

REPUBLIC OF KENYA

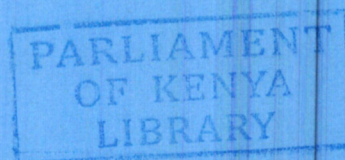


Enhancing Accountability

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REPORT

OF



THE AUDITOR-GENERAL

ON

KIRANDICH WATER COMPANY LTD

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



KIRANDICH WATER 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)**



Kirandich Water Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022
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Kirandich Water Company Ltd
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I. Key Entity Information

Background information

Kirandich Water Company is established in Kenya as a Public limited Company under the provisions of the Company's Act Cap 486 on 7th July 2015 and started its operations on 1st July 2017 after award of certificate of operation by Water Services Regulatory Board (WASREB) on 29th June 2017. It took over the Management of Kabarnet Water Supply which was formerly managed by Rift Valley Water Services Board as a Service Provider and commission data capture and documentation in preparation for takeover of the water supplies within the Jurisdiction of Baringo Central, Baringo North and Baringo South constituencies prior to signing a Service Provision Agreement (SPA) with the Rift Valley water services Board (Licensee)

It gets its water supply from Kirandich Dam which has a conventional treatment plant treating 14,000m³ per day.

The Company is Wholly Owned by Baringo County Government, Currently the Company Operation Covers Kabarnet Municipality.

Vision

“To be the Leading Water Utility in the Kenya”

Mission

“To provide quality, Adequate, sustainable water and sanitation service to the delight of our customers”

Core Values

Our Core values include the following:

Customer Focus

Professionalism

Integrity

Team Work

Innovation & Creativity

The principal activity of the Company is to:

- To ensure that it possesses and retain all the expertise necessary to the Technical, Commercial, Financial and administrative functions.
- To provide the service within Kabarnet Town and its Environs
- To meet the entire required Water standard, guidelines and provisions of the service provision agreement (SPA).
- To obtain all necessary Licenses, permits and warranties necessary to carry out its obligation in accordance statutes in force.

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

- To maintain the assets in good working conditions and not to dispose of any assets without the authorization of the Licensee
- To prepare proposals for improvement of the assets so as to enhance services delivery
To propose tariff adjustments to the licensee and regulator.

Directors

1.	William Chebii	Chairman	Appointed on 2 nd December 2020
2.	Philip Sogoti Chepsat	Managing Director	Left 19 th October 2022
3.	Elizabeth Chesang	Board Member	Left on 2 nd February 2022
4.	Philemon Kiptukyo	Board Member	Appointed on 2 nd December 2020
5.	John Kidogo	Board Member	Representative CECM Water&Irrigation
6.	John Kisang	Board Member	Representative CECM Finance

Registered Office

Maji plaza,
Off Kabarnet-Kabartonjo high way,
P.O. Box 377-30400,
Kabarnet.

Corporate Headquarters

Maji plaza,
Off Kabarnet-Kabartonjo high way,
P.O. Box 377-30400,
Kabarnet.

Corporate Contacts

Telephone: (254)713779355

E-mail: kirandichwatercompany@gmail.com

Website: Kirandichwater.co.ke

Corporate Bankers

1. Kenya Commercial Bank Kenya,
Kabarnet Branch,
P.o. Box 175-30400,
Kabarnet.

2. Access Bank
Kabarnet Branch
P.o box ----30400
Kabarnet

3. Equity Bank
Kabarnet Branch
P.o Box
Kabarnet

Independent Auditors

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

Principal Legal Advisers

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

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II. The Board of Directors

	Directors	Details
1.	 Mr. William Chebii NON-EXECUTIVE CHAIRMAN	Mr Chebii, 55, was appointed on 3rd February 2016 to represent Resident organisations and he is the Chairman of the Board. He was formerly the Manager of World Vision Kenya; Central Rift Region Koloa ADP. Chebii has a Degree in Bachelor of Administration/Human Resource. Mr Chebii has attended various courses in leadership and corporate governance and project management. Mr Chebii has business interests in Kabarnet Town and he has a vast experience in Management and Corporate Planning of over 20 years.
2.	 Mr. Philemon Kiptukyo Non-Executive Director	Mr Kiptukyo, 67, was appointed on 3rd February 2016 to represent Resident organisations and he is a Non-Executive director. He was formerly of TSC as High school Teacher and Lecturer at Garisa University College. Mr Kiptukyo has a Degree in Bachelor of Education. Mr Kiptukyo has business interests in Kabarnet Town and he has a vast experience in education and Management of over 30 years.

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3.	 Mr Philip Sogoti Chepsat Managing Director	Mr Philip Joined Kirandich Water Company in October 2019 as the Managing Director. He has More than 15 years' Experience in senior Management having worked as Commissioner at the Electoral Commission of Kenya (ECK).Mr Philip holds Bachelor of Arts economics and Public Administration from M.D University India, Post graduate diploma in Personnel Management and Industrial Relation and Diploma in PC programming. And Left the company in 19th October 2022
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III. Management Team

Ref	Management	Details
1.	 Mr Philip Sogoti Chepsat Managing Director	Mr Philip Joined Kirandich Water Company in October 2019 as the Managing Director. He has More than 15 years' Experience in senior Management having worked as a Director at the Electoral Commission of Kenya (ECK).Mr Philip holds Bachelor of Arts economics and Public Administration from M.D University India, Post graduate diploma in Personnel Management and Industrial Relation and Diploma in PC programming. And Left the company in 19th October 2022.
	 Eng. David Kimuron Ngetich Technical Manager	Mr David, 29, was appointed on 1st May 2022, Before joining the Company, Mr David worked as the Water Resource and Irrigation Engineer of KVDA. Prior to KVDA, he was the Water Supply Officer at China Road and bridge Cooperation (CRBC); Mr David holds a BSc degree in Water & Environmental Engineering from Egerton University.

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3.	 CPA Johnstone Toroitich ACCOUNTANT	Johnstone Joined Kirandich Water Company in October 2019. He has a Bachelor of Commerce from Kisii University, CPA (K) and CIFA and a Member of Certified Public of Kenya (ICPAK), He has over 8 Years working experience both in private and public sector in Accounting and Finance.
4.	 Mrs. Rose Ruto, HUMAN RESOURCE OFFICER	Rose Joined Kirandich in 2017, as human Resource Officer, Rose Worked Previously with Kabarnet Water Supply under Rift valley water Service Board and Worked with National water and Pipeline Corporation, Rose Holds Bachelor of Business Management – Human Resource, Diploma in Human Resource Management

IV. Chairman's Statement

It is my pleasure to present the Annual Report and Financial Statements of Kirandich Water Company for the year ended 30th June 2022. The organization has continued to perform its key function of provision of quality, clean water and sanitation services. Probably to Begin in earnest in 2023 as the Phase II is completed.

The Constitution of Kenya recognizes access to water as a basic human right to all citizens. The Company is aware that this presents a challenge to ensure customer satisfaction and needs to respond effectively to the demands.

In order to improve service provision, the Company, in collaboration with Ministry of Water and Irrigation-County Government of Baringo and other stakeholders have partnered together to implement various projects within its area of jurisdiction.

Environment.

the Company which is located within a touching distance of katimok forest Tarambas forest, Kituro forest and Kabasis recognizes environmental sustainability as the greatest challenge of the 21st century and commits to ensuring that all its major strategies and operations consider environmental

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and ecological aspects and impacts.

The company received funding from Water Sector Trust Fund (WSTF) under the CLSG programme towards construction of 1 no. Water Kiosk at Kaptimbor Zone. The project will improve access to water benefiting over 200 people.

Kirandich plan details various investment plans which aim to ensure KIWACO growth including the completion of Kirandich Dam Phase II. The main objectives of the new strategic plan are: increased water production to meet the demand, reduction of NRW, financial sustainability, improved corporate image & visibility and improved customer service. The company enjoys donor confidence due to its leadership and good corporate governance. This is evidenced by the success in implementation of minor projects and partnership with the EU, WSTF and County Government of Baringo. Finally the future of Kirandich looks bright. The company has positioned itself to produce more water to meet the demand and introduce sewer network by completion of Kirandich phase II by CRVWWDA.

Appreciation

I would like to appreciate all our stakeholders, more so the County Government of Baringo and Development partners for their solid commitment and support during the year ended on 30th June 2022. To our esteemed Customers, thank you for your loyalty and support. Thank you my Board colleagues, the management and staff for the good work and together we celebrate our achievements for the year 2021/22. Let us all practice our core values of Customer focus, Professionalism, Teamwork, Integrity, Innovation and Creativity to the delight of our customers so as to make a difference in our country. Thank you and May God Bless You all



WILLIAM CHEBII
CHAIRMAN, BOARD OF DIRECTORS

Report of the Managing Director

Kirandich Water Company over the years have experienced growth although not at desired pace. The financial year in question has had some tremendous strides in development particular in the discharge of its mandate being provision of water within its service provision area particularly kabarnet. Unlike the other years water provision has been constant despite breakdown at the treatment works. The success can be attributed to the swift response by the company's technical team under the operation and maintenance department.

It is imperative to note that in the last quarter of the financial year the company recruited a technical manager who has been able to spearhead this critical department. I hereby wish to report that the company during financial year put measures to reduce the prevalence of non-revenue water which has been a perennial problem to the company by establishing a field audit team who have been able to visit zones to eradicate illegal connections and report faulty meters which have been for a long time on average billing. I wish to report that the NRW has come down from 69% to 65% against the national average of 25% and we shall strive to put measures to ensure that the company operates within the acceptable range.

The company has increased the customer base by:

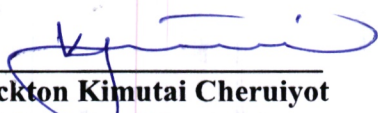
1. Consumers and it intend to utilize almost 2000 consumers meters procure through last mile
2. Connectivity through CLSG to replace faulty meters and also register new consumers this will improve revenue collection.
3. Kirandich water company has several projects on-going at various stages when complete it will enhance serious water coverage and increase the revenue base

I also wish to restate that the company has been able to purchase water treatment chemical, on behalf of the company I wish to thank the county government for its continuous support on the payment of electricity bill. At kirandich we are happy to report to you that the company is implementing three projects currently on the on-going courtesy of donor funding of EDE CIPRA programmer where Baringo county is one of the 8 counties to benefit EDE CIPRA program facilitated by the Water Sector Trust Fund (WSTF) with donation from the EU and contributions from the national government and the county government the water project

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identified shall benefit 33000 residents of 3 wards including a total of 175000 livestock. This project once completed early next year will tremendously improve the water coverage in the county in the other accompanying projects are purely sanitization in nature include construction of PSF at Marigat town which once complete will improve sanitization in the town. It is worth noting that 6 villages at the water catchment area of Kirandich Dam was also identified for the CLTS project and have since been declared Open defecation free(ODF) free.

I am also happy to report to you during this financial year two other major project have begun at Kirandich phase 11 which the contractors are at site and the last mile connectivity which is at 75% completion stage. These two projects shall increasingly improve the water supply and coverage within the Kirandich water company area of operation.


Mr. Jackton Kimutai Cheruiyot
Managing Director

Date 16/02/2023

V. Statement of Performance against Predetermined Objectives for FY 2021/2022

On Service Delivery the following was achieved against the set targets:

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity's performance against predetermined objectives.

Kirandich Water Company Limited has 7 strategic pillars/ themes/issues and objectives within the guidelines from Water Sector regulatory Authority. These strategic pillars/ themes/ issues are as follows:

Target Description	Target	Actual	Comments
Water Coverage (%)	93	50	The water coverage was maintained because during the period under review the company did not have new sources of water until the year 2026 when Kirandich Dam Phase II project is expected to provide a consistent supply of water to increased customer coverage. However for the last one year the works were stopped due to the financial difficulties facing the contractor.
Water quality standards (%)	100	97.7	The company achieved 97.7% against the required 100%. This is mainly due to turbidity levels in bulk water supply from Kirandich mainly during the rainy season. Samples taken from consumer points in raw water supply system do not meet drinking water quality standard mainly during the wet seasons.

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Non-Revenue Water (NRW) (%)	45	65	This was not achieved mainly because of the dilapidated water infrastructure which is old and dilapidated and infrastructure damaging due to a lot of road construction works. During the period a Last mile connectivity for our town started and it will upgrade all our distribution system.
Hours of Supply (Hrs.)	17.5	12	This was not achieved due to Pump breakdown last year.
Metering ratio (%)	96	73	This was not achieved due to high flat rate customers owing to historical data but in the attempt by the company is that through the Last Mile project we will get over 1200 replacement of meters and new consumer meters. Also during the year we received around 900 meters from CLSG
Collection Efficiency (%)	100	96	This was achieved due to the efforts which company has put in place to ensure 100% collection efficiency. However we have a challenge in collecting revenue from the County Government of Baringo and Department of Housing and Kabarnet referral Hospital who are not paying their water bills promptly and are in arrears of Kshs 8.2 and 2.1 Million respectively

VI. Corporate Governance Statement

The Board of Directors of Kirandich Water Company Limited is responsible for the overall management of the Company and is committed to ensuring that its business and operations are conducted with integrity, professionalism, and in compliance with the law, internationally accepted principles and best practices in corporate governance.

In the recent years various recommendations have been made in several legal and professional publications in an attempt to determine the most appropriate way for companies to be structured to achieve the highest standards of corporate governance. The Board is committed to full compliance of all the relevant laws including the Guidelines on Corporate Governance issued by the Regulator, WASREB

The Corporate Governance of Kirandich Water Company limited takes place within a framework which exists to regulate and/or guide the conduct of Board members, staff, customers and members of public in assessing the Company's facilities and services. The objective of the framework is to provide for the effective, ethical and accountable governance and management of the Company. The key instruments within the governance framework are:

- The Kenya Constitution
- The Water Act 2016
- The Companies Act, 2015
- The Public Financial Management Act 2012
- The Public Procurement and Asset Disposal Act 2015
- Employment Act 2007
- Kirandich Water Company Ltd approved policies and procedures

For the sake of coherence and legitimacy, it is in the best interest of the Company that its conduct be regulated by the most appropriate type of governance instrument.

The Board of Directors

The Kirandich Water Company Board of Directors are appointed in accordance with section 69 of the Company's Articles of Association

The Board of Directors are responsible for the following: -

- Implementation of Memorandum and Articles of Association
- Provision of guidelines and control function of the Company
- Approval of the organisation structure and maintenance of staff terms and conditions of service
- Approval of business plans and budgets
- Provision of management guidelines
- Approval of major contracts/projects
- Approval of tariff adjustment
- Prudent investment of funds to ensure continuity of service
- Appointment of Corporate Management Team

The Board is responsible for drawing and implementing strategies for the long term success of the company as well as carrying out the fiduciary duty of monitoring and overseeing the activities of management. The Board meets regularly and has a formal schedule of meetings to discuss matters reserved for its decision with a view of determining and reviewing the strategies of the Company and overseeing the Companies compliance with statutory and regulatory obligations.

Notices and agenda for all Board meetings are circulated to all Directors on a timely basis together with the respective documents for discussion.

Composition of the Board

The Board is composed of 5 non-executive Directors including an independent Chairman and one executive director who is also the Managing Director. The Directors represent various stake holding. They have a wide range of skills and experience and each contributes independent judgement and knowledge to the Board's discussions.

On appointment, each Director is provided with a comprehensive and tailored induction process covering the Company's business and operations and also provided with information relating to their

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

legal and regulatory obligations.

All the Directors except the Managing Director and representatives of the County Government are required to submit themselves for re-election in accordance with the Company's Articles of Association.

Board Meetings

The Board meets 6 times in one financial year.

Board Committees

The Board has constituted 3 sub-committees chaired by one director in each, namely Corporate services, Audit and Risk Management and Technical Services. Each committee meets 4 times in one financial year.

The Board appoints other committees as and when necessary.

VII. Management Discussion and Analysis

Financial Statements

1.0 Overview

During the year under review, the Company reached out the areas requiring Water Services. Although there is low performance and low revenue base but the company is optimistic that Kirandich Phase II project will be commissioned as soon as possible to enable the Company increase its revenue base. Though the Company is still reeling from the scourge of COVID-19, Kirandich Management is looking forward to a good growth trajectory of the Company especially with level of capital investment from grants from county government, Water fund and other development partners.

2.0 Performance

The company's performance in the year under review was reported as hereunder.

3.0 Revenue items

The total Company's Water Sales income for the financial year 2021/2022 was Kshs 23,754,005.50 the main source of income is Water Sale.

4.0 Current Assets

Accounts receivables for the year was Kshs 40,843,233.00, this included Kshs 27, 102,740.00 which was inherited from RVWSB.

5.0 Expenditure Items

The total expenditure for the year amounted to Kshs. 70,967,913.00

6.0 Current Liabilities

Accounts payables for the year was Kshs 28,980,534.00, this included Kshs 21,693,008.00

For WARMA levies which was inherited from the licensee RVWSB during transition, KPLC arrear, staff payment arrears and WASREB levies.

7.0 Operating deficit

The Company operated on a deficit of Kshs (6,221,150.00). The resultant deficit is posted to the revenue Reserve Account.

8.0 Rapid Results Initiative (R.R.I)

The level of unaccounted for water (UFW) poses considerable challenges to the efforts of the company to operate in a financially sustainable manner. The level of UFW decreased from 69% in the year 2021 to 65% on annual average in the year 2022. We are putting all our efforts in ensuring that we reduce unaccounted for water to a manageable level. To account for the water produced, we have non-revenue reduction plan which is under implementation and in addition to consistent installation of water meters to our consumers. We have also ensured that leaks and bursts are attended to on time. In addition, we have been making frequent and surprise visits to our consumers in a view of advising them on ways of conserving water.

9.0 Challenges

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

- (i) Rampant illegal connections due to private plumbers
- (ii) Kabarnet has not witnessed any applicable increase in industrial activities.
- (iii) Metering Services: - Though the Company during the last quarter has received meters to fast track its metering programme.
- (iv) The Company's current water distribution network (obsolete) cannot serve the bloated population within its area of Jurisdiction
- (v) Leakages/ bursts due to aged pipeline systems.
- (vi) COVID -19 after shocks
- (vii) Pumping: the Company in the large part of the financial year 2021/2022 has experienced many pump breakages which has impacted on its recovery plans. We are Optimistic since

Kirandich Water Company Ltd

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the Last mile Project has already ordered the two Pumps this will enable Consistent supply.

(viii) Electricity Cost: Since the Company does not meet its electricity bills, the MOU with the County government has been of great assistance but since the budget is controlled from the department hence any delay in payment leads to disconnection which impacts on our service provision hence the slow revenue collection.

10.0 Maintenance

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

11.0 Training, Capacity Building and Human Resources Development

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

12.0 Performance Management

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

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

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

13.0 Public Relations

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

performance.

14.0 Health and Safety

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

15.0 Corporate Social Responsibility

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

16.0 Corporate Governance Issues

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

17.0 Internal Control Systems and their Adequacy

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

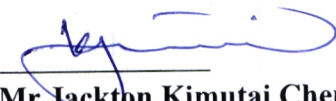
18.0 Disclosures

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

19.0 Towards building capacity

With the view of supporting the young people actively engaged in water improvement, the Company took in students from various colleges as trainees. The young participants then may have an opportunity to grow and to gain new ideas to enhance water related issues.


Mr. William Chebii
Chairman
Date 16/2/2023


Mr. Jackton Kimutai Cheruiyot
Managing Director
Date 16/02/2023

VIII. Environmental and Sustainability Reporting

i) Employee welfare

During the period, the company continued to improve staff competence in an effort to maintain good service delivery.

The managers who are members of various professional bodies attended seminars, benchmarking, workshops and symposiums for the purpose of improving their skills, networking and job satisfaction.

The Company trained staff on the Human Resource Policy, their Participation has enriched the improvement of the document, Moreover the Policy has principles that ensure the company follow during recruitment we follow issues of gender ratio. In addition the Policy has set an appraisal criteria and reward mechanisms. The organisation has not developed a policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA) but the Human resource policy has definitely given the management the necessary impetuous to develop all Governance instruments.

ii) Market place practices-

a) Responsible competition practice.

The Company does its business impartially any political influence and corruption free and respect competition and support the small scale water providers within our area of coverage.

b) Responsible Supply chain and supplier relations

Kirandich Water Company limited steers its business by following the public Procurement and disposal Act 2015. These alignment ensure transparency and accountability in our procurement processes.

c) Product stewardship

The Company ensured that it serves its clients equally without Bias and protect the rights as we strive to provide water to the people of Kabarnet and its environs.

IX. 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 company's affairs.

i) Principal activities

The principal activities of the entity are:

- To ensure that it possesses and retains all the necessary expertise necessary to the technical, commercial, financial and administrative functions.
- To provide the services within its Defined Service Area.
- To meet all the required water standards, guidelines and provisions of the Service Provision Agreement (SPA)
- To obtain all necessary licenses, permits and warranties necessary to carry out its obligations in accordance with statutes in force.
- To maintain the assets in good working condition and not to dispose of any assets without the authorization of the Licensee.
- To prepare proposals for improvement of the assets so as to enhance service delivery.

To propose tariff adjustments to the Licensee and Regulator

ii) Results

The results of the company for the year ended June 30, 2022 are set out on page 1 below is summary of the profit or loss made during the year.

The financial performance during the period was has slightly deepened than the previous year as the company recorded a loss of Kshs 6.2M compared to a Kshs4 .3M during the previous year. This is attributed to Cost of Electricity and Increase in Fittings price; consequently we have resorted to continuous disconnection strategy and reduced NRW from 69% to 65%.

The cost of personnel remained the same. Other operating and maintenance cost though went up due to the sporadic breakdown of the Pumps at the treatment works.

iii) Dividends

The company has not declared dividends for the year ended 30th June 2022.

iv) Directors

The members of the Board of Directors who served during the year are shown on page V. In

Kirandich Water Company Ltd

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accordance with Regulation 57 of the company's Articles of Association.

v) Auditors

The Company Auditor is the Office of the Auditor General, (OAG) of P.O BOX 30084 Nairobi as provided for by the Public Audit Act 2015.

By Order of the Board

Name..... JACKSON KIMUTAI CHAGUINOT

Signature..... [Signature]

Date..... 16/02/2023

Corporate Secretary/Secretary to the Board

STATEMENT OF DIRECTORS' RESPONSIBILITIES OF KIRANDICH WATER COMPANY LIMITED

Section 81 of the Public Finance Management Act, 2012 and Water Act, 2016 require the Directors to prepare financial statements in respect of Kirandich Water Company Limited, which give a true and fair view of the state of affairs of Kirandich at the end of the financial year/period and the operating results of Kirandich for that year/period. The Directors are also required to ensure that the Kirandich Water Company Ltd 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 Kirandich Water Company Ltd.

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

The Directors accept responsibility for the Kirandich Water Company Ltd financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) and Water Act). The Directors are of the opinion that Kirandich Water Company Limited financial statements give a true and fair view of the state of Kirandich Water Company Limited transactions during the financial year ended June 30, 2022, and of the Kirandich Water Company Ltd financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Kirandich Water Company Ltd 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 Kirandich Water Company Ltd will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Kirandich Water Company Ltd Financial statements were approved by the Board on 16th September 2022 and signed on its behalf by:



Signature:

Name: William Chebii

Chairperson of the Board



Signature:

Name: David Ngetich

Ag. Managing Director

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

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

Kirandich Water Company Ltd**Annual Report and Financial Statements for the year ended June 30, 2022****Statement of Directors' Responsibilities (Continued)**

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.

Approval of the financial statements

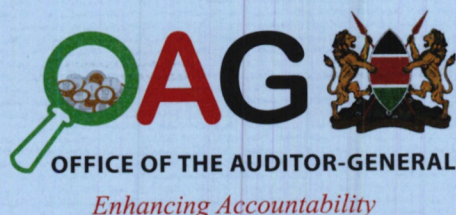
The company financial statements were approved by the Board on 17th September 2022 and signed on its behalf by:


Signature
Name Wilham Chebin
Chairperson of the Board


Signature
Name Ngeton K. David
Managing Director

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON KIRANDICH WATER COMPANY LTD 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 notice, 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

Adverse Opinion

I have audited the accompanying financial statements of Kirandich Water Company Ltd set out on pages 1 to 48, 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

Report of the Auditor-General on Kirandich Water Company Ltd for the year ended 30 June, 2022

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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kirandich Water Company Ltd as at 30 June, 2022 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Public Finance Management Act, 2012 and Water Act, 2016.

Basis for Adverse Opinion

1. Errors in the Financial Statements

The following errors were noted from the review of the financial statements for which the Management has not taken action to amend.

- i. The statement of comparison of budget and actual amounts reflects total revenue performance difference of Kshs.15,119,454 which differs with the recomputed amount of Kshs.22,343,637 resulting to unreconciled variance Kshs.7,224,183.
- ii. The statement of cash flows reflects non-operating revenue of Kshs.607,785 that differs with Note 7 amount of Kshs.37,697,818 resulting to unreconciled variance of Kshs.37,090,033. The statement also reflects other income of Kshs.36,976,792 which differ with Note 8 amount of Kshs.838,185 resulting to unreconciled variance of Kshs.36,138,607.
- iii. Note 15 to the financial statements reflects Capital work in progress balances of Kshs.58,782,997 which differs with the recomputed balance of Kshs.59,740,244 resulting to unreconciled variance of Kshs.957,247.

Further, the statement also reflects purchase of property, plant and equipment amount of Kshs.24,632,673 which differ with Note 15 additions of Kshs.18,544,564 resulting to unreconciled variance of Kshs.6,088,109.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2022 could not be confirmed.

2. Understatement of Water Sales and Billings

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.23,754,005 which relates to revenue from water sales. However, the water billing records reflects amount of Kshs.24,221,100 resulting to unreconciled variance of Kshs.467,095.

Further, examination of billing records revealed that one thousand, two hundred and eighty (1,280) water customers were billed under average estimates on consumption. Although revenue amounting to Kshs.6,008,910 were realized from the accounts, the billings were not based on actual readings, hence, uncertainty in confirming the revenues.

Consequently, the accuracy and completeness of operating revenue of Kshs.23,754,005 for the year ended 30 June, 2022 could not be confirmed.

3. Staff Cost

The statement of profit or loss & other comprehensive income reflects staff cost of Kshs.18,660,254 which differed with supporting schedule costs of Kshs.19,184,022 resulting to unreconciled variance of Kshs.523,768. Further, included, in the amount is salary and allowances for permanent employees of Kshs.17,059,212 which differed with the payroll summary amount of Kshs.16,633,353 resulting to unreconciled variance of Kshs.525,859. The amount also includes payments to casual workers of Kshs.1,413,334 out of which Kshs.841,384 were paid to permanent staff without any reasonable justification. Further, the amount includes PAYE recoveries of Kshs.2,179,575 whose remittances to relevant government agencies were not provided for audit review.

Consequently, the accuracy and validity of the staff cost of Kshs.18,660,254 for the year ended 30 June, 2022 could not be confirmed.

4. Board Expenses

The statement of profit or loss and other comprehensive income reflects Board expenses of Kshs.633,476 out of which Kshs.129,040 were paid to ungazetted Board Members. The amount also includes Board allowances of Kshs.225,280 paid to two members whose terms of office had lapsed. Further, the board minutes in support of the allowances paid were not provided for audit.

In the circumstances, the propriety and accuracy of Board expenses of Kshs.633,476 for the year ended 30 June, 2022 could not be confirmed.

5. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.7,467,660. Included in the balance are additions during the year of Kshs.5,569,972 which differs with the balance disclosed in Note 15 to the financial statements amount of Kshs.18,544,564 resulting to unreconciled variance of Kshs.12,974,592. Further, invoices, delivery notes, payment vouchers and inspection and acceptance reports for the acquired assets with the updated asset register were not provided for audit review.

In the circumstances, the accuracy and fair statement of property, plant and equipment balance of Kshs.7,467,660 as at 30 June, 2022 could not be confirmed.

6. Capital Investments Work in progress

The statement of financial position reflects capital investments work in progress balance of Kshs.58,782,997. However, the balance was unsupported by way of payment vouchers and schedule of projects being implemented including the costs, payments, and outstanding balances.

Consequently, the validity, accuracy and completeness of investments (work in progress) balance of Kshs. 58,782,997 as at 30 June, 2022 could not be confirmed.

7. Long Term Receivables Inherited from Rift Valley Water Services Board

The statement of financial position reflects non-current liabilities - long term (Receivables inherited from RVSWB) balance of Kshs.27,102,739. However, no schedules were provided for audit in support.

In the circumstances, the accuracy, and fair statement of long term (Receivables inherited from RVSWB) balance of Kshs.27,102,739 as at 30 June, 2022 could not be confirmed.

8. Unsupported Inventories

The statement of financial position reflects inventories balance of Kshs.2,316,430. However, the stocks ledgers and stock taking sheets indicating physical quantities of inventories and their values was not provided for audit. Further, the water stock was excluded from the amount.

In the circumstances, the accuracy, completeness and valuation of inventories balance of Kshs.2,316,430 as at 30 June, 2022 could be confirmed.

9. Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.29,087,346. Included in the amount is Kshs.21,693,008 payable to Water Resource Management Authority which has been long outstanding. However, invoices, aging analysis and supplier statements were not provided for audit review.

In the circumstances, accuracy and fair statement of trade and other payables balance of Kshs.29,087,346 as at 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kirandich Water Company Ltd 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 adverse opinion.

Emphasis of Matter

Material Uncertainty Related to Going Concern

During the year under review, the Company incurred a loss of Kshs.6,327,962 (2021- Kshs.4,389,079) which brought the accumulated revenue reserves to a negative Kshs.11,882,769 as at 30 June, 2022. In addition, grants of Kshs.37,697,818 from Baringo County Government and other grants amounting to Kshs.2,456,755 all totalling to Kshs.40,154,573 accounted for 62% of total revenue of the year under review. This situation is an indicator of acute financial challenges facing the Company which raises significant doubts on its ability to operate as a going concern. Management has however not disclosed this fact.

Under the circumstances, the Company's going concern assumption is threatened as its continued existence depends on financial support by the County Government, its creditors and bankers.

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

Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issues.

In the circumstances, Management has not complied with the reporting template.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Revenue Water

The statement of financial performance reflects operating revenue of Kshs.23,754,005 in respect of water sales. A review of the water records revealed that the Company produced 1,150,240 cubic meters (M3) of water out of which only 460,211 M3 was billed to customers resulting to unbilled water of 690,029 M3 (or 60%) of the produced water or Non-Revenue Water (NRW). This exceeds the set threshold of 25% by 35% according to the Water Services Regulatory Board (WASREB) guidelines. The excess Non-Revenue Water (NRW) beyond the allowable threshold of 25% totalled to 402,469 cubic meters which would have earned the Company revenue of Kshs.20,773,625 equivalent at the average billing rate for the year.

In the circumstances, the Company did not get value for the water that was not billed.

2. County Government Grants

Included in the total revenue amount of Kshs.64,746,763 are grants from the County Government of Baringo of Kshs.37,697,818 utilized on payment of electricity bills on behalf of the company. This is contrary to the provisions of Sections 71(4) and 72(4) of the Public Finance Management (County Governments) Regulations, 2015 that prohibits such grants.

To the extent, the County Government and the Company are in breach of the law.

3. Share Capital

The statement of financial position reflects share capital of Kshs.100,000 which has not been supported by way of share certificate, C12, register of members or any relevant documentary evidence. Further, the Memorandum of Association indicates that Baringo County Government and its officials have subscribed for the shares. However, no documentary evidence was availed to confirm that the shares were fully issued and paid for.

In the circumstances, the shareholding of the Company could not be confirmed.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Internal Audit and Audit Committee

The Company doesn't have an internal audit department to guide and evaluate its internal controls contrary to the Regulation 153(1) of the Public Finance Management (County Governments) Regulation, 2015 which requires Internal auditors to review and evaluate budgetary performance, financial.

Management, transparency and accountability mechanisms, and processes in the company and to give reasonable assurance through the Audit Committee on the state of risk management, control and governance within the organization, and review the effectiveness of the financial and non-financial performance management systems of the company. Further, the company has not established Audit Committee as stipulated in Regulation 167(1) of Public Finance Management (County Governments) Regulations, 2015 which require each county government entity to establish an Audit Committee.

In the circumstances, the Company's governance structure was not properly constituted and therefore it was not possible to confirm whether checks and balances were functioning as intended.

2. Lack of Risk Management Policy

The Company does not have a Risk Management Policy to guide management in risk evaluation and decision making as stipulated in Regulation 158(1) of the Public Financial Management (County Governments) Regulations, 2015 stipulates that the Accounting Officer shall ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism, and the county government entity develops a system of risk management and internal control that builds robust business operations.

There is a risk that Company may be exposed to various business and financial risks in the absence of a risk policy to guide management in addressing both external and internal risks.

3. Information Technology System

The company does not have a functional ICT department. Secondly, the entity uses e-pay and resource water billing pro for payroll and billing respectively. Analysis of the system reveals that the entity does not have the full rights of the systems and it's controlled by Central Rift Valley Water Works Development Agency, who donated it to the Company. This contravenes Government ICT Standards and exposes the entity to risk of losing confidential information to unauthorized persons. Further, the staff have not been given training on the use of the system hence still relying on the donor.

In the circumstances, the integrity of data in the Company's system may be compromised.

4. Lack of Approved Staff Establishment

As reported previously, the statement of financial performance reflects employee cost figure of Kshs.18,462,696. However, the Company does not have an approved staff establishment contrary to the requirements of Section B 5 (2) of the County Public Service Human Resource Manual hence positions held by staff are not based on clear or well-defined structure.

In the circumstances, it was not possible to confirm whether the company staffing levels were optimal.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Companies Act, 2015, because of the significance of the matters under the Basis for Adverse Opinion section of my report, I report based on my audit; that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have not been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are not in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accrual basis of 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 controls, risk management and governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in

amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 or to sustain its services. 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 or to sustain its services.
- 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

20 April, 2023

Kirandich Water Company Ltd.**Annual Report and Financial Statements for the year ended June 30, 2022****XI. 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	23,754,005.00	22,663,635.00
Grants Income	7	37,697,818.00	31,899,848.00
Other Incomes	7(a)	2,456,755.00	570,822.00
Billed services other than water	8	838,185.00	230,400.00
Total Revenue		64,746,763.00	55,364,705.00
Expenses			
Staff Costs	9	18,660,254.00	20,436,458.80
General and Operations expenses	10	40,407,007.00	36,935,313.94
Regulatory levies	10(a)	5,230,789.00	1,261,290.00
Project Expenses	11	2,456,755.00	0
Board Expenses	12	633,476.00	84,680.00
Maintenance Expenses	13	2,263,956.00	544,756.00
Bank Charges	14	99,094.00	29,342.00
Depreciation and Amortization expenses	15	1,323,194.00	461,944.00
Total Expenses		71,074,725.00	59,753,784.00
Profit/(Loss) Before Taxation		(6,327,962.00)	(4,389,079.00)
Profit/(Loss) After Taxation		(6,327,962.00)	(4,389,079.00)

Kirandich Water Company Ltd.

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

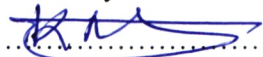
XII. Statement of Financial Position as at 30 June 2022

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	7,467,660.00	1,897,688.00
Capital Investment Work in Progress	16	58,782,997.00	48,167,429.88
Total Non-Current Assets		66,250,657.00	1,897,688.00
Current Assets			
Inventories	17	2,316,430.00	2,178,039.00
Trade and receivable	18	41,035,233.00	40,216,994.00
Prepayment of Electricity Expenses	19	689,363.00	
Bank and cash balances	20	25,719,250.00	1,411,202.00
Total Non-Current Assets		69,760,276.00	45,534,728.90
TOTAL ASSETS		136,010,933.00	93,871,353.00
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	21	100,000.00	100,000.00
Capital/Projects Fund and CLSG Fund	7(a)	89,275,101.00	48,167,430.00
Retained earnings	XIII	(11,882,769.00)	(5,554,807.00)
Capital and Reserves	XIII	77,492,332.00	(42,712,623.00)
Non-Current Liabilities			
Long Term(Receivables inherited from RVWSB)	26	27,102,739.00	27,102,739.00
Total Non-Current Liabilities		27,102,739.00	27,102,739.00
Current Liabilities			
Trade and other payables	27	29,087,346.00	23,628,769.00
Customer Deposits	28	681,905.00	427,222.00
Deferred Income	A(VI)	957,247.00	0
Prepayments of Operational Grant by County Government of Baringo	29	689,363.00	0
Total Current Liabilities		31,415,861.00	24,055,991.00
TOTAL EQUITY AND LIABILITIES		136,010,933.00	93,871,353.00

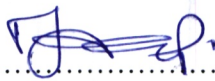
Kirandich Water Company Ltd.

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

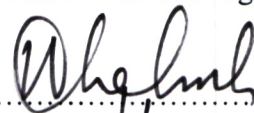
The financial statements were approved by the Board on 17th September 2022 and signed on its behalf by:



Name *Ngefenk David*
Managing Director



Name *Johnstone Eneboh*
Head of Finance



Name *William Chetani*
Chairman of the Board

ICPAK M/No: *21492*

XIII. Statement of Changes in Equity for the Year Ended 30 June 2022

	Notes	Ordinary share capital	Revaluatio n reserve	Fair value adjustm ent reserve	Retained earnings	Pro pos ed divi den ds	Capital/ Development Fund	Total
As at July 1, 2020		100,000.00	0	0	(1,165,728.00)	0	0	(1,065,728.00)
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		-	-	-	(4,389,079.00)	-	-	(4,389,079.00)
Capital/Development grants received during the year		-	-	-	-	-	57,733,662.00	57,733,662.00
Transfer of depreciation/amortisa tion from capital fund to retained earnings		-	-	-				
Dividends paid – prior year		-	-	-				
Interim dividends		-	-	-				

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

	Notes	Ordinary share capital	Revaluatio n reserve	Fair value adjustm ent reserve	Retained earnings	Pro pos ed divi den ds	Capital/ Development Fund	Total
paid – current year								
Proposed final dividends								
As at June 30, 2021		100,000.00	0	0	(5,554,807.60)		57,733,662.00	52,278,854.00
As at July 1, 2021		100,000.00			(5,554,807.60)		57,733,662.00	52,278,854.00
Issue of new share capital								
Revaluation gain								
Transfer of excess depreciation on revaluation								
Deferred tax on excess depreciation								
Fair value adjustment on quoted investments								
Profit for the year		-	-	-	(6,327,962.00)	-	-	(4,006,184.00)
Capital/Development grants received during the year	AP(VI)	-	-	-	-	-	34,955,441.31	34,955,441.31
Transfer of depreciation/amortisa tion from capital fund		-	-	-		-	(3,414,002)	(3,414,002)

	Notes	Ordinary share capital	Revaluatio n reserve	Fair value adjustm ent reserve	Retained earnings	Pro pos ed divi den ds	Capital/ Development Fund	Total
to retained earnings								
Dividends paid – prior year								
Interim dividends paid – current year								
Proposed final dividends								
At June 30, 2022		100,000.00	0	0	(11,882,769.00)		89,275,101.60	77,492,332.00

XIV. Statement of Cash Flows for the Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash Flows From Operating Activities			
Receipts			
Operating Revenue	6	23,754,005.05	22,663,635.00
Non-Operating Revenue	7	607,785.00	801,222.00
Other Income	8	36,976,792.00	31,889,848.00
Grants	AP(VI)	34,955,411.00	-
Customer Deposits	27	254,683.00	373,558.00
Total Receipts		96,548,676.05	55,728,263.00
Payments			
Staff Costs	9	14,829,588.00	19,053,845.90
Board Expenses	12	541,720.00	84,680.00
General And Operation Expenses	10	47,431,938.00	56,062,233.00
Maintenance	13	2,109,541.00	
Bank Charges	14	99,094.00	
Total Payments		65,005,025.30	75,200,758.90
Net Cash From/(Used In) Operating Activities		31,543,650.75	19,472,495.90
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	15	24,632,673.50	48,239,270.00
Net Cash From/(Used In) Investing Activities		24,632,673.50	37,718,490.25

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	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash Flows from Financing Activities		0	
Net Cash From/(Used In) Financing Activities		0	
Increase/(Decrease) In Cash And Cash Equivalents		6,910,977.25	18,245,994.35
Cash And Cash Equivalents At Beginning Of Year		18,808,272.35	562,278.00
Effects Of Foreign Exchanges Rate Fluctuations		-	
Cash And Cash Equivalents At End Of The Year	20	25,719,249.60	18,808,272.35

Kirandich Water Company Ltd
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XV. 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		
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Operating Revenue	38,150,400.00	0	38,150,400.00	23,754,005.00	8,758,209.90	74% Achievement
Non-Operating Revenue	44,200,000.00	0	44,200,000.00	37,697,818.00	5,459,429.00	87%
Billed services	1,740,000.00		1,740,000.00	838,185.00	901,815.00	
Other Income	3,000,000.00		3,000,000.00	2,456,755.00	543,245.00	100%
Total Revenue	87,090,400.00		87,090,400.00	64,746,763.00	15,119,453.90	75%
Expenses						
Staff Costs	20,449,512.20	0	20,449,512.20	18,660,254.00	1,789,258.00	87%
Board Expenses	1,600,000.00	0	1,600,000.00	633,476.00	966,524.00	34%
General and operations Expenses	55,266,008.00	0	55,266,008.00	45,637,796.00	9,628,212.00	86%
Maintenance	5,400,000.00	0	5,400,000.00	2,264,156.00	3,135,844.00	39%
Depreciation and amortization	2,000,000.00	0	2,000,000.00	1,323,194.00	676,806.00	66%
Project Expense	3,000,000.00	0	3,000,000.00	2,456,755.00	543,245.00	81%
Finance costs	60,000.00	0	60,000.00	99,094.00	(39,094)	153%
Total Recurrent Expenditure	87,775,520.20	0	87,775,520.00	71,074,725.00		80%
Profit or Loss	(685,120.00)	0	(685,120.00)	(6,327,962.00)	16,700,525.00	
Capital Expenditure						
Total Expenditure						

XVI. Notes to the Financial Statements

1. General Information

Kirandich Water Company Ltd is established by and derives its authority and accountability from Water Act. The Company is wholly owned by the Baringo County Government and is domiciled in Kenya (Kabarnet Town). The Company's principal activity is supply of water to consumers.

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. However there were no such items during the year that could warrant use of fair value.

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, International Financial Reporting Standards (IFRS) and according to the Company Articles. The accounting policies adopted have been consistently applied to all the years presented.

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

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

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.
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.

Early adoption of standards

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

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognised in the year in which the Company delivers products/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.

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.

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 cost of on-going 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		
Leasehold Land		
Buildings and civil works	50	2%
Infrastructure works, Boreholes, Reservoirs and Storage	50	2%
Plant and machinery	8	12.5%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	3	33.3%
Office equipment, furniture and fittings	8	12.5%
Intangible Assets	3	33.3%
Water Meters	7	14%

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.

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.

Summary of Significant Accounting Policies

g) 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 transfer's 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.

Summary of Significant Accounting Policies

h) 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.

i) 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. There was no estimate 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, during review there were no bad debts written off.

Summary of Significant Accounting Policies

j) 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.

k) 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.

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.

Summary of Significant Accounting Policies

l) 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.

m) 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 imp rests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Summary of Significant Accounting Policies

n) 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.

o) 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.

p) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered by National water pipeline corporation staff pension scheme that administer both contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 15% of Basic salary per employee per month.

q) 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.

Summary of Significant Accounting Policies

r) 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.

s) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 29th September 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 XVI of these financial statements.

t) 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.

u) Comparative figures

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

v) 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.

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

There were no Provisions raised in this financial year.

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6. Operating Revenue

Description	2021-2022	2020-2021
	Kshs	Kshs
Water sales	23,754,005.05	22,663,635.00
Total	23,754,005.05	22,663,635.00

7. Grants Income

Description	2021-2022	2020-2021-1
	Kshs	Kshs
Recurrent/operational grants from Baringo County Government	36,740,571.00	31,899,848.00
Capital grants amortized	957,247.00	0
Total	37,697,818.00	31,899,848.00

7(a) Grant details

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
WSTF-CLSG	191,232.00	957,247.00	6,890,967.00	8,039,446.19	33,990.00
Water Fund	1,934,523.00	0	65,525,137.00	26,915,995.12	13,508,908.74
Baringo county	0	0	16,858,997.00	0	11,090,307.71
WSTF & Baringo Government	331,000.00	0		0	0
Total	2,456,755.00	957,247.00	89,275,101.00	34,955,441.31	24,633,207.20

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

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8. Billed services other than water

Description	2021-2022	2020-2021
	Kshs	Kshs
Reconnection fees	141,500.00	0
Registration Fees	332,085.00	0
Other(Surcharge)	134,200.00	0
Rental income	230,400.00	230,400.00
Total	838,185.00	230,400.00

9. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Salary and Allowances	8,951,806.00	
Casual workers Wages	1,413,334.10	173,950
Medical insurance schemes	454,000.00	
Employer's contributions to social security schemes	58,400.00	
Employer's contributions to pension scheme	1,138,172.00	
Provisions for Leave pay	296,956.00	
Staff welfare	666,239.00	479,375.00
Commuter Allowance	1,114,000.00	
House Allowance	2,712,000.00	
Hardship Allowance	1,814,600.00	
Transfer allowance	40,746.00	
Total	18,660,254.00	
The average number of employees during the year	26	24

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10. General and Operations Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Chemicals	348,000.00	1,536,917.00
Electricity	36,938,392.00	32,021,248
Fuel, oil, lubricants, and gases	866,461.00	851,926.00
Office supplies	4,200.00	91,320.00
Uniform and protective clothing	83,790.00	0
Telecommunication	244,131.00	83,467.74
Postage and courier	14,908.00	40,090.00
Insurance	21,095.00	21,095.00
Hire of Equipment and vehicles	15,500.00	0
Stationery	215,985.00	28,900.00
Domestic Traveling and subsistence	729,985.00	101,300.00
Staff training and development	144,350.00	21,200.00
Laboratory water test and equipment and ingredients	23,200.00	0
Publicity and advertising	146,850.00	10,000.00
Computer repairs	32,150.00	24,000.00
Electricals Repairs	5,640.00	0
Audit fees	348,000.00	348,000.00
Printing and Publishing	85,500.00	312,924.20
Hospitality expenses	124,950.00	24,000.00
Newspaper and Library Materials	13,920.00	16,380.00
Total	40,407,007.00	35,532,767.94
10(a) Regulatory levies		
WARMA Year Abstraction fee	1,148,300.00	1,262,290.00
WARMA Interest	3,132,329.00	-
WASREB 4% of Revenue	950,160.00	
TOTAL	5,230,789.00	1,262,290.00

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Description	2021-2022	2020-2021
	Kshs	Kshs
CLTS	331,000.00	0
Ol arabal Water Project Expenses	1,616,785.00	
Marigat PSF project	317,738.00	
Conditional Liquidity Support Grant	191,232.00	
Total	2,456,755.00	0

11. Project Administrative Expenses

12. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Sitting allowances	423,200.00	84,680.00
Travel and accommodation	81,520.00	0
Other allowances	31,000.00	0
KRA PAYE Expense	97,756.00	0
Total Board Expenses	633,476.00	84,680.00

13. Maintenance Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Plant and Equipment	854,646.00	400,998.00
Infrastructural networks	1,270,755.00	1,024,070.00
Motor vehicles	138,555.00	111,450.00
Total Maintenance Expenses	2,263,956.00	1,536,518.00

14. Bank Charges

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank Charges	99,094.00	29,342.00
Total	99,094.00	29,342.00

15) Property, Plant and Equipment

2021-2022	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	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, 2020	0	0	0	2,726,000.00	0	348,180.00	36,000.00	0	3,110,180.00
Additions	0	0	0			65,840.00	6,000.00	0	71,840.00
CCWIP	0	0	0	0	0	0	0	48,167,429.88	48,167,429.88
At June 30, 2021	0	0	0	2,726,000.00	0	414,020.00	36,000.00	48,167,429.88	51,349,449.88
Depreciation	0	0	0	1,022,250.00	0	347,832.00	14,250.00	0	
At July 1, 2020	0	0	0	1,703,750.00	0	66,188.00	21,750.00	48,167,429.88	49,892,929.88
Charge For The Year	0	0	0	340,750.00	0	21,947.00	4,500.00	0	367,197.00
At June 30, 2021	0	0	0	1,363,000.00		44,241.00	17,250.00	48,167,429.88	49,591,920.88
Net Book Value At June 30, 2021	0	0	0	1,363,000.00		44,241.00	17,250.00	48,167,429.88	49,591,920.88

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Property, Plant and Equipment (Continued)

2022	Meters	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Network extension	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION									
As at 1 July 2021	0	0	0	2,726,000.00	0	65,840.00	42,000.00	48,167,429.88	51,349,449.88
Additions	3,275,000.00	497,540.00	2,585,000.00	170,000.00	444,210	35,000.00	0	11,572,814.37	18,544,564.37
As at 30 th June 2022	3,275,000.00	497,540.00	2,585,430.00	2,896,000.00	444,210.00	100,840.00	42,000.00	58,782,997.00	21,372,834.37
DEPRECIATION									
At July 1, 2021	0	0	0	1,022,250.00	0	0	14,250.00	0	
Charge for the year	467,857.00	9,951.00	369,347.00	362,000.00	88,842.00	33,613.00	5,250.00	0	1,323,194.00
As at 30 th June 2022	467,857.00	9,951.00	369,347.00	1,384,250.00	88,842.00	33,613.00	19,500.00	0	2,361,694.00
NET BOOK VALUE									
At June 30, 2022	2,807,143.00	487,589.00	2,216,083.00	1,511,750.00	355,368.00	67,227.00	22,500.00	0	7,467,660.00

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Valuation

The Company did not value its asset this year and Looks forward to valuing its assets to be included in the Balance sheet.

15 (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:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land			
Buildings	497,540.00	9,951.00	487,590.00
Plant and machinery	2,896,000.00	1,384,250.00	1,511,750.00
Motor vehicles, including motorcycles	0	0	0
Computers and related equipment	100,840.00	33,613.00	67,227.00
Office equipment, furniture, and fittings	42,000.00	19,500.00	22,500.00
Network Extension	444,210.00	88,842.00	355,368.00
Water Infrastructure	2,585,430.00	369,347.00	2,216,083.00
Meters	3,275,000.00	467,857.00	2,807,143.00
	9,841,020.00	2,373,360.00	7,467,661.00

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

Description	Cost or valuation	Normal annual depreciation charge
Plant and machinery		
Motor vehicles, including motor cycles		
Computers and related equipment	348,180.00	348,180.00
Office equipment, furniture and fittings		
Total	348,180.00	348,180.00

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16) Work in Progress

Description	2021-2022	2020-2021
	KShs	KShs
National/County government	58,782,997.00	48,167,430.00
Total deferred income	58,782,997.00	48,167,430.00

The Work In Progress movement is as follows:

	Description	WSTF	Total
	Balance brought forward	57,733,662.00	57,733,662.00
	Additions	34,655,401.00	34,655,401.00
16 (a)	Transfers to Work In progress	58,782,997.00	58,782,997.00
	Transfers to income statement	(3,414,002.00)	(3,414,002.00)
	Other transfers	(5,558,858.00)	(5,558,858.00)
	Balance carried forward	24,633,206.00	24,633,206.00

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17).Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
General stores	0	64,150.00
Chemicals & Laboratory items	460,710.00	115,019.00
Water fittings and Accessories	1,855,720.00	1,998,870.00
Total	2,316,430.00	2,178,039.00

18) Trade and Other Receivables

Description	2021-2022	2020-2021
	KShs	KShs
Trade receivables	40,843,233.00	40,216,993.85
Other receivables	192,000.00	
Net trade and other receivables	41,035,232.00	40,216,993.85

18(a) Trade Receivables

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	40,843,233.00	40,216,993.85
Net trade receivables	40,843,233.00	40,216,993.85
at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	1,971,055.00	
Between 30 and 60 days	1,076,316.55	
Between 61 and 90 days	1,519,886.50	
Between 91 and 120 days	1,149,842.00	
Between 121 and 150 days	1,041,213.00	
Between 151 and 180 days	1,481,433.00	
Over 180 days	32,603,487.00	
Total	40,843,233.00	40,216,993.85

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19) Prepaid Electricity Expense

Description	2021-2022	2020-2021
	Kshs	Kshs
Prepaid Electricity Expense	689,363.00	0
Totals	689,363.00	0

20) Bank and Cash Balances

Description	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	25,704,540.10	17,397,070.00
Totals	25,719,250.10	17,397,070.00

20(a) Detailed analysis of the cash and cash equivalents

Description		2021-2022	2020-2021
Financial institution	Account number	KShs	KShs
a) Current account			
KCB expenditure account	1211860272	28,674.15	349,266.35
KCB revenue account	1211859827	360,755.00	359,160.00
Sub- total		389,429.15	708,426.35
b) On – call deposits			
Consumer deposit account	1211858308	681,904.50	427,221.50
Sub- total		681,904.50	427,221.50
c) Others(specify)			
Mobile money account	4016733	14,710.00	275,555.00
Sub- total		14,710.00	275,555.00
d) Project Accounts			
Ol arabal Water Supply Project	0140100000207	14,711,955.75	5,897,100.65
PSF Marigat	0140100000199	798,800.700	2,073,739.70
Kapropita Kabarnet Boreholes	0140100000164	9,088,460.00	9,094,820.00
Community Lead Total Sanitation	0140100000102	0	331,409.80
Conditional Liquidity Support Grant	0140100000342	33,990.00	0
GRAND TOTAL		25,719,250.00	17,397,070.15

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21) Ordinary Share Capital

Description	2021-2022	2020-2021
	Kshs	Kshs
Authorized:		
5000 ordinary shares of Kshs 20 par value each	100,000.00	100,000.00
Issued and fully paid:		
5000 ordinary shares of Kshs 20 par value each	100,000.00	100,000.00

22) 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.

23) 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.

24) 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.

25) Retirement benefit Asset/ Liability

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200.00 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by NCPC Pension Fund. Employees contribute

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7.5% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

26) Long term Liabilities

Details	2021-2022	2020-2021
	Kshs	Kshs
Long term liabilities(inherited from RVWSB)	27,102,739	27,102,739.00
Totals	27,102,739	27,102,739

27) Trade and Other Payables

Description	2021-2022	2020-2021
Salary Payables	Kshs	Kshs
KRA	208,263.00	
NHIF	29,250.00	0
NSSF	10,400.00	0
Ukulima sacco	246,080.00	
KUCFAW	45,552.00	
Pension	1,761,192.00	
Platinum	160,706.00	
Savings(Post Bank)	6,000.00	
Rent	192,000.00	
Equity	11,167.90	
Access	35,886.90	
ukulima fosa	542,206.30	
KCB	86,358.40	
Sub Total	3,335,060.50	
WASREB(4%OF Rev)	950,160.00	23,628,769.43
WRA	21,693,008.00	
Audit	1,692,000.00	
Fittings	73,830.00	
Electricity	1,281,694.00	
Fuel	61,592.00	
Sub Total	25,752,284.00	
GRAND TOTAL	29,087,346.50	23,628,769.43

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28) Customer Deposits

Description	2021-2022	2020-2021
	<i>Kshs</i>	<i>Kshs</i>
Opening Balance	427,221.50	53,664.50
Add: deposits received during the year	254,683.00	373,557.00
Less: Refunded deposits during the year	0	0
Closing balance	681,904.00	427,221.50
Total	681,904.50	427,221.50

29) Prepayments of Operational Grant by County Government of Baringo

Description	2021-2022	2020-2021
	<i>Kshs</i>	<i>Kshs</i>
Prepayments of Operational Grant by County Government of Baringo(Electricity)	689,363.00	0
Total	689,363.00	0

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30) Notes to The Statement of Cash Flows

Description	2021-2022	2020-2021
	Kshs	Kshs
(a) Reconciliation of operating profit/ (loss) to cash generated from/ (used in) operations		
Pprofit or loss before tax	(6,221,150.00)	(4,389,079)
Depreciation	365,944.00	461,944
Amortisation	957,247.00	
(Gain)/loss on disposal of property, plant and equipment	0	
Operating profit/(loss) before working capital changes	(4,897,959.00)	(3,927,135)
(Increase)/decrease in inventories	(138,391)	778,891.00
(Increase)/decrease in trade and other receivables	(818,239)	(201,474.00)
Increase/(decrease) in trade and other payables	5,351,766.00	3,993,129.00
Increase/(decrease) in retirement benefit obligations		
Increase/(decrease) in provision for staff leave pay		
Cash generated from/(used in) operations	(502,823.00)	598,152.00
(b) Analysis of cash and cash equivalents		
Cash at bank	25,719,250.00	17,397070.00
Cash in hand	0	0
	25,719,250.00	17,397070.00
Balance at end of the year	25,719,250.0	17,397070.00

Other Disclosures

31) Related Party Disclosures

County Government of Baringo

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

Other related parties include:

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- The County Department in charge of Water
- County Government of Baringo
- Central Rift Water works Development Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

Transactions with related parties

Description	2021-2022	2020-2021
	Kshs	Kshs
a) Grants from the Government		
Water Sector Trust Fund	26,918,995.00	35,564,004.92
Grants from County Government	9,100,000.00	9,100,000.00
Donations in kind		
Total	36,918,995.00	44,664,004.92
b) Expenses incurred on behalf of related party		
Payments of salaries and wages for 26 employees		
Payments for goods and services for 2022		
Total		
c) Key management compensation		
Directors' emoluments	674,814.00	84,680.00
Compensation to key management		
Total	674,814.00	84,680.00

32) Financial Risk Management

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk

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

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

Credit Risk

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due from June 2022.

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

ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022 current year				
Trade payables	0	1,307,695.00	21,335,473.00	22,643,168.00
Accrued Expenses/Employee Obligation	135,422.00	3,228,250.50	2,973,694	6,337,366.50
Total	0	3,028,098.00	24,309,167.00	28,980,534.50
At 30 June 2021 previous year				

(iii) Market risk

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

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

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

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

a) Interest rate risk

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

i) Management of interest rate risk

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

iv) Capital Risk Management

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Share Capital	100,000.00	100,000.00
Retained earnings	89,275,101.00	(5,554,807.00)
Capital reserve	(11,775,957.00)	48,167,430.00
Total	77,599,144.00	42,712,623.00

33) Incorporation

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

34) Events After the Reporting Period

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

35) Currency

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

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XVII. 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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
A Basis of Qualified Opinion					
1.0 Presentation and Accuracy of Financial Statement	The description of key fiduciary oversight arrangements. The Board of Director's information has not been fully disclosed in the recommended Format.4.Management Discussion and Analysis is not accurately presented .5 Report of Directors on page 17 reflects net Loss of Kshs. 679,079.00 which Vary with the net loss of Kshs 4,389,079.00 reflected in the statement of Financial performance resulting to unexplained variance of Kshs 3,709,109.00	Financial Statement has been amended to reflect the sited inaccuracies, The Net loss has been 4,389,079.00 as per the Financial statement. The Report is aligned to reflect the correct format in all the cited areas.	Johnstone Toroitich Accountant	Resolve	June 2022
2.0 Variance between the Financial Statement and General Ledger	A review of financial statement submitted for audit revealed variance between the financial statement figures and supporting general ledgers balance.	The Accounting software used to was new and complex pit and hence it had to use excel in some case to reconcile and posted to the p&l hence the reconciliation was posted manually. The Items has been reconciled to reflect correct figures post to P&L.	Johnstone Toroitich Accountant	Resolved	June, 2022
3.0 Production Cost	The Statement of Financial Statement reflects	The statement Notes have been amended to reflect the	Johnstone Kimosop	Resolve	June 2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	Production cost figure of Kshs.33, 558,165.00 as disclosed under note 16 to financial statements. However, payment vouchers and procurement documents were not availed for audit in support of the expenditure were not availed for verification.	correct format and Production Cost involves the Chemicals and Electricity at T/works and the documentations are available .it's under Note 23 figures as Chemicals Kshs 1,536,917.00 and Electricity amount of Kshs.32,021,248 and the documents are available for scrutiny.	Toroitich Accountant		
4.0 Cash and Cash Equivalent	The statement of Financial position reflect cash and cash equivalent balances 1,411,202.85and Further bank balances of 17,397,070 for project accounts	The Certificates of Balances are attached in the management letter to validate the balances as indicated under Note 17 (a),(b),(c) ,(d) ,(e)	Johnstone Toroitich Accountant	Resolved	June 2022
5.0 Receivable from Exchange Transaction	The statement of financial position reflects receivable from exchange transaction balances of Kshs 40,216,994.00 relating of water debtors as disclosed in Note 18 of the corrected FS has not been supported by with aging analysis and provision of for doubtful debts has been made.	The receivables from exchange transaction is pulled from the Billing system and it has its aging analysis according to arrears periods but for the doubtful debts the Board of Directors are already discussed since it has never been dine and will approve the rate for implementation	Jackton Kimutai Cheruiyot Managing Director	Unresolved	Aug 2022
6.0 Inventories	The statement of financial position reflects balance of 21478039 which vary with the computed figure of Kshs 2,626,427 for inventory items reflected in corrected note 19 for the financial statement resulting to a variances of 448,388	The statement of Financial Position has been amended to reflect the correct figure of Kshs 2,178,039.00 as at June 2021	Johnstone K Toroitich Accountant	Resolved	June 2022
7.0 Property, Plant and Equipment	The Statement of financial position reflects property, Plant and equipment balance Kshs,1,897,688 as disclosed in Note 20 .However ,the	The Depreciation is resolve as indicated on the amended Financial Position and the Asset register is in hard copy hence the management has	Johnstone Toroitich Accountant	Unresolved	August 2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	cost/valuation and depreciation method have not been disclosed.	undertaken to list all assets of the company.			
8.0 Investment (Work in Progress)	The Statement of financial position reflects investment (Work in Progress) balance of Kshs 48,167,430.00 which relate to work in progress for projects funded by water sector Trust fund and County Government of Baringo.	The company received funding from water sector trust fund and Baringo county government to rehabilitate Ol Arabal water supply. The documents and report submitted to water Sector trust fund are available.	Johnstone Toroitich Accountant	Unresolved	July 2022
9.0 Budget and Budgetary Controls	The statement of comparison of budget and actual amounts reflect total and final budget of Kshs. Budgeted surplus of 6610488. Further, the budget estimate were not availed for audit verification.	The Budget estimate is available and it was approved by the board and management have attached the Minutes of the board resolution and budget approval.	Jackton Kimutai Cheruiyot Managing Director	Resolved	June 2022
10.0 Trade and Other Payables	The Statement of Financial position reflects trade and other payables balance of 23,628,769.00 which is an increase of Kshs 3,993,129.00 from Kshs 19,635,640.00. However, supporting documents such as invoices, aging analysis and supplier's statement were not availed for audit verification.	The Company in the year was still reeling with COVID-19 effects hence the company was not in position to meet its obligation hence the increase of Payables by Kshs 3,993,129. Furthermore, the Company inherited abstraction fee of 13 million from former Kabarnet Municipal Council, WARMA, Kirandich and Baringo County Government had payment Formula to clear outstanding bill especially by County Government.	Jackton Kimutai Cheruiyot Managing Director	Unresolved	June 2023
11.0 Share Capital	The Statement of Financial Position reflects share capital of Kshs 100,00.00 which has not been supported by share	The Company has the CR12 and it will be availed as and when required that indicates its shareholding and ownership as for	Jackton Kimutai Cheruiyot Managing Director	Resolved	June 2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	certificate, c12, register of members or any relevant documentary evidence. Further, memorandum of association indicates that baringo county government and its officials have subscribed for the shares. however, no documentary evidence was availed to confirm that shares were fully issued and paid for	payment follow up need to be done to confirm the same			
12.0 Lack of Control on Information Technology System	It was observed that the company does not have functional ICT department. Secondly, the entity uses e-pay and resources and water billing pro for payroll and billing respectively. Analysis of the system reveals that the entity does not have full rights of the systems and it's controlled by rift valley water service board, who donated the company.	The company is in the process of establishing its ICT department by recruiting necessary staff and equipping with necessary equipment	Jackton Kimutai Cheruiyot Managing Director	Unresolved	June 2023

B. REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1.0 Operating License	The Company has been Providing Water without a valid operating license contrary to Section 78(1) of the Water Act, 2016 which requires a company providing water services within a specified geographical area to obtain an operating license.	Kirandich Water Company Has initiated the process of renewing its License already has paid the Fees, we are awaiting WASREB.	Jackton Kimutai Cheruiyot Managing Director	Not resolved	December 2022
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2.0 Staff Pension	Included in the Trade Payables Figure of Kshs 23,628,769.00 reflected in the statement financial position is unremitted staff pension contribution for the year of Kshs 1,382,613.00 as reflected in Note 32 to the Financial statement .Failure to remit pension by employer is contrary to section 53A (1) of the retirement Benefits Act which require pension deduction to be remitted within fifteen day of deduction.	During Covid 19 the Company Was not able to pay its obligation, but it has entered an agreement with the Pensioner to pay current and arrears every month	Jackton Kimutai Cheruiyot Managing Director		
3.0 Non Revenue Water	The Statement of Financial Performance reflect sale of water figure of Kshs.22,663,635.A review of records availed for audit revealed that 1,264,690 cubic meters (M3) of water was produced and 440,400M3 was billed to customers resulting to unbilled water of 824,290 m3 or 65% of produced water.	The Company initiated a team to undertake overhaul system audit of all connection within our area of Jurisdiction from December 2021 and as at today our NRW has dropped to 58% as at April 2022 hence were are Optimistic that these model will yield results and Kirandich is Targeting 40% by December 2022	David Kimuron Ngetich Technical Manager	Not resolved	Dec 2022
4.0 Lack of procurement Plan	The statement of financial performance reflects total expense figure Kshs 59,753,784 However, a Procurement plan as stipulated in section 50(3) of the public finance Management	The Procurement plan is available and can be availed anytime	Felistus Kulei Procurement assistant	Resolved	June 2022

Name JACKTON KIMUTAI CHERUIYOT

Signature [Signature]

Managing Director

Date.....16/02/2023

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	Ol arabal water Supply Rehabilitation	WSTF	18months		No	yes
2	PSF	WSTF	9Months		No	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Ol arabal water Supply Rehabilitation	67Million	78%	96%	69Million	54Million	WSTF/BCG
2	PSF	4.1Million	98%	100%	5.8Million	3.36Milion	WSTF/BCG
3	CLTS	0.6million	100%	100%	0.6million	0.6Million	WSTF

Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Comprehensive income	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Water Fund-Water	9/24/2021	Development	60,348,064.41	1,616,785.00	60,348,064.41	0	12,813,352.56	0	24,784,060.12
Water Fund -PSF Marigat	12/22/2021	Development	4,974,514.71	317,738.00	4,974,514.71	0	695,556.24	0	2,131,935.00
Water Fund-CLSG		Mixed	8,039,446.19	1,088,479.00	5,899,730.00	957,247.00	33,990.69		8,039,446.19
Baringo County Government-PSF Marigat	DEC 2020	Development	743,318.29	0	743,318.29	0	103,244.46		0
Baringo County Government-Olarabai	DEC 2020	Development	9,017,526.96	0	9,017,526.96	0	1,898,603.25	0	0
Baringo County Government-Kapropita	29/7/2020	Development	9,100,000.00	0	9,088,460.00	0	9,088,460.00	0	0
Water Fund-CLTS	DEC 2020	Others	583,770.00	288,326.70	0	0	0	0	0
Baringo County Gov-CLTS	DEC 2020	Others	87,230.00	42,673.3	0	0	0	0	0
Total			92,893,870.56	2,456,755.00	89,229,570.37	957,247.00	24,633,207.20	0	34,955,441.31

END