

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



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
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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 Kilhome	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.	Evalync 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_mtitowaco@yahoo.com

Corporate Bankers

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






Independent Auditors

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





Principal Legal Advisers

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





II. THE BOARD OF DIRECTORS

 <p>Mr. Alfred M Kithome - BOD <i>Chairman</i> <u>Certified public Secretary (CPS)</u></p>	<p>Holds a certified public secretaries (CPS) certificate, Senior Management Course, Diploma in Archives and Record Management and attended Financial Management course of Donor funded projects at Lilongwe, Malawi. Worked as a Civil Service Support Officer from the Republic of Kenya to the Republic of South Sudan for 4 years. Worked as Sida Senior Administrator at Kwale District for 9½ years.</p>
 <p>Stephen M Muriso - <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 Ogun – 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>Canon Philip Muthoka- <i>Director</i></p>	<p>Born in 1958 Holds a certificate in management and certificate in theology Served as assistant manager for 6 years, production manager for 7 years, Company director for 5 years and currently operates a private company since 2001 to date. Serves as a Priest.</p>
 <p>Daniel Mutinda - <i>Director</i></p>	<p>Holds a bachelor of economics and finance degree and master in business administration. He serves as a lecturer, Kenyatta university.</p>
 <p>Ms. Priscah Keli- <i>Director</i></p>	<p>Holds a bachelor of Commerce degree. Self-employed.</p>
 <p>Ms. Alice Suu - <i>Director</i></p>	<p>Holds a diploma in Bakery operations Has over 20 years in business industry.</p>

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 – Ag. <i>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 losses.
 <p>Mr. John K Kavisi – Finance Manager '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 – Commercial Services Manager 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.

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 Kikumbalyu 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

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	Priscah M Keli	Phillip 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 Makeni 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.



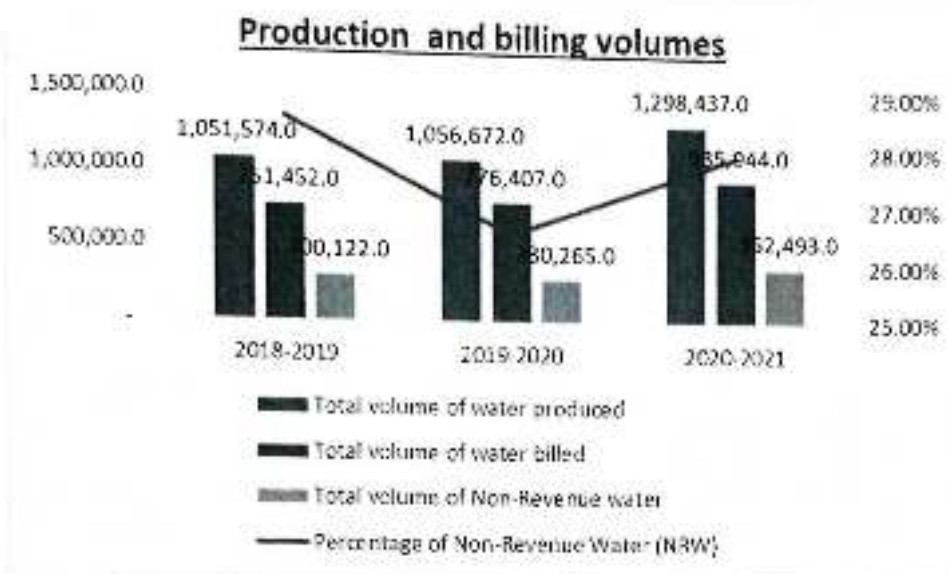
Stephen Mutiso

Managing Director / Secretary to the Board

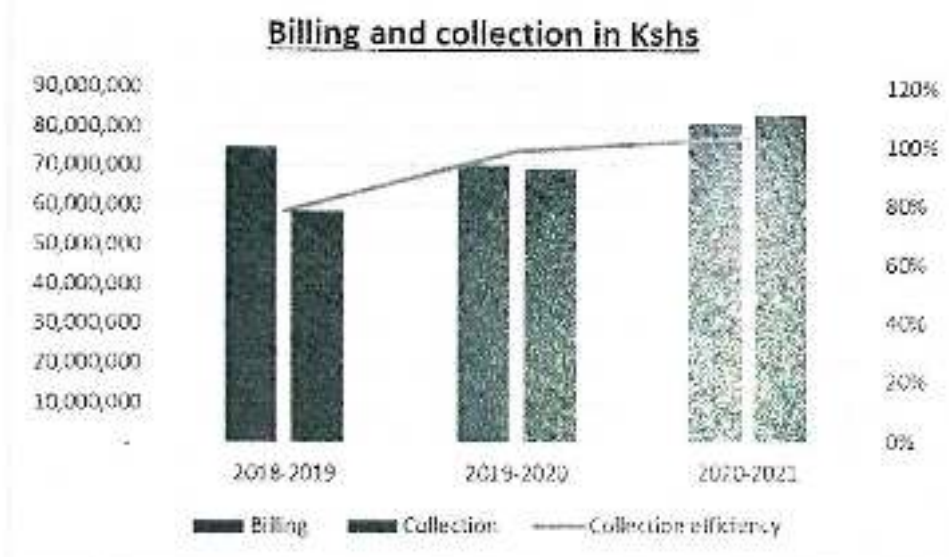
Date: 23/9/2021.....

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.

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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

**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. KITHOME

Signature 

Signature 

Signature 

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 comparable basis		Performance difference		% of utilization	
	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs	2020-2021	%
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- C(GoM)	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 Makeni 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

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Description

Effective Date

	<p>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.</p>	<p>January 1, 2020. Earlier application is permitted.</p>
<p>IFRS 16- Leases</p>	<p>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.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.</p>

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

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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

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Topic	Description	Effective Date
IFRS 17 — Insurance Contracts	<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.]</p>

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 handling charges, and is determined on the moving average price method.

g) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An amount based on the aging report of the total inactive water sales debtors is provided for as bad and doubtful receivables. All the inactive customers debtors aged more than 181 days form the provision for bad and doubtful debtors. Bad debts are written off after all efforts at recovery have been exhausted.

h) Cash and cash equivalents

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

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. A 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
Recurrent 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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10(a) Administration Costs

Description	2020/2021 Kshs	2019/2020 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 or 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

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

	2020-2021	2019-2020
Particulars	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 Autospare	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
Kimawaseo 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).