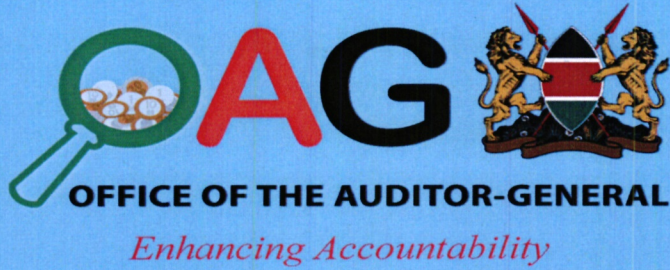


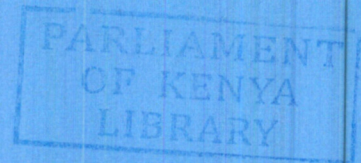
REPUBLIC OF KENYA



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REPORT

OF



THE AUDITOR-GENERAL

ON

**KATHIANI 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.

18 APR 2023

RECEIVED



KATHIANI
WATER & SANITATION
C O M P A N Y

KATHIANI WATER AND SANITATION COMPANY LIMITED

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)**

Kathiani Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

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Kathiani Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

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Kathiani Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

I. Key Entity Information

Background information

The Kathiani Water and Sanitation Company Limited was established by the State Corporations and Water Act 2002 of Parliament on 29th April, 2014. At County level, the Kathiani Water and Sanitation Company Limited is represented by the County Executive Member for Water and Irrigation who is responsible for the general policy and strategic direction of the Kathiani Water and Sanitation Company Limited. The Kathiani Water and Sanitation Company Limited is domiciled in Kenya and has branch in Kathiani Sub- County.

Principal Activities

The principal activity of the Kathiani Water and Sanitation Company Limited is provision of portable water services for the residents of Kathiani Sub County.

VISION

“To be a premier Water Services Provider in Kenya”.

MISSION

“To ensure provision of portable, affordable and sustainable water and sanitation services to our customers in collaboration with stakeholders through continuous improvement and expansion of water facilities, quality water and competent personnel”.

CORE VALUES

- Integrity and good corporate governance
- Customer satisfaction
- Excellence in performance and service delivery
- Team work
- Equity

CORE OBJECTIVES

- To strengthen the institutional capacity of the Company to enable it meet its mandate.
- To increase access and coverage to safe water and sanitation services in the Company’s area of jurisdiction.
- To ensure efficient utility management and economic utilization of available water.
- To enhance the Company’s resource base to ensure operational sustainability
- To minimize conflicts and disputes amongst water users.
- To mainstream cross-cutting issues.

Directors

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

S/No	Name	Designation	Date of Appointment
1.	Philip M. Ndolo	Member	24 th September, 2021

Kathiani Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

1.	George K. Wambua	Member	24 September, 2021
2.	Stephen Kaloki	Member	24 th September, 2021
3.	Mary S. Kiilu	Member	24 th September, 2021
5.	Florence M. David	Member	24 th September, 2021

Corporate Secretary

Mr. Mulekyo and Company advocate

P.O. Box NAIROBI

Registered Office

Kathiani Water and sanitation co. ltd
Nest to Deputy County Commissioners' office, Kathiani Sub- County
Kathiani Town.
P.O Box 38-90105
Kathiani

Corporate Headquarters

Next to Deputy Commissioners' office
Kathiani Town

Corporate Contacts

Telephone: 0712864617- Managing Director
0733424980- Office
E-mail: kathianewater@gmail.com

Corporate Bankers

1. Co-operative Bank
Machakos Branch
Machakos
2. Equity Bank
Machakos Branch
Machakos

Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

Kathiani Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

Principal Legal Advisers

The Attorney General

State Law Office, Harambee Avenue






P.O. Box 40112

City Square 00200


Nairobi, Kenya

Kathiani Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022





II. The Board of Directors

III.	NAME	PROFFESION/ACADEMIC QUALIFICATIONS	WORK EXPERIENCE	AGE
1	 Philip Ndolo Mutua	Diploma in Leadership and Management Board chairman Member technical committee	Business Man Has diploma in financial management with over five years' experience,	62
2	 Johnbosco Nyamai Malelu	Diploma in Water Technology Secretary to board of directors	Civil Servant Has diploma in water technology with over 25years experience in water related maters	54
3	 George Kyalo Wambua	Diploma of arts, Education. Chairs Audit and finance committee	Retired Secondary school Principal / Has Diploma in education with over 20years experience	61
4	 Stephen Mumo Kaloki	Diploma in Leadership and Management Member of technical committee	Business Man Has diploma in evangelism	48
5	 Mary Syombungu Kiilu	K.C.E Certificate Chairs technical committee	Business Lady Has over 30 years' experience in business	62

Kathiani Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

6	 Florence Mwikali David	Certificate in Education 'O' Level member of finance and Audit committee	Business Lady	62
7	Mulekyo and company advocates	Company Secretary	Member of ICS. Is a registered and practicing lawyer	

III MANAGEMENT TEAM

S/NO.	NAME:	PROFFESION/ACADEMIC QUALIFICATIONS	AREA OF RESPONSIBILITY
1	 Johnbosco Nyamai Malelu	Diploma in Water Technology	Managing Director
2.	 Pius Musyoka Matingi	CPA I	Finance Manager
3.	 Erick Nthenge Kabita	Diploma in Water	Technical Manager
4.	 Jane Nzili Muya	Diploma in Procurement	Procurement Officer / Customer care

Kathiani Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

5	Mulekyo & company Advocates	Company Secretary	Member of ICS. Is a registered and practicing lawyer
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IV. Chairman's Statement

I am pleased to welcome you all to this year financial report and give highlights of our company performance and endeavor's. The year 2021/22 was a year whereby the company faced challenges that affected the overall performance negatively and positively in equal measures. During the time under review, the company faced massive pipes theft that resulted to company spending huge amount of money to replace the stolen pipes. The matter of theft is being handled by the police in Kathiani after reporting of various incidents. The rains during the time under review were just enough to fill the dam but most of the time it was dry which led consumers to depend mostly on company water. Customer bill payments was average. Despite all this challenges the staff were commitment to their work.

On behalf of Board of Directors, I wish to congratulate all staff members and board of directors for hard work in the year under review despite the challenges. I do acknowledge our well-wishers and stake holders for their support.

Thank you.



STEPHEN MUMO KALOKI
Ag. CHAIRMAN BOARD OF DIRECTORS
KATHIANI WATER & SANITATION CO. LTD

DATE: 17/04/2023

Kathiani Water and Sanitation Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2022

V. Report Of the Managing Director

As the company continue to fulfil its mandate by providing water to the residents of Kathiani sub-County we are also focused on fulfilling the County objective of having piped water in every homestead in our region.

The demand for water in Kathiani continues to increase as the population grows. This has resulted to up-coming of small urban areas leading to urbanization. As a company we are putting more efforts in reduction of Non-Revenue Water (NRW) by increasing efficiency mostly on pipe burst repair, response by all staff whether in management and on field operation and the consumers education to reporting of burst or damaged pipes. In the period under review the company faced challenge in theft of galvanized iron pipes. Given the terrain of Kathiani, the galvanized iron pipes form more than 50% because of rocky area and steepness. The theft caused the company non-revenue water to rise because it was being carried at night. The company has embarked on replacing the galvanized iron pipes with HDPE pipe progressively to reduce on the theft.

While it's clear that utilization of available resources is key, it's key to note that, the infrastructure in Kathiani Water & Sanitation Co. Ltd (KAWASCO) were constructed in the year 1984- 1987. The system has outlived its design period which is normally twenty (20) years from works completion date. This has resulted to high operations and maintenance cost due to periodic burst and at time complete replacement of some lines and replacement of stolen pipes. The whole system requires total overhaul.

This year we have experienced two major challenges that affected the overall performance negatively. The theft of GI pipes as explained above and low customer bills payment due to cash flow challenges brought about by high living cost experienced in the whole republic of Kenya. We had reduced collection resulting to the company not being able to do some of the activities as outlined in the budget for the year.

The company has written proposals for funding for rehabilitation of the old infrastructure to curb NRW to various bodies including Water Trust Fund, County Government of Machakos and World Bank but none of the proposals has been considered to date. We do hope in future some funding will be coming our way to improve the systems performance.

Kathiani Water and Sanitation Company Ltd (KAWASCO) would like to congratulate County Government of Machakos for continuously support by drilling boreholes, partners, stakeholders, our esteemed consumers (Customers) and board directors / staff for making this year successful despite the challenges.



JOHNBOSCO MALELU

MANAGING DIRECTOR

Date: 17/04/2023

Kathiani Water and Sanitation Company Ltd**Annual Report and Financial Statements for the year ended June 30, 2022****VI. Statement Of Performance Against Predetermined Objectives for FY 2021/2022**

Kathiani Water and Sanitation Company Limited has 6 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021- FY 2024. These strategic pillars/ themes/ issues are as follows:

S/NO	PILLAR	THEME	ISSUES
1	Rehabilitation of water source	Muoni dam rehabilitation	-Removal of silt in the reservoir area -Embankment increase by 2m
2	Repair and maintenance of existing infrastructure	Maintenance of existing infrastructure	-Maintain treatment works -Maintain pumps and accessories -Maintain pipelines -Maintain storage tanks -Maintain office and buildings and furniture's
3	Argumentation of treatment works	Treatment works improvement.	-Rehabilitate existing treatment works -Acquire land for expansion of treatment works -Construct new horizontal full treatment works
4	Pipeline extension	Connection to new consumers	-DN 80 mm diameter to Kauti area 2.5km -DN 100 mm to Ngiini area 4km -DN 100mm to Misuuni area 4.5km
5	Argumentation of existing infrastructure	Improvement of existing pipeline	-Change main distribution line from 6" to 10" diameter

Kathiani Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

			-Change Lubwa line from 3" to 6" 8km -Change all pipeline from GI to HDPE, PPR to avoid periodic vandalism of metallic pipes to scrap metal dealers.
6	ICT	purchase of accounting and billing software	Change from manual to system aided

Kathiani Water and Sanitation Company Limited develops its annual work plans based on the above pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2021/2022 period for its 2nd strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Repair and maintenance of existing infrastructure	Maintenance of existing infrastructure	-Maintained pipeline, treatment works, office block	-Maintain treatment works -Maintain pumps and accessories -Maintain pipelines -Maintain storage tanks -Maintain office buildings and furniture's	People of Kathiani were able to get wholesome water during the period of 2021- 2022

Kathiani Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

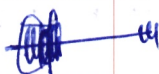
VII. Corporate Governance Statement

In the year under review, the company managed to hold four board meeting. In all these meetings all board members were in attendance apart from the last one where the chair resigned to go and vie for an elective post. The board members were all appointed by his Excellency, the Governor for Machakos County, Dr. Alfred N. Mutua on 24th September, 2021 for a serving period of three (3) years. The appointing authority has the power to remove any board members who breaches the laid down conduct.

The roles and functions of the board members include but not limited to policy formulation of the company, direct the management on finance, human resources recruitment, projects to be under taken, etc.

The board of directors have advised the management team well, hence improving the company performance.

Board members remunerations are based on the meetings attendance. These include board meetings, committee meeting, visit to project's sites, and meetings called by the County Government (Governor or County Executive Member of Water and Chief Officer, Water). In all these meetings they are entitled to Ksh. 10,000 for members of Board and Ksh. 12,000 for the Board chairman.



JOHNBOSCO MALELU

MANAGING DIRECTOR

Date: 17/04/2023

VIII. Management Discussion and Analysis

In the year under review, we managed to operate fairly well given the challenges we underwent. We managed to produce 118692 cubic meters of water at a cost of Ksh 14,074,121. Billed 82962 cubic meters which amounted to Ksh. 9,940,908. The amount of water lost through leaks and commercial losses amounted to 35730 cubic meters or 30%. The total collection for the year 2021/2022 was Ksh. 10,395,746 inclusive of meter rent, re-connection fee and collection from enforcement of water act.

In the financial year, 2021 / 2022, the company didn't have special projects. We only concentrated on maintenance of water supply system and operations.

Major risks facing our organization include the following;

- a) Siltation of Muoni dam which is the only source of water for Kathiani water supply. Currently over 80% silted.
- b) Vandalism of pipeline / water meters theft resulting to replacement requirement that are not planned for.
- c) Increased population which demands expansion of the pipeline system, treatment works and storage tanks resulting to water rationing.

We have prepared proposal for funding and send to relevant bodies; County Government, National Government and other donor agencies but to date none of the agencies has responded positively.

IX. Environmental And Sustainability Reporting

Kathiani Water and Sanitation Company Limited exists to transform lives. This is **our purpose**; the driving force behind everything we do. It's what guides us to deliver our strategy, **putting** the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

Kathiani Water and Sanitation Company Limited has over the years preserved the existing forest downstream of our water source and planted more tree. The county Government of Machakos has provided seedlings to the community for planting during rainy season to improve on the existing forest cover.

ii) Environmental performance

Kathiani Water and Sanitation Company Limited has endeavored to conserve environment. This is evident from the thick forest cover maintained in our water source area of **Muoni dam**. The challenges being experience while conserving the environment include **cutting down** of trees by unknown community people at night, cultivation on the river banks leading to dam siltation and soil erosion on the river banks. The county government of Machakos has embarked of weir construction across the streams, a process which is improving **the amount** of water in the streams and check on soil erosion. This has improved the **quality of water** reaching the dam hence reducing on chemical uptake in the treatment works

iii) Employee welfare

Kathiani Water and Sanitation Company Limited guiding policy in hiring **workers** is of fairness to all. Opportunities when they arise are advertised and interviews are **called** to all who apply and are conducted in broad day light. Gender ratio is also taken into consideration whenever opportunities are filled.

During public sensitization meeting the local communities are reminded to **apply** for any opportunity that arises and are adequately consulted and involved. Advertisement are posted in the community notice board (in market centers and in chief's offices.)

Kathiani Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

Workers are always reminded to keep safety of each. The motorbike is insured to ensure the riders safety are taken care of during working hours.

iv) Market place practices-

a) Responsible competition practice.

Kathiani Water and Sanitation Company Limited ensures it follows the gazetted water rates apply to all its customers. The managing directors telephone number is on all water bill to ensure the customers can complain directly whenever an issue arises. We don't align to any political movement and we serve all customers equally. Political activities are kept out of company activities. All other small water stakeholder are free to operate so long as they are registered with the company for quality compliance.

b) Responsible Supply chain and supplier relations

Kathiani Water and Sanitation Company Limited has had good working relations with our suppliers. We only buy what the company can effectively pay in time. We pay our suppliers in time and whenever we cannot we explain to them the expected date of payment.

c) Responsible marketing and advertisement

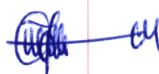
Kathiani Water and Sanitation Company Limited advertises annually for goods and services required. Suppliers are selected based on their quotations for each and awarded accordingly with an eye on product market value.

d) Product stewardship

Corporate Social Responsibility / Community Engagements

Kathiani Water and Sanitation Company Limited safeguards consumer's right by ensuring water supplied is treated distributed safely to consumers via pipelines. Any burst or pipe destruction is repaired to ensure no contamination during delivery. Water at consumer point is sampled and tested for compliance.

Water is sold in the water kiosk to consumers who cannot afford house connection. This ensures water is available to all at affordable rates. The 20 liter jerrycan is sold at 3/- .



JOHNBOSCO N. MALELU
MANAGING DIRECTOR

Date:17/04/2023.....

X. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Kathiani Water and Sanitation Company Limited affairs.

Principal activities

The principal activities of the entity are (continue to be) provision of portable water services for the residents of Kathiani sub County.

Results

The results of the entity for the year ended June 30, 2022 are set out on pages1-44. Below is summary of the profit or loss made during the year. In the year under review the company made a loss of Kshs3,477,944

Dividends

The Directors do not recommend the payment dividends for the year 2021/2022

Directors

The members of the Board of Directors who served during the year are shown on page vi. All board members are serving their first term of appointment, hence none of them retired in the year under review.

Auditors

The Auditor General is responsible for the statutory audit of the Kathiani Water and Sanitation Company Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



JOHNBOSCO N. MALELU
MANAGING DIRECTOR

Date: 17/04/2023

XI. Statement Of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015- (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 financial statements, which give a true and fair view of the state of affairs of the Company for **and as at the end** of the financial year ended on June 30, 2022. This responsibility includes: (i) **Maintaining adequate** financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) **maintaining proper** accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) **Designing, implementing and maintaining internal** controls relevant to the preparation and fair presentation of the financial statements, and **ensuring that** they are free from material misstatements, whether due to error or fraud; (iv) **Safeguarding the assets** of the Company; (v) **selecting and applying** appropriate accounting policies; and (vi) **Making** accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner **required by the** PFM Act, 2012, water act 2016 and companies Act 2015) – section 14 of 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 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.

Kathiani Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

Approval of the financial statements

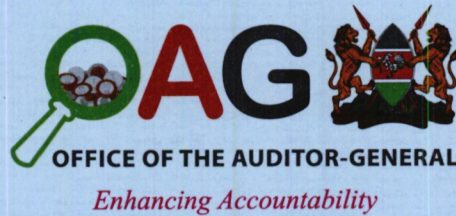
The company financial statements were approved by the Board on 22nd September, 2022 and signed on its behalf by:

Signature 
Name : **STEPHEN MUMO KAKOKI**
Chairperson of the Board

Signature 
Name: **JOHNBOSCO NYAMAI MALELU**
Managing Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
mail: 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 KATHIANI 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 Kathiani Water and Sanitation Company Limited, set out on pages 1 to 45, which comprise the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kathiani 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 Public Finance Management Act, 2012, the Companies Act, 2015 and the Water Act, 2016.

Basis for Qualification

1. Inaccuracies in the Financial Statements

Review of the financial statements revealed the following inaccuracies;

(a) Statement of Financial Position

The statement of financial position reflects total liabilities of Kshs.142,988,293. However, casting of components constituting liabilities result in a balance of Kshs.8,465,909. The variance of Kshs.134,522,384 has not been reconciled.

The statement further reflects trade and other payables balance of Kshs.7,901,609 as disclosed in Note 21 to the financial statements. The balance includes customer deposit amount of Kshs.564,300. However, the balance has been disclosed separately under current liabilities resulting in misstatement of balances. Further trade and other payables balance include payables have remained outstanding since 2006 with no explanations for failure to pay exposing the Company to risks of incurring litigation charges and interest penalties.

(b) Statement of Profit or Loss and Other Comprehensive Income

- i. The statement of profit or loss and other comprehensive income reflects comparative total expenditure balance of Kshs.10,332,911 which differs with the prior year audited financial statements balance of Kshs.11,418,648 by unreconciled variance of Kshs.1,085,737.
- ii. The statement reflects operating revenue balance Kshs.9,954,108 as disclosed in Note 6 to the financial statements. However, the ledger provided for audit reflects a balance of Kshs.10,647,570 resulting in unreconciled variance of Kshs.693,462.
- iii. The statement reflects general and operations expenses balance of Kshs.4,695,194 as disclosed in Note 9 to the financial statements. The amount includes expenditure on electricity of Kshs.753,300. However, review of records revealed that electricity bills for production of water totalled to Kshs.517,054 and office electricity bill was Kshs.328,300 both totalling to Kshs.845,354. The variance of Kshs.92,054 has not been reconciled.

Further, the office electricity expenditure of Kshs.328,300 was not supported by any documentation. In addition, Note 9 to the financial statements also reflects expenditure on office supplies of Kshs.731,059 while the supporting ledger reflect a balance of Kshs.344,887 resulting in unreconciled variance of Kshs.386,172.

(c) Statement of Changes in Equity

The statement of changes in equity reflects retained earnings balance brought forward of Kshs.1,625,537 instead of Kshs.313,146 while profit brought forward indicates Kshs.316,146 instead of Kshs.1,625,537 as per the prior year audited financial statements. Further, total equity items amounts for the prior year is reported as Kshs.137,587,182 instead of Kshs.136,374,791 resulting into a misstatement of Kshs.1,212,391.

(d) Statement of Cash flows

The statement of cash flows reflects cash and cash equivalents balance of Kshs.556,656. However, casting of components constituting the cash and cash equivalent result in a balance of Kshs.1,240,654. The variance of Kshs.683,998 has not been reconciled.

(e) Statement of Comparison of Budget and Actual Amounts

The Statement of comparison of budget and actual amounts reflects expenditure budget amounts of Kshs.16,450,000 while the approved budget reflect amount of Kshs.15,919,000 resulting in unreconciled variance of Kshs.531,000. Further, utilization percentages are reflected as 30.7% for total revenue and 9.5% for total expenditure instead of 69% and 90% respectively.

(f) Notes to the Financial Statements

Note 23 to the financial statements on reconciliation of operating profit reflects cash generated from operating activities of Kshs.516,407 while recalculation of components constituting operating activities result in negative balance of Kshs.5,052,697.

In the circumstances, the completeness and accuracy of balances reflected in the financial statements could not be confirmed.

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

Budgetary Control and Performance

The statement of comparison budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.16,450,000 and Kshs.11,401,628 respectively resulting to an under funding of Kshs.5,048,373 or 31% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.16,450,000 and Kshs.14,879,572 respectively resulting to under expenditure of Kshs.1,570,428 or 10% of the budget.

The under-funding affected the planned activities and programs impacting negatively on services delivery to the residents of Kathiani.

Other Information

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Presentation and Disclosure Issues in the Financial Statements

Review of the financial statements submitted for audit indicate a report on Management Discussion and Analysis which did not have tables, graphs and pie charts. Further, the Head of Finance did not indicate the ICPAK in the statement of financial position. In addition, page 28 of the financial statement was blank while pages 33 to 45 did not have headers.

In the circumstances, the Management was in breach of the requirements of the Public Sector Accounting Standards Board template.

2. Lack of Approved Water Tariffs

During the year under review, the Company used tariffs approved and gazetted for the period 2014/2015 to 2016/2017 by Water Service Regulatory Board (WASREB) to bill the

customers. However, Management did not provide a justification for use of tariffs that had lapsed.

In the circumstances, the basis for water sales revenue could not be confirmed.

3. Lack of Operating License

The statement of profit or loss and other comprehensive income reflects general and operations expenses balance of Kshs.4,695,194 as disclosed in Note 9 to the financial statements. The amount includes expenditure on licensing and levies of Kshs.461,459. However, the Regulatory Board License which is a requirement under Section 72(c) of Water Act, 2016 was not provided for audit.

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

4. Non-Remittance of Statutory Deductions

Review of the payroll records revealed that the Company had accrued and unremitted statutory deductions totalling to Kshs.225, 428 relating to National Hospital Insurance Fund (NHIF), National Social Security Fund (NSSF) and Kenya Revenue Authority (KRA).

In the circumstances, the Company is at risk of incurring penalties and interest on the unremitted amounts and is in breach of the law.

5. Use of Customer Deposits for Operating Activities

The statement of financial position and Note 22 to the financial statements reflects customer deposits balance of Kshs.564,300. However, review of bank statements for account holding the customer deposits reflect a balance of Kshs.482,615. The difference of Kshs.81,865 was utilized for Company operating activities without authorization from the Board of Directors .

In the circumstances, the Management is 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 matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Risk Management Policy and Disaster Recovery Plan

Review of records provided for audit revealed that the Company operated without a risk management policy and thus had no framework for management of risks. In addition, the Company did not have disaster recovery or business continuity plan. In the absence of a disaster recovery or business continuity plan, the company lacks a blueprint for identifying, preventing and mitigating against disasters and ensuring that its operations are not interrupted. Further, there are no mechanisms in place to recover lost data in case of a disaster.

In circumstances the existences of an effective risk management system could not be confirmed.

2. Lack of Internal Audit and Audit Committee Functions

Review of the Company's internal controls structure revealed that the company does not have an internal audit function and audit committee or an alternative arrangement for reviewing the company's internal financial controls and operations according to gazette notice No. 2690 on audit committee guidelines for County governments.

In circumstances, the existence of effective internal control systems could not be ascertained.

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

Responsibilities of Management and 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Company ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 May, 2023

Kathiani Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2022

XIII. Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2022.

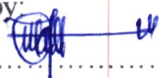
	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue			
Operating Revenue	6	9,954,108	9,559,672
Grants Income	7	1,447,520	1,397,754
Total Revenue		11,401,628	10,957,426
Expenses			
Staff Costs	8	2,695,797	1,927,862
General and Operations expenses	9	4,695,194	1,848,452
Board Expenses	10	786,000	619,000
Maintenance Expenses	11	3,272,530	3,486,317
Depreciation and Amortization expenses	12	3,430,051	2,451,280
Total Expenses		14,879,572	10,332,911
Profit/(Loss) Before Taxation		(3,477,944)	624,515
Profit/(Loss) After Taxation		(3,477,944)	624,515
Total Comprehensive Income For The Year		(3,477,944)	624,515

Kathiani Water and Sanitation Company Ltd. (
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XIV. Statement Of Financial Position As at 30 June 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	127,394,423	130,768,774
Total Non-Current Assets		127,394,423	130,768,774
Current Assets			
Inventories	14	2,196,543	0
Trade and receivable	15	12,840,671	8,940,864
Bank and cash balances	16	556,656	724,247
Total Assets		142,988,293	140,433,885
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	17	100,000	100,000
Retained earnings		(1,539,261)	1,938,683
Capital grants		135,961,645	135,961,645
Capital and Reserves		134,522,384	138,000,328
Non-Current Liabilities			
Current Liabilities			
Trade and other payables	21	7,901,609	6,810,063
Customer Deposits	22	564,300	467,100
Total Liabilities		142,988,293	145,277,491
TOTAL EQUITY AND LIABILITIES		142,988,293	145,277,491


The financial statements were approved by the Board on 22nd September, 2022 and signed on its behalf by:



JOHNBOSCO MALELU
 Managing Director



PIUS MUSYOKA MATINGI
 Head of Finance
 ICPAK M/No:



STEPHEN MUMO KALOKI
 Chairman of the Board

XV. Statement Of Changes In Equity For The Year Ended 30 June 2022

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2020		100,000	-	-	1,625,537	-	135,961,645	137,587,182
New capital issued		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	316,146	-	-	316,146
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
As at June 30, 2021		100,000	-	-	1,938,683		135,961,645	138,000,328
As at July 1, 2021		100,000	-	-	1,938,683		135,961,645	138,000,328

Kathiani Water and Sanitation Company Ltd
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	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
Issue of new share capital		-	-	-	1,938,683	0	135,961,645	137,900,328
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(3,477,944)	-	-	(3,477,944)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortization from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	0	0	0
Interim dividends paid – current year		-	-	-	0	-	-	0
Proposed final dividends		-	-	-	0	0	0	-
At June 30, 2022		100,000	-	-	(1,539,261)	0	135,961,645	134,522,384

Kathiani Water and Sanitation Company Ltd
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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			
Receipts		0	0
Operating Revenue		9,940,908	9,559,672
Non-Operating Revenue		13,200	9,000
Grants		1,447,520	1,397,754
Customer Deposits		564,300	467,100
Total Receipts		11,965,928	11,433,526
Payments			
Staff Costs		2,695,797	1,927,862
Board Expenses		786,000	619,000
General And Operation Expenses		4,695,194	1,848,452
Maintenance		3,272,530	3,486,317
Refund Of Customer Deposits		-	-
Total Payments		11,449,521	7,881,631
Net Cash From/(Used In) Operating Activities		516,407	3,551,895
Increase/(Decrease) In Cash And Cash Equivalents		516,407	3,551,895
Cash And Cash Equivalents At Beginning Of Year		724,247	103,764
Effects Of Foreign Exchanges Rate Fluctuations		-	-
Cash And Cash Equivalents At End Of The Year		556,656	724,247

Kathiani Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

XVII. Statement Of Comparison of Budget & 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	Xxx%
Operating Revenue	9,500,000	0	9,500,000	7,968,837	1,531,163	16.1
Recovery of earlier debts	5,450,000	0	5,450,000	1,985,271	3,464,730	63.6
Grants	1,500,000	0	1,500,000	1,447,520	52,480	3.5
Total Revenue	16,450,000	0	16,450,000	11,401,628	5,048,373	30.7
Expenses						
Staff Costs	4,006,000	0	4,006,000	2,695,797	1,310,203	32.7
Board Expenses	1,352,000	0	1,352,000	786,000	566,000	41.9
General and operations / Administration Expenses	7,592,000	0	7,592,000	7,967,424	375,424	4.9
Depreciation and amortization	3,500,000	0	3,500,000	3,430,051	69,949	1.9
Total Recurrent Expenditure	16,450,000	0	16,450,000	14,879,572	1,570,428	9.5
Capital Expenditure	0	0	0	-	0	0
Total Expenditure	16,450,000	0	16,450,000	14,879,572	1,570,428	9.5

XVIII. Notes To the Financial Statements

1. General Information

Kathiani Water and Sanitation Company Ltd is established by and derives its authority and accountability from 2002 Act. The Company is wholly owned by the Machakos County Government and is domiciled in Kenya. The Company's principal activity is provision of water services to Kathiani Sub county.

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 Company'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 figures are rounded to the nearest Kenyan shilling.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's 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,

Kathiani Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the Company in the form of **actual** goods and/or services rather than in money or cash terms. These donations may include **vehicles**, equipment, utilities 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 but disclosed.

c) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are **credited to other** comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal **with the net** carrying amount of the items, and are recognised in profit or loss in the **income statement**.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 costs of ongoing but incomplete works on buildings and other civil works and installations.

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

Item	Years	Rates
Freehold Land	Nil	0%
Buildings and civil works	25	4%
Plant and machinery	12.5	12.5%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	3	30%
Office equipment, furniture and fittings	12.5	12.5%

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

g) Investment property

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

p) Borrowing costs

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

q) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered by an in-house team and is funded by **contributions** from both the company and its employees. The company also contributes to **the statutory National Social Security Fund (NSSF)**. This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time.

Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

u) Exchange rate differences

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

v) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 24 June ,2021 Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving **the respective approvals** in order to conclude the final budget. The Company's budget is **prepared on a different basis** to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the **budget is prepared on a cash basis**. The amounts in the financial statements were recast from **the accrual basis** to the cash basis and reclassified by presentation to be on the same basis as **the approved budget**. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of **comparison of budget and actual amounts**. In addition to the Basis difference, adjustments to amounts **in the financial statements** are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the **statement of comparison of budget and actual amounts** and the actuals as per the statement of **Comprehensive income** has been presented under section XVII of these financial statements.

w) Service concession arrangements

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

x) Comparative figures

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

y) 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.

5. Significant Judgments and Sources of Estimation Uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 15(a)

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.
provision for bad debts(currently estimated at 20% of debts older than 120 days)

Kathiani Water and Sanitation Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

	2021-2022	2020-2021-1
	Kshs	Kshs
Water sales	9,940,908	9,559,672
Billing for new connections and surveys	13,200	9,000
Total	9,954,108	9,568,672

7. Grants Income (County Government)

	2021-2022	2020-2021-1
	Kshs	Kshs
Salary of seconded staff by County Government	1,447,520	1,397,754
Total	1,447,520	1,397,754

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2021-2022 KShs
County Government of Machakos	1,447,520	0	1,447,520	1,447,520	1,447,520
Total	1,447,520	0	1,447,520	1,447,520	1,447,520

8. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Salary and Allowances	2,398,246	1,411,500
Casual workers Wages	167,351	516,362
Employer's contributions to social security schemes	103,000	0
Staff welfare	25,000	0
Staff incentives	2,200	0
Total	2,695,797	1,927,862
The average number of employees during the year	11	9

Kathiani Water and Sanitation Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. General and Operations Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Chemicals	969,479	0
Electricity	753,300	0
Fuel, oil, lubricants, and gases	55,120	44,940
Office supplies	731,059	327,424
Uniform and protective clothing	2,500	0
Telecommunication	69,900	153,060
Medical supplies	3,390	0
Insurance	0	5,023
Domestic Traveling and subsistence	256,700	208,600
Bank Charges	45,277	43,226
Purchase of computers/ printers	55,700	0
Audit fees	116,000	75,000
Legal fees	585,000	70,000
Consultancy fees	37,000	70,000
Licensing and levies (Wasreb, Wama)	461,459	432,658
Membership of professional Associations	45,000	45,000
Hospitality expenses (Entertainment)	63,850	0
Provision for doubtful debts	444,460	373,521
Total	4,695,194	1,848,452

Kathiani Water and Sanitation Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Chairman Honoraria	240,000	240,000
Sitting allowances	546,000	379,000
Total Board Expenses	786,000	619,000

11. Maintenance Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Buildings (Office)	34,580	0
Infrastructural networks (Operation & Maintenance of system)	2,136,233	3,268,834
Motor vehicles (Motorbike)	21,298	45,853
Software (Computers & printers)	59,790	9,900
Water Meter	214,597	161,730
Pipeline extension	840,612	0
Total Maintenance Expenses	3,272,530	3,486,317

12. Depreciation and Amortization Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant, and equipment	3,430,051	2,451,280
Total Depreciation and Amortization	3,430,051	2,451,280

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Property, Plant and Equipment

2022	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Cost Or Valuation								
At July 1, 2021	100,000,000	5,136,922	25,528,508	16,000	10,757	76,592	0	130,768,774
Additions	0	0	0	0	55,700	0	0	55,700
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2021	100,000,000	5,136,922	25,528,508	16,000	66,457	76,592	0	130,824,474
Depreciation								
At July 1, 2021								
Charge For The Year	0	205,477	3,191,063	4,000	19,937	9,574	0	3,430,051
Impairment Loss	-	-	-	-	-	-	-	-
Eliminated On Disposal	-	-	-	-	-	-	-	-
At June 30, 2022								
Net Book Value At June 30, 2022	100,000,000	4,931,445	22,337,440	12,000	46,520	67,018	0	127,394,423

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

2021	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
As at 1 July 2020	100,000,000	5,350,960	27,748,373	21,334	16,135	83,252	0	133,220,052
Additions	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
As at 30th June 2020	100,000,000	5,350,960	27,748,373	21,334	16,135	83,252	0	133,220,052
DEPRECIATION								
At July 1, 2021	100,000,000	5,350,960	27,748,373	21,334	16,135	83,252	0	133,220,052
Charge for the year	0	214,038	2,219,870	5334	5,378	6,660	0	2,451,280
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
As at 30th June 2021	100,000,000	5,136,922	25,528,503	16,000	10,757	76,592	0	130,768,774
NET BOOK VALUE								
At June 30, 2021	100,000,000	5,136,922	25,528,503	16,000	10,757	76,592	0	130,768,774

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

13(b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	100,000,000	0	100,000,000
Buildings	6,780,000	1,848,555	4,931,445
Plant and machinery	54,100,000	31,762,560	22,337,440
Motor vehicles, including motorcycles	89,900	77,900	12,000
Computers and related equipment	96,000	49,480	46,520
Office equipment, furniture, and fittings	95,000	27,982	67,018
	161,160,900	33,766,477	127,394,423

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Inventories

	2021-2022	2020-2021
	Kshs	Kshs
General stores	63,300	0
Chemicals & Laboratory items	113,227	0
Water fittings and Accessories	776,416	0
Water meters	813,600	0
Water pump	430,000	0
Total	2,196,543	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 a) Reconciliation of Impairment Allowance for Inventories

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	0	0
Additional provisions during the year	2,196,543	0
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	2,196,543	0

15. (b) Trade and Other Receivables

	2021-2022	2020-2021
	KShs	KShs
Trade receivables (note (15a))	13,285,131	10,609,536
Other receivables	0	0
Gross trade and other receivables	13,285,131	10,609,536
Provision for bad and doubtful receivable	(444,460)	(373,521)
Net trade and other receivables	12,840,671	10,236,015

15 (a) Trade Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	13,285,131	10,609,536
Provision for doubtful receivables	(444,460)	(373,521)
Net trade receivables	12,840,671	10,236,015
at June 30, the ageing analysis of the gross trade receivables was as follows:		

Less than 30 days	688,132	691,928
Between 30 and 60 days	679,964	345,964
Between 61 and 90 days	437,772	518,946
Between 91 and 120 days	413,602	209,339
Over 120 days	11,065,661	8,843,359
Total	13,285,131	10,609,536

20% of Kshs. 11,065,661 = Kshs. 2,213,132 is taken as provision doubtful debts

Hence provision for the year is Kshs 444,460

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Bank and Cash Balances

Detailed analysis of cash and cash equivalent

Financial institution	Account number	2021/2022 KShs	2020/2021 KShs
a) Current account			
Cooperative bank	01120550512700	63,410	2,216
Equity Bank	0600278912093	0	126,004
Equity Bank	0600278914480	482,615	5,592
Sub- total		546,025	133,812
b) On - call deposits			
Cooperative Bank	01100550512700	-6,579	37,300
Equity Bank	0600178912045	0	529,370
Sub- total		-6,579	566,670
Sub- total			
c) Others(specify)			
Mobile money account	672853	17,210	23,765
Sub- total			23,765
Grand total		556,656	724,247

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Detailed analysis of the cash and cash equivalents

17. Ordinary Share Capital

	2021-2022	2020-2021
	Kshs	Kshs
Authorized:		
1000 ordinary shares of Kshs100 par value each	100,000	100,000
Issued and fully paid:		
1000 ordinary shares of Kshs par value each	100,000	100,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. 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.

19. 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.

20. 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.

21. Trade and Other Payables

	2021/2022	2020-2021
	Kshs	Kshs
Electricity	517,054	547,940
WASREB	1,398,996	1,001,360
Deposits (Customers Deposit)	564,300	467,100
Employee payables -June 2021 salary not paid	228,540	150,150
TANATHI	2,312,146	4,104,704
WARMA	160,521	131,175
AUDIT FEE	416,000	300,000
NSSF	72,712	69,120
NHIF	87,700	19,200
PAYE	65,016	19,314
Kelvus and Irene Court ruling	2,083,624	0
Total	7,901,609	6,810,063

Note: Re-conciliated Tanathi amount payable is Kshs. 2,312,416 as per letter ref.TAWSB/FIN 20/VOL. V(14) which is attached for reference.

22. Customer Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Opening Balance	467,100	407,200
Add: deposits received during the year	97,200	59,900

Less: Refunded deposits during the year	-	-
Closing balance	564,300	467,100
Total	564,300	467,100

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Notes to The Statement of Cash Flows

	2021-2022 Kshs	2020-2021 Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	(3,477,944)	230,386
Depreciation	3,430,051	2,451,280
Operating profit/(loss) before working capital changes	7,752,196	2,681,666
(Increase)/decrease in inventories	2,196,543	0
(Increase)/decrease in trade and other receivables	3,899,807	538,738
Increase/(decrease) in trade and other payables	1,091,546	(366,898)
Cash generated from/(used in) operations	516,407	2,853,506
Balance at end of the year	556,656	724,247
(b) Analysis of cash and cash equivalents		
Cash at bank	556,656	724,247
Cash in hand	0	0
Balance at end of the year	556,656	724,247

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other Disclosures

24. Related Party Disclosures

County Government Machakos

The County Government of Machakos is the principal shareholder of the Company, holding 100% of the Company's equity interest.

Other related parties include:

- The County Department in charge of Water
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

Transactions with related parties

	2021-2022	2020-2021
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies	2,516,900	3,025,560
Total	2,516,900	3,025,560
b) Grants from the Government		
Grants from County Government(seconded staff salary)	1,447,520	1,397,754
Total	1,447,520	1,397,754

	2021-2022	2020-2021
	Kshs	Kshs
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for seconded employees	397,000	520,000
Total	397,000	520,000

25. Incorporation

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

26. Events After the Reporting Period

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

27. Currency

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

XIX. Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Non-compliance with public sector standard board	Discussed and resolved	Resolved	
2	Inaccuracies in financial statements	Resolved	Resolved	
3	Unsupported trade and other payables	Issues explained to auditors	Not resolved	30 th June, 2023
4	Long standing trade and other payables	Management explained to auditors why it had taken long to pay.	Not resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5	Unaccounted for customer deposits	About 90% resolved	Not resolved	Remaining 10% to be refunded to deposit account by 30 th June, 2023
6	Property, plant and equipment	Explained to auditors the origin and no official handover was done from Tanathi	Not resolved	30 th June, 2023
7	Unsupported administration costs	Supporting documents availed	Resolved	
8	Misstatement of staff costs	Resolved with auditors	Resolved	
9	Use of expired tariff	Process of acquiring approved tariff is on.	Not resolved	June, 2023

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.
- (iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report.

Name JOHANNESCO D. MATEU

Signature 

Managing Director

Date..... 17/04/2023