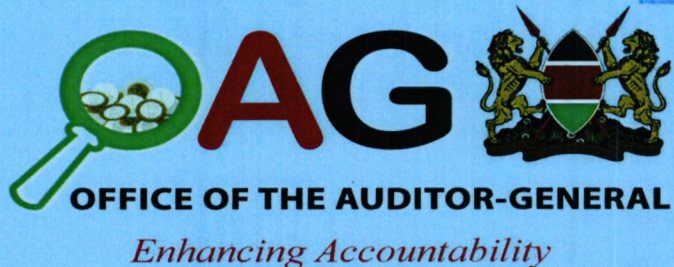


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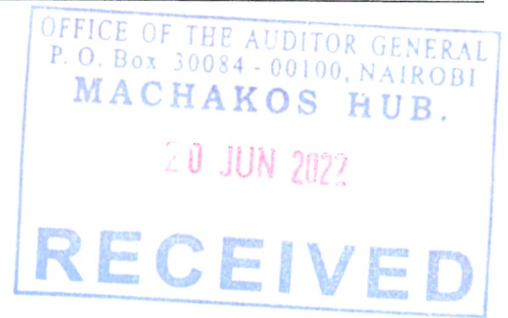
ON

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

**FOR THE YEAR ENDED
30 JUNE, 2021**

5





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

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021

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

Kibwezi-Makindu Water and Sanitation Co. Ltd
Annual Reports and Financial Statements
For the year ended June 30, 2021

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I. KEY ENTITY INFORMATION

Background information

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

Principal Activities

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

Company's Vision

An Excellent water and sanitation services provider

Company's Mission

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

Company's core objectives

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

Directors

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

| SN | Name of Director | Position | Appointed on |
|-----------|-------------------------|-------------------|----------------------------|
| 1. | Alfred Kithome | Chairman | 20 th July 2018 |
| 2. | Stephen Mutiso | Managing Director | 20 th July 2018 |
| 3. | Canon Philip Muthoka | Director | 20 th July 2018 |
| 4. | Daniel Mutinda | Director | 20 th July 2018 |
| 5. | Vitalis Ogur | Director | 20 th July 2018 |
| 6. | Priscah Keli | Director | 20 th July 2018 |
| 7. | Evalyne Mutua | Director | 20 th July 2018 |
| 8. | Thomas Makenzi | Director | 20 th July 2018 |
| 9. | Alice Soo | Director | 20 th July 2018 |

KEY ENTITY INFORMATION (Continued)

Registered Office

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

Corporate Contacts

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

Corporate Bankers

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






Independent Auditors

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





Principal Legal Advisers

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

II. THE BOARD OF DIRECTORS

| | |
|---|---|
|  <p>Mr. Alfred M Kithome - BOD <i>Chairman</i> <u>Certified public Secretary (CPS)</u></p> | <p>Holds a certified public secretaries (CPS) certificate, Senior Management Course, Diploma in Archives and Record Management and attended Financial Management course of Donor funded projects at Lilongwe, Malawi. Worked as a Civil Service Support Officer from the Republic of Kenya to the Republic of South Sudan for 4 years. Worked as Sida Senior Administrator at Kwale District for 9½ years.</p> |
|  <p>Stephen M Mutiso - <i>Managing Director</i></p> | <p>Born in 1959 Holds a certificate in management, Diploma in Water supply and Higher Diploma in building & Civil engineering He worked as Deputy District Water Officer, Makueni District for three years. Served as a Managing Director for Water Companies for 13 years.</p> |
|  <p>Mr. Vitalis Ogur – Director</p> | <p>Born on May 25, 1990 Holds a Bachelor of Arts (Political Science) degree and serves as an assistant county commissioner.</p> |
|  <p>Mr. Thomas Mackenzi - <i>Director</i> Master in science</p> | <p>Born in 1961 Has bachelor of education (double mathematics), and a master of science degree. He has worked as a teacher and lead quality controller (LQC) and served as member of school board of management.</p> |
|  <p>Ms. Evalyne Mutua – <i>Director</i></p> | <p>Born in 1978 Holds a bachelor’s degree and a master’s degree in education. She works as a sub-county administrator, Makueni county.</p> |

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| | |
|---|---|
|  | <p>Born in 1958 Holds a certificate in management and certificate in theology Served as assistant manager for 6 years, production manager for 7 years, Company director for 5 years and currently operates a private company since 2001 to date. Serves as a Priest.</p> |
|  | <p>Holds a bachelor of economics and finance degree and master in business administration. He serves as a lecturer, Kenyatta university.</p> |
|  | <p>Holds a bachelor of Commerce degree. Self-employed.</p> |
|  | <p>Holds a diploma in Bakery operations Has over 20 years in business industry.</p> |





Canon Philip Muthoka- *Director*

Daniel Mutinda - *Director*

Ms. Priscah Keli- *Director*

Ms. Alice Soo - *Director*

III. MANAGEMENT TEAM

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

IV. CHAIRMAN'S STATEMENT

On behalf of the board of directors, I am pleased to present to you a brief highlight of the key activities for the annual report and financial statements of the company for year ended 30th June 2021. Despite the outbreak of Covid 19 pandemic the company attained some significant gains in the performance while facing challenges

CHALLENGES

- Low water coverage of the water supply
- Water distribution systems are aged and dilapidated
- Low water productions at sources due to effects of climate change due to global warming
- Outbreak of Covid – 19 pandemic affecting our esteemed customers' financial status.

ACHIEVEMENTS

- The company acquired three new community water projects which have increased our area of coverage.
- New innovation measures for prevention of Covid 19 pandemic have been put in place in all the company utilities.
- We carried out capacity building for both CMT staff and the board of directors on corporate governance.
- The company also facilitated a board evaluation exercise for all the board members.

APPRECIATION

I would like to appreciate all our stakeholders, more so the County Government of Makueni, Water Sector Trust Fund, Water Service Regulatory Board and development partners among others for their solid commitment and support. To our esteemed customers thank you for your loyalty and support. Thank you my colleagues, the management and staff for the good work.

We greatly value and appreciate this support and trust that we can count on it in the future

Thank you and God bless you all.



Alfred M. Kithome

Chairman, Board of Directors

Date: 23/9/2021

V. REPORT OF THE MANAGING DIRECTOR

Kibwezi-Makindu Water and Sanitation Company was incorporated on 16th August 2011 under the Companies Act cap 486. The Company is mandated to provide water and sanitation services to Kibwezi East and West sub counties with an approximate area of **1200 km²** and an estimated population of slightly over **300,000** people and a water demand of approximately **12000m³** per day.

The Company has two water sources namely:

- (a) Umani springs with a yield of **2,061m³** per day
- (b) Kwa Venge springs in Makindu with a yield of **1,706m³** per day.

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

EFFECT BY CLIMATE CHANHGE

These two springs currently produce a total yield of **3200m³** per day against a Water demand deficit of **8,800m³** per day.

The Company is actively sourcing for funds to drill and equip two Boreholes in Makindu to increase the production.

The Company will get enough water supply when Thwake Dam will be commissioned and other midterm austerity measures being funded by Government of Makueni County e.g Athi Tunguni Water project. Which is currently under construction.

During the financial year 2020/2021 the Company signed a performance contract with the Government of Makueni County to perform the following activities. -

(A) Financial Stewardship and Discipline

- Absorption of allocated funds were to be utilized 100% which the Company attained.
- Increase revenue collection from 62m to **72 m** but the Company performed very highly by collecting **83 m** instead of **72 m**.
- Collection efficiency rose from **87%** to **103%** during the Fy 2020/21.

(B) Service Delivery

- Under this activity the Company was to carry out implementation of customer service delivery charter that was done effectively and as a result of the above, the company increased its active connections from 5061 to 5795 by June 2021.

(C) Core mandate.

Under the core mandate the Company was supposed to increase availability and access to safe, potable drinking water.

Under the above activity the Company undertook the following:-

- (a) Reduced NRW from **28%** to **26%**.
- (b) Increased water coverage from **5061** to **5795** active connections.
- (c) Increased hours of supply from **15** to **16** per day.
- (d) Reduced dormant connections by **300** No. out of **3015** No.
- (e) Reduced hours of response to pipeline burst by one hour upon receiving the report.

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NETWORK EXPANSION

On expansion KIMAWASCO network increased by 30 km with **38,560** Beneficiaries after the Government of Makueni County injected **11 m** for infrastructure development in Kikumbulyu South and North wards.


PERFORMANCE AS PER WASREB IMPACT REPORT NO 13/2021

The Company moved from **NO. 32** overall in 2018 / 2019 to **No. 21** overall as per impact No. **13/2021**

MAJOR CHALLENGES AFFECTING PERORMANCE.

1. Covid 19 pandemic
2. Dilapidated infrastructure.
3. High cost of electricity for operation,
4. High cost of Materials.
5. Pandemic effect on household level resulting to low water bill payments.
6. Low water production at our sources due to failure of long and short rains.

I take this opportunity to thank the Government of Makueni County , our stake holders, partners , customers and Kimawasco staff who have been working tirelessly in order to realize our dream by serving our customers prudently.


Stephen Mutiso
Managing Director

Date. 23/9/2021

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VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR
FY 2020/2021

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

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

Kibwezi-Makindu Water and Sanitation Co. develops its annual work plans based on the above 5 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Kibwezi-Makindu Water and Sanitation Co. achieved its performance targets set for the FY 2020/2021 period for its 3 strategic pillars, as indicated in the diagram below:

| Strategic Pillar | Objective | Key performance Indicators | Activities | Achievements. |
|--|--|---|---|---|
| Water and Sanitation Infrastructure Development | Provide both water and sanitation services | Increase both water and sanitation coverage | Drill boreholes and complete the construction of DTF. | 3 boreholes have been sunk and DTF completed and operationalised. |
| Operational Efficiency and Customer Satisfaction | Constant supply of safe portable water that meets the expectation of our customers. | Reduced customer complaints | Carry out customer satisfaction survey and ensure repairs and power bills are paid on time. | <ul style="list-style-type: none"> ✓ Customer satisfaction survey was done ✓ Power bills settled on time and other operational costs. |
| Effective Corporate Governance | Board of Directors adherence to the board meeting schedule and pass important resolutions in time. | Four Board meetings, once every quarter. | Board meetings held as per the schedule. | <ul style="list-style-type: none"> ✓ Four board meetings were held within the year and key resolutions passed. |

VII. CORPORATE GOVERNANCE STATEMENT

During the financial year 2020-2021 the board of directors held four full board meetings and two board committee meetings as tabulated below:-

| Date of meeting | Nature of meeting | Alice Soo | Alfred Kithome | Vitalis Ogur | Priscpah M Keli | Philip Muthoka | Thomas Mackenzi | Daniel Mutinda | Everlyn Mutua | Totals |
|-----------------|-------------------|---------------|----------------|---------------|-----------------|----------------|-----------------|----------------|---------------|----------------|
| 23-Oct-20 | Full board | 10,000 | 10,000 | - | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 70,000 |
| 22-Dec-20 | Full board | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 80,000 |
| 13-May-21 | Full board | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | - | - | 10,000 | 60,000 |
| 22-Jun-21 | Full board | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | - | 10,000 | 10,000 | 70,000 |
| 17-Nov-20 | Audit committee | - | 10,000 | - | - | - | 10,000 | - | 10,000 | 30,000 |
| 30-Apr-21 | Audit committee | 10,000 | 10,000 | - | - | 10,000 | - | 10,000 | - | 40,000 |
| Totals | | 50,000 | 60,000 | 30,000 | 40,000 | 50,000 | 30,000 | 40,000 | 50,000 | 350,000 |

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

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

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

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

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

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

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3. Audit Committee- Advises Board on risk management and compliance

The Board is responsible for formulating the company's policies and strategies and ensuring that business objectives, aimed at promoting and protecting shareholders value, are achieved. The Board also retains the overall responsibility for effective control of the company and implements corporate governance policies of the company. In carrying out the above responsibilities, the Board delegates its authority to the Managing Director to oversee the day to day business operations of the company.

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

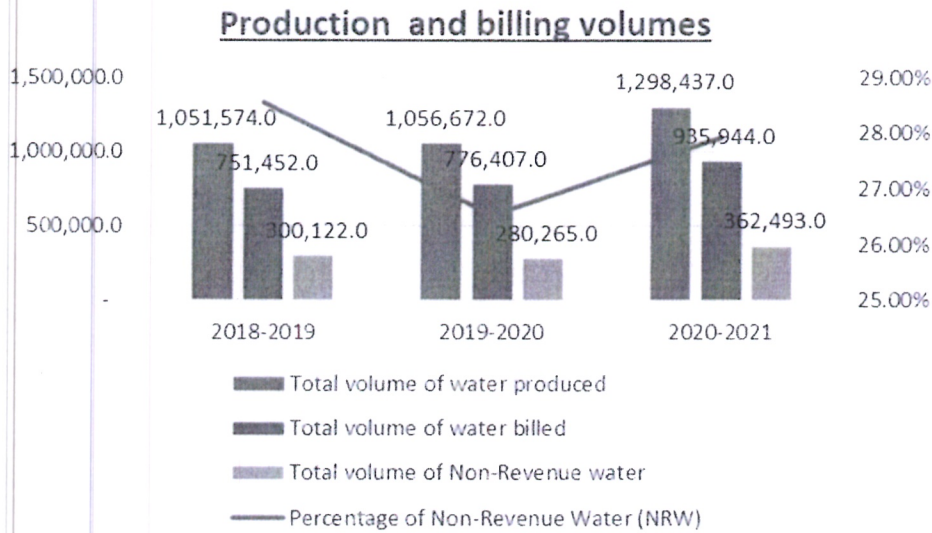


Stephen Mutiso
Managing Director / Secretary to the Board

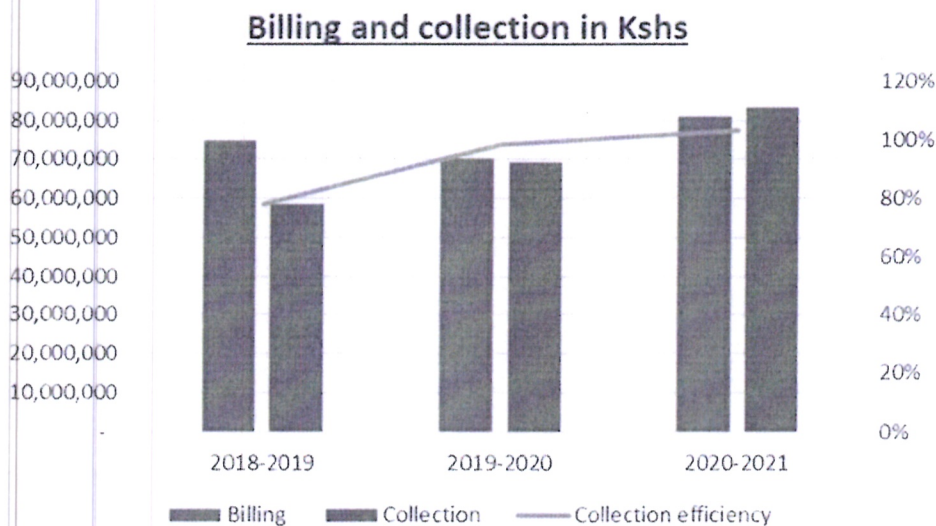
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VIII. MANAGEMENT DISCUSSION AND ANALYSIS

During the year the utility has been able to produce a total of 1,298,437 M³ and managed to bill 935,934 M³ resulting to a total Non-Revenue water of 362,493 M³ equivalent to 27.92%. This is illustrated below:-



The total water and other billings in Kenya shillings was 80,843,306 out of which 83,340,424 was collected from the customers which translate to 103% collection efficiency against the company's target of 100%. This has been illustrated here below:-



The utility operated at a loss of Kshs. 3,462,183 resulting to an increase of revenue reserve to negative 39,737,379 that was contributed to increased provision for bad and doubtful debtors and other operational expenses. The company will put measures to reduce its costs so as to reverse the negative working capital in future and hence make it a going concern. The company has continually repaired and maintained the two projects that were acquired from different communities to ensure that the citizens get safe and sufficient water. Wildlife menace and scrap metal dealers have been one of the major risks that face the company while discharging its mandate to provide safe, portable and sufficient water in a consistent manner to the communities within its service area.

Kibwezi-Makindu Water and Sanitation Co. Ltd
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The emergence of the corona virus has contributed to low revenue collection efficiency than anticipated due to some customers facing economic difficulties. However the company has been negotiating with those customers who were unable to pay their bills on time to enter into an instalment payment arrangement so that they could continue receiving water because water was a key agent in fighting the pandemic.

The utility fully complied with the payment of all statutory deductions and owed nothing to the statutory bodies.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

1. Sustainability strategy and profile

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

2. Environmental performance

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

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

3. Employee welfare

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

4. Market place practices-

a) *Responsible competition practice.*

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

b) *Responsible Supply chain and supplier relations*

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

c) *Product stewardship*

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

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the period ended 30th June, 2021, which disclose the state of affairs of the company.

Principal Activity.

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

Results of Operations.

The results of the entity for the year ended June 30, 2021 are set out on page one (1) Below is summary of the profit or loss made during the year.

Dividends.

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

Directors.

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

Auditors

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

By Order of the Board



Stephen M Mutiso
Managing Director / Board Secretary

Date: 23/9/2021

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that company, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2021, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company's financial statements were approved by the Board on 23/9/ 2021 and signed on its behalf by:



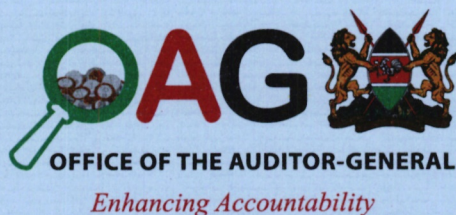
Alfred M Kithome
Chairperson of the Board



Stephen M Mutiso
Managing Director

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kibwezi-Makindu Water and Sanitation Company Limited set out on pages 18 to 45, which comprise of the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other

Report of the Auditor-General on Kibwezi-Makindu Water and Sanitation Company Limited for the year ended 30 June, 2021

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kibwezi-Makindu Water and Sanitation Company Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012, Water Act, 2016 and the Companies Act, 2015.

Basis for Qualified Opinion

1. Unsupported Administration Costs

The statement of profit or loss and other comprehensive income reflects administration costs balance of Kshs.73,365,901 as disclosed under Note 10(a) to the financial statements. Included in the balance is other operating expenses of Kshs.2,501,392 and staff costs of Kshs.43,263,129 as analysed in Notes 10(b) and 11 respectively. The other operating expenses includes amounts of Kshs.240,000 relating to billing expenses (SMSs) and Kshs.2,202,852 relating to interest on water abstraction charges. The billing expenses were not supported by any formal agreements or contracts. The interest on water abstraction charges includes accrued interest for unpaid balances, water resource conservation and penalties for lack of master meters to Water Resources Management Authority (WRA) which could have been avoided if the Management had promptly made payments to the relevant authority.

Further, under Note 10(a) to the financial statements, the staff costs is reflected as Kshs.43,263,129 while the same as analysed in Note 10(b) is reflected as Kshs.43,249,629 resulting to unexplained or unreconciled difference of Kshs.13,500.

In the circumstances, the completeness and accuracy of the administration cost of Kshs.73,365,901 for the year ended 30 June, 2021 could not be confirmed.

2. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.17,332,922 as disclosed under Note 15(a) to the financial statements. Review of the ageing analysis provided in support of the balance revealed that debts totalling Kshs.23,592,107 equivalent to 70% of the gross debtors balance of Kshs.33,779,022, had been outstanding for over 181 days as shown in Note 15(b). Although the Management made a provision for bad and doubtful receivables of Kshs.18,566,813, the basis and adequacy of the provision could not be ascertained. Further, Management has not demonstrated any tangible efforts to recover the long outstanding amounts.

In the circumstances, the accuracy, completeness, recoverability and fair statement of the balance of Kshs.17,332,922 in respect to trade and other receivables as at 30 June, 2021 could not be confirmed.

3. Long Outstanding Trade and Other Payables

The statement of financial position and Note 22(a) to the financial statements reflects trade and other payables balance of Kshs.59,866,213 which include the amount of Kshs.32,143,975 for license remuneration fees payable to Tanathi Water Works Development Agency. The payables accrued following a service agreement signed between Tanathi Water Works Development Agency and Kibwezi-Makindu Water and Sanitation Company Limited in the year 2012. The agreement required the Company to pay 9% of total revenue earned per month as license fee to Tanathi Water Works Development Agency. The licence fee has never been paid. In addition, the Management has not provided an aging analysis for the trade and other payables.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.59,866,213 as at 30 June, 2021 could not be ascertained.

4. Unsupported Customer Deposits

The statement of financial position reflects customers' deposit balance of Kshs.13,847,300 as disclosed under Note 24 to the financial statements. However, the balance was not supported with a ledger and bank statements.

In the circumstances, the accuracy and completeness of the customers' deposits balance of Kshs.13,847,300 as at 30 June, 2021 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Material Uncertainty in Relation to Going Concern

The statement of profit or loss and other comprehensive income reflects loss for the year of Kshs.3,462,183 (2020: Kshs.4,251,475). In addition, the statement of financial position reflects total current liabilities of Kshs.66,550,502 which exceeded the total current assets

balance of Kshs.39,398,963 resulting to a negative working capital of Kshs.27,151,539. Further, the statement of financial position reflects a negative revenue reserve of Kshs.39,737,379 as at 30 June, 2021.

In the circumstances, the Company's ability to continue as a going concern is doubtful.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non-Revenue Water

Review of water sales documents revealed that the Company produced 1,298,437 cubic meters (m³) of water out of which 935,944 cubic meters (m³) valued at Kshs.65,810,631 was billed to customers leaving a balance of 362,493 cubic meters valued at Kshs.25,374,510 (at the current selling rate of approximately Kshs.70 per cubic meter) or approximately 28% of the volume produced as Non-Revenue Water (Unaccounted for Water). The Non-Revenue Water exceeded the set threshold of 25% as approved by the Water Services Regulatory Board Guidelines.

No explanations have been rendered for the high Non-Revenue Water and measures being put in place to resolve the problem.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

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

Basis for Conclusion

1. Weak Information Communication Technology Environment

Review of Information and Communication Technology (ICT) environment revealed that the Company has ICT infrastructure which includes computers and laptops. However, walkthrough tests on information technology and other controls revealed weaknesses such as lack of ICT department, ICT officer, ICT strategic or steering committee, approved policies, disaster recovery and continuity plan, training program, approved process to manage upgrades and system changes and lack of backups in secure offsite storage facility.

Weak ICT environment may lead to loss of data confidentiality, inaccuracies, lack of reliability and integrity.

2. Lack of Risk Management Policy and a Business Continuity Plan/Disaster Recovery Plan

The Company did not have in place a Risk Management Policy, and Business Continuity and Disaster Recovery Plan. Further, no formal risk assessment was carried out during the year under review. This is contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 and Section 162(1) of the Public Finance Management Act, 2012.

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

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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. 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 as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 July, 2022

Kibwezi-Makindu Water and Sanitation Co. Ltd
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XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021.

| REVENUES | Note | 2020-2021 | 2019-2020 |
|--------------------------------------|-------------|--------------------|--------------------|
| | | Kshs | Kshs |
| Revenue | 5 | 65,810,631 | 58,611,435 |
| Cost of sales | 6 | (12,836,501) | (11,095,794) |
| Gross profit | | 52,974,130 | 47,515,641 |
| Other Income | | | |
| Grants from the County Government | 7 | 1,641,960 | 4,010,980 |
| Finance income | 8 | 254,953 | - |
| Other Income | 9 | 15,032,675 | 11,613,967 |
| Other gains/(losses) | | - | - |
| TOTAL REVENUES | | 69,903,718 | 63,140,588 |
| | | | |
| OPERATING EXPENSES | | | |
| Administration Costs | 10(a) | 73,365,901 | 67,392,063 |
| Selling and Distribution Costs | | - | - |
| Finance Costs | | - | - |
| TOTAL OPERATING EXPENSES | | 73,365,901 | 67,392,063 |
| | | | |
| PROFIT/(LOSS) BEFORE TAXATION | | (3,462,183) | (4,251,475) |
| | | | |
| INCOME TAX EXPENSE/(CREDIT) | | - | - |
| | | | |
| PROFIT/(LOSS) AFTER TAXATION | | (3,462,183) | (4,251,475) |

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XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| ASSETS | Note | 2020-2021 | 2019-2020 |
|--------------------------------------|-------|---------------------|---------------------|
| | | Kshs | Kshs |
| Non-Current Assets | | | |
| Property, plant and equipment | 12 | 2,921,287 | 2,389,619 |
| Intangible assets | 13 | 839,048 | 907,079 |
| Total Non-Current Assets | | 3,760,335 | 3,296,698 |
| Current Assets | | | |
| Inventories | 14 | 603,014 | 925,705 |
| Trade and other receivables | 15(a) | 17,332,922 | 20,605,017 |
| Bank and cash balances | 17 | 21,463,026 | 11,310,108 |
| Total Current Assets | | 39,398,963 | 32,840,830 |
| Total Assets | | 43,159,298 | 36,137,527 |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Ordinary share capital | 18 | 40 | 40 |
| Capital Reserves | | 2,498,835 | 2,498,835 |
| Revenue reserve | | (39,737,379) | (36,275,197) |
| Capital and Reserves | | (37,238,504) | (33,776,322) |
| Non-Current Liabilities | | | |
| Customer Deposits | 24 | 13,847,300 | 13,090,800 |
| Total Non-Current Liabilities | | 13,847,300 | 13,090,800 |
| Current Liabilities | | | |
| Trade and other payables | 22(a) | 59,866,213 | 56,761,420 |
| Project funds | 25(a) | 6,684,289 | 61,629 |
| Total Current Liabilities | | 66,550,502 | 56,823,049 |
| TOTAL EQUITY AND LIABILITIES | | 43,159,298 | 36,137,527 |

The financial statements were approved by the Board on 23/9/ 2021 and signed on its behalf by:

Managing Director

Head of Finance

Chairman of the Board

Name Stephen M. Mutiso

Name JOHN K. KAVISI

Name ALFRED M. KIRITHOME

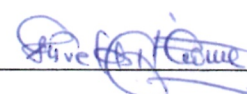
Signature



Signature



Signature



Kibwezi-Makindu Water and Sanitation Co. Ltd
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XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

| Period ended 30 June 2021 | Ordinary share capital | Capital Reserve | Revenue Reserve | Total |
|---|-------------------------------|------------------------|------------------------|---------------------|
| As at July 1, 2020 | 40 | 2,498,835 | (32,023,722) | (29,524,847) |
| Prior year adjustments | - | - | - | - |
| Total comprehensive income | 40 | 2,498,835 | (32,023,722) | (29,524,847) |
| Total comprehensive profit/(loss) for the year | - | - | (4,251,475) | (4,251,475) |
| As at June 30, 2020 | 40 | 2,498,835 | (36,275,197) | (33,776,322) |
| As at July 1, 2020 | 40 | 2,498,835 | (36,275,197) | (33,776,322) |
| Prior year adjustments. | - | - | - | - |
| Total comprehensive income. | 40 | 2,498,835 | (36,275,197) | (33,776,322) |
| Total comprehensive profit/(loss) for the year. | - | - | (3,462,183) | (3,462,183) |
| As at June 30, 2021 | 40 | 2,498,835 | (39,737,379) | (37,238,504) |

XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2020-2021 | 2019-2020 |
|---|-------|--------------------|-------------------|
| | | Kshs | Kshs |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| CASH GENERATED FROM/(USED IN) OPERATIONS | 26 | 4,582,754 | 3,868,864 |
| Interest received | | - | - |
| Interest paid | | (-) | - |
| Dividends paid | | (-) | - |
| Taxation paid | | (-) | (-) |
| NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES | | 4,582,754 | 3,868,864 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 12 | (1,052,496) | (59,300) |
| Project expenditure | | (5,226,612) | (273,216) |
| Purchase of intangible assets | | (-) | (-) |
| Purchase of investment property | | (-) | (-) |
| Purchase of quoted investments | | (-) | (-) |
| NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES | | (6,279,108) | (332,516) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Projects grants | 25(c) | 11,849,272 | - |
| Proceeds from borrowings | | - | - |
| Repayment of borrowings | | (-) | (-) |
| Dividends paid | | (-) | (-) |
| NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES | | 11,849,272 | - |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 10,152,918 | 3,536,348 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 11,310,108 | 7,773,760 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 17 | 21,463,026 | 11,310,108 |

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

| | Original budget | Adjustments | Final budget | Actual on | Performance | % of |
|-------------------------------|--------------------|-------------|--------------------|--------------------|------------------|-------------|
| | 2020-2021 | 2020-2021 | 2020-2021 | comparable basis | difference | utilization |
| | 2020-2021 | 2020-2021 | 2020-2021 | 2020-2021 | 2020-2021 | 2020-2021 |
| | Kshs | Kshs | Kshs | Kshs | Kshs | % |
| Revenue | | | | | | |
| Sale of goods | 65,281,275 | - | 65,281,275 | 76,737,786 | 11,456,511 | 118% |
| Water Trucking | 4,800,000 | - | 4,800,000 | 1,517,720 | (3,282,280) | 32% |
| Grants- Staff costs | 1,641,960 | - | 1,641,960 | 1,641,960 | - | 100% |
| Electricity subsidy- CGoM) | 3,000,000 | - | 3,000,000 | - | (3,000,000) | 0% |
| Finance Income | 450,000 | - | 450,000 | 254,953 | (195,047) | 57% |
| Other income | 2,241,488 | - | 2,241,488 | 2,587,800 | 346,312 | 115% |
| Total income | 77,414,724 | - | 77,414,724 | 82,740,219 | 5,325,495 | 107% |
| Expenses | | | | | | |
| Administrative expenses | 83,530,899 | - | 83,530,899 | 86,202,402 | 2,671,503 | 103% |
| Total expenditure | 83,530,899 | - | 83,530,899 | 86,202,402 | 2,671,503 | 103% |
| Surplus for the period | | | | | | |
| Profit/(Loss) | (6,116,175) | - | (6,116,175) | (3,462,183) | 2,653,991 | % |

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

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

2. Statement of Compliance And Basis of Preparation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

| Title | Description | Effective Date |
|--|--|--|
| IAS39-Financial Instruments: Recognition and Measurement | IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments. | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |
| IFRS 4- Insurance Contracts(Superseded) | IFRS 4 "Insurance Contracts" applies, with limited exceptions; to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts. | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |
| IFRS 7- Financial Instrument Disclosures | IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, | The amendments are effective for annual periods beginning on or after |

| Title | Description | Effective Date |
|-----------------|---|--|
| | and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters. | January 1, 2020. Earlier application is permitted. |
| IFRS 16- Leases | IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

| 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. |
| IAS 12 — Income Taxes | IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. | Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. |
| IAS 16 — Property, Plant and Equipment | IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, | The amendments are effective for annual periods beginning on or after |

| Title | Description | Effective Date |
|---|--|--|
| | plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life. | January 1, 2022. Early application is permitted. |
| IAS 37 — Provisions, Contingent Liabilities and Contingent Assets | IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable). | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |
| IAS 41 — Agriculture | IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |
| IFRS 1 — First-time Adoption of International Financial Reporting Standards | IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |
| IFRS 3 — Business Combinations | IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). | The amendments are effective for annual periods beginning on or after |

| Title | Description | Effective Date |
|-------------------------------|--|--|
| | Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date. | January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. |
| IFRS 17 — Insurance Contracts | IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. | The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.] |

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.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

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

b) In-kind contributions

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

c) Property, plant and equipment

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

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

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

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

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

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

e) Intangible assets

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

f) Inventories

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

g) Trade and other receivables

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

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

h) Cash and cash equivalents

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

i) Trade and other payables

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

j) Retirement benefit obligations

The entity is a member a defined contribution scheme for all full-time employees from July 1, 2016. The scheme is administered by Britam life insurance company and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF) for those staff on contract terms. This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

k) Provision for staff leave pay

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

l) Comparative figures

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

m) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

n) Financial risk management objectives and policies

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

5. Revenue

| | 2020/2021 | 2019/2020 |
|--------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Sale of goods | 64,258,911 | 55,580,935 |
| Water trucking | 1,517,720 | 3,024,500 |
| Sludge Treatment charges | 34,000 | 6,000 |
| Total | 65,810,631 | 58,611,435 |

6. Cost of Sales

| | 2020/2021 | 2019/2020 |
|---------------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Electricity operations | 10,588,218 | 8,382,608 |
| Water Abstraction Fees | 1,848,141 | 2,470,738 |
| Water Chemicals and quality Assurance | 385,062 | 242,448 |
| Purchase of Water for resale | 15,080 | - |
| Total | 12,836,501 | 11,095,794 |

7. Grants from National/County) Government

| | 2020/2021 | 2019/2020 |
|---|------------------|------------------|
| | Kshs | Kshs |
| Reccurent grants received | - | - |
| Capital grants realized (see note below) | - | - |
| In Kind contributions/ donations(seconded staff salaries) | 1,641,960 | 4,010,980 |
| Total | 1,641,960 | 4,010,980 |

8. Finance Income

| | 2020/2021 | 2019/2020 |
|---|------------------|------------------|
| Description | Kshs | Kshs |
| Interest income from treasury bills | - | - |
| Interest from receivables | - | - |
| Interest from commercial banks and financial institutions | 254,953 | - |
| Interest on staff loans | - | - |
| Dividends | - | - |
| Total | 254,953 | - |

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Other Income

| | 2020/2021 | 2019/2020 |
|---------------------------|-------------------|-------------------|
| Description | Kshs | Kshs |
| New connection fees | 712,000 | 642,500 |
| Fines and penalties | 900,000 | 315,000 |
| Cutoff owners request | 22,800 | 27,600 |
| Change of name | 66,000 | 8,000 |
| Reconnection fees | 853,000 | 1,258,000 |
| Water trucking draw point | 12,478,875 | 9,362,867 |
| Total | 15,032,675 | 11,613,967 |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10(a) Administration Costs

| | 2020/2021 | 2019/2020 |
|--|-------------------|-------------------|
| Description | Kshs | Kshs |
| Staff costs (note 10 (b)) | 43,263,129 | 39,664,197 |
| Directors' emoluments | 1,054,680 | 802,475 |
| Electricity and water | 147,941 | 35,290 |
| Communication services and supplies | 225,348 | 410,958 |
| Transportation, travelling and subsistence | 1,723,930 | 1,956,615 |
| Advertising, printing, stationery and photocopying | 342,438 | 420,200 |
| Rent expenses | 360,000 | 325,000 |
| Staff training expenses | 657,490 | 284,000 |
| Maintenance of Plant and Equipment | 490,018 | 197,100 |
| Maintenance of Buildings | 90,830 | 160,720 |
| Maintenance of office furniture and equipment | 177,600 | 77,700 |
| Hospitality supplies and services | 200,890 | 84,675 |
| Insurance costs | 166,134 | 365,137 |
| Bank charges and commissions | 55,475 | 53,011 |
| Office and general supplies and services | 485,416 | 501,720 |
| Auditors' remuneration | 174,000 | 174,000 |
| Postage and courier services | 250,055 | - |
| Staff bench marking tour | 90,000 | - |
| Legal fees | - | 235,605 |
| Annual Corporate WASPA subscriptions | 95,000 | - |
| Consultancy fees | 30,000 | 90,000 |
| Hire of transport and equipment | 8,000 | 15,000 |
| Computer and printer supplies. | 343,720 | 166,870 |
| Repairs and maintenance of water infrastructure (note) | 4,096,427 | 5,011,104 |
| Revenue Collection fees | 601,739 | 490,616 |
| Motor vehicle fuel and maintenance | 8,908,633 | 7,595,150 |
| ICT support services (software maintenance) | 578,952 | 531,993 |
| Contracted security services | 250,000 | 360,000 |
| Construction of cattle trough | - | 259,700 |
| Other operating expenses | 2,501,392 | 1,381,035 |
| Provision for bad and doubtful debts | 2,256,402 | 2,398,140 |
| Regulatory Levy to WASREB | 3,164,903 | 2,809,076 |
| Depreciation | 520,828 | 461,428 |
| Amortization | 68,031 | 73,547 |
| Total | 73,365,901 | 67,392,063 |

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10(b) Staff Costs

| Description | 2020/2021 | 2019/2020 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| Salaries and allowances of permanent employees | 24,507,307 | 22,581,981 |
| County Government staff salaries paid directly by the CGM | 1,641,960 | 4,010,980 |
| Wages of temporary employees | 10,967,680 | 8,158,927 |
| Medical insurance schemes(staff Welfare) | - | - |
| Employer's contributions to national social security schemes | 231,078 | 36,000 |
| Employer's contributions to pension scheme | 2,297,990 | 1,808,732 |
| Leave pay | 549,710 | 455,579 |
| Gratuity provisions | 390,150 | 457,650 |
| Fringe Benefit tax | - | - |
| Staff welfare | 2,634,830 | 2,059,160 |
| Staff Uniforms | 28,924 | 95,188 |
| Total | 43,249,629 | 39,664,197 |
| The average number of employees at the end of the year was: | | |
| Permanent employees – Management | 4 | 4 |
| Permanent employees – Unionisable | 40 | 45 |
| Temporary and contracted employees | 27 | 12 |
| Total | 71 | 61 |

11. OTHER OPERATING EXPENSES

| Description | 2020-2021 | 2019-2020 |
|---------------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Office Tea | - | 105,490 |
| Library expenses | 58,540 | 75,130 |
| Billing Expenses (SMSs) | 240,000 | 160,000 |
| Survey & Design | - | 128,500 |
| Interest on water abstraction charges | 2,202,852 | 911,915 |
| Total | 2,501,392 | 1,381,035 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Property, Plant and Equipment

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

| 2020 | Office Equipment | Plant and machinery | Motor vehicles, & Motor cycles | Computers & related equipment | Office equipment, furniture & fittings | Total |
|--|---------------------|------------------------|---|-------------------------------------|---|------------------|
| COST OR VALUATION | | | | | | |
| At July 1, 2019 | 13,500 | 2,211,489 | 3,175,000 | 1,381,999 | 890,787 | 7,680,775 |
| Additions | - | - | - | - | 59,300 | 59,300 |
| Transfers | - | - | - | - | - | - |
| Disposals | (-) | (-) | (-) | (-) | (-) | (-) |
| At June 30, 2020 | 13,500 | 2,211,489 | 3,175,000 | 1,381,999 | 958,087 | 7,740,075 |
| DEPRECIATION | | | | | | |
| At July 1, 2019 | 12,008 | 849,421 | 2,127,379 | 1,298,605 | 601,615 | 4,889,028 |
| Charge for the year | 149 | 136,207 | 261,905 | 27,520 | 35,647 | 461,428 |
| Impairment loss | - | - | - | - | - | - |
| Eliminated on disposal | - | - | - | - | - | - |
| At June 30, 2020 | 12,157 | 985,628 | 2,389,284 | 1,326,125 | 637,262 | 5,350,456 |
| NET BOOK VALUE At June 30, 2020 | 1,343 | 1,225,861 | 785,716 | 55,874 | 320,825 | 2,389,619 |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Intangible Assets

| | 2020/2021 | 2019/2020 |
|----------------------------------|------------------|------------------|
| | Kshs | Kshs |
| COST | | |
| At July 1 | 1,357,500 | 1,357,500 |
| Additions | - | - |
| Disposals | - | - |
| At June 30 | 1,357,500 | 1,357,500 |
| AMORTISATION | | |
| At July 1 | 450,421 | 376,874 |
| Charge for the year | 68,031 | 73,547 |
| Disposals | - | - |
| Impairment loss | - | - |
| At June 30 | 518,452 | 450,421 |
| NET BOOK VALUE At June 30 | 839,048 | 907,079 |

14. Inventories

| | 2020/2021 | 2019/2020 |
|--------------------------|------------------|------------------|
| | Kshs | Kshs |
| Engineering stores | 545,808 | 585,030 |
| Fuel, oil and lubricants | 32,150 | 215,395 |
| Water chemicals | 25,056 | 125,280 |
| Total | 603,014 | 925,705 |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15(a) Trade and Other Receivables

| | 2020/2021 | 2019/2020 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| Trade receivables (note 15 (b)) | 17,097,009 | 20,390,024 |
| Deposits and pre-payments | 40,000 | 40,000 |
| VAT recoverable | - | - |
| Staff receivables (note 15 (c)) | 195,873 | 174,953 |
| Other receivables | 40 | 40 |
| Gross trade and other receivables | 17,332,922 | 20,605,017 |

15(b) Trade receivables

| Particulars | 2020-2021 | 2019-2020 |
|------------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Gross trade receivables | 33,779,022 | 34,254,135 |
| Water trucking receivables | 1,884,800 | 2,446,300 |
| Provision for doubtful receivables | (18,566,813) | (16,310,411) |
| Total | 17,097,009 | 20,390,024 |

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

| | | |
|-------------------------|-------------------|-------------------|
| Less than 30 days | 4,850,340 | 5,711,907 |
| Between 30 and 60 days | 1,976,522 | 2,122,307 |
| Between 61 and 90 days | 1,230,897 | 1,402,903 |
| Between 91 and 120 days | 639,976 | 808,813 |
| Between 121 to 180 days | 1,489,179 | 1,671,367 |
| Over 181 days | 23,592,107 | 22,536,838 |
| Total | 33,779,022 | 34,254,135 |

15(c) Staff Receivables

| | 2020/2021 | 2019/2020 |
|-----------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Gross staff loans and advances | 195,873 | 174,953 |
| Provision for impairment loss | (-) | (-) |
| Net staff loans | 195,873 | 174,953 |
| Less: Amounts due within one year | (-) | (-) |
| Amounts due after one year | 195,873 | 174,953 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Short Term Deposits

| | 2020/2021 | 2019/2020 |
|-------------|------------------|------------------|
| | Kshs | Kshs |
| Equity bank | 8,254,953 | 0 |

The average effective interest rate on the short term deposits as at June 30, 2021 was 8.5% (2020: nil %).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Bank and Cash Balances

| | 2020/2021 | 2019/2020 |
|---------------|-------------------|-------------------|
| | Kshs | Kshs |
| Cash at bank | 21,462,846 | 11,267,681 |
| Cash: revenue | - | 37,500 |
| Petty cash | 180 | 4,927 |
| | 21,463,026 | 11,310,108 |

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

Detailed analysis of the cash and cash equivalents

| Financial institution | Account number | 2020/2021 | 2019/2020 |
|---|-----------------------|-------------------|-------------------|
| | | KShs | KShs. |
| Current accounts | | | |
| Commercial Bank | | | |
| Kenya Commercial Bank(Expenditure) | 1133896480 | 4,963,302 | 319,838 |
| Kenya Commercial Bank(Revenue) | 1133705480 | 99,493 | 769,363 |
| Kenya Commercial Bank(Customer Deposit) | 1133705561 | 820,637 | 7,235,402 |
| Kenya Commercial Bank(Household sanitation) | 1227348991 | 56,170 | 61,629 |
| Equity Bank | 1730280030258 | 8,254,953 | - |
| Equity Bank | 1730279884522 | 1,836,296 | - |
| Equity Bank | 1730279884551 | 4,791,822 | - |
| Sub-total | | 20,822,673 | 8,386,232 |
| | | | |
| Others | Account number | Kshs | Kshs |
| Post bank | 0744130007798 | 47,600 | 60,161 |
| M-Pesa | Paybill: 913110 | 592,573 | 2,821,288 |
| Sub- total | | 640,173 | 2,881,449 |
| Grand Total | | 21,462,846 | 11,267,681 |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Ordinary Share Capital

| | 2020/2021 | 2019/2020 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Authorized: | | |
| 5,000 ordinary shares of KShs. 20 per value each | 100,000 | 100,000 |
| Issued but not paid: | | |
| 2 ordinary shares of KShs. 20 per value each | 40 | 40 |

19. REVALUATION RESERVE

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

20. FAIR VALUE ADJUSTMENT RESERVE

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

21. RETAINED EARNINGS

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22(a) Trade and Other Payables

| | 2020-2021 | 2019-2020 |
|-------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Trade payables (Note 22(b)) | 12,353,082 | 10,133,295 |
| Accrued expenses (Note 22(c)) | 44,386,763 | 44,813,010 |
| Other payables(Note 22(d)) | 3,126,368 | 1,815,115 |
| Total | 59,866,213 | 56,761,420 |

22(b) Trade Payables

| Description | 2020-2021 | 2019-2020 |
|--------------------------------|-------------------|-------------------|
| Water Resource Authority (WRA) | 9,682,586 | 6,831,592 |
| Amua Systems | 117,448 | 901,290 |
| Nairobi Iron Mongers Ltd | 92,336 | 92,336 |
| Kel chemicals | - | 187,920 |
| Mascot filling station | 50,246 | 44,450 |
| Nolturesh Water Company Ltd | 91,200 | 91,200 |
| Kinetic Engineering | 630,000 | 630,000 |
| Mandison General Insurance Co. | - | 157,790 |
| Chenga Auto hardware | 43,990 | 43,990 |
| Riverside filling station | 981,200 | 689,110 |
| Real Autospares | 70,400 | 70,400 |
| Basala hardware | 37,020 | 128,485 |
| Shilo Hardware stores | 455,000 | 221,580 |
| First Machinery | - | 43,152 |
| Danco Capital Ltd | 1,896 | - |
| Hydro standards Kenya Ltd | 99,760 | - |
| Total | 12,353,082 | 10,133,295 |

22(c) Accrued Expenses

| | | |
|------------------------------------|------------|------------|
| Accrued Staff Leave | 329,856 | 208,180 |
| Retention of basic salary | 84,750 | - |
| Licensee Remuneration Fees Payable | 32,143,975 | 32,143,975 |
| Accrued Staff Net Salaries | - | 1,570,168 |
| NHIF Deductions | - | 57,000 |
| WASPA | 125,000 | 125,000 |
| Withholding VAT | - | 6,895 |
| Bravo two zero security services | 60,000 | 210,000 |
| Kenya Revenue Authority | 343,254 | 213,137 |
| Water Services Regulatory Board | 5,745,636 | 3,780,733 |
| Chairman's honoraria | 21,000 | 22,500 |
| NSSF | 48,876 | 6,000 |

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| | | |
|--------------------------------|-------------------|-------------------|
| Kenya Power & Lighting Company | 1,646,332 | 1,467,079 |
| Standard Bank Securities | 18,336 | 86,850 |
| Britam Insurance Co. Ltd | 277,089 | 1,032,126 |
| Pioneer Insurance | 8,000 | 13,500 |
| Sanlam insurance | 45,141 | 47,187 |
| Ukulima Co-operative Society | 325,782 | 446,739 |
| Casual Wages | 109,820 | 465,100 |
| Staff gratuity payable | 3,031,116 | 2,903,041 |
| Madison Insurance Co. | 20,000 | 5,000 |
| HELB | 2,800 | 2,800 |
| Total | 44,386,763 | 44,813,010 |

22(d) Other Payables

| | | |
|--|------------------|------------------|
| Water sales payable | 1,338,968 | 357,315 |
| Provision for audit & supervision fees | 1,554,000 | 1,380,000 |
| Kimawasco SHG | 233,400 | 77,800 |
| Total | 3,126,368 | 1,815,115 |

23. PROVISION FOR LEAVE PAY

| Particulars | 2020-2021 | 2019-2020 |
|--|----------------|----------------|
| | Kshs | Kshs |
| Balance at beginning of the year | 208,180 | 257,524 |
| Additional provision at end of year | 549,710 | 406,235 |
| Leave paid out or utilized during the year | (428,034) | (455,579) |
| Balance at end of the year | 329,856 | 208,180 |

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

24. CUSTOMER DEPOSIT

| Particulars | 2020-2021 | 2019-2020 |
|-----------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Balance brought Forward | 13,090,800 | 12,351,800 |
| Receipts during the year | 756,500 | 780,000 |
| Less: Refunds for the year | - | (41,000) |
| Balance at end of the year | 13,847,300 | 13,090,800 |

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25(a) Project Funds

| Particulars | 2020-2021 | 2019-2020 |
|---|------------------|---------------|
| | Kshs | Kshs |
| Water Sector Trust Fund (WSTF) (Note 25(b)) | 56,170 | 61,629 |
| County Government of Makueni (Note 25(c)) | 6,628,119 | - |
| Balance at end of the year | 6,684,289 | 61,629 |

25(b) Water Sector Trust Fund (WSTF)

| Particulars | 2020-2021 | 2019-2020 |
|-----------------------------------|---------------|---------------|
| | Kshs | Kshs |
| Opening Balance | 61,629 | 334,845 |
| Amount Received | - | - |
| Amount Spent | (5,459) | (273,216) |
| Balance at end of the year | 56,170 | 61,629 |

25(c) County Government of Makueni

| Particulars | 2020-2021 | 2019-2020 |
|-----------------------------------|------------------|-----------|
| | Kshs | Kshs |
| Opening Balance | - | - |
| Receipts during the year | 11,849,272 | - |
| payments during the year | (5,221,153) | - |
| Balance at end of the year | 6,628,119 | - |

26. Notes to The Statement of Cash Flows

| (a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations | 2020-2021 | 2019-2020 |
|---|--------------------|--------------------|
| | Kshs | Kshs |
| Profit or loss before tax | (3,462,183) | (4,251,475) |
| Depreciation | 520,828 | 461,428 |
| Amortisation | 68,031 | 73,547 |
| (Gain)/loss on disposal of property, plant and equipment | - | - |
| Operating profit/(loss) before working capital changes | (2,873,324) | (3,716,500) |
| (Increase)/decrease in inventories | 322,691 | (171,735) |
| (Increase)/decrease in trade and other receivables | 3,272,094 | (811,122) |
| Increase/(decrease) in trade and other payables | 3,104,793 | 7,755,673 |
| Increase/(decrease) in retirement benefit obligations | - | - |
| Increase/(decrease) in provision for staff leave pay | - | - |
| Increase/(decrease) in Customer deposits | 756,500 | 739,000 |
| Net Cash outflow before capital charges | 7,456,078 | 7,585,363 |
| Cash generated from/(used in) operations | 4,582,754 | 3,868,864 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Related Party Disclosures

Government of Makueni County

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

28. Incorporation

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

29. Events After The Reporting Period

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

30. Currency

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