



**KIRINYAGA WATER & SANITATION COMPANY
(KIRIWASCO)**

P.O BOX 360-10300, KERUGOYA

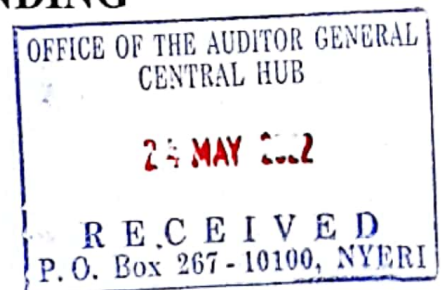
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**KIRINYAGA WATER AND
SANITATION COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR FINANCIAL YEAR ENDING**

JUNE 30, 2021



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

KIRINYAGA WATER AND SANITATION COMPANY

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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1. KEY ENTITY INFORMATION (Continued)

Corporate Bankers

Co-operative Bank of Kenya
Kerugoya Branch
P O Box 635-10300
Kerugoya

Equity Bank
Kerugoya Branch
P.O Box 1056-10300
Kerugoya

Sidian Bank
Kerugoya Branch
P.O Box 1041-10300
Kerugoya 1020-10300

Post Bank
Kerugoya Branch
P.O Box
Kerugoya

Independent Auditors

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

Principal Legal Advisers





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

Magua & Mbatha Advocates
P.O Box 2159-10100
Nyeri

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

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2. THE BOARD OF DIRECTORS

NO	NAMES AND ADDRESS	REPRESENTING INTEREST	REMARKS	Y.O.B	QUALIFICATION & EXPERIENCE	PASSPORT
1	Mr. Fidesius Nyaga	Religious Organizations	B.O.D Chairman	1944	BA Econ(Hons)- Makerere FCIS, CPS(K) Diploma in Banking Over 40 years' experience in accounting profession	
2	Hon. Dr Jakan Gutu	County Representative	Member	1956	Doctorate in Business Administration Many years experience in management. CECM member Ministry of water Kirinyaga County	
3	Mr. Jared Migwi	County Representative	Member	1973	Bachelor of Commerce Associate Kenya Institute of Bankers Experience in banking and finance; Chief Officer, Ministry of Water	
4	Mr. Robert Githinji Njagi	Business Community- Commercial Consumer	Head of Commercial Committee	1981	MBA-Kenyatta University 15 years experience in marketing ,accounting and strategic management	

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1. KEY ENTITY INFORMATION

Background Information

The enactment of Water Act 2002, led to the creation of Water Services Regulatory Board (WASREB), Water Services Board and Water Services Providers to spearhead the water sector reform programme. Kirinyaga Water and Sanitation Company is a Water Service Provider Company Limited by guarantee and incorporated under the Companies Act Cap 486 of the laws of Kenya.

KIRIWASCO has been mandated through a Service Provision Agreement (SPA) to carry out water and sewerage services in both urban and rural areas of Kirinyaga County. The Company takes charge of public resources in order to provide quality, affordable, reliable, sustainable and portable water and sewerage services in the target community. KIRIWASCO is jointly owned by the Government of Kenya, County Government of Kirinyaga and the Local Community.

Principal Activity

The principal activity of KIRIWASCO is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in Kirinyaga County and parts of Mbeere.

Main Business Operating Objectives

The Company's main business operating objectives include, but not limited to, the following:

- (a) Increase stake holder's awareness on water sector reforms
- (b) Improve access to sustainable and safe water
- (c) Increase the demand for available safe water
- (d) Increase the access to improved sanitation
- (e) Achieve operational financial sustainability

Vision

To be a role model water services provider in Kenya.

Mission

To provide safe and clean water through, reliable, affordable and sustainable water services to our customers by developing facilities and managing systems in the most efficient and effective manner.

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

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1. KEY ENTITY INFORMATION (Continued)

Strategic Objectives

1. Institutional strengthening of KIRIWASCO
2. Reduces UFW
3. Achieve financial sustainability
4. Improve access to sustainable and safe water
5. Increase access to improved sanitation
6. Increase stakeholders awareness on water sector reforms

SLOGAN: *Tap it; Get it; its life*

Directors

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

1. Mr. Fidesious Nyaga-----Chairman-----Appointed on -----23rd March, 2018
2. Mr. Jakan Gutu-----Member-----Appointed on -----7th May, 2019
3. Mr. Jared Migwi-----Member-----Appointed on -----17th Dec, 2018
4. Mr. Robert Githinji Njagi-----Member-----Appointed on -----23rd March, 2018
5. Mr. Peter Muriithi Gichirah -----Member-----Appointed on -----23rd March, 2018
6. Mr. James Kihia-----Member-----Appointed on -----23rd March, 2018
7. Mr. Joe Kingford-----Member-----Appointed on -----23rd March, 2018
8. Ms. Lilian Wanja Kagama-----Member-----Appointed on -----23rd March, 2018
9. Ms. Purity Njeri Githinji-----Member-----Appointed on -----23rd March 2018

Company Secretary

Gikuhi Kiana & company
P.O Box 10100

NYERI

Registered Office/Headquarters

Kirinyaga Water and Sanitation Company
P O Box 360-10300

Kerugoya. opposite Kerugoya Stadium

Corporate Contacts

Telephone: (254) 0746555368/0715413591







Website: www.kiriwasco.co.ke

Email: info@kiriwasco.co.ke

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021


2. THE BOARD OF DIRECTORS (Continued)

5	Mr. Peter Muriithi Gichirah	Farmer's Organization-	Head of Technical Committee	1978	Diploma in Business Administration 7 years working experience	
6	Mr. James Kihia	Business Community-Commercial Consumer	Head of Audit Committee	1970	O level, Diploma in Business Administration Experience in business Administration	
7	Mr. Joe Kingford	Special Interest Groups	Member	1989	O level, Diploma in Civil Engineering 4 years working experience in engineering	
8	Ms Lilian Wanja Kagema	Professional bodies	Member	1968	MBA, Higher Diploma in Electrical Engineering 6 years' experience in engineering	
9	Ms. Purity Njeri Githinji	Women's Organization	Member	1975	O level, ECD Certificate Experience in teaching and community development	
10.	Eng. Ephantus Maina	Managing Director	Managing Director	1979	Bachelor of Civil & Water Engineering 14 years working experience in Engineering and water sector	

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2. THE BOARD OF DIRECTORS (Continued)

11.	Mr. Richard Gikuihi Kiana	ICPSK No.285	Company Secretary	1952	Certified Public Secretary CPS(K)	
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KIRINYAGA WATER AND SANITATION COMPANY LIMITED

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3. MANAGEMENT TEAM

Designation	Name	Y.O.B	Qualifications & Experience	Passport
Managing Director	Mr. Ephantus Maina	1979	Bachelor of Civil & Water Engineering 14 years working experience in Engineering and water sector	
Company Secretary	Mr. Richard Gikuihi Kiana	1952	Certified Public Secretary CPS(K)	
Internal Auditor	CPA Charles Wachira Maina	1984	Bachelor of Commerce(Accounting option)and CPA (K) 11 years working experience in accounting	
Commercial Manager	CPA Joyce W Mugambi	1987	Bachelor of Commerce(Finance option)and CPA (K) MSc. Finance(continuing) Over 7 years' experience in accounting and finance	

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3. MANAGEMENT TEAM (Continued)

Technical Manager	Mr. Paul Ndegwa	1990	BSC Water Resource engineering 6 years' experience	
Human Resources and Administration Manager	Ms. Rosaline N Kabatah	1988	BBA HRM, Diploma in Business Management 5 years working experience in Human resource management	
Procurement Manager	Ms. Anne Mbatia	1976	Bachelor of Business Management- Procurement option 11 years working Experience in supply chain management	
Finance And Resource Mobilization Manager	Mr. George Mureithi	1987	Bachelor of Business Management- Finance and Banking CPA -K	

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

4. CHAIRMAN'S REPORT

Dear stakeholders, I am grand to present the financial statement for Kirinyaga Water and Sanitation Company for the years ended 30th June 2021. This is a moment to reflect on the performance of the company for the past one year. Focus on improvement of the company to propel better water and sanitation service to all our customers.

For the last one year, as for all around the world the company faced the unprecedented challenges of Covid19 pandemic. Though the depth of the pandemic was not known, the company through the support of the stakeholders have been able to steer through.

To ensure improved provision of Water and sanitation Services for better economic and social development. The company has been able to achieve the following;

- a) Water supply extensions projects to increase water coverage within Kirinyaga County.
- b) Applied and secured 63million Conditional Liquidity Support Grant(CLSG) from WSTF to cushion the company from the effect of Covid19 pandemic.
- c) Carried out various water supply infrastructure rehabilitation to improve on water supply to our customers.
- d) In collaboration with TWWDA, supported the construction of Kerugoya Kutus water supply and sanitation infrastructure which by the end of December 2021 is expected to inject additional 30,000m³/day of fully treated water and new sewerage system with a capacity of 5,000m³/day.
- e) Secured new 10m³ exhaustor truck to help in exhaustor services within Kirinyaga County.
- f) Continued working with Kirinyaga County Government, Nation Government and other development partners for infrastructure and company development.

In addition, to ensure sustainable development and continuous improvement on water and sanitation service delivery. The company has lined up the following activities;

- i. Water supply extensions project to increase water coverage within Kirinyaga County.
- ii. Development of new strategic plan and business plan which will guide the growth and development of the company for the next five years, 2021 to 2026.
- iii. Empower company's staff through training, facilitation and motivation to improve on staff productivity.
- iv. Procurement of company vehicles and motorcycles to replace old and increase company freight.

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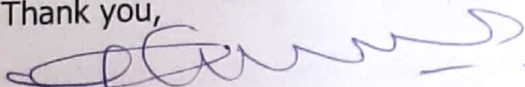
4. CHAIRMAN'S REPORT

- v. Embrace new technology in areas of meters, meter reading, communication, water treatment and distribution to ensure efficiency in service delivery.
- vi. Source for fund to enhance water extension project to improve in distribution and increase water supply coverage.
- vii. Mobilise resources for design and development of new water treatment plant for Mwea water supply.
- viii. Source for assistance in design and development of Kagio and Sagana sewerage network.

This year the company attained 15 years since its incorporation in 23rd May 2006. Due to myriad of challenges in the past, the company hasn't been able to attain the required levels of service. Currently the company is now stable and focused on growth and development. Therefore, I urge all stakeholders to support the company for it to attain the required levels of service in provision of water and sanitation.

I take this opportunity to thank all our stakeholders and especially our customers, staff, development partners and the County Government of Kirinyaga for the continued support.

Thank you,



James Kihia

FULL BOARD CHAIRMAN

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

5. MANAGING DIRECTOR'S REPORT

Introduction

Kirinyaga Water and Sanitation Company Limited (KIRIWASCO) is a water and sanitation services provider established under the company's Act 2015 of the law of Kenya. The company is now 15 years old since inception. Though the company have achieved a lot. It hasn't attained the desired levels of service delivery. This is due to many challenges the company has faced in the past. But with the current Board and management, the company is now focused to ensure better water and sanitation service delivery to our customers.

Performance during the Year

The company had been able to register a considerable growth within the year though faced with several challenges including Covid19 pandemic. The company registered growth on active water connection, improved billing and improved revenue.

Generally, there is good prospect and the company is expected to register better performance in the coming years especially with completion of Keruguya and Kutus Water Supply and Sewerage Project, which is expected to be completed by December 2021.

Summary of the company performance for the last three years

No.	ITEM	2018/2019	2019/2020	2020/2021
1.	Revenue Collection (KShs)	139,486,157	139,238,296	150,495,127
2.	Billing (KShs)	147,455,763	143,489,220	150,874,825
3.	Non- Revenue Water	57%	58%	58%
4.	Number of active connections	24,822	27,299	29,784
5.	Creditors	93,569,975	104,891,759.09	96,911,065
6.	Debtors	124,824,656	135,325,590.08	142,731,801

Development Projects

The company had been able to carry out various development project for improvement of water and sanitation services within Kirinyaga. This has been done through internally generated funds, grants from Water Sector Trust Funds, support from County Government Kirinyaga and ADB funding through Tana Water Works Development Agency.

The company has also line-up other development projects as captured in our new strategic plan (2021 to 2026). The following are the company's strategic issues which will propel the growth of the company in the next five years.

- i. Increase water and sewerage coverage.
- ii. Reduce high Non-Revenue Water (NRW).
- iii. Improve institutional capacity development.
- iv. Improve on the company financial sustainability.
- v. Increase stakeholder engagement.

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5. MANAGING DIRECTORS REPORT-(Continued)

- vi. Improve on Research and Development.
- vii. Embrace technology on company operation.

Recent completed development projects

No	PROJECT	DESCRIPTION	COST (KSH)	FINANCIER	PROJECT IMPACT
1	Treatment plants and intakes maintenance	Desilting of Kahuhi, Muhuhi, Kururu, Rutui, rwamut hambi, Nyamindi, Mukengeria and Rundu intakes and desludging of Ndiriti, Sagana and Githioro treatment plants.	2m	KIRIWASCO	Improved water quality
2	Water supply extension	-Gatiko-ihara pipeline extension -miembeni pipeline extension -Kibaratani and gathaka pipeline extension -Kirwara pipeline extension	2.1m	KIRIWASCO & WSTF	Increased water coverage
3	Fight Against COVID19	-construction of 10nr, 5m ³ hand washing points in public institutions. -Construction of 5nr 1m ³ storage tank to market places. -33 trips 10m ³ trips water trucking to venerable areas.	1.7M	KIRIWASCO & WSTF	Helped curb the spread of COVID19
4	Reinstatement of water supply affected by road works	Areas include: -Mugwande-Old kangaita. -Kabonge, Kiania, Karima, Kirimunge. -Mwea ACK, Ngurubani Pry school and Wayua areas. -Old Kangaita-Gitumbi pipeline; -Kagio-kandongu pipeline -Kagio-Kathaka pipeline -Kagio-Ndava-gitoini pipeline	20m	KeRRA KURRA & KIRIWASCO	Restored water supply to affected areas. (278 connections reconnected).
5	Subsidized Domestic water connections	-684 new connection to Wanguru area.	1.7m	WSTF & KIRIWASCO	Increased water connection.
6	Wang'uru DTF	Construction of 70m ³ /day waste water Digester Enpure plant.	21m	Kirinyaga CG & WSTF	Improved sanitation.

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021 5. MANAGING DIRECTORS REPORT-(Continued)

Ongoing development projects

NO	PROJECT	DESCRIPTION	COST (KSH)	FINANCIER	PROJECT IMPACT
1	Conditional liquidity Support Grant (CLSG)	short term covid-19 emergency interventions for vulnerable customers	63m	WSTF	Caution the company and public from effect Covid19
2	Construction of Kerugoya Kutus water supply infrastructure	Construction of 30,000m ³ /day water supply system for Kerugoya, Kutus, Kagio and Sagana. (progress at 40% complete)	1.17b	A.D.B thru. TWWDA	Improve water quantity and quality.
3	Construction of Kerugoya kutus sewerage infrastructure	Construction of 5,000m ³ /day sewerage system for Kerugoya and Kutus town. (progress at 51% complete)	500m	A.D.B thru. TWWDA	Improve sanitation.
4	Water system reinstatement works	Reinstatement of water supply affected by the current road works. This includes: 35km of Makutano-Kibirigwi pipeline (Kenha: 78% complete), Kagumo-Getuya-Baricho pipeline (KeRRA- 75% complete) and Mwea town reticulation system (KURA- 20% complete)	250m	KeNHA, KeRRA, KURRA & KIRIWASCO	To restore water supply to affected areas

Covid-19 pandemic

The Covid-19 pandemic become more intense during this financial year. During the early days of the pandemic the future looked bleak for KIRIWASCO as for most businesses worldwide. But the company being essential service provider had to soldier on. Through the support of our esteem customers, valuable staff, WSTF & other development partners and County Government of Kirinyaga the company has been able to overcome most of challenges associated with Covid19.

Appreciation

I wish to appreciate, the Board of Directors, County Government of Kirinyaga, company staff, customers and all stakeholders for the continued support to the company. The

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5. MANAGING DIRECTORS REPORT-(Continued)

Company is committed to provide improved and better water and sanitation services within Kirinyaga.

Thank you,



Ephantus Maina

MANAGING DIRECTOR

KIRINYAGA WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

6. STATEMENT OF KIRINYAGA WATER AND SANITATION COMPANY PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Kirinyaga Water and sanitation Company has 8 strategic pillars and objectives within its strategic plan for the FY 2016/2017-2020/2021.

These strategic pillars are as follows;

1. Water services and sanitation infrastructure Development
2. Technical and operational efficiency
3. Financial and commercial sustainability of the Company
4. Human capital development and strengthening of internal processes
5. Provision of water and sewerage services that meet the expectation of stakeholders
6. Social inclusivity
7. Environmental conservation and Management
8. Stakeholder participation

Kirinyaga Water and sanitation company develops its annual work plan based on the above 8 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis.

The Company achieved its performance target set for the FY 2020/2021 period for its 8 strategic pillars, as indicated in the diagram below;

KIRINYAGA WATER AND SANITATION COMPANY LTD

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STATEMENT OF KIRINYAGA WATER AND SANITATION COMPANY PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021 (Continued)

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Water Services and Sanitation Infrastructure development	To maintain and expand water and sanitation infrastructure so as to increase water service and sewer coverage	Increase in water and sewer coverage	<ul style="list-style-type: none"> -Carry out full Rehabilitation on the entire Kerugoya Scheme water reticulation System -Implement fully the rehabilitation of Ndiriti water System (pipe systems and upturns) to improve service delivery -Prepare a proposal and mobilize funds for the rehabilitation of Kutus Town Water reticulation system to improve service delivery -Rehabilitate 13km of Ndia System (225 to 50mm diameter) Gravity Mains to improve service delivery in Njegas, Kagumo, Mutitu, Kianjege, Mukangu and Kiaga -Rehabilitate the Sectional Valves, Air Valves, Fire hydrants and Washouts for the following systems – Ndia, (Mukengeria, Rundu, Ndiriti, baricho) -Rehabilitate Ndiriti Treatment works by introducing Laboratory equipment which needs to be procured which includes PH Meter, Jah Test kit, Turbidity meter, Calorimeter and Beakers -Mobilize funds from WSTF and other development partners for 500 Kutus and Kagio SafiSan Toilets -Constructing Decentralized Treatment Facility (DTF ENPURE) at Wanguru Town -Procure an exhauster -Review the Tariff structure to capture Charges for operating the Decentralized Treatment Facility -Zoning of 3 water supplies (DMAs) 	<ul style="list-style-type: none"> -Increase the proportion of the population accessing safe water from 33% to 56% -Rehabilitation of 8.6km out of 13km of Kagumo-Mutitu-Kianjege-Kirimunge pipeline was achieved representing 66% -1No. Decentralized Wastewater Treatment Facility was constructed -1No. Exhauster was procured - Construction of 500 toilets -Zoning of 4 DMAs and installation of bulk meters was achieved. i.e Kerugoya, Mwea, Sagana and Ndia -21no production

			and allocation of zonal bulk functional water meters -Replace all the faulty meters in at least 3 water supplies with the highest returns to ensure accurate consumptions are recorded and ensure all meters are sealed -Install fully functional Master meters in at least 3 Water scheme/areas to ensure water production is fully accounted for	meters installed. 15 functional and 6 faulty
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Technical and Operational Efficiency	To provide high quality water and sewerage services	-100% quality test of water sold -Percentage increase in revenue -Percentage reduction in estimated billing -Percentage reduction in leakages and bursts. -Percentage reduction in NRW	-An asset maintenance schedule was developed for routine maintenance of treatment plants and intakes. -A program for routine management of bursts and leakages was developed at all schemes. Daily and monthly reports records are documented for comprehensive analysis and prompt actions -A non -revenue water team was instituted for installation of bulk meters, replacing faulty meters and for monitoring the performance of meters. -A program for meter testing and calibration was developed where bulk meters are calibrated once in every financial year.	97% water quality
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Financial and Commercial Sustainability of the Company	To enhance financial and commercial sustainability in order to facilitate infrastructure development and operational efficiency of the company	-Percentage increase in number of connections. -Percentage reduction in cost of Operation	-The company has a debt management strategy which is being implement to ensure speedy recovery of debts. -The Company has registered an increased number of new connections which are metered. -The Company has started review of the tariff to ensure full cost recovery.	Increase in number of connections by 10% Tarrif is at evaluation stage by WASREB
Human Capital Development and Strengthening of Internal Processes	To strengthen internal processes and build a strong and committed team of human resource that enhances efficiency in	-Approved new HR policy -Updated organogram with clear roles. -Approved	-The Human resources policy has been reviewed. -Staff placement and the Organization structure is under review to conform to new industry reforms -A staff analyses has been conducted based on age, education levels in	Approved HR policy Manual An updated organogram is under review

	service delivery	staff analysis report	order to make succession planning easier.	
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Provision of Water and Sewerage Services that meet the expectation of stakeholders	Provision of Water and Sewerage Services that meet the expectation of stakeholders	-Effective SMS billing software. -Percentage reduction in customer complaints	-The Company has streamlined use of SMS billing and addressing customer complaints and to query balances -Establishment of a customer service desk with full integration of ICT	SMS billing in place as well as a platform to query balances
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Social Inclusivity	To enhance social inclusivity thereby ensuring provision of water and sanitation services to the low income earners	-Percentage increase in the number of low income earners connected to water - Percentage increase in the no of women employed by the Company	-The Company has established a pro-poor unit within the Company -A pro-poor social connection policy is on progress -The Company has implemented a gender equality and social inclusion program	Increased connections in low income areas by 1200 connections
Environmental Conservation and Management	To facilitate environmental conservation for sustainable development	-No. of campaigns carried out per year.	-KIRIWASCO has partnered with communities on sensitization on catchment areas protection and conservation within our intakes	
Stakeholder Participation	To foster collaboration with actors and stakeholders for increased commitment and participation towards delivering the mandate of the Company	-Stake holder Meetings	The company has promoted transparency in the actions of the project and ensure that the project is held accountable for its action. -updated the stakeholders on the progress of the company performance. -Take in to account on issues that has been raised by the stakeholders	No stakeholders meeting held during the Financial Year

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7. CORPORATE GOVERNANCE STATEMENT

KIRIWASCO is committed to operate under a clear governance framework and strongly adheres to sound management and control practices.

KIRIWASCO is committed in ensuring compliance with the provisions of Water Act 2016 among other regulatory and supervisory corporate governance requirements. Essential to the establishment of a good governance framework are formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision making process, assessment and improvement of conformances.

The structure of the Board is as per the corporate governance guidelines issued by the Water Services Regulatory Board (WASREB)

The Board of Directors comprises of 9 members nominated by respective stakeholder institutions where 2 are from the county government executive.

The directors are appointed for terms of up to three years and are eligible for re-appointment.

Composition of Board of Directors

The structure of KIRIWASCO starts with the Board members representing various stakeholders' interests. The Board members exercise leadership, enterprise, integrity and judgment in directing KIRIWASCO. The Board of Directors are expected to determine the purpose and values of KIRIWASCO, determine the strategy to achieve that purpose and implement its values in order to ensure the Company survives and thrives.

The Board members are expected to enhance the corporate governance practices in running of KIRIWASCO to bring the level of governance in the Company in line with international standards. The essence of corporate governance is to protect stakeholder's interest including the government, consumers and the community.

In ensuring that corporate governance is enhanced and that the power of KIRIWASCO is exercised in the stewardship of the Company's total portfolio of assets and resources with the objective of maintaining stakeholder's values, the board of directors had constituted the following committees:

1) Human Resources & Administration, Finance and Procurement

The committee comprises of 3 board members whose duty is to ensure that KIRIWASCO has the right staff at the right place and doing the right thing. More so, the committee ensures that the staff welfare is guaranteed.

The Committee oversees the financial reporting process, Company's internal controls and efficient allocation and utilization of resources.

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7. CORPORATE GOVERNANCE STATEMENT (Continued)

2) Technical Committee

The Technical committee comprises of 3 board members who ensure that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water and sewer infrastructure. The committee also proposes investment and funding programs for the organization.

3) Audit Committee

It's the duty of this committee to ensure that the internal audit department performs its function of an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. It helps the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

8. MANAGEMENT DISCUSSIONS AND ANALYSIS

Introduction

Kirinyaga Water and Sanitation Company Limited (KIRIWASCO) is a water and sanitation services provider registered under the company's Act 2015 of the law of Kenya. The company is an agent of the County Government of Kirinyaga (CGK) as per the amended (2019) Memorandum and Articles of Association. This is in line with the requirement by the Constitution of Kenya (GoK) 2010 and the Water Act 2016. The company is regulated by Water Services Regulatory Board (WASREB) and operates under Interim License WASREB/LE/LIC/02 for provision of water and sanitation services. The company is mandated to supply water with Kirinyaga Central, Kirinyaga West, Mwea West and Mwea East sub counties within Kirinyaga County and Parts of Mbeere South in Embu County

Financial Performance

During the Financial year 2020/2021 the Company performed fairly well despite the effects of Covid-19 pandemic.
A comparative analysis of the Company performance for the last 5 years is tabulated below;

Financial Year	Revenue
2016/2017	137,082,560.00
2017/2018	152,894,275.00
2018/2019	169,850,748.00
2019/2020	159,433,044.00
2020/2021	177,343,545.00

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

8. MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued) **Operational performance and key projects**

The Company through financing by various Institutions and donors has started the following projects.

NO	PROJECT	DESCRIPTION	COST (KSH)	FINANCER	PROJECT IMPACT	STATUS
1	Wang'uru DTF	Construction of 70m ³ /day waste water Digester enpure plant. (75% complete)	21M	Kirinyaga CG & WSTF	Improved sanitation in Wanguru town.	Complete
2	UBSUB	Construction of 300 toilets	7M	WSTF	Improved Sanitation	Complete
3	Bulky Water Supply	Construction of 30,000m ³ /day water supply system for Kerugoya, Kutus, Kagio and Sagana. Works include; Intake, T/works, raw water main, transmission mains, storage tanks.	1.17B	A.D.B thru. TWWDA	To improve water quantity, quality and reliability within Kirinyaga county.	On going
4	Kerugoya/ Kutus sewerage system	Construction of 5,000m ³ /day sewerage system for Kerugoya and Kutus town. Works includes 34km sewer lines, stabilization ponds and admin houses	500M	A.D.B thru. TWWDA	To improve sanitation level for Kerugoya and Kutus towns.	On going

5	Conditional Liquidity Support Grant (CLSG)	Fixed Grant with 9 interventions. Variable grant to cover O&M cost, levies, Salaries	33M	WSTF	Improved Coverage and financial sustainability	On going
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Major risks facing the entity

The major risks facing the entity are:-

(i) Credit risk

To manage the level of credit risk, the company focuses on customer satisfaction as a key performance indicator. It also maintains a short credit period. Due to the nature of the company's activities credit risks concentrations are high and as such close monitoring of credit relationships is carried out.

(ii) Liquidity risk

Liquidity risk arises in the general funding of the company's activities and in the management of positions.

The company continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall company strategy.

(iii) Market risk

The company had no any interest bearing financial instrument or obligation as at the end of financial year and there was no significant currency risk as no foreign transaction ensued during the year.

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

9. ENVIRONMENTAL AND SUSTAINABILITY REPORT

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

i) Sustainability strategy and profile

The company has continued to ensure that there is sustainability by having framework to focus investment and drive performance as well as engaging internal and external stakeholders. This is driven by our mission to provide safe and clean water through, reliable, affordable and sustainable water services to our customers by developing facilities and managing systems in the most efficient and effective manner.

The company has continued to ensure that there is sustainability in terms of water supply to meet multiple needs for our customers through effective management of water resources. The Company gets its revenue from sales of water and therefore without proper management of the water resources the company would not meet its financial goals.

The company has framework with clear programmes, targets and key performance indicators for each aspect. It also ensures effective implementation by providing guidance to employees following extensive consultation and putting in place systems of governance, external feedback and regular review. Also KIRIWASCO ensures that infrastructure investments are cost effective over their lifecycle resource efficient.

ii) Environmental performance

The company is guided by the Environmental Management and Coordination Act (EMCA) which provide appropriate legal and institutional framework for the management of the environment and conservation. EMCA establishes among others the following institutions; National Environment Management authority, public complaints committee, national environment tribunal national environment action plan committee and county environment committees. The National Environment Management Authority (NEMA) was established as the principal instrument of Government charged with the implementation of all policies relating to the environment and to exercise general supervision and coordination over all matters relating to the environment.

The act provides for environmental protection through;

- Environmental impact assessment
- Environmental audit and monitoring
- Environmental restoration orders, conservation orders and easements.

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

9. ENVIRONMENTAL AND SUSTAINABILITY REPORT (Continued)

Through NEMA and ecosystem management the company has continued to provide training to its staff and the key stake holders on environment conservation by applying best practices on waste management and increase in forest coverage.

Kiriwasco also ensures that projects funded comply with the National Environmental Management Authority (NEMA) requirements.

iii) Employee welfare

KIRIWASCO operates under a Human Resource and Procedures manual that is guided by WASREB on key areas. This guides in the hiring process of employees taking into account the 1/3 ratio on gender. Positions that fall vacant in the company are officially advertised through the newspaper.

KIRIWASCO undertakes Training Needs Assessment to determine staffs that require more skills as well as allowing staffs in improving their career skills by allowing them to get back to school. Appraisals are carried out on quarterly basis and best performing units are awarded tokens at the end of the year.

Kiriwasco has a Workplace Environmental Policy and continues to implement environmental awareness programmes among staff and stakeholders, customers, employees, the community.

iv) Market place practices-

The organization should outline its efforts to:

a) Responsible competition practice.

KIRIWASCO operates in a way that safeguards it against unfair business practices. We believe that a responsible approach in developing relationships between company and the communities we serve is a vital part of delivering business success.

When carrying out our business, in consultation with our customers, we determine the environmental, social and economic issues and continually review our policies and business practices to encourage engagement with customers and key stakeholders.

b) Responsible Supply chain and supplier relations

The company follows all the rightful procedures in procurement of Goods, Works and Services as per the Public Procurement and Asset Disposal Act 2015 (PPDA) and Public Procurement and Asset disposal regulations 2020 (PPAD).

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

9. ENVIRONMENTAL AND SUSTAINABILITY REPORT (Continued)

The Accounting officer ensures that the company complies with the Act in the performance and responsibility under sub section 1 of the Asset and disposal Act. The accounting officer also has established systems and procedures to facilitate decision making for procurement and asset disposal.

This is by ensuring that the tendering process is done in accordance with the Asset and disposal Act. The Company reserves a prescribed percentage of its procurement budget which is not less than 30% to the disadvantaged groups.

The company treats its own suppliers responsibly by honoring contracts and maintains clear and consistent communication with the suppliers to build a stronger supplier relationship. The suppliers are given orders in good and appropriate time frame to deliver goods, works and services in the company. The company ensures that all the suppliers are paid in good time as per the credit period indicated in their tender documents.

c) Responsible marketing and advertisement

KIRIWASCO has continued to make efforts on attracting consumers who want to make a positive difference by having safe and clean water. This has been done through holding customer care Barazas and also using social media and web site platform to promote and sensitize customers on company procedures and benefits of using safe and clean water.

d) Product stewardship

KIRIWASCO through partnership with the environmental organisations has continued to promote and safeguard water catchment areas and also promote good environmental practices on waste disposal among employees, stakeholders and customers.

KIRINYAGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

9. ENVIRONMENTAL AND SUSTAINABILITY REPORT (Continued)

This is through planting trees and also by ensuring that available water is properly utilized. KIRIWASCO ensures that it complies with the given regulations on waste disposal management to safeguard the environment.

The Company also ensures that customer rights are not infringed by having an affordable water tariff for the product.

i) Corporate Social Responsibility / Community Engagements

KIRIWASCO has a CSR policy whose purpose is to make clear to all stakeholders what we mean by CSR and how we propose to work towards achieving it. The CSR policy applies throughout all our policies and processes and governs our approach to all our activities. In implementing this policy, we aim to be responsible and an example of good practice.

KIRIWASCO participates in various activities such as tree planting to increase forest cover in efforts to conserve water and participating in national events such as the World Water Day.

We recognize that good CSR embraces all aspects of sustainable development and the way we affect people through our business operations. The company has participated in various Corporate Social Responsibility such as visiting Good Hope children, donating children's items and building a hand washing point especially during the trying moments of the Covid-19 pandemic. Secondly, during the World Water day celebrations of 2021, the Company donated sanitary towels to girls in Kibirchia Ward in Meru where the event was scheduled to take place. KIRIWASCO through partnership with the environmental organisation has planted trees in Mount Kenya forest to increase forest coverage.

KIRINYAGA WATER AND SANITATION COMPANY LIMITED
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10. REPORT OF THE DIRECTORS

The Board members present their report and audited accounts for the year ended 30 June 2021 which shows the state of the entity's affairs.

Principal Activity

The principal activity of KIRIWASCO is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in Kirinyaga District and parts of Mbeere District.

The Company's main business operating objectives include, but not limited to, the following:

- (a) Increase stake holder's awareness on water sector reforms
- (b) Improve access to sustainable and safe water
- (c) Increase the demand for available safe water
- (d) Increase the access to improved sanitation
- (e) Achieve operational financial sustainability

Results

The entity's results for the year ended 30th June 2021 are set out on page 32. Below is a summary of the profit or loss made during the year.

Directors

The members of the Board of Directors who served during the year are shown on page 5 & 6.

Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya, 2010 and the Public Audit Act 2015.

By Order of the Board

Name: Richard K. Gikuhi **Signature:**  **Date:** 28.09.2021

Corporate Secretary

Nyeri

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11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 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 *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2021, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity'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 entity will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Kirinyaga Water and Sanitation Company financial statements were approved by the Board on 28 -09 - 2021 and signed on its behalf by:

Signature:

Name: James Kihia

Chairperson of the Board

Signature:

Name: Ephantus Maina

Accounting Officer

KIRINYAGA WATER AND SANITATION COMPANY LTD

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

**12. REPORT OF THE INDEPENDENT AUDITORS ON KIRINYAGA WATER AND
SANITATION COMPANY LIMITED**

KIRINYAGA WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

13. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

REVENUES	NOTES	2020/2021	2019/2020
Water sales	10 a	150,874,825	143,489,220
Reconnection fee	10 b	728,600	1,531,500
GOK Grants	10 c	1,213,593	
Other Incomes	10 d	20,412,927	10,618,474
Tender fees, sale of jericans, firewood and capital works	11	4,113,600	3,793,850
		177,343,545	159,433,044
EXPENDITURE			
Personnel Costs	12	92,664,607	89,046,791
Directors Costs	13	6,949,856	6,796,616
Administration Costs	14	23,145,056	24,594,166
Operation & Maintenance Costs	15	41,907,027	30,862,686
Provision for depreciation	16	4,225,271	4,525,233
Amortization of intangible assets	17	142,232	213,242
Water Regulatory Board Levies	18	6,944,606	6,098,927
Finance Costs	19	235,941	245,718
TOTAL		176,214,596	162,383,379
(DEFICIT)/SURPLUS BEFORE TAX		1,128,948	-2,950,335
Tax	20		
(DEFICIT)/SURPLUS AFTER TAX		1,128,948	-2,950,335

KIRINYAGA WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2020/2021	2019/2020
		Kshs	Kshs
ASSETS			
Non Current Assets			
Properties, Plant and Equipment	2	98,644,815	89,963,318
Intangible Asset	2 (a)	2,619,840	427,124
		101,264,655	90,390,442
Current Assets			
Cash & Cash Equivalents	6	31,564,770	23,529,618
Inventories	5	11,659,661	9,901,641
Receivables	4	136,965,069	133,292,554
		180,189,500	166,723,813
Total Assets		281,454,155	257,114,255
LIABILITIES AND EQUITY			
Non Current Liabilities			
Long term Loan		0	0
Current Liabilities			
Short term Loan	9 (e)	147,518	147,518
Customer Deposits	7	37,012,470	33,325,620
Prepayments	8	3,112,562	2,123,211
Creditors & Accruals	9	96,911,065	104,891,756
Deferred income	9 (b)	17,331,317	7,263,595
Taxation		186,386	186,386
TOTAL LIABILITIES		154,701,318	147,938,086
EQUITY			
Capital Reserves	21	43,587,914	43,587,914
Capital Grants	22	78,878,407	62,559,688
Revenue Reserves	23	4,286,515	3,028,567
Total Equity		126,752,836	109,176,169
TOTAL		281,454,154	257,114,255

The financial statements were approved by the Board on _____ 2021 and signed on its behalf by:

Managing Director

Name: Ephantus Maina

Head of Finance

Name: George Mureithi
ICPAK M.No 17805

Chairman of the Board

Name: James Kihia

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15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2021

	NOTES	Capital reserves	Revenue reserves	Capital Grants	Total
		KShs	KShs	KShs	KShs
Balance as at 1 July 2019		43,587,914	5,765,092	58,203,416	107,556,422
					-
Profit / (Loss) for the year			-2,950,335		-2,950,335
					-
Capital Grants				4,742,675	4,742,675
Amortization of capital grant				-386,403	-386,403
Prior year adjustments			213,810		213,810
Balance as at 30 June 2020		43,587,914	3,028,567	62,559,688	109,176,169
Balance as at 1 July 2020		43,587,914	3,028,567	62,559,688	109,176,169
					-
Profit / (Loss) for the year			1,128,948		1,128,948
Capital Grants	22			16,627,294	16,627,294
Amortization of capital grant	22			-308,575	-308,575
Prior year adjustments	23		129,000		129,000
Balance as at 30 June 2021		43,587,914	4,286,515	78,878,407	126,752,836

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17. STATEMENT
ENDED 30.6.21

16. STATEMENT OF CASHFLOWS FOR THE YEAR ENDEND 30 JUNE 2021

	Notes	2020/2021 Kshs	2019/2020 Kshs
Cashflow from Operating Activities		1,128,948	-2,950,335
Net (Deficit) / surplus before tax			
Adjustments for:			
Provision for Depreciation	2a	4,225,271	4,525,233
Amortization of intangible Assets	2b	142,232	213,242
Provisions for Bad Debts	4	770,621	1,050,093
Amortization of capital Grants	22	-308,575	-386,403
Prior year adjustment	23	129,000	213,810
		6,087,498	2,665,640
Adjustments for working capital changes:			
(Increase)/Decrease in Receivables	4	-4,443,133	-9,655,804
(Increase)/Decrease in WIP	2a	-12,528,518	-4,947,294
(Increase)/Decrease in Inventories	5	-1,758,020	3,555,151
Increase/(Decrease) in Customers Deposits	7	3,686,850	3,741,000
Increase/(Decrease) in Prepayments(i.e prepaid debtors)	8	989,351	-813,275
Increase/(Decrease) in Creditors & Accruals	9a	-7,980,694	11,321,781
Increase/(Decrease) in deferred income	9b	10,067,722	-998,950
Increase/(Decrease) in Current acct. Co-op Bank/Taxation		-	-
Increase/(Decrease) in Taxation		-	-
Increase/(Decrease) in Short term Loan		-	-
Changes in working capital		-11,966,442	2,202,606
Cash generated from operations		-5,878,944	4,868,246
Cashflow from Investing Activities			
Purchase of property, plant & equipment	2	-2,713,198	(5,094,918)
Purchase of intangible asset		-	-
Interest Income(Net)		-	-
Net Cash generated from/(used in) investing Activities		-2,713,198	-5,094,918
Cashflow from Financing Activities			
Grants	22	16,627,294	4,742,675
Loan		-	-
Net Increase/(decrease) in Cash and Cash Equivalents		8,035,152	4,516,003
Cash and Cash Equivalents at Year End			
Balance at the start of the year		23,529,618	19,013,615
Balance at the end of the year			
Balance as at 30 June 2020	6	31,564,770	23,529,618

KIRINYAGA WATER AND SANITATION COMPANY LTD
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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021

		Original Budget	Actual on comparable basis	Performance Difference	Percentage Difference
		2020-2021	2020-2021	2020-2021	2020-2021
Revenue					
Water Charges	10a	169,400,000	150,874,825	-18,525,175	-11%
Reconnection fees	10b	1,500,000	728,600	-771,400	-51%
Surcharges/ Illegal connections	10c	1,800,000	1,213,593	-586,407	-33%
Other income	10d	43,997,416	24,526,527	-19,470,884	-44%
Total Income		216,697,416	177,343,545	-39,353,866	
Expenses					
Personnel expenditure	12	95,499,600	92,664,607	2,834,993	3%
Directors Cost	13	7,000,000	6,949,856	50,144	1%
Administration Expenditure	14	26,031,301	23,145,056	2,836,142	11%
Operations & Maintenance	15	67,775,715	41,907,027	27,046,623	40%
Provision for depreciation	16	4,000,000	4,225,271	-316,988	-8%
Amortization of intangible assets	17	350,000	142,232	207,768	59%
Water Regulatory Board Levies	18	6,500,000	6,944,606	-444,606	-7%
Finance Costs	19	200,000	235,941	-35,941	-18%
Total expenditure		207,356,616	176,214,596	32,178,135	
Surplus(Deficit) for the period			1,128,948		
Minor Investments		9,340,800	2,713,198	5,918,987	63%

NOTES:

1. Water charges reduced due to reduced consumption caused by change in demand patterns and various emergency measures employed by government to cope with the Covid-19 Pandemic eg closing of school and institutions which are our major consumers.
2. Reconnection fee charges were not achieved due to the government directive not to disconnect water due to the Covid 19 pandemic.
3. Surcharges/ Illegal connections was not achieved due to the directive of working from home and restrictions on movements.
4. Other income increased due to Conditional liquidity grant from WSTF to curb Covid 19 pandemic.
5. Administration cost variance was due to the pandemic and staff working from home hence incurring less than budgeted
6. Operations and maintenance cost variance of 40% is attributed by a grant given in the year and not fully utilized and also by the VAT 16% Written off.
7. Amortization of intangible assets is because we anticipated to fully implement and test a Sage Pastel software which was not so by the end of the year hence the over budgeting
8. Finance cost was caused by extra charges incurred due to the online viewing of company bank account status

9. Minor investments: Due to the reduction in revenue the Company was not able to procure all the budgeted assets in the financial year.

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KIRINYAGA
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18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kirinyaga Water and Sanitation Company is a Water Service Provider Company Limited by guarantee and incorporated under the Companies Act Cap 486 of the laws of Kenya. KIRIWASCO has been mandated through a Service Provision Agreement (SPA) to carry out water and sewerage services in both urban and rural areas of Kirinyaga County. The Company takes charge of public resources in order to provide quality, affordable, reliable, sustainable and portable water and sewerage services in the target community. KIRIWASCO is wholly owned by the County Government of Kirinyaga.

The principal activity of KIRIWASCO is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in Kirinyaga County and parts Mbeere.

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 in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

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

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-

KIRINYAGA WATER AND SANITATION COMPANY LTD
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Commercial entities, the pronouncements made by the board have no significant impact on the entity's financial statement as Kirinyaga Water and Sanitation Company has been preparing its financial statements in accordance to IFRS.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the entity has adopted the pronouncements made by the IPSAS board in preparation of its current year financial statements.

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognized in respect of most operating leases where the Company is the lessee.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2020, allow entities to measure pre payable financial assets with negative compensation at amortized cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2020, provide additional guidance on applying the acquisition method to particular types of business combination.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that all income tax consequences of dividends should be recognized when a liability to pay a dividend is recognized, and that these income tax consequences should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2019)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2020, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2019- Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2019, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- i) **Revenue from the sale of goods and services** is recognized in the year in which the **Company's** delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognized as it accrues.

v) Deferred Income-These relates to part of income that was paid as compensation by KeRRA to re-route pipeline to pave way for roads being constructed. Also conditional Liquidity grant from WSTF.

IAS 20-(Disclosure for Government Grant and Government Assistance) requires that government grants be recognized in the profit or loss on a systematic basis over the periods in which the entity recognizes expenses for the related costs for which the grants are intended to compensate.

According to the revenue recognition principle, the deferred income has been recorded as a liability in the balance sheet.

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

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment

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

Items of property, plant and equipment are stated at historical costs less accumulated depreciation.

Depreciation is charged on a reducing balance basis over the estimated useful lives of the asset. The annual rates of the depreciation used are as follows:

• Motor Vehicles/Cycles	25.0%
• Computer Equipment/Mobile phones	33.3%
• Furniture, Fittings and Office Equipment, Plant	12.5%
• Water Meters	20.0%
• Dozers	12.5%
• Bicycles, Water Kiosk	12.5%
• Office building	2.00%

(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.

Intangible assets relate to software applications and are amortized at the rate of 33.3%

(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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(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 estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted. The provision for doubtful debts is at 10% and is applied to water sales customer debtors only.

(h) Taxation

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

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

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

Current income tax relating to items recognized directly in net assets is recognized in net assets and

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

(i) Cash and cash equivalent

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

(j) 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.

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NOTES TO THE FINANCIAL STATEMENTS continued.....

(k) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2011. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1080/= per employee per month.

(l) Provision for staff leave pay

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

(m) Exchange rate differences

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

(n) Budget information

The original budget for FY 2020-2021 was approved by the Board of Directors on June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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NOTES TO THE FINANCIAL STATEMENTS continued.....

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under in the financial statements.

(o) Comparative figures

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

(p) 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, 2021.

(q) Risk Management

This section provides details of the Company's exposure to risks and describes the method used by the management to control risks. The most important type of financial risk to which the company is exposed are:-

(i) Credit risk

To manage the level of credit risk, the company focuses on customer satisfaction as a key performance indicator. It also maintains a short credit period.

Due to the nature of the company's activities credit risks concentrations are high and as such close monitoring of credit relationships is carried out.

(ii) Liquidity risk

Liquidity risk arises in the general funding of the company's activities and in the management of positions.

The company continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall company strategy.

(iii) Market risk

The company had no any interest bearing financial instrument or obligation as at the end of financial year and there was no significant currency risk as no foreign transaction ensued during the year.

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NOTES TO THE FINANCIAL STATEMENTS continued.....

(r) Incorporation

The Company is incorporated in Kenya under the Companies Act.

(s) Currency

The Financial Statements have been prepared using Kenya Shillings (KShs.)

(t) Related parties

The company is a limited company by guarantee established under the companies Act Cap 486 and licensed by Tana Water Services Board through a Service Provision Agreement (SPA).

The company is headed by the Board of directors and corporate management team.

Key Management Compensation

IAS 24 requires an entity to disclose key management personnel compensation in total and by

Category as defined in the standard.

	2019/2020	2020/2021
Management Salaries	9,185,000.00	12,170,000
Gratuity	2,878,350.00	2,976,000
Board Expenditure	6,796,615.93	6,949,856

Other Related Party Disclosures

	2019/2020	2020/2021
WASREB	6,098,926.80	6,944,606
WASPA	85,000.00	103,000
WARMA	2,619,314.00	5,448,522
WSTF- Funding	4,742,675.00	44,024,660
Government Salary	0	0

(u) Reserves

I. Capital reserves

Capital reserves represent net assets capitalized at the formation of the company and represent the book values of those assets.

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II. Revenue reserves

Revenue reserves represent the excess of the income over recurrent expenditure. This is as a result accumulation of surplus and deficits over the years.

III. Capital grants

G.O.K capital grants relates to Motor bikes and water meters donated by Tana Water Services Board and also an amount of subsidy on a loan given to the organization under the "Maji ni Maisha" World Bank funded project and also funds from Water Sector Trust Fund(WSTF) for various projects. Amortization on these grants is calculated on reducing balance basis on cost over the life of the asset.

5.SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 4

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The Company has estimated provision for bad debts at 10% of the closing receivables. The estimated provision for bad debts based on historical growth for the last 5 years in the amount of debtors.

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NOTES TO THE FINANCIAL STATEMENTS continued.....

2. (a) PROPERTY, PLANT & EQUIPMENT SCHEDULE

	Computers & Mobile Phones	Work in progress	furniture , plant & equipment	Motor Vehicle/ cycles	Water Meters	Office Building	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST							
AT 1 July 2019	7,148,179	54,191,381	4,523,430	7,823,645	38,942,444	17,889,477	130,518,556
Additions	474,000	4,947,294	81,630	0	4,539,288	0	10,042,212
At 30 June 2020	7,622,179	59,138,675	4,605,060	7,823,645	43,481,732	17,889,477	140,560,768
COST	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
AT 1 July 2020	7,622,179	58,202,849	4,605,060	7,823,645	43,481,732	17,889,477	139,624,942
Additions	871,000	12,528,518	0	0	1,842,198	0	15,241,716
Transfer to Intangible asset-WIP		1,399,122					1,399,122
At 30 June 2021	8,493,179	69,332,245	4,605,060	7,823,645	45,323,930	17,889,477	153,467,536
ACCUMULATED DEPRECIATION	Kshs		Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2019	5,096,231		3,301,348	7,005,764	28,467,229	2,201,645	46,072,217
Charge for the yr	841,141		162,964	204,470	3,002,901	313,757	4,525,233
At 30 June 2020	5,937,372	0	3,464,312	7,210,234	31,470,130	2,515,402	50,597,450
ACCUMULATED DEPRECIATION	Kshs		Kshs	Kshs	Kshs	Kshs	Kshs
At 30 June 2020	5,937,372	-	3,464,312	7,210,234	31,470,130	2,515,402	50,597,450
Charge for the yr	851,084		142,594	153,353	2,770,760	307,482	4,225,271
At 30 June 2021	6,788,456	0	3,606,906	7,363,587	34,240,890	2,822,884	54,822,721
NET BOOK VALUE							
At 30 June 2021	1,704,723	69,332,245	998,155	460,058	11,083,040	15,066,594	98,644,815
							0
At 30 June 2020	1,684,807	59,138,675	1,140,748	613,411	12,011,602	15,374,075	89,963,318

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NOTES TO THE FINANCIAL STATEMENTS continued.....

2. (b) INTAGIBLE ASSETS

COST	Intangible assets	Work In progress	Total
AT 1 July 2019	3,607,279		3,607,279
Additions	-		0
Transfer from PPE -WIP			0
At 30 June 2020	3,607,279		3,607,279
COST	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
AT 1 July 2020	3,607,279		3,607,279
Additions			0
Transfer from PPE -WIP		1,399,122	1,399,122
At 30 June 2021	3,607,279	1,399,122	5,006,401
Amortization for intangible assets	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
At 1 July 2019	2,966,913		2,966,913
Charge for the yr	213,242		213,242
At 30 June 2020	3,180,155	0	3,180,155
Amortization for intangible assets	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
At 1 July 2020	3,180,155		3,180,155
Charge for the yr	142,232		142,232
At 30 June 2021	3,322,387	0	3,322,387
NET BOOK VALUE			
At 30 June 2021	284,892	1,399,122	1,684,014
At 30 June 2020	427,124	0	427,124

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NOTES TO THE FINANCIAL STATEMENTS continued.....

3. WORK IN PROGRESS

Work in progress relates to an ongoing construction of Wang'uru Decentralized Treatment Facility not yet commissioned the UBSAP project and the accounting software.

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NOTES TO THE FINANCIAL STATEMENTS continued.....

		2020/2021	2019/2020
		KShs	KShs
4	Receivables		
	Trade receivables	142,731,801	135,325,590
	Less provisions for bad debts 10% of closing receivables	-14,273,180	-13,532,559
		128,458,621	121,793,031
	Staff Debtors	4,359,727	5,411,631
	BOD debtors	213,000	
	Salary Advances	1,134,473	1,127,805
	Staff loans	170,114	170,114
	Rental prepaid	56,000	56,000
	Co-op Bank(water supply)-Collateral for SPA	2,165,000	2,165,000
	Minimum tax	408,132	
	Inventory Take on	2	2
	Vat 16% control	0	2,568,971
		136,965,069	133,292,554
5	Inventories		
	Chemicals	898,925	1,026,731
	Motor Vehicle/Cycles Spares	207,365	120,944
	Meter Maintenance/Scrap	3,784,452	2,419,298
	Water Supply Rehabilitation	5,869,162	4,947,957
	Buildings Repair & Renovation	438,728	675,532
	Stationery	431,049	488,689
	Other inventories	0	-
	Uniform	0	-
	Cleaning materials	29,980	222,490
		11,659,661	9,901,641
6	Cash & Cash Equivalent		
	Savings Account (Cooperative Bank)	14,636,777	15,688,786
	Current Account (Cooperative Bank)	1,533,566	84,266
	Current Account (Equity Bank)	737,741	352,615
	CLSG Account (Equity bank)	10,067,722	
	DTF (Cooperative Bank)	2,711,343	3,388,078
	Current Account (Equity Bank-KERRA)	1,107,409	2,973,338
	Post bank	235,424	134,550
	K-Rep bank-Current	19,807	99,044
	Mpesa	469,221	527,800

Cash in hand	45,760	281,111
	31,564,770	23,529,611

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		2020/2021	2019/2020
		KShs	KShs
7	Customers Deposits		
	These relates to refundable deposits paid upon application of	37,012,470	33,325,620
	water provision by water sales customers		
8	Prepayments		
	Prepayments relates to debtors (water sales customers) with	3,112,562	2,123,211
	credit balances (overpayments)		
9 (a)	Creditors and Accruals		
	Trade Creditors	75,577,334	80,239,296
	Payroll deductions	20,897,812	22,988,820
	Accrued Interest		
	Gratuity	312,018	1,423,838
	Levies		
	Accrued leave allowances		-
	Purchases accrual	111,142	239,801
	2% withholding	4755	-
	Inventory Issue accrual	-	1
	Supplier taken on	8,004	-
		96,911,065	104,891,759
9 (b)	deferred income	17,331,317	8,262,545
9 (c)	Short term loan	147,518	147,518
9 (f)	Taxation	186,386	186,386
	This refers to a provision made in 2018/2019 for corporation Tax		

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NOTES TO THE FINANCIAL STATEMENTS continued.....

		2020/2021	2019/2020
		KShs	KShs
	INCOME(GROSS TURNOVER/SALES)		
10 a	Water Sales	150,874,825	143,489,220
10 b	Reconnection fee	728,600.00	1,531,500
10 c	GOK Grants	-	-
	Miscellaneous Income		
	Surcharges/Illegal connections	1,213,593	1,856,071
10 d	Other Income		
	Interest Earned	-	-
	Amortization of capital grants	308,575	386,403
	Sidian commission	-26,592	-32,546
	Post bank commission	-78,000	-77,415
	Exhauster services	82,000	
	KERRA	-	998,950
	RFB Project	2,797,300	1,466,900
	Accrued leave allowances written off	-	4,934,039
	Conditional Liquidity Grant	17,329,644	
	stock cost variance	-	1,086,072
		20,412,927	8,762,402
11	Tender Fee ,Sale of jericans, sale of firewood and capital works		
	Tender Fee/ Sale of jericans		-
	Sanitation Block fee charged	6,000	-
	Sale of firewood,old newspapers	600	-
	Capital works	4,107,000	3,793,850
	TOTAL INCOME	177,343,545	159,433,042.44
	EXPENDITURE		
12	PERSONNEL COSTS		
	Regular Salary	88,353,526	85,273,022
	Government Grants-Salary for the seconded staff	-	-
	Casual Wages	118,940	121,500
	Gratuity	2,976,000	2,878,350
	Staff bonus	881,000	679,019
	National industrial Training	93,900	94,900

	241,241	0
Mileage Allowance	92,664,607	89,046,791
TOTAL PERSONNEL COSTS		

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ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 202

NOTES TO THE FINANCIAL STATEMENTS continued.....

		2020/2021	2019/2020
		KShs	KShs
13	<u>DIRECTORS COSTS</u>		
	Board meetings & conferences	5,693,617	4,619,396
	Board Tour	166,400	1,361,180
	Other board Expenses	354,949	81,110
	Board insurance cover	734,890	734,930
	TOTAL DIRECTORS COSTS	6,949,856	6,796,616
14.a	<u>TRAINING EXPENSES</u>		
	Training Allowances(Capacity Building)	792,825	636,600.00
	Subscription fees	44,400	40,400.00
	Total training expenses	837,225	677,000.00
14.b	<u>ADMINISTRATION COSTS & STAFFS TRAINING</u>		
	Rental/leases	276,000	312,600
	Email & Internet Expenses	777,087	762,189
	Postage & Telegram Expenses	617,495	572,690
	Library expenses	127,380	57,600
	Telephone Expenses	1,358,098	1,740,421
	Insurance of Motor Vehicles & Other assets and Medical Cover	440,781	79,968
	Staff Medical Cover	6,237,779	6,196,248
	AGM expenses	-	890,040
	Stationery	970,861	687,340
	Public Relations	198,013	156,625
	Staff Welfare	750,980	1,242,562
	Staff Meetings	-	354,124
	Advertising and publicity	8,000	293,890
	Baseline survey	26,000	
	Travelling & Accommodation	3,232,514	3,935,241
	WSTF administration cost	165,255	638,876
	legal charges	626,203	949,151
	Debt collection	145,950	214,510
	Security Expenses	3,883,435	4,369,091
	Provision for Audit fees	464,000	464,000

Donation	2,002,000	
TOTAL ADMINISTRATIVE COSTS	22,307,831	23,917,166
TOTAL ADMINISTRATIVE & TRAINING EXPENSES COSTS	23,145,056	24,594,166

KIRINYAGA WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

NOTES TO THE FINANCIAL STATEMENTS continued.....

		2020/2021	2019/2020
		KShs	KShs
15. a	OPERATION COSTS		
	Computer Expenses	375,671	245,755
	Computer software maintenance	943,425	258,000
	Computer server maintenance	-	6,000
	Upgrading of LAN and maintenance of Website	18,500	83,550
	Uniforms	35,488	99,100
	Sports & games	162,600	1,837,567
	Electricity for productions	23,623	48,068
	Electricity for Lighting	530,870	739,421
	Water bill	1,200	600
	Maintenance of furniture and fittings	32,230	95,003
	Chemicals	2,890,687	4,088,559
	Transport fuels and diesel	4,375,880	3,217,073
	Subscription to Water Services Providers Association (WASPA)/NEMA/WRUA	103,000	85,000
	Water Permits and subscriptions (WARMA Levy)	5,448,522	2,619,314
	TOTAL OPERATION COSTS	14,941,696	13,423,010
15. b	MAINTENANCE COSTS		
	Transport operating expenses	1,419,102	1,431,359
	Transport hire and machinery	58,600	158,300
	Office Repairs, Painting & Renovation	240,283	370,367
	Maintenance of Meters		-
	Maintenance of plant equipment	8,000	142,540
	Cleaning Materials	1,428,786	406,484
	Pit Latrine	-	60,312
	Water supplies rehabilitation augmentation & maintenance works	11,747,190	11,048,171
	Rerouting of pipeline network	358,259	1,762,300
	Rerouting of pipeline network(KERRA)	4,052,248	998,950
	Rerouting of pipeline network(Mwea makima)	22,500	10,800
	Rerouting of pipeline network(KENHA)	490,000	
	Increase/(Decrease) in Provision for bad debts	770,621	1,050,093

VAT 16% Written off	6,369,742	
TOTAL MAINTENANCE COSTS	26,965,331	17,439,676
TOTAL OPERATION & MAINTENANCE COSTS	41,907,027	30,862,686

KIRINYAGA WATER AND SANITATION COMPANY LTD

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTES TO THE FINANCIAL STATEMENTS continued.....

		<u>2020/2021</u>	<u>2019/2020</u>
		KShs	KShs
16	Provision for Depreciation	4,225,271	4,525,233
17	Amortization of intangible assets	142,232	213,242
18	Water Regulatory Board Levies	6,944,606	6,098,927
19	<u>FINANCE COSTS</u>		
	Bank Charges	235,941	245,718
	Loan interest	-	-
	TOTAL FINANCE COSTS	235,941	245,718
20	<u>TAX</u>		
	Balance BF	186,386.00	186,386
21	Capital Reserves		
	Balance as at 1 July	43,587,914.00	43,587,914.00
	Addition		
	Balance as at 30 June	43,587,914.00	43,587,914.00
22	Capital Grants		
	Balance as at 1 July	62,559,688	58,203,416
	Addition –WSTF donation	16,627,294	4,742,675
	Amortization of capital grant	-308,575	-386,403
	Balance as at 30 June	78,878,407	62,559,688
23	Revenue Reserves		
	Balance as at 1 July	3,028,567	5,765,092
	Profit for the year	1,128,948	-2,950,335
	Prior year adjustment	129,000	213,810
	Balance as at 30 June	4,286,515	3,028,567

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APPENDIX 1: PROGRESS ON FOLLOW UP ON AUDITORS RECOMMENDATION

Key Audit Matters

1.0	Un Accounted For Water (UFW)	During the year under review, the Company produced 5,939,534 M ³ of water. However, out of this volume, only 2,412,518M ³ were billed to the customers. The Balance of 3,5275,016 M ³ or approximately 59% of the total water produced represented unaccounted for Water (URW) which is 34% over and above the allowable 25% in accordance with Water Services Regulatory Board Guidelines. The UFW of 59% may have resulted in loss of sales estimated at Ksh 208,117,287. The significant level of NRW may negatively impact on the company profitability and its long term sustainability.	<p>High NRW of 59%</p> <p>The Company has laid out strategies to control the NRW to Acceptable levels. These are such as:-</p> <ol style="list-style-type: none"> 1. The Company has formulated a NRW reduction Plan. The Company is also adopting the NRW management guidelines developed by WASREB 2. We are reviewing our Water tariffs to introduce stiff penalties to those caught taking water illegally. 3. Through the ADB Lot 1 Project, the Company will rehabilitate Ndia Water supply. Some of the dilapidated water infrastructure will be renewed. 4. Other proposal in place for rehabilitation are:- <ol style="list-style-type: none"> i) Reticulation System of Kerugoya Town ii) Reticulation System of Kutus Town iii) Reticulation System of Sagana Town iv) Reticulation System of Kagio Town v) Reticulation system of Kandongu Town
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KIRINYAGA WATER AND SANITATION COMPANY LTD
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APPENDIX 1: PROGRESS ON FOLLOW UP ON AUDITORS RECOMMENDATION
(Continued)

2.0	Non Compliance With the WASREB Regulations on personnel cost.	The statement of Comprehensive income reflects personnel cost balance of Ksh 79,382,593 for the year 30 th June 2018 or 52% of the total expenditure of Ksh 152,862,072 which is 12% higher than the recommended ratio of 40% in accordance with the WASREB guidelines. The excess personnel cost of Ksh 9,525,911 may negatively impact on the Company profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable levels.	<p>WASREB Regulations on personnel cost</p> <ol style="list-style-type: none"> 1. The Company has undertaken a staff work load analysis by restructuring the company organization structure and carrying out rightful staff placement. 2. The Company has also reduced the number of staffs from 172 to 157 No. so as to reduce the personnel cost as a percentage of Operation and Maintenance cost. 3. Through the restructuring process the Company has taken measures to improve the employee productivity. 4. The Key objectives of the restructuring were to introduce a strong NRW unit, create a room for proper segregation of duties and create good chain of commands.
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KIRINYAGA WATER AND SANITATION COMPANY LTD
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APPENDIX I1: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Kirinyaga Household Sanitation Project	01HS/TAWWDA/ KIRINYAGA/ KIRINYAGA/32 WAMUMU	Water Sector Trust Fund	9 MONTHS	Fully funded	Yes	Yes
Up-scaling Basic Sanitation for Urban poor-Construction of a Decentralized Treatment facility	01HS/TWSB/ KIRINYAGA/ KIRINYAGA/32 DTF	Water Sector Trust Fund	3 YEARS	Fully Funded	Yes	Yes
Conditional Liquidity Support Grant (CLSG)	WATER AND SANITATION DEVELOPMENT PROJECT: IDA NO. 6030-KE	Water Sector Trust Fund	6 MONTHS	Fully Funded	Yes	Yes

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Kirinyaga Households Sanitation Project	7,114,012.50	7,114,012.50	100%	7,114,012.50	7,114,012.50	WSTF
2	Wanguru DTF project	28,195,470	18,473,897.10	98%	28,195,470	18,473,897.10	WSTF

3	Conditional Liquidity Support Grant (CLSG)	33,398.916	23,324,426.10	70%	33,398.916	23,324,426.10	WSTF
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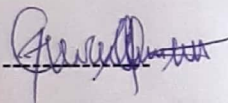
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APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		KIRINYAGA WATER AND SANITATION COMPANY		
Break down of Transfers				
FY 2020/2021				
a	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	WSTF	30/03/2021	33,398,916	2020/2021
	WSTF	03/11/2020	2,032,575	2020/2021
	WSTF	13/08/2020	8,593,169	2020/2021
	WSTF	15/11/2019	4,742,675.00	2019/2020
	WSTF	15/03/2018	10,284,050.00	2017/2018
	WSTF	18/06/2017	6,735,000.00	2016/2017
	WSTF	30/06/2015	8,777,250.00	2014/2015
		Total	74,563,635	

Finance Manager
KIRIWASCO

Sign



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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Water Sector Trust Fund	30/03/2021	Sanitation improvement	33,398,916	33,398,916	0	0	0	0	33,398,916
Water Sector Trust Fund	3/11/2020	Sanitation improvement	2,032,575	2,032,575	0	0	0	0	2,032,575
Water Sector Trust Fund	13/08/2020	Sanitation improvement	8,593,169	8,593,169	0	0	0	0	8,593,169
Total			44,024,660	44,024,660	0	0	0	0	44,024,660