

REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

OF

THE AUDITOR-GENERAL

ON

**KIBWEZI - MAKINDU WATER AND
SANITATION COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.

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KIBWEZI-MAKINDU WATER AND SANITATION CO. LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022

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

Kibwezi-Makindu Water and Sanitation Co. Ltd
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I. KEY ENTITY INFORMATION

Background information

The company was established on 16th August 2011 under the Company's Act cap 486 of the laws of Kenya. The company is represented by the County Executive Member for water, sanitation, environment and climate change of the Makueni County government, who is responsible for the general policy and strategic direction of the entity. The company is domiciled in Kenya.

Principal Activities

The principal activity of the company is to provide water and Sanitation Services within her area of operation by carrying out repair and maintenance of the water pipelines, carrying out treatment and distribution of portable water for domestic consumption.

Company's Vision

An Excellent water and sanitation services provider

Company's Mission

To efficiently provide quality, adequate, reliable and affordable water and sanitation services to our customers.

Company's core objectives

1. To exercise overall control over the sources and supply of water.
2. To provide and maintain a constant continuous supply of potable water for commercial, industrial and domestic purposes.
3. To be responsible for the provision, control and maintenance of sanitation, sewerage and drainage for commercial, industrial and domestic purposes.
4. Attain financial sustainability for KIMAWASCO.
5. Mainstreaming cross-cutting issues of poverty, gender , environment and HIV /AIDS which impact on water and sanitation

Directors

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

SN	Name of Director	Position	Appointed on
1.	Alfred Kithome	Chairman	20 th July 2018
2.	Stephen Mutiso	Managing Director	20 th July 2018
3.	Canon Philip Muthoka	Director	20 th July 2018
4.	Daniel Mutinda	Director	20 th July 2018
5.	Vitalis Ogur	Director	20 th July 2018
6.	Priscah Keli	Director	20 th July 2018
7.	Evalyne Mutua	Director	20 th July 2018
8.	Alice Soo	Director	20 th July 2018

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KEY ENTITY INFORMATION (Continued)

Registered Office

Deputy County Commissioner's Compound
Off Nairobi – Mombasa Road
P.O. Box 104-90137

Kibwezi

Corporate Contacts

Telephone: (254) 020 2121713
E-mail: kibwezi_mtitowaco@yahoo.com

Corporate Bankers

1. Kenya Commercial Bank
Kibwezi Branch
P.O. Box 288-90137
Kibwezi, Kenya
2. Kenya Post Office Savings Bank
Kibwezi Branch
P.O 30311-00100
Nairobi.
3. Equity Bank
Kibwezi Branch
P.O. BOX
KIBWEZI, KENYA






Independent Auditors

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




Principal Legal Advisers

The County legal officer
Government of Makueni County
P.O. Box 78
Makueni

II. THE BOARD OF DIRECTORS

 <p>Mr. Alfred M Kithome - BOD <i>Chairman</i> <u>Certified public Secretary (CPS)</u></p>	<p>Holds a certified public secretaries (CPS) certificate, Senior Management Course, Diploma in Archives and Record Management and attended Financial Management course of Donor funded projects at Lilongwe, Malawi. Worked as a Civil Service Support Officer from the Republic of Kenya to the Republic of South Sudan for 4 years. Worked as Sida Senior Administrator at Kwale District for 9½ years.</p>
 <p>Stephen M Mutiso - <i>Managing Director</i></p>	<p>Born in 1959 Holds a certificate in management, Diploma in Water supply and Higher Diploma in building & Civil engineering He worked as Deputy District Water Officer, Makueni District for three years. Served as a Managing Director for Water Companies for 13 years.</p>
 <p>Mr. Vitalis Ogur – Director</p>	<p>Born on May 25, 1990 Holds a Bachelor of Arts (Political Science) degree and serves as an assistant county commissioner.</p>
 <p>Ms. Evalyne Mutua – <i>Director</i></p>	<p>Born in 1978 Holds a bachelor’s degree and a master’s degree in education. She works as a sub-county administrator, Makueni county.</p>
 <p>Canon Philip Muthoka- <i>Director</i></p>	<p>Born in 1958 Holds a certificate in management and certificate in theology Served as assistant manager for 6 years, production manager for 7 years, Company director for 5 years and currently operates a private company since 2001 to date. Serves as a Priest.</p>

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	<p>Holds a bachelor of economics and finance degree and master in business administration. He serves as a lecturer, Kenyatta university.</p>
	<p>Holds a bachelor of Commerce degree. Self-employed.</p>
	<p>Holds a diploma in Bakery operations Has over 20 years in business industry.</p>

Daniel Mutinda - Director

Ms. Priscah Keli- Director

Ms. Alice Soo - Director

III. MANAGEMENT TEAM

 <p>Stephen M Mutiso - <i>Managing Director</i> Certificate in management, diploma in Water Supply and Higher National Diploma in building & Civil engineering.</p>		<p><u>Main responsibility:</u></p> <ul style="list-style-type: none"> ❖ Provide the board of directors with information on the company’s performance for prudent decision making and strategic direction. ❖ Ensure all the board of directors’ resolutions are implemented. ❖ Offer overall leadership to the corporate management team for effective performance.
 <p>Mr. Clement Masila – <i>Ag. Technical Manager</i> ‘O’ Level Certificate Holds a Diploma in water engineering</p>		<p><u>Main responsibility:</u></p> <ul style="list-style-type: none"> ❖ To oversee the company’s Technical operations ❖ Provide strategic and technical leadership in the Technical department to ensure provision of high quality services. ❖ Prompt repairs of water systems and servicing of master meters to ensure continuous water flows and curb technical water loses.
 <p>Mr. John K Kavisi – <i>Finance Manager</i> ‘O’ Level Certificate CPA II and B.com(Finance option) undergraduate</p>		<p><u>Main responsibility:</u></p> <ul style="list-style-type: none"> ❖ To ensure that all financial resources of the company are acquired, disbursed, prudently invested, fully accounted and reported for a financially sound company. ❖ Ensure that efficient application of the available resources for maximum returns.
 <p>Mr. Charles Ole Sein – <i>Commercial Services Manager</i> A’ Level Certificate Diploma in Computer Studies</p>		<p><u>Main Responsibilities</u></p> <ul style="list-style-type: none"> ❖ To oversee the company’s Commercial operations. ❖ Ensure timely and actual billing services. ❖ Ensure efficient collection of revenue billed to customers. ❖ Ensure customer water meters are well functional to curb commercial water losses.

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IV. CHAIRMAN'S STATEMENT

On behalf of the board of Director's I am happy to present a highlight of the key activities for the annual report and financial statements of the company for the financial year ended 30th June 2022. Despite the Covid 19 pandemic the company was able to attain significant gains in its performance. The company also faced some challenges during this period.

Achievements

- During the year under review the company facilitated its board members for a benchmarking trip to Malindi water company, this exposed the members to many challenges that this company has faced and how they were overcome.
- The Government of Makueni County facilitated KIBMAWASCO to expand its network. This increased its coverage during the year under review. Some of the areas include Kikumbulyu North and South.
- KIBMAWASCO Board directed the management to give priority to settling electricity bills in time. This made Kenya power friendly resulting in no power disconnections even if there was some payment delay.
- The company carried out capacity building for both the CMT and the junior staff.
- The company constructed offices in both Kibwezi and Makindu using revenue generated from water sales.
- The offices saved the company Ksh 30,000 monthly which the company had been paying for rented offices.
- Currently KIBMAWASCO is being viewed by its staff and customers to have the potential for present and future growth.

Challenges

- Due to drought, the company was not able to achieve its projected revenue collection due to low yields from its water sources.
- The company's infrastructure is old and dilapidated. This has resulted in frequent pipe bursts which affect efficiency.
- Rehabilitation of aged pipelines that have remained without water for over six years became a major challenge due to unforeseen unmanufactured additional materials in our bills of quantities.
- Our company's existence is being threatened by vandalism which formerly used to target G1 pipes but currently plastic pipes are being targeted and sold to dealers and such deals form of plastic pipeline vandalism if not going to be controlled will create a drawback to the water sector as our pipelines pass through peoples shambas and forests where security is not guaranteed.

Appreciation

I would like to thank the Government of Makueni County, water services Regulatory Board, Kiwash and all the

other development partners for their support during the period under review.

I also want to appreciate the board members for their commitment and dedication to serving the community.

Lastly, I want to thank all the KIBMAWASCO staff for their exemplary service.



Alfred M. Kithome

Chairman, Board of Directors

Date:..... 22/9/2022

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V. REPORT OF THE MANAGING DIRECTOR

Kibwezi-Makindu Water and Sanitation Company Limited was incorporated on 16th August 2011 under the Companies Act cap 486. The company is mandated to provide water and sanitation services to Kibwezi East and West sub counties with an approximated area of **1200 km²** and an estimated population slightly over **300000** people and a water demand of approximately **12000m³** per day.

The company has two water sources namely;

- a. Umani springs with a yield of **2061m³** per day
- b. Kwa Venge springs in Makindu with a yield of **1706m³** per day

The two springs produce a total yield of **3767m³** per day

EFFECTS BY DROUGHT

KIBMAWASCO two water sources have been affected by the current drought. Water levels have fallen and volume reduced from 3767m³ per day to slightly below **3000m³** per day and this has caused the highest water demand ever experienced in a spurn of **5** years.

The company has been using its water bowsers with assistance of private bowsers to cope up with the situation.

SERVICE DELIVERY

The company is currently implementing a strict water rationing programmes in order to serve areas of coverage. We are in a situation where the company is giving out minimal water connections to avoid increasing dry water pipes.

REVENUES

Our revenues have been directly affected by the current low water production from our two water sources.

Our collection efficiency has also been affected due to the effect of Covid-19, drought coupled with inflation.

Currently famine is also another major cause of reduced performance because of hiking prices of foodstuffs.

INCREASE IN COVERAGE

During the year under review our pipeline network increased its length by over **18 km**.

This was achieved after the company rehabilitated **14km** and augmented **4km** by the use of resources from the county government of Makueni for pipeline rehabilitation and extension.

WATER QUALITY

The company has effective water treatment system which makes the company provide clean, safe drinking water within our area of jurisdiction.

Water treatment is done daily and water samples are taken on a daily basis for analysis.

It has been proven that most of the areas covered by KIBMAWACO network have low waterborne related diseases.

CHALLENGES

Within the course of the year the company experienced many challenges which have been dealt with by the highly trained and motivated KIBMAWASCO team of technicians.

Most of the challenges experienced are;

- a. Covid19 pandemic
- b. High cost of materials for operation and maintenance

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- c. Low water bills payment due the current drought occasioned by lack of rains within three seasons
- d. High cost of electricity bills for water production
- e. Dilapidated infrastructure where aged GI pipes with over **50** years are being used to supply water hence needing rehabilitation.
- f. Vandalism – initially we used to encounter vandalism on GI pipes but things have changed with the introduction of plastic scraps business where the uPVC pipes are being cut into pieces and loaded into sacks for sale as plastic scraps to the dealers. The situation need quick attention before it goes out of control and repulses the gains achieved in the water sector.

EFFECIENCY IMPROVEMENT

The company has been carrying out various trainings on Technical, Commercial, Financial and Corporate Governance to its staff. This has been achieved through Workshops, Short courses and Bench marking in companies that perform better than us

I take this opportunity to thank the County Government of Makueni, our Stakeholders, Development Partners, Esteemed Customers and the KIBMAWASCO Board of Directors and the entire Staff who have been supportive in making our dream of water service delivery a reality and success.



Stephen Mutiso
Managing Director

Date..... 22/9/2022

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**VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR
FY 2021/2022**

Kibwezi-Makindu Water and Sanitation Company has 5(*five*) strategic pillars and objectives within its Strategic Plan for the FY 2016/2017- 2020/2021. These strategic pillars are as follows:

- Pillar 1: Water and Sanitation Infrastructure Development
- Pillar 2: Operational Efficiency and Customer Satisfaction
- Pillar 3: Financial sustainability
- Pillar 4: Institutional Development and Strengthening.
- Pillar 5: Effective Corporate Governance

Kibwezi-Makindu Water and Sanitation Company Ltd develops its annual work plans based on the above 5(*five*) pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Kibwezi-Makindu Water and Sanitation Co. achieved its performance targets set for the FY 2021/2022 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key performance Indicators	Activities	Achievements.
Water and Sanitation Infrastructure Development	Provide both water and sanitation services	Increase both water and sanitation coverage	Water pipeline rehabilitation and augmentation	<ul style="list-style-type: none"> ✓ The utility has a complete and operational DTF. ✓ It has also rehabilitated over 14KM and augmented over 4KM of water pipeline that serves more than 78,000 beneficiaries.
Operational Efficiency and Customer Satisfaction	Constant supply of safe portable water that meets the expectation of our customers.	Reduced customer complaints	Carry out customer satisfaction survey and ensure repairs and power bills are paid on time.	<ul style="list-style-type: none"> ✓ Customer satisfaction survey was done ✓ Power bills settled on time and other operational costs.
Effective Corporate Governance	Board of Directors adherence to the board meeting schedule and pass important resolutions in time.	Four Board meetings, once every quarter.	Board meetings held as per the schedule.	<ul style="list-style-type: none"> ✓ Three board meetings were held within the year and key resolutions passed.

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VII. CORPORATE GOVERNANCE STATEMENT

During the financial year 2021-2022 the board of directors held three full board meetings as tabulated below:-

Date of meeting	Nature of meeting	Alice Soo	Alfred Kithome	Vitalis Ogur	Prisceah M Keli	Philip Muthoka	Daniel Mutinda	Everlyn Mutua	Totals
25-Nov-21	Full board	10,000	10,000	-	10,000	10,000	10,000	10,000	60,000
31-Mar-22	Full board	15,000	15,000	15,000	15,000	15,000	15,000	15,000	105,000
28-Jun-22	Full board	15,000	15,000	-	15,000	15,000	15,000	15,000	90,000
Totals		40,000	40,000	15,000	40,000	40,000	40,000	40,000	255,000

The current board of directors was appointed by the ECM on interim basis on July 20th, 2018 to replace the earlier board that had overstayed caused by the transition process between the then Tanathi water services board and Makueni county government. During the year, the board of directors and senior management underwent a corporate governance training at Machakos that was conducted by KIWASH, a non-governmental organization that supports water service providers on governance improvement. The board of directors' main role is to formulate the Company policies and monitor their implementation by the management to ensure better service delivery to the citizens. The composition of the directors factors in gender balance and representation of various community interest groups that the utility gives service. Three directors out of the total eight are women whereas the other five are men.

The board has also developed board charter and has conducted a board evaluation. None of the directors has a direct interest in the company.

The Board of Directors is appointed in accordance with the stakeholder participation procedure and in an annual general meeting one third of the directors retire from office and subsequently another third of the longest serving directors since their last appointment.

Upon appointment of new directors before they take up their duties of office they sign code of ethics and undergo a corporate governance training approved by the appointing authority.

In ensuring adherence to corporate Governance guidelines and efficiency of the board, the following committees are in place

1. Technical committee – Guides board in making prudent investment decisions aimed at financing viable water and sanitation projects
2. Finance and Administration – Advises Board on all finance related issues, resource mobilisation and human resource management
3. Audit Committee- Advises Board on risk management and compliance

The Board is responsible for formulating the company's policies and strategies and ensuring that business objectives, aimed at promoting and protecting shareholders value, are achieved. The Board also retains the overall responsibility for effective control of the company and implements corporate

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governance policies of the company. In carrying out the above responsibilities, the Board delegates its authority to the Managing Director to oversee the day to day business operations of the company.

A timetable of calendar dates for Board meetings to be held in the following year is fixed in advance by the Board. The notice of Board meetings is given in advance in accordance with the company's Articles of Association and is distributed together with the agenda and board papers to all the Directors beforehand. The Board meets regularly and at least four times annually, that is, once per quarter in accordance with the company's practice. There is a register of all meetings held.



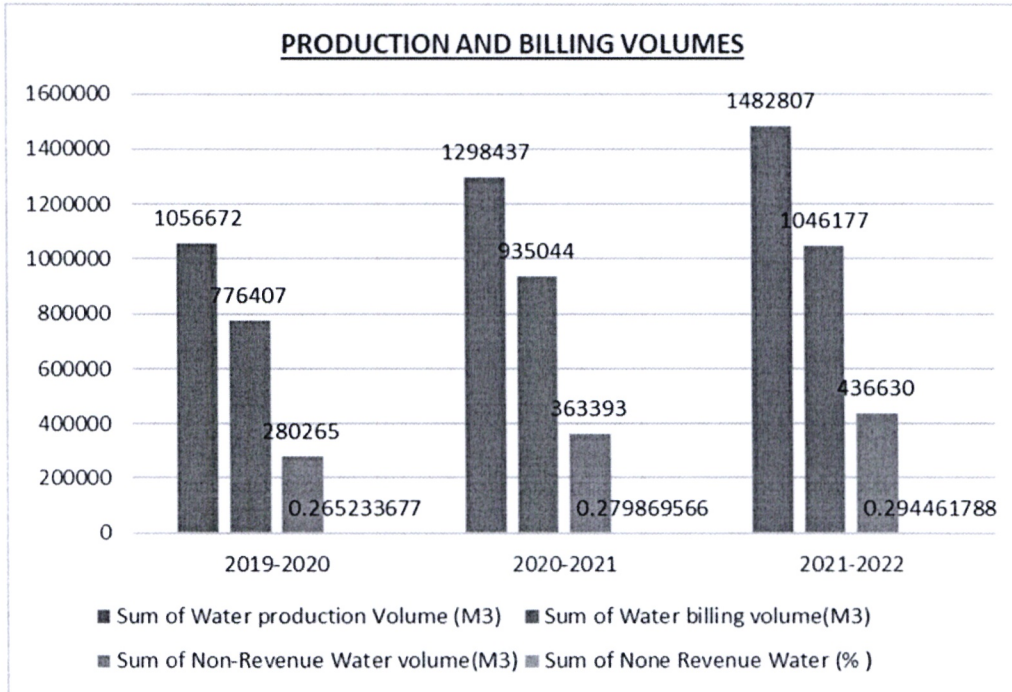
Stephen Mutiso
Managing Director / Secretary to the Board

Date:.....22/9/2022.....

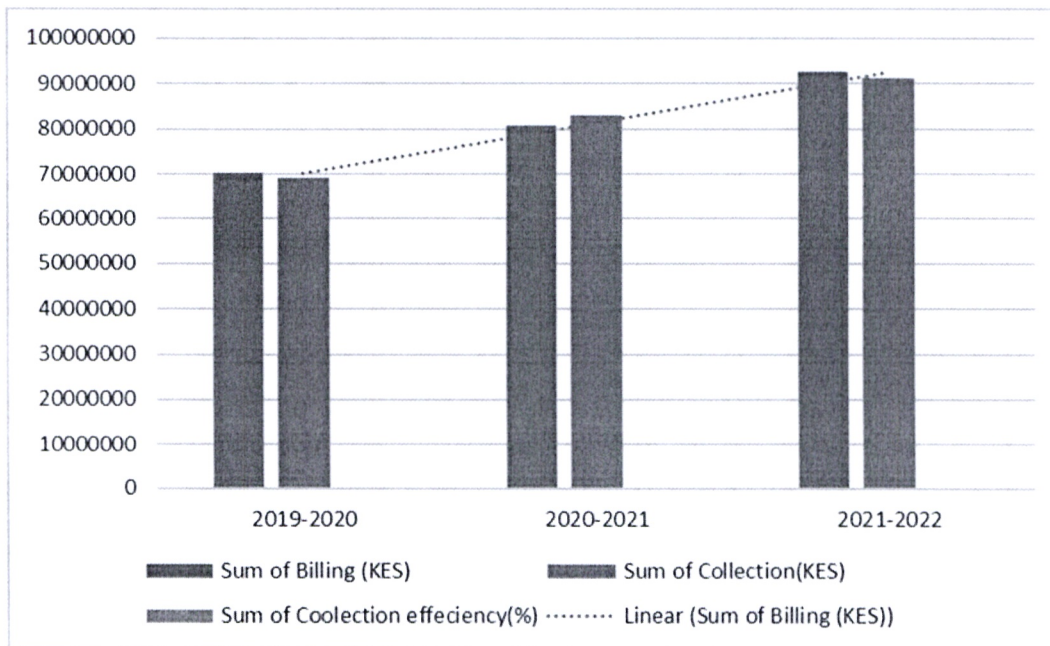
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VIII. MANAGEMENT DISCUSSION AND ANALYSIS

During the year the utility has been able to produce a total of 1,482,807M³ and managed to bill 1,046,177M³ resulting to a total Non-Revenue water of 436,630 M³ equivalent to 29%. This is illustrated below:-



The total water and other billings in Kenya shillings was **92,633,946** out of which **91,088,106** was collected from the customers which translate to 98% collection efficiency against the company's target of 100%. This has been illustrated here below:-



The utility operated at a profit of Kshs. **13,040,093** resulting to a decrease in revenue reserve from negative 39,737,379 to negative 26,652,295 that was attributed to decrease in provision for bad and doubtful debtors, acquisition of Government subsidies and other operational expenses. The company

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will put measures to reduce its costs so as to continue reversing the negative working capital in future and hence make it a going concern. The company has continually repaired and maintained the two projects that were acquired from different communities to ensure that the citizens get safe and sufficient water. Wildlife menace and scrap metal dealers have been one of the major risks that face the company while discharging its mandate to provide safe, portable and sufficient water in a consistent manner to the communities within its service area.

The Company has benefited from operational subsidies from the government of Kenya through Water Sector Trust Fund to cushion its operational expenses that were affected from the effect of corona virus. The utility has been able to meet all its operational and statutory obligations as they fell due.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kibwezi-Makindu Water and Sanitation Co. Ltd exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the following pillars: putting the customer/Citizen first, delivering the relevant services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile

Members of the county assembly of Makueni have been very supportive to the company and worked the way to ensure water is increased within our service area. We have held several stakeholder meetings to create good working relations with the communities led by the members of the county assembly of the respective areas. These engagements have created a good working environment to ensure effective service delivery and the communities have built confidence with company services.

2. Environmental performance

The water company has been collaborating with the government of Kenya through the local deputy county commissioners, chiefs, and other non-governmental organisations to champion for tree planting every year at Makindu River to conserve the environment. During the year, the water company has been able to mobilise other stakeholders and planted over 10,000 seedlings at Makindu intakes. The biggest challenge has been invasion by domestic animals grazing along the river and coming to take water. The utility has constructed two cattle water troughs to reduce movement of animals into the river.

The company has continued to operate the decentralised treatment facility (DTF) of a capacity of 22 M³ per day. However we have not been able to acquire our own exhaustor but we use private vendors.

3. Employee welfare

The company has developed a human resource management policy that would enable the company to manage employees effectively. During the year, the company has been able to undertake trainings for both senior and junior staff. At the beginning of every year staff training needs assessment is done and trainings conducted based on the availability of resources. Common trainings are conducted in-house to reduce the cost of training per staff something which has been effective. The organisation is planning to secure staff insurance cover against accidents that may occur in line of their duties and comply with Occupational Safety and Health Act of 2007, (OSHA).

4. Market place practices-

a) *Responsible competition practice.*

The Company has been steady in the fight against corruption both within and without the work place. It has provided its customers with diverse bill payment options ranging from M-pesa, post bank and direct bank deposits/transfers to discourage cash payments. The company has fully operational customer service delivery chatter that ensures that the customer gets the service required at reasonable time and cost.

b) *Responsible Supply chain and supplier relations*

The organization has properly maintained its supply chain and ensures that all the suppliers are treated without partiality. Purchase orders are issued rotationally and payment settled within the stipulated time or else the company negotiates with the supplier to extend it.

c) *Product stewardship*

As envisaged in the Kenyan constitution every citizen has a right to clean safe water and therefore the company has continued to ensure people get water that is safe equitably by putting into place rationing programmes at the times of low production. The company has put in place the necessary infrastructure for water treatment and ensures compliance with the required standards and guidelines of water treatment. Where the company does not have distribution networks, it uses its water bowsers to supply water to those residents.

Corporate Social Responsibility / Community Engagements

During the year the Company has organized and planted over 5,000 seedlings at Makindu intakes. The Company has also contracted cattle water troughs for the local famers to avoid livestock grazing in the river hence destroying the environment.



Figure 1 Tree planting at Makindu Intakes



Figure 2 Cattle trough at Makindu

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the period ended 30th June, 2022, which disclose the state of affairs of the company.

Principal Activity.

The Principal activity of the company is the provision of water and sanitation services.

Results of Operations.

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

Dividends.

In line with the company's Articles and Memorandum of Association, the company does not pay dividends to shareholders.

Directors.

The Directors who held office during the year and to the date of this report are listed on page iii above

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Stephen M Mutiso
Managing Director / Board Secretary

Date:.....22/9/2022.....

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XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that company, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the company for that year/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 of the company for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2022, 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.

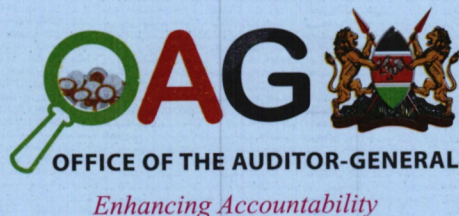
Approval of the financial statements

The company's financial statements were approved by the Board on 22/9/ 2022 and signed on its behalf by:


Alfred M Kithome
Chairperson of the Board


Stephen M Mutiso
Managing Director

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON KIBWEZI - MAKINDU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kibwezi - Makindu Water and Sanitation Company Limited set out on pages 1 to 29, which comprise the statement of financial position as at 30 June, 2022 and statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the

statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Inaccuracies in Other Operating Expenses

The statement of profit or loss and other comprehensive income and as disclosed in Note 10(a) to the financial statements reflects administration costs of Kshs.95,449,748. Included in the expenditure are other operating expenses of Kshs.3,036,736 which further includes interest on water abstraction charges amounting to Kshs.2,705,756. However, review of the supporting ledger reveals an amount of Kshs.2,305,951 resulting to an unexplained variance of Kshs.399,805.

In the circumstances, the accuracy and fair statement of other operating expenses of Kshs 3,036,736 for the year ended 30 June, 2022 could not be confirmed.

2. Inaccuracies in the Cost of Sales

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects cost of sales of Kshs.10,257,913. However, audit verifications of the records relating to the costs revealed variances between figures reported in the financial statements and the support ledgers as tabulated below:

SNo.	Item	Financial Statement Amount (Kshs.)	Ledger Amount (Kshs.)	Variance (Kshs.)
1	Water Abstraction Fees	382,598	1,758,444	1,375,598
2	Water Chemicals and Quality Assurance	2,102,934	871,190	1,231,744
3	Diesel	179,335	0	179,335

In the circumstances, the accuracy and completeness of cost of sales of Kshs.10,257,913 for the year ended 30 June, 2022 could not be confirmed.

3. Long Outstanding Trade Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.19,902,318 and as disclosed under Note 15(a) to the financial statements. The

balance is net of provision for doubtful receivables of Kshs.16,184,449 and a reduction of Kshs.2,382,364 from the prior year provision. However, the ageing analysis reveals trade receivables balances of Kshs.23,247,771 outstanding for periods exceeding 120 days. The Company has also not demonstrated measures put in place recover the long overdue debts. In the circumstance the adequacy of the provisions in light of the likely impairment could not be established.

In the circumstances, the accuracy, recoverability and fair statement of trade and other receivables balance of Kshs.19,902,318 as at 30 June, 2022 could not be confirmed.

4. Unaccounted for Water Inventory

Note 14 to the financial statements shows a figure of Kshs.1,452,069 relating to inventory. However, at the close of the financial year water collected, treated and ready for distribution left in the distribution infrastructure was unaccounted for and unrecorded in the financial statements as inventory of water.

In the circumstances, the inventory balance of Kshs.1,452,069 may be misstated.

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

Key Audit Matters

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

Other Matter

Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board reporting template.

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. Customer Deposits not Backed up by Bank Deposits

The statement of financial position reflects customer deposits balance of Kshs.14,424,800 and as disclosed in Note 24 to the financial statements. However, the balances held in the corresponding bank accounts indicated an amount totalling to Kshs.10,841,733 resulting to unbacked customer deposits of Kshs.3,583,067. This is indicative of the customer deposits having been used for Company operations. There was however no evidence of the Board authorization for usage of the deposits.

2. Unauthorized Expenditure

The statement of profit or loss and other comprehensive income reflects administrative costs of Kshs.95,449,748. However, the following items reported over expenditure against the budgeted amounts as detailed below:-

Item	Budget (Kshs.)	Actual (Kshs.)	Over- Expenditure (Kshs.)
Consultancy	-	380,320	(380,320)
Motor Vehicle, Fuel and Maintenance	9,000,000	10,615,696	(1,625,696)
Staff Training	-	869,589	(869,589)
Printing and Stationery	900,000	926,461	(26,461)
WASPA	-	105,000	(105,000)
Travelling and Subsistence	1,723,930	3,231,630	(1,507,700)

In the circumstances, Management was in breach of the law on budget implementation.

3. Non-Revenue Water

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.77,169,636 in respect to revenue. Additionally, the Management reported total production of water of 1,482,807M³ and a total billing of 1,046,177M³ incurring a loss of produced water of about 439,210M³ equivalent to about Kshs.62,587,425 and representing 29% of the total water produced or 4% loss above the industry standards.

In the circumstances, Management was in breach of the law

4. Non-Renewal of Water Tariff

Review of the Company's operations revealed that the tariffs currently being used had been approved by the Water Services Regulatory Board (WASREB) for use between 2017/18 and 2020/2021. However, the Water company has been using the same tariffs

after its expiry. As a result, the accuracy of the water tariff structure being applied at the water Company is in question and also the actual revenues collected may be inaccurate.

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

5. Lack of an Audit Committee

During the year under review, the Company had not established an Audit Committee contrary to Section 155 of the Public Finance Management Act, 2012 and Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which provide for the establishment of the internal audit function and an Audit Committee of the Board. As such the Company did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

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

6. Irregular Payment

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects Kshs.95,449,748 as administrative costs. Review of the expenditure revealed that the Company paid Kshs.105,000 as subscription fees to Water Service Provider Association (WASPA). However, WASPA is not a regulatory body under water services provider but a registered association.

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

7. Lack of Training Needs Assessment Plan

Reported in the statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements is administrative costs of Kshs.95,449,748, included in the figure is Kshs.869,589 on staff training. Review of documents provided for audit revealed that several staff trainings were conducted. However, the expenditures had no requisition, training committee in place and training need assessment plan despite the provisions of Section 9(2)(v) of the Company's Human Resource (Manual revised Edition, 2016) stating that the company shall undertake training needs assessment and prepare annual training projections for all the employees.

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

8. Delays in Remittance of WASREB Levy

The statement of profit or loss and other comprehensive income and as disclosed in Note 10(a) reflects administration costs of Kshs.95,449,748. The amount includes regulatory levy to WASREB of Kshs.3,705,358. Review of financial records revealed that the Company did not remit the required fees on or before the 15th day of every month as required, which may result to penalties. Further, the Company had also been operating without a license from WASREB.

In the circumstances, the 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 section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of an ICT Policy and Weak ICT Controls

Review of the IT internal control systems for Kibwezi - Makindu Water Company revealed that the Company did not have an IT Policy in place. An interview with the Management also revealed that the strategic plan had lapsed and several other policies and manuals were in the process of being formulated. Absence of an ICT policy in place means that there is no guide for the Company on management of IT data confidentiality, accuracy, reliability, integrity and availability from being compromised. The risk assessment of the Company revealed that there is no escrow account maintenance agreement between the Company and the owner of the source code. This poses concern on business continuity in case the firm providing the source code is no longer operational.

In the circumstances, data confidentiality, accuracy and reliability may be compromised.

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 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 Kibwezi-Makindu Water and Sanitation Company Limited, so far as appears from the examination of those records; and,

- iii. The Kibwezi-Makindu Water and Sanitation Company Limited 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 (IFRS) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 April, 2023

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XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022.

	REVENUES	Note	2021-2022	2020-2021
			Kshs	Kshs
Revenue		5	77,169,636	65,810,631
Cost of sales		6	(10,257,913)	(12,836,501)
Gross profit			66,911,723	52,974,130
Other Income				
Grants from National/ County Government		7	26,888,582	1,641,960
Finance income		8	659,774	254,953
Other Income		9	15,464,310	15,032,675
Other gains/(losses)			-	-
TOTAL REVENUES			109,924,389	69,903,718
OPERATING EXPENSES				
Administration Costs		10(a)	95,449,748	73,365,901
Selling and Distribution Costs			-	-
Finance Costs			-	-
TOTAL OPERATING EXPENSES			95,449,748	73,365,901
PROFIT/(LOSS) BEFORE TAXATION			14,474,641	(3,462,183)
INCOME TAX EXPENSE/(CREDIT)		11	(1,434,548)	-
PROFIT/(LOSS) AFTER TAXATION			13,040,093	(3,462,183)

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XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

ASSETS	Note	2021-2022	2020-2021
		Kshs	Kshs
Non-Current Assets			
Property, plant and equipment	12	8,239,513	2,921,287
Intangible assets	13	776,120	839,048
Total Non-Current Assets		9,015,633	3,760,335
Current Assets			
Inventories	14	1,452,069	603,014
Trade and other receivables	15(a)	19,902,318	17,332,922
Short term deposits	16	10,000,000	8,254,953
Bank and cash balances	17	21,279,435	13,208,073
Total Current Assets		52,633,822	39,398,963
Total Assets		61,649,455	43,159,298
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	18	40	40
Capital Reserves		2,498,835	2,498,835
Revenue reserve		(26,652,295)	(39,737,379)
Capital and Reserves		(24,153,420)	(37,238,504)
Non-Current Liabilities			
Customer Deposits	24	14,424,800	13,847,300
Total Non-Current Liabilities		14,424,800	13,847,300
Current Liabilities			
Trade and other payables	22(a)	63,906,666	59,866,213
Project funds	25(a)	6,180,820	6,684,289
Tax Payable	26	1,290,589	-
Total Current Liabilities		71,378,075	66,550,502
TOTAL EQUITY AND LIABILITIES		61,649,455	43,159,298

The financial statements were approved by the Board on 22/9/ 2022 and signed on its behalf by:

Managing Director


Head of Finance

Chairman of the Board

Name Stephen Mutiso

Name JOHN K. KAVISI

Name ALFRED OTI. K. HAME

Signature 

Signature 

Signature 

Kibwezi-Makindu Water and Sanitation Co. Ltd
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XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

Period ended 30 June 2022	Ordinary share capital	Capital Reserve	Revenue Reserve	Total
As at July 1, 2021	40	2,498,835	(36,275,197)	(33,776,322)
Prior year adjustments	-	-	-	-
Total comprehensive income	40	2,498,835	(36,275,197)	(33,776,322)
Total comprehensive profit/(loss) for the year	-	-	(3,462,183)	(3,462,183)
As at June 30, 2021	40	2,498,835	(39,737,379)	(37,238,504)
As at July 1, 2021	40	2,498,835	(39,737,379)	(37,238,504)
Prior year adjustments.	-	-	44,992	44,992
Total comprehensive income.	40	2,498,835	(39,692,388)	(37,193,513)
Total comprehensive profit/(loss) for the year.	-	-	13,040,093	13,040,093
As at June 30, 2022	40	2,498,835	(26,652,295)	(24,153,420)

Note

Prior year adjustments of Kshs. 44,992 relate to tax withheld by the bank on interest earned from short term deposits and was not recognized in 2021.

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XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH GENERATED FROM/(USED IN) OPERATIONS			
	27	16,168,457	4,582,754
Tax paid		(98,967)	-
Interest received		-	-
Interest paid		(-)	(-)
Dividends paid		(-)	(-)
Taxation paid		(-)	(-)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		16,069,490	4,582,754
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment			
	12	(5,749,612)	(1,052,496)
Project expenditure		(7,451,393)	(5,226,612)
Short term deposits (Fixed deposits)		(1,745,047)	(8,254,953)
Purchase of intangible assets		(-)	(-)
Purchase of investment property		(-)	(-)
Purchase of quoted investments		(-)	(-)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		(14,946,052)	(14,534,061)
CASH FLOWS FROM FINANCING ACTIVITIES			
Project Funds			
		6,947,924	11,849,272
Proceeds from borrowings		-	-
Repayment of borrowings		(-)	(-)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		6,947,924	11,849,272
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		8,071,362	1,897,965
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		13,208,073	11,310,108
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
	17	21,279,435	13,208,073

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2021-2022	2021-2022	2021-2022	2021-2022		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operating Revenue	76,203,022	10,024,329	86,227,351	92,633,946	6,406,595	7%
Non-Operating Revenue						
Grants	12,554,986	12,691,636	25,246,622	26,888,582	1,641,960	7%
Finance Income	500,000	60,809	560,809	659,774	98,965	18%
Other gains				-	-	
Total Revenue	89,258,008	22,776,774	112,034,782	120,182,302	8,147,520	7%
Expenses						
Staff Costs	46,119,147	9,597,364	55,716,511	49,688,981	-6,027,530	-11%
Board Expenses	1,451,000	250,000	1,701,000	1,611,305	-89,695	-5%
General and operations Expenses	30,692,861	400,973	31,093,834	31,479,248	385,414	1%
Maintenance	8,120,000	7,652,880	15,772,880	22,793,819	7,020,939	45%
Depreciation and amortization	-	-	-	494,314	0	0%
Finance costs	-	-	-	-	-	
Total Recurrent Expenditure	86,383,008	17,901,217	104,284,225	106,067,667	1,289,128	1%
Profit or Loss	2,875,000	4,875,557	7,750,557	14,114,635	6,858,392	88%
Capital Expenditure	2,875,000	4,100,000	6,975,000	5,749,612	-1,225,388	-18%
Total Expenditure	89,258,008	22,001,217	111,259,225	111,817,279	63,740	

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kibwezi-Makindu Water and Sanitation Co. Ltd is established by and derives its authority and accountability from Water Act. The entity is wholly owned by the Government of Makueni County and is domiciled in Kenya. The entity's principal activity is production and supply of domestic water.

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

2. Statement of Compliance And Basis of Preparation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes	The amendments are effective for annual periods beginning on or after January 1,

Title	Description	Effective Date
cent' Test for Derecognition of Financial Liabilities	when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income	IAS 12, "Income Taxes" implements a so-called 'comprehensive	The amendments are effective for annual

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

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 OR The directors have elected to early adopt xxx and they expect xx to be the impact of the adoption of the entity financial statements.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021/2022

NOTES TO THE FINANCIAL STATEMENTS (Continues)

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 *entity's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *entity's* activities as described below.

- i) **Revenue from the sale of water** is recognized in the year in which the company delivers water customer, the customer has accepted the product and collectability of the related receivables is reasonably assured.
- ii) **Grants from National or County Government** are recognized in the year in which the company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **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

The tools, furniture and computer accessories acquired by the company are stated at cost less depreciation.

All other property, plant and equipment are owned by the government of Makueni county and are not included in the figures shown in the financial statements.

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

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

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) Inventories

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

g) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis.

An amount based on the aging report of the total inactive water sales debtors is provided for as bad and doubtful receivables. All the inactive customers debtors aged more than 181 days form the provision for bad and doubtful debtors. Bad debts are written off after all efforts at recovery have been exhausted.

h) 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.

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i) 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.

j) Retirement benefit obligations

The entity is a member a defined contribution scheme for all full-time employees from July 1, 2016. The scheme is administered by Britam life insurance company and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF) for those staff on contract terms. 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.

k) Provision for staff leave pay

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

l) Comparative figures

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

m) 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, 2022.

n) Financial risk management objectives and policies

The company's overall activities expose to a variety of financial risks including credit and liquidity risks. The company's overall risk management programme focuses on an unpredictability of changes in the business environment by setting acceptable level of risks.

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

5. Revenue

	2021-2022	2020-2021
	Kshs	Kshs
Sale of goods	73,397,378	64,258,911
Water trucking	3,739,758	1,517,720
Sludge Treatment charges	32,500	34,000
Total	77,169,636	65,810,631

6. Cost of Sales

	2021-2022	2020-2021
	Kshs	Kshs
Electricity operations	7,590,166	10,588,218
Water Chemicals and quality Assurance	382,598	385,062
Water Abstraction Fees	2,102,934	1,848,141
Diesel	179,335	-
Purchase of Water for resale	2,880	15,080
Total	10,257,913	12,836,501

7. Grants from National/County Government

	2021-2022	2020-2021
	Kshs	Kshs
Recurrent grants received	25,246,622	-
Capital grants realized (see note below)	-	-
In Kind contributions/ donations(seconded staff salaries)	1,641,960	1,641,960
Total	26,888,582	1,641,960

8. Finance Income

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest income from treasury bills	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	659,774	254,953
Interest on staff loans	-	-
Dividends	-	-
Total	659,774	254,953

The interest relates to customer deposit funds that were invested in a fixed deposit at Equity bank at 8.5% PA

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Other Income

	2021-2022	2020-2021
Description	Kshs	Kshs
New connection fees	426,000	712,000
Fines and penalties	135,000	900,000
Cutoff owners request	38,400	22,800
Meter serving fee	3,000	-
Change of name	103,000	66,000
Reconnection fees	746,000	853,000
Water trucking draw point	14,012,910	12,478,875
Total	15,464,310	15,032,675

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 (a) Administration Costs

		2021-2022	2020-2021
	Note	KSH	KSH
Staff costs	10 (b)	49,688,981	43,220,705
Directors' emoluments		1,611,305	1,054,680
Electricity and water		135,187	147,941
Communication services and supplies		375,638	225,348
Transportation, travelling and subsistence		3,231,630	1,723,930
Advertising, printing, stationery and photocopying		926,461	342,438
Rent expenses		360,000	360,000
Staff trainings		869,589	657,490
Maintenance of plant & Equipment		192,360	490,018
Maintenance of buildings and stations		114,785	90,830
Maintenance of office Equipment & Furniture		85,500	177,600
Hospitality supplies and services		120,490	200,890
Motor vehicles Insurance		183,795	166,134
Bank charges and commissions		55,799	55,475
Office and general supplies/services		411,756	485,416
Auditors' remuneration		232,000	174,000
Postage and courier services		205,965	250,055
Staff bench marking tour		-	90,000
Legal fees		70,000	-
Staff uniforms		117,980	28,924
Annual corporate WASPA subscriptions		105,000	95,000
Subscription to professional bodies		11,200	-
NITA levy		75,050	-
Consultancy fees		380,320	30,000
Hire of transport and equipment		125,000	8,000
Computer and printer supplies		439,226	343,720
Repairs and maintenance of water infrastructures		18,319,727	4,096,427
Revenue collection fees		572,010	601,739
Motor vehicle fuel and maintenance		10,615,696	8,908,633
ICT support services (software maintenance)		597,905	578,952
Contracted guarding services		240,000	250,000
Customer care clinic		50,350	-
License application fee		75,000	-
Other operating expenses	10(c)	3,036,736	2,501,392
Regulatory levy to WASRB		3,705,358	3,164,903
Provision for bad and doubtful debts		(2,382,364)	2,256,402
Depreciation of non-current assets		431,385	520,828
Amortization of intangible assets		62,929	68,031
		95,449,748	73,365,901

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10 (b) Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries and allowances of permanent employees	26,060,780	24,507,307
County Government staff salaries paid directly by the CGM	1,641,960	1,641,960
Wages of temporary employees	13,573,321	10,967,680
Employer's contributions to national social security schemes	238,104	231,078
Employer's contributions to pension scheme	2,832,338	2,297,990
Leave pay	638,811	549,710
Gratuity provisions	196,602	390,150
Staff welfare	4,507,065	2,634,830
Total	49,688,981	43,220,705
The average number of employees at the end of the year was:		
Permanent employees – Management	4	4
Permanent employees – Unionisable	42	40
Temporary and contracted employees	31	27
Total	77	71

10 (c). Other Operating Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Library expenses	50,980	58,540
Billing Expenses (SMSs)	280,000	240,000
Interest on water abstraction charges	2,705,756	2,202,852
Total	3,036,736	2,501,392

11. Income Tax Expense/(Credit)

Current taxation

	2021-2022	2020-2021
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	14,474,641	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	14,474,641	-

	2021-2022	2020-2021
	Kshs	Kshs
Profit before taxation	14,474,641	-
Prior losses adjustment	(8,197,940)	
Taxable profit for the year	6,276,701	

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Tax at the applicable tax rate of 30%	1,883,010	-
Current tax	1,883,010	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	7,130,489	-
Tax effects of income not taxable	(7,573,987)	-
Tax effects of excess capital allowances over depreciation/amortization	(4,965)	-
Deferred tax prior year over-provision	-	-
Total	1,434,548	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Property, Plant and Equipment

2022	Office Equipment	Plant and machinery	Motor vehicles, & Motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION							
At July 1, 2021	13,500	2,211,489	3,175,000	1,581,599	1,034,187	-	8,792,571
Additions	-	-	-	164,000	7,400	5,578,212	5,749,612
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At June 30, 2022	13,500	2,988,285	3,175,000	1,745,599	1,041,587	5,578,212	14,542,183
DEPRECIATION							
At July 1, 2021	12,291	1,185,894	2,585,713	1,410,431	676,955	-	5,871,284
Charge for the year	97	144,191	147,322	110,605	-	29,171	431,386
Impairment loss	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-
At June 30, 2022	12,388	1,330,085	2,733,035	1,521,037	-	706,125	6,302,670
NET BOOK VALUE At June 30, 2022	1,112	1,658,200	441,965	224,562	5,578,212	335,462	8,239,513

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

2021	Office Equipment	Plant and machinery	Motor vehicles, & Motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST OR VALUATION						
At July 1, 2020	13,500	2,211,489	3,175,000	1,381,999	958,087	7,740,075
Additions	-	776,796	-	199,600	76,100	1,052,496
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At June 30, 2021	13,500	2,988,285	3,175,000	1,581,599	1,034,187	8,792,571
DEPRECIATION						
At July 1, 2020	12,157	985,628	2,389,284	1,326,125	637,262	5,350,456
Charge for the year	134	200,266	196,429	84,306	39,692	520,828
Impairment loss	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-
At June 30, 2021	12,291	1,185,894	2,585,713	1,410,431	676,955	5,871,284
NET BOOK VALUE At June 30, 2021	1,209	1,802,391	589,287	171,168	357,232	2,921,287

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Intangible Assets

	2021-2022	2020-2021
	Kshs	Kshs
COST		
At July 1	1,357,500	1,357,500
Additions		-
Disposals		-
At June 30	1,357,500	1,357,500
AMORTISATION		
At July 1	518,452	450,421
Charge for the year	62,929	68,031
Disposals	-	-
Impairment loss	-	-
At June 30	581,380	518,452
NET BOOK VALUE At June 30	776,120	839,048

14. Inventories

	2021-2022	2020-2021
	Kshs	Kshs
Engineering stores	817,900	545,808
Fuel, oil and lubricants	120,521	32,150
Water chemicals	513,648	25,056
Total	1,452,069	603,014

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15(a) Trade and Other Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Trade receivables (note 15 (b))	19,531,155	17,097,009
Deposits and pre-payments	40,000	40,000
Staff receivables (note 15 (c))	314,923	195,873
Other receivables	40	40
KIMAWASCO SHG	6,200	-
Net trade and other receivables	19,902,318	17,332,922

15(b) Gross Trade receivables

Particulars	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	33,625,904	33,779,022
Water trucking receivables	2,089,700	1,884,800
Provision for doubtful receivables	(16,184,449)	(18,566,813)
Total	19,531,155	17,097,009

At June 30, the ageing analysis of the gross trade receivables was as follows:-

Less than 30 days	5,721,330	4,850,340
Between 30 and 60 days	1,622,036	1,976,522
Between 61 and 90 days	1,836,765	1,230,897
Between 91 and 120 days	1,198,002	639,976
Between 121 to 180 days	1,557,876	1,489,179
Over 181 days	21,689,895	23,592,107
Total	33,625,904	33,779,022

15(c) Staff Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross staff loans and advances	314,923	195,873
Provision for impairment loss	(-)	(-)
Net staff loans	314,923	195,873
Less: Amounts due within one year	(-)	(-)
Amounts due after one year	314,923	195,873

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Short Term Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Equity bank –Fixed deposits	10,000,000	8,254,953

The average effective interest rate on the short term deposits as at June 30, 2022 was 8.5% (2021: 8.5 %).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Bank and Cash Balances

	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	21,279,005	13,207,893
Cash: revenue	-	-
Petty cash	430	180
	21,279,435	13,208,073

The bulk of the cash at bank was held at Kenya Commercial bank, Equity bank, Post bank and Safaricom M-Pesa collection accounts.

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2021-2022	2020-2021
		KShs	KShs
Current accounts			
Commercial Bank			
Kenya Commercial Bank(Expenditure)	1133896480	2,605,791	4,963,302
Kenya Commercial Bank(Revenue)	1133705480	570,686	99,493
Kenya Commercial Bank(Customer Deposit)	1133705561	825,972	820,637
Kenya Commercial Bank(Household sanitation)	1227348991	-	56,170
Equity Bank	1730280030258	15,761	-
Equity Bank	1730279884522	3,945,684	1,836,296
Equity Bank	1730279884551	2,201,076	4,791,822
Equity Bank	1730280474256	1,998,318	-
Equity Bank	1730282599670	875,440	-
Kenya Commercial Bank(Drought Mitigation)	1206098465	34,060	-
Sub-total		13,072,788	12,567,720
Others	Account number	Kshs	Kshs
Post bank	0744130007798	64,795	47,600
M-Pesa	Pay bill: 913110	8,141,422	592,573
Sub- total		8,206,217	640,173
Grand Total		21,279,005	13,207,893

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Ordinary Share Capital

	2021-2022	2020-2021
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of KShs. 20 per value each	100,000	100,000
Issued but not paid:		
2 ordinary shares of KShs. 20 per value each	40	40

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 recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

21. Retained Earnings

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 (a) Trade and Other Payables

	2021-2022	2020-2021
	Kshs	Kshs
Trade payables (Note 22(b))	16,533,995	12,353,082
Accrued expenses (Note 22(c))	44,624,519	44,386,763
Other payables (Note 22(d))	2,748,152	3,126,368
Total	63,906,666	59,866,213

22(b) Trade Payables

Description	2021-2022	2020-2021
Water Resource Authority (WRA)	12,291,275	9,682,586
Amua Systems	470,900	117,448
Nairobi Iron Mongers Ltd	92,336	92,336
Mascot filling station	59,475	50,246
Nolturesh Water Company Ltd	91,200	91,200
Kinetic Engineering	630,000	630,000
Chenga Auto hardware	-	43,990
Riverside filling station	634,200	981,200
Real Autosparses	70,400	70,400
Basala hardware	37,120	37,020
Shilo Hardware stores	1,165,655	455,000
Doshi And Company (Hardware) Ltd	682,875	-
Modern Choice	72,430	-
Danco Capital Ltd	-	1,896
Hydro standards Kenya Ltd	-	99,760
Nzueni Engineering CO. Ltd	149,932	-
Sarall Co. Ltd	86,197	-
Total	16,533,995	12,353,082

22(c) Accrued Expenses

Accrued Staff Leave	418,316	329,856
Retention of basic salary	186,450	84,750
Licensee Remuneration Fees Payable	32,143,975	32,143,975
Accrued Staff Net Salaries	1,264,714	-
Accrued Casual Wages	1,004,905	109,820
NHIF Deductions	85,950	-
WASPA	125,000	125,000
Withholding VAT	51,985	-
Bravo two zero security services	100,000	60,000
Kenya Revenue Authority	340,910	343,254
Water Services Regulatory Board	6,750,994	5,745,636
Chairman's honoraria	28,000	21,000

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NSSF contributions	40,440	48,876
Kenya Power & Lighting Company	458,562	1,646,332
Standard Bank Securities	19,305	18,336
Britam Insurance Co. Ltd	342,711	277,089
Pioneer Insurance	6,500	8,000
Sanlam insurance	45,141	45,141
Ukulima Co-operative Society	353,509	325,782
Staff gratuity payable	763,602	3,031,116
Madison Insurance Co.	18,500	20,000
Higher Education Loans Board(HELB)	-	2,800
National Industrial Training Authority (NITA)	75,050	-
Total	44,624,519	44,386,763

22 (d) Other Payables

Water sales payable	1,165,152	1,338,968
Provision for audit & supervision fees	1,583,000	1,554,000
Kimawasco SHG	-	233,400
Total	2,748,152	3,126,368

23. Provision For Leave Pay

Particulars	2021-2022	2020-2021
	Kshs	Kshs
Balance at beginning of the year	329,856	208,180
Additional provision at end of year	638,811	549,710
Leave paid out or utilized during the year	(550,351)	(428,034)
Balance at end of the year	418,316	329,856

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

24. Customer Deposit

Particulars	2021-2022	2020-2021
	Kshs	Kshs
Balance brought Forward	13,847,300	13,090,800
Receipts during the year	577,500	756,500
Less: Refunds for the year	(-)	(-)
Balance at end of the year	14,424,800	13,847,300

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25. (a) Project Funds

Particulars	2021-2022	2020-2021
	Kshs	Kshs
Water Sector Trust Fund (WSTF) (Note 25(b))	-	56,170
County Government of Makueni (Note 25(c))	6,146,760	6,628,119
Tanathi Water Development Agency(Note 25(d))	34,060	
Balance at end of the year	6,180,820	6,684,289

25. (b) Water Sector Trust Fund (WSTF)

Particulars	2021-2022	2020-2021
	Kshs	Kshs
Opening Balance	56,170	61,629
Amount Received	-	-
Amount Spent	(56,170)	(5,459)
Balance at end of the year	-	56,170

25. (c) County Government of Makueni

Particulars	2021-2022	2020-2021
	Kshs	Kshs
Opening Balance	6,628,119	-
Receipts during the year	5,942,970	11,849,272
Payments during the year	(6,424,329)	(5,221,153)
Balance at end of the year	6,146,760	6,628,119

25. (d) Tanathi Water Works Development Agency

Particulars	2021-2022	2020-2021
	Kshs	Kshs
Opening Balance	-	-
Receipts during the year	1,004,954.45	-
payments during the year	(970,894.05)	-
Balance at end of the year	34,060	-

26. Tax Payable

	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	(44,992)	-
Income tax charge for the year (note 11)	1,434,548	-
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	(98,967)	(44,992)
At end of the year	1,290,589	(44,992)

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27. Notes to The Statement of Cash Flows

Reconciliation of operating profit/(loss) to cash generated from/(used in) operations	2021-2022	2020-2021
	Kshs	Kshs
Profit or loss before tax	14,474,640	(3,462,183)
Depreciation	431,386	520,828
Amortization	62,929	68,031
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	14,968,955	(2,873,324)
(Increase)/decrease in inventories	(849,055)	322,691
(Increase)/decrease in trade and other receivables	(2,569,395)	3,272,094
Increase/(decrease) in trade and other payables	3,951,352	3,104,793
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	89,101	-
Increase/(decrease) in Customer deposits	577,500	756,500
Net Cash outflow before capital charges	1,199,502	7,456,078
Cash generated from/(used in) operations	16,168,457	4,582,754

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Related Party Disclosures

Government of Makueni County

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

29. Incorporation

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

30. Events After The Reporting Period

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

31. Currency

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

