension scheme	771,533	772,171
Leave pay		150,040
Gratuity Provisions	5,416,420	
Fringe Benefit tax		
Staff welfare	420,605	1242080
Total	**51,912,664**	**46,737,223**
The average number of employees at the end of the year was:		
Permanent employees – Management	9	9
Permanent employees – Unionisable	58	53
Temporary and contract employees	44	40
Total	**111**	**102**

i. Director's emoluments went up compared to last year due to the high turnover rate of senior managers, experienced by the company which necessitated the high numbers of Board meetings (recruitment of the Managing Director, Finance Manager and Commercial Manager).

   The introduction of the Board chairperson monthly honoraria payout

   Board training and induction for the new Board which assumed office in November 2020.

ii. Professional services and fees, went up due to the increased legal costs in terms lawyers' fees and court awards payout, additionally the cost of security services went up since more guards were hired to enhance security in all schemes.

iii. Motor vehicle and motor cycle maintenance and fuel costs went up due to conversion made on the company's exhauster, from the initial hydraulic system to a pulley based system, additionally the company also started hiring out of the excavator to the public, before it was for exclusive use of the company, further pushing on the fuel consumption.

iv. WASREB Levies went up owing to increased billing figures in the current financial year {4% of billing figures}

v. Pension and Gratuity went up following board resolution for the company to begin monthly remittance of the 31% of basic pay as gratuity, for all staff on contract.

10 Technical Costs - Production & Distribution Costs

Salaries and wages of production personnel	-	-
Treatment chemicals	4,930,098	6,684,890
Abstraction charges / Warma charges	1,233,071	833,487
Electricity	20,819,023	28,233,267
water quality testing	203,610	88,195.00
Plant repair & maintenance	2,551,226	1,771,578.00
Pipeline repair & Maintenance	5,796,546	5,898,676.00
Pipes & fittings Expansion	-	204,500.00
Total	**35,533,574**	**43,714,593**

NOTES:

i. Wages of production employees went down since there was a reclassification of those costs where all the technical staff on contract were moved to the general payroll hence only casuals were paid wages.

ii. Electricity costs went down, following complete switch to turbine use at Yala T/works with the Motors only used as back up units, additionally the operations at South Sakwa and Asembo treatment plants were grounded for most parts of the year following flooding of the low lift pump house from the risen lake waters.

iii. Chemical costs also went down following receipt of chemical donations from WSTF and UNICEF

iv. Other production and distribution costs went down due to enhanced cost control. The company also carried out pipeline network expansion with the help of county government grant. To add to this, the company embarked on stocking pipes and fittings in order to improve response time to bursts and leaks. This is evidenced in the improved inventory levels as seen in the statement of financial position.

11 OPERATING PROFIT / (LOSS)

	2020 / 2021 Kshs	2019 / 2020 Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 9b)	52,616,055	46,737,224
Depreciation of property, plant and equipment	4,916,292	2,961,007
Amortisation of intangible assets	1,140,000	1,140,000
Provision for bad and doubtful debts	3,913,533	4,257,252
Directors' emoluments - fees	5,132,200	2,215,610
- other	1,284,785	492,250
Auditors' remuneration - current year fees	232,000	232,000
- prior year under-provision	-	-
Loss on disposal of property, plant and equipment	-	-
Net foreign exchange loss	-	-
Interest receivable	-	-
Interest payable	-	-
Rent receivable	-	-

Average billing

	FINANCIAL YEAR 2020/2021												
	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
INCOME													
BILLING													
Water sales	7,635,694.0	9,315,555.0	8,141,854.0	7,671,030.0	8,224,644.0	7,940,855.0	9,009,800.0	9,730,199.0	9,164,134.0	8,485,392.0	7,526,954.0	9,140,577.0	101,986,688.0
Sewerage income	441,918.8	596,670.0	501,607.5	422,020.0	697,033.8	545,046.3	331,926.3	461,257.5	455,100.0	685,828.8	462,912.5	476,386.3	6,077,707.5
Meter rent	396,650.0	414,400.0	419,000.0	418,900.0	441,850.0	425,900.0	429,200.0	444,900.0	452,050.0	457,750.0	463,250.0	476,350.0	5,240,200.0
Bowser income	67,580.0	117,380.0	54,360.0	93,530.0	77,520.0	294,080.0	80,490.0	168,720.0	200,610.0	50,790.0	199,690.0	196,850.0	1,601,600.0
Exhauster income	113,000.0	81,000.0	41,000.0		2,000.0	265,000.0	144,000.0	242,000.0	94,000.0	120,000.0	134,000.0	193,000.0	1,429,000.0
Excavator income							28,000.0	28,000.0	16,000.0	48,000.0	16,000.0	12,000.0	148,000.0
OTHER INCOME													
New connections	505,350.0	325,895.0	490,750.0	255,250.0	230,750.0	210,000.0	337,000.0	214,750.0	289,250.0	292,000.0	141,500.0	145,750.0	3,438,245.0
Late payment penalty	1,500.0	500.0	1,500.0	1,000.0	2,500.0	500.0	3,500.0	3,000.0	1,000.0	6,000.0	2,000.0	1,000.0	24,000.0
Mileage	37,000.0	76,000.0	43,000.0	22,800.0	20,200.0	122,360.0	104,200.0	197,600.0	144,600.0	109,460.0	192,600.0	216,330.0	1,286,150.0
Meter sale		3,500.0	2,500.0		3,500.0								9,500.0
Reconnection fees	17,000.0	30,200.0	13,000.0	12,000.0	30,000.0	40,000.0	11,000.0	36,000.0	18,000.0	16,000.0	17,000.0	20,000.0	260,200.0
Convenience fees	700.0		400.0	500.0	200.0	5,000.0				200.0	22,288.0	41,910.0	71,198.0
Mainline interference											10,248.0		
Statement fees	3,200.0	2,400.0	1,200.0	1,600.0	800.0	1,000.0	800.0	200.0	2,400.0	1,400.0	1,200.0	1,200.0	17,400.0
Change of tenancy	1,000.0	400.0	1,000.0	400.0	800.0	800.0	400.0	400.0	1,000.0	1,000.0	200.0	200.0	7,600.0
illegal connection penalties	90,000.0	105,000.0	145,000.0			120,975.0	60,000.0	130,000.0	235,000.0	30,000.0	98,480.0	282,230.0	1,296,685.0
Sewer connection			15,000.0	27,500.0	5,000.0		15,000.0		5,000.0	7,500.0	37,500.0	47,500.0	160,000.0
Refuse								1,000.0					1,000.0
Miscellaneous	3,700.0	4,000.0	8,000.0	22,000.0	25,240.0	79,200.0	26,200.0	53,080.0	32,000.0	24,000.0	11,200.0	11,000.0	299,620.0
Levy													0.0
	9,314,292.75	11,072,900.00	9,879,171.50	8,948,530.00	9,762,037.75	10,050,716.25	10,581,516.25	11,711,106.50	11,110,144.00	10,335,320.75	9,337,022.50	11,262,283.25	123,354,793.50
											Monthly Average		10,279,566.13

12 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

13 *DIVIDEND PER SHARE*

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2021, a final dividend in respect of the year ended June 30, 2021 of for every ordinary share is to be proposed.

13a PROPERTY, PLANT AND EQUIPMENT

2019 / 2020	Freehold land	Buildings & civil works 4%	Plant and machinery 25%	Motor vehicles, including, motor cycles 25%	Computers & related equipment 30%	Office equipment, furniture & fittings 12.5%	Capital work in progress	Water Meters 12.5%	TOTAL
COST OR VALUATION									
At July 1, 2019	-	17,760,817	4,286,240	3,313,392	3,110,390	213,568	12,854,796	6,602,500	48,141,703
Additions	-			708,720.58	78,490	0	3,077,317	847,000	4,711,528
Transfers	-	-	0	0	0	0		-	-
Disposals	-	-	0	0	0	0	-	-	-
At June 30, 2020	-	17,760,817	4,286,240	4,022,113	3,188,880	213,568	15,932,113	7,449,500	52,853,231
DEPRECIATION		-							-
At July 1, 2019	-	710,433	1,996,639	3,909,535	3,042,379	174,174	-	825,313	10,658,473
Charge for the year	-	710,433	1,071,560	177,180	43,950	26,696	-	931,188	2,961,007
Impairment loss	-	-	0	0	0	0	-		-
Eliminated on disposal	-	-	0	0	0	0	-		-
At June 30, 2020	-	1,420,866	3,068,199	4,086,715	3,086,329	200,870	-	1,756,500	13,619,479
NET BOOK VALUE									-
At June 30, 2020	-	16,339,951	1,218,041	- 64,603	102,551	12,698	15,932,113	5,693,000	39,233,751

	notes	
	1) motor vehicles	depreciation charge only on additions during the year
2)	computers	depreciation charge on the residual balance to zero NBV and on additions during the year only

Property, plant and equipment include the following items that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	12,722	3,180
Motor vehicles, including motor cycles	309,608	77,402
Computers and related equipment	25,550	6,312
Office equipment, furniture and fittings	75,296	9,442
Software	290,900	-
	423,176	**96,336**
	=====	=====

2020 / 2021	Freehold land	Buildings & civil works 4%	Plant and machinery 25%	Motor vehicles, including motor cycles 25%	Computers & related equipment 30%	Office equipment, furniture & fittings 12.5%	Capital work in progress	Water Meters 12.5%	TOTAL
COST OR VALUATION									
At July 1, 2020	-	17,760,817	4,286,240	4,022,113	3,188,880	213,568	15,932,113	7,449,500	52,853,231
Additions	-	20,302,867	2,313,012	472,480.00		0		4,635,000	27,723,359
Transfers	-	-	0	0	0	0		-	-
Disposals	-	-	0	0	0	0	-	-	-
At June 30, 2020	-	38,063,684	6,599,252	4,494,593	3,188,880	213,568	15,932,113	12,084,500	80,576,589
DEPRECIATION		-							-
At July 1, 2020	-	1,420,866	3,068,199	4,086,715	3,086,329	200,870	-	1,756,500	13,619,479
Charge for the year	-	1,522,547	1,649,813	118,120	102,551	12,698	-	1,510,563	4,916,292
Impairment loss	-	-	0	0	0	0	-		-
Eliminated on disposal	-	-	0	0	0	0	-		-
At June 30, 2021	-	2,943,413	4,718,012	4,204,835	3,188,880	213,568	-	3,267,063	18,535,771
NET BOOK VALUE									-
At June 30, 2021	-	35,120,271	1,881,240	289,757	-	-	15,932,113	8,817,438	62,040,819

Our assets are currently undervalued, management plan to engage a government valver, to value all our assets in an effort aimed at improving our assets register.

13. (b) INTANGIBLE ASSETS

	2020 / 2021	2019 / 2020
	Kshs	Kshs
COST		
At July 1	3,420,000	3,420,000
Additions	-	-
Disposals	-	-
At June 30	3,420,000	3,420,000.00
AMORTISATION		
At July 1	2,280,000	1,140,000
Charge for the year	1,140,000	1,140,000
Disposals	-	
Impairment loss	-	
At June 30	3,420,000	2,280,000.00
NET BOOK VALUE		
At June 30	-	1,140,000.00
	=====	=====

13c

	CAPITAL ADDITIONS DURING THE YEAR 2020 / 2021	
1)	**Building & Civil Works**	
	Temporary Pump house - extra work (chalice works)	372,491.46
	Site office renovation - extra work (chalice works)	83,500.00
	Fencing of elevated steel tank - extra work (chalice works)	119,887.00
	Water distribution pipeline - sibo works under aduyo project	2,538,034.46
	construction of new pump house - sibo works under aduoyo project	341,924.25
	Renovation of scheme managers office - sibo works under aduoyo project	83,236.25
	Rising main to Aduoyo elevated tank - chalice works	9,293,884.30
	2 water kiosks with tanks and Water distribution networks (chalice works)	3,377,429.00
	15m high 108m3 elevated steel tank - chalice works	4,092,480.00
		20,302,866.72
2)	**Plant & Machniery**	
	surface pump with complete 3 phase panel system - chalice works	1,917,712.00
	Purchase of Ugunja slaughter submersible pump - sintora contractors (from sibo's internal funds)	179,200.00
	Purchase of camunya submersible pump - betco engineering works (from sibo's internal funds)	216,100.00
		2,313,012.00
3)	Purchase of 4 motor bikes from Car & General - 15th july 2020 (sibo's internal funds)	472,480.00
		472,480.00
4)	Purchase of cold water consumer meters - Alecky agencies (sibo's internal funds)	4,635,000.00
		4,635,000.00
	TOTAL CAPITAL EXPENDITURE	**27,723,358.72**
	sibo own source funds	8,465,974.96
	chalice contribution	19,257,383.76

14a) INVENTORIES

	2020 / 2021 Kshs	2019 / 2020 Kshs
Water treatment Chemicals	515,624	849,629
Meters		1,048,750
Motor vehicle spare parts	1,376,500	209,000
Stationery and general stores	324,795	193,070
Pipes & Fittings	5,136,690	4,784,372
Water Tanks	129,570	215,950
Solar Batteries	44,430	44,430
Electrical Fittings		31,525
Motorbikes Tyres		7,800
	7,527,609	7,384,526
	=====	=====

Note: In the previous years the water meters were depreciated at 12.5%, will still being included as part of the company's closing inventory, leading to double accounting treatment as both a consumable item and a capital item. From this financial year water meters will be solely treated has capital items subject to depreciation only.

14 b	Decrease / Increase in inventories			
		FINANCIAL YEAR		(INCREASE) / DECREASE
		2020 - 2021	2019 - 2020	
		7,527,609	7,384,526	143,083

15 (a) TRADE AND OTHER RECEIVABLES

	2020 / 2021	2019 / 2020
	Kshs	Kshs
Trade receivables (note 15 (b))	112,707,096	100,966,496
Deposits and prepayments	-	-
VAT recoverable	78,577	157,018
Staff receivables (note 15 (c))	-	-
Other receivables	-	101,123,514
Gross trade and other receivables	-	101,123,514
Other: Provision for bad and doubtful receivable	-	-
Net trade and other receivables	112,785,673	101,123,514

15 (b) TRADE RECEIVABLES

	2020 / 2021	2019 / 2020
	Kshs	Kshs
Siaya Area	49,240,287	42,914,651
Bondo Area	57,777,798	52,646,580
Yala Area	33,975,574	29,726,060
Ugenya Area	9,282,468	9,334,703
Gross trade receivables	150,276,127	134,621,994
Provision for doubtful receivables	(37,569,032)	(33,655,499)
	112,707,096	100,966,496

15 (c) STAFF RECEIVABLES

	2020 / 2021	2019 / 2020
		Kshs
Staff receivables	78,577	157,018

staff receivables were made up of staff imperest account at 22,227 and staff salary advance at Kshs 56,350

16 BANK AND CASH BALANCES

	2020 / 2021	2019 / 2020
	Kshs	Kshs
Cash at bank	17,524,360	6,116,987
Office Petty cash (cash in hand)	271	181
	17,524,632	6,117,168

BANK BALANCES AS AT 30TH JUNE 2020			
BANK	DETAILS	BALANCE (KSHS)	REMARKS
Cooperative Bank,Siaya	Bowser Account	(1,514.24)	
KCB,Siaya	Customer Deposits Acc	3,389,471.20	Customer Deposits
KCB,Siaya	Expenditure account	12,143,518.95	Current Account
petty cash	head office petty cash	271.29	
Post Bank	Revenue Collection Acc	22,040	Mainly used for revenue collection
KCB,Siaya	Revenue Collection Acc	36,630	Main Account for receiving water billing Revenue
KCB Grant account - WSTF	conditional liquidity su	(7,180)	
KCB,Siaya	Bar Kowino -Nyawita water Project	1,846,044	Current Account
Mpesa Paybill	Mpesa collection	95,350	Mpesa collections
Total		**17,524,631.65**	

18. ORDINARY SHARE CAPITAL

	2020 / 2021	2019 / 2020
	Kshs	Kshs
Authorised:		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
	====	====
Issued and fully paid:		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
	====	====

19 REVALUATION RESERVE

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

20 FAIR VALUE ADJUSTMENT RESERVE

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

21 RETAINED EARNINGS

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

22) DEFFERED INCOME LIABILITY ACCOUNT

Date	Amount	Naration
1st July 2020 - bal b/f	17,956,414.00	Being opening balance relating to amounts received from WSTF under the Bar kowino Nyawita water project
17th June 2021 - additions during the year	11,304,171.00	being conditional grant from the CGS aimed at SIBO turn around strategy
30th june 2021 bal c/f	29,260,585.00	

23 TRADE AND OTHER PAYABLES

	2020 / 2021 Kshs	2019 / 2020 Kshs
Trade payables	50,762,352	41,824,306
Accrued Statutory Levies	61,355,509	55,994,576
Other payables	20,509,025	18,564,670
	132,626,886	**116,383,552**

NB:

Accrued Statutory Levies relate to amounts owed to water sector statutory bodies i.e WARMA, LVSWSB,WASPA,WASREB and OAG

NB: Accrued statutory levies relate to amounts owed to water sector statutory bodies i.e. WARMA, LVSWWDA, WASPA, WASREB & OAG, while other payables include payroll liabilities e.g. NHIF, NSSF, PAYE, CPF, SACCO , Net Salaries due for the month of June 2021

24 RETIREMENT BENEFIT OBLIGATIONS

The entity operates a defined benefit scheme for all full-time employees. The scheme is based on 5% p of salary of an employee at the time of retirement. During the year, no actuarial valuers were engaged to value the scheme. The liability at the end of the year was as follows:

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

25. NOTES TO THE STATEMENT OF CASH FLOWS

	2020 / 2021	2019 / 2020
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		-
Operating profit/(loss)	(4,703,742)	4,269,594
Depreciation	4,888,237	2,961,007
Amortisation	1,140,000	1,140,000
Operating profit/(loss) before working capital changes	1,324,494	8,370,601
(Increase)/decrease in inventories	(143,083)	2,824,747
(Increase)/decrease in trade and other receivables	(11,662,159)	(12,354,952)
Increase/(decrease) in trade and other payables	16,243,334	7,507,164
Increase/(decrease) in customer prepayments		
Increase/(decrease) in customer deposits	4,273,967	2,501,096
Cash generated from/(used in) operations	**10,036,553**	**8,848,656**

(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	17,524,360	6,116,987
Cash in hand	271	181
Balance at end of the year	17,524,632	6,117,168
(b) Analysis of interest paid		
Interest on loans (note 10)	-	-
Interest on bank overdraft (note 10)	-	-
	-	-
Interest on loans capitalised	-	-
Balance at beginning of the year	6,116,987	-
Balance at end of the year (note 36(b))	-	-
Interest paid	-	-
	=====	=====
(c) Analysis of dividend paid		
Balance at beginning of the year	-	-
2015 dividends paid	-	-
2016 dividends paid	-	-
2017 interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

26 RELATED PARTY DISCLOSURES

(a) Government of Kenya

The County Government of Siaya is the principal shareholder of SIBO Water and Sanitation Company, holding 100% of the *company's* equity interest. The County Government of Siaya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

i. The parent Ministry;
ii. County Government of Siaya;
iii. Key management;
iv. Board of Directors;

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 minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.
The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a 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

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.

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 optimizing 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

c) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

b) Financial instruments not measured at fair value

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

iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	-	
Retained earnings	-16,249,965	-10,050,882
Capital reserve	39,076,199	19,818,815.00
Total funds	**22,826,234**	**9,767,933**
Total borrowings	132,626,886	116,383,552
Less: cash and bank balances	-17,524,632	-6117169
Net debt/(excess cash and cash equivalents)	137,928,488	120,034,316
Gearing		

28 INCOPORATION

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

29. EVENTS AFTER THE REPORTING PERIOD

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

30. CURRENCY

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

31. CONTIGENT LIABILITIES

The Company has three pending legal cases against it by former employees. It is estimated that no material liability will arise hence no provision has been made.

The company has a pending loan amount of 19,904,317.00 USD, at 3% P.A, with a repayment period of 26 years, owed to the AFDB for the developed of the Siaya – Bondo water project. The loan liability will crystalize upon official hand over of the project to the company by the LVSWWDA, who are the assets developers.
The assets are still currently in their name and being recognized in their books.

32. CAPITAL RESERVES

These relates to transfers from the deferred income liability A/C, upon successful completion and handing over of the asset developed by the deferred income grant (conditional grants).

In the financial year 2020 / 2021 there was an addition of 19,257,383.76 to the capital reserves due to transfer of deferred Income liability to capital after a successful completion and handing over of the asset developed by the deferred income grant (Chalice works under the co funded Aduoyo Kokise water project).

Items	Kshs.
Opening balance	19,818,815
Additions	
Surface pump with complete 3 phase panel system - chalice works	1,917,712
Rising main to Aduoyo elevated tank - chalice works	9,293,884.30
2 water kiosks with tanks and distribution networks - chalice works	3,377,429
15m high 108m3 elevated steel tank - chalice works	4,092,480
Temporary pump house - extra work (chalice works)	372,491.46
Site office renovation - extra works (chalice works)	83,500
Fencing of Elevated steel tank - extra works (chalice works)	119,887
Total	39,076,198.76

33. Customer Deposits

These are funds held as security for issuance of cold water meters to customers, as such they are refundable to the customers upon cessation of being a customer to the company.
The funds are recognized under non-current liabilities in the company's books.

	2020 / 2021	2019 / 2020
Opening balance	10,750,843.20	8,289,964.20
Deposits received during the year	4,314,184.00	2,460,879.00
Balance C/F	15,065,027.20	10,750,843.20

34. RETAINED EARNINGS

These are net profit / losses retained within the company (not declared out as dividends) to fund development of capital assets

	2020 /2021	2019 / 2020
Revenue Reserve b/f	**(10,050,882)**	**(5,955,176)**
Profit / (loss) for the year	**(4,295,864)**	**(7,084,422)**
Prior year adjustments	**(1,903,219)**	**2,988,716**
Total balance at end of year	**(16,249,965)**	**(10,050,882)**

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No. on the external audit	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe:
1.0	Unsupported Bank and Cash Balances due to lack of cashbook and bank reconciliations	This was due to frequent staff unrests during the FY therefore no proper accounting records kept. This has since been resolved and reconciliations are done promptly as the department is now fully staffed and well equipped.	Okundi Kevin Head of Finance	Resolved	N/A
2.0	Customer deposits reflected as a current liability	The company has made plans to return funds borrowed from customer deposits over time. With management making an undertaking to be refunding an amount of 100,000 every month, with the intention of adjusting the amount upwards has the company fortunes improves over time. However it should be noted that part of the customers deposit relates to deposits paid by customers over the period that the company was under the management of national water, which	Eng. Michael Ogol Managing Director. Okundi Kevin Head of Finance	Not resolved	Progressive

		amounts where not transferred when the company was registered to take over operations from the national water to the company by customers			December 2020
3.0	Unsupported provision of doubtful debts	The company has developed a credit policy that has now been approved by the Board of Directors.	Okundi Kevin Head of Finance	Resolved	Sept 2019
4.0	Late Submission of Financial Statements	This was due to the high staff turnover experienced then, this has since been resolved and the company is now meeting the set datelines.	Okundi Kevin Head of Finance	Resolved	Progressive
5.0	Threatened Going Concern due to Negative working Capital	Management together with the Board are working on a turnaround strategy to improve the company financial status	Board of Directors Head of Procurement	Not Resolved	Progressive
6.0	Budget Variations	The management has since analyzed the budget variations identified and has since put in measures aimed at ensuring that the budget variations are minimized.	Okundi Kevin Head of Finance	Not Resolved	Progressive
7.0	Irregular employment	The management has endeavored to ensure that recruitment procedures as laid down in the human resource policies and procedure manual are followed.	Loice Omoga Human Resource Manager	Not Resolved	Progressive

Reference No. on the external audit	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and Designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Date when the issue is expected to be resolved)*
8.0	Failure to meet a third rule in staff composition	The management has endeavored to recruitment from other ethnicities to align in third rule staff composition	Eng. Michael Ogol Managing Director.	**Resolved**	**Progressive**
9.0	Irregular Procurement of security services	The company has since ensured that all its supplies for goods and services are procured competitively through open tenders, and in strict conformance to the law	Isaiah Were Procurement Officer	**Resolved**	**December 2019**
10.0	Irregular Procurement of fuel	The company has since ensured that all its suppliers for goods and services are procured competitively through open tenders. Fuel register has since been developed by the transport department to	Isaiah Were Procurement Officer	**Resolved**	**Dec 2019**

		monitor the fuel usage			
11.0	Irregular Procurement of a water Pump	The company has since ensured that all its supplies for goods and services are procured competitively through an open competitive process, to ensure the company gets value for money in all its procurement activities All planned procurement processes are now captured in the annual procurement plans, which are approved by the Board	Isaiah Were Procurement Officer	**Resolved**	**Dec 2019**
12.0	Lack of Approved Policy Documents	The management has now developed policy documents now in draft form awaiting discussion and approval by the Board of Directors	Eng. Michael Ogol Managing Director.	**Not Resolved**	**September 2021**

		With a number of the policies already			

Managing Director: Sign:.....

Date.....

Board Chairperson: Sign: .....

Date.....

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects implemented by the Company Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
2. Barkowino-Nyawita Water Project	07W/LVSWB/SIAYA/SIBO/50	WSTF	12 Months	17,956,414	NO	YES

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of
1	Barkowino-Nyawita Water Project	17,956,414	15,932,113	95%	17,956,113	15,932,113	WSTF

APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

	Transfers from Siaya County Government & WSTF			
a.	**Recurrent Grants**			
	1.Electricity Bills Payment by Siaya County Government	Bank Statement Date Amounts paid directly to KPLC by County Government	Amount (Kshs) 7,950,000	Indicate the FY to which the amounts relate 2020/2021
		Total	**7,950,000**	
b.	**Development Grants**	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	County Government of Siaya	17/06/2021	11,304,171	2020/2021
		Total	**11,304,171**	

CREDITORS SCHEDULE

	30 Jun 21
Accuicise Engineering	66,690.00
Accurate Farm Machinery Enterprises	33,698.00
Adeo Enterprises	27,500.00
Africa Water Watch Limited	2,963,194.96
African Touch Safaris	300.00
Alara Motors	42,001.00
Alecky Agencies	2,685,000.00
Alfrose Hotel	138,780.00
Betco Engineering	220,800.00
BOD Members	5,220.00
Bondo Pride Hotel	45,000.00
C.E.A Media Africa	25,000.00
Cool Base Enterprises & Hardware	222,450.00
Copy Print Enterprises Ltd	-18,000.00
Corporate Insurance Co. Ltd	5,064.00
Distinction Gardens	18,150.00
Donmacks Enterprises	3,030.00
Federation of Kenya Employers	89,250.00
Gateamour Security	187,340.00
Globe IT Systems	150,000.00
Heritage Insurance Company	84,528.00
Hezron Owuor	66,305.00

Holywing Investments	48,000.00
Janos Company Ltd	7,900.00
Jayenga Auto Services	203,142.00
Jaynas General Supplies	70,633.00
Jey Dee Printers & General Supplies	198,800.00
Kags Trading Co. ltd	549,362.40
Kassam Sales Ltd	204,041.29
Kel Chemicals Ltd	2,936,901.00
Kenya Alliance Insurance Company Ltd	852,685.00
Kenya National Audit Office(KENAO)	2,656,000.00
Kenya Orient Insurance Ltd	75,418.00
Kenya Power	22,170,668.00
Kinetics Engineering Ltd	988,750.00
Kisumu Modern Electricals	90,500.00
Kylin Motors	532,940.00
Laban Ondiek Odhoch	147,744.00
Lake Victoria South Water Sevices Board	35,583,930.00
Laser Insurance Brokers	515,727.00
Lorema Investments	30,960.00
Market Scan (K) Limited	10,000.00
MD.Michael Ogol	33,600.00
Metropolitan Cannon General Insurance ltd	752,474.00
Moharry Supplies and Construction Co. Ltd	1,001,500.00
Mugoye & Associates	880,900.00
Mwananchi General Hardware	29,800.00
Naja Company Ltd	358,876.00
Nation Media Group	368,380.00
Negev Limited	2,405,000.00

Norgen Enterprises	928,007.20					
Nyang'oma Catholic Mission	32,000.00					
Nyapunyi Agencies Limited	94,250.00					
Odhiambo BFO and CO Advocates	506,000.00					
Oundo Muriuki Advocates	359,304.00					
Palbina Travel Limted	26,800.00					
Pan Africa Chemicals	263,908.50					
Pinshe Company Ltd	146,625.00					
Postal Corporation of Kenya	48,100.00					
Pride Kings Services	1,522,590.00					
Rachuonyo Electronic Works	276,840.00					
Safaricom Ltd	-9.35					
Sahajanand Spares Corner Ltd	1,472,400.00					
Samco Traders	408,726.00					
Shalom Hotel ltd	2,200.00					
Siaya County Club	83,660.14					
Siaya Institute of Technology-Villa Hotel	192,150.00					
Siaya Summit Hotel	4,070.00					
SIBOWASCO	88,811.00					
Silvercrest Technologies	87,000.00		5,220.00	Board expenses payable		
Sintora Contractors	188,247.50		247,649.00	part of other payables		
Smart People Africa	388,850.00		61,355,509.11	statutory		
Standard Group PLC	396,620.00					
Surox Two Agencies Ltd	955,022.00		50,762,351.64	trade payables		
Vyfrand Enterprises	16,150.00					
Water Companies Sports Organization	80,000.00					
Water Resources Management Authority-Siay	5,208,967.02			OTHER PAYABLES		
Water Resources Management Authority-Sout	427,868.75			5,220.00		
Water Service Providers Association-WASPA	216,000.00			247,649.00		
Water Services Regulatory Board(WASREB)	17,184,743.34			35,326,403.18	plus gratuity	
Wisan Bureau Services	896.00		LESS	15,065,027.20		
'AL	112,370,729.75			20,509,024.98		

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE AUDITOR-GENERAL

ON

SIBO WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2021