



RUNDA WATER LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020

mazars

CONTENTS	PAGE
Company information	1
Report of the Directors	2
Statement of Directors' responsibilities	3
Report of the independent auditor	4 - 5
Financial statements	
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes	10 - 19



Board of directors

Christopher Kipkurui Sang
George Opondo Ooko
Nancy Muthoni Gichungwa
James Macharia Muiruri
Shabir Ahmed Bhatti
Patrick Nyamemba Tumbo

Company secretary

R R Vora
Certified Public Secretary
Riverside Drive
P.O. Box 48405 - 00100
Nairobi,
Kenya.

Registered office

L.R. No. 4275/121
Delta Riverside, Riverside Drive
P.O. Box 48405 - 00100
Nairobi,
Kenya.

Principal banker

NCBA Bank
Village Market Branch
P.O. Box 100 - 00621
Nairobi,
Kenya.

Independent auditor

Mazars,
Certified Public Accountants (K)
The Green House, 3rd Floor, Suite 8/9
P.O. Box 61120, 00200
Nairobi, Kenya
Tel: 254 020 3861175/76/79
Cell phone: 0722-440270/0734-440270
Email: contact@mazars.co.ke,
Website: www.mazars.co.ke



Runda Water Limited
Report of the Directors
For the year ended 31st December 2020

The Directors submit their report together with the audited financial statements for the year ended 31st December 2020, which disclose the state of affairs of the Company.

Principal activities

The principal activity of the Company is to supply water to the residents of Runda estates.

Business review and changes during the year

As per the current financial statements, the total revenue has decreased by approximately 5% in 2020 in comparison to 2019. The profit before tax decreased in the most part due to the following:

- a.) Increased rainfall during the year 2020 compared with year 2019.
- b.) Most construction sites were closed in March 2020.
- c.) Consumers travelled out of the country due to the COVID-19 during the period March-October 2020.
- d.) Our major water consumers closed the business in march 2020 lord errol , Potter House and The Bedelle .

The Directors expect the company's overall performance to improve in the year 2021 by:

- i.) Improving the water supply infrastructure through the Infrastructure Rehabilitation Project.
- ii.) Making our internal operations and supply more efficient through increased production.
- iii.) Purchase of additional water storage tanks to be used in supplying water by gravity.

There were no significant changes in the administration and establishment expenses.

Results and dividends

The profit after tax for the year of Kshs 7,145,341 (2019: Kshs 6,278,897) has been added to retained earnings. The Directors do not recommend the declaration of a dividend for the year.

Directors

The Directors who held office during the year and to the date of this report are set out on page 1.

Directors' benefits

Since the annual general meeting of the Company to the date of this report, no Director has received or become entitled to receive any benefit other than Director's fees.

The aggregate amount of emoluments for Directors' services in the financial year is disclosed in note 20(iii).

Statement as to disclosure to the Company auditor

Each of the persons, who was a Director at the time the report was approved confirms that:

- (a) there is, so far as the person is aware, no relevant audit information of which the Company's auditor is unaware;
- (b) the person has taken all the steps that the person ought to have taken as a Director so as to be aware of any relevant audit information to establish that the Company's auditor is aware of that information.

Auditor

Mazars CPA (Kenya) the Company's auditors have expressed the willingness to continue in office in accordance with the Section 717 of the Kenyan Companies Act No. 17 of 2015.

By order of the Board

Secretary

Y. May 2021



Runda Water Limited
Statement of Directors' responsibilities
For the year ended 31st December 2020

The Kenyan Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the Company maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

- i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company as at 31st December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenyan Companies Act.

The Directors are aware of matters affecting the Company, and confirm the Company will remain a going concern for at least the next twelve months from the date of this statement.

Approved by the Board of Directors on 4 May 2021 and signed on its behalf by:

.....
Designation: CHAIRMAN
Name: CHRISTOPHER SANG

.....
Designation: D.R. CEO
Name: GEORGE OJOK

Opinion

We have audited the accompanying financial statements of Runda Water Limited, set out on pages 6 to 19, which comprise the statement of financial position as at 31st December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the company as at 31st December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the Kenyan Companies Act 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

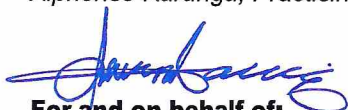
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
- iii) the company's balance sheet and profit and loss account are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Alphonse Karungu, Practising Certificate No 856.



For and on behalf of;
MAZARS
Certified Public Accountants
Nairobi

4 May **2021**



Statement of comprehensive income

	Note	2020 Kshs	2019 Kshs
Revenue	3	56,199,228	59,308,998
Cost of sales	4	<u>(24,092,788)</u>	<u>(27,222,791)</u>
Gross profit		32,106,440	32,086,207
Other income	5	<u>3,069,639</u>	<u>3,765,997</u>
		35,176,079	35,852,204
Administrative expenses	6	(21,136,961)	(16,687,650)
Establishment expenses	8	(8,347,911)	(7,432,509)
Finance costs	10	<u>(1,751,246)</u>	<u>(2,789,916)</u>
Profit before tax		3,939,961	8,942,129
Tax expense	11	<u>3,205,379</u>	<u>(2,663,233)</u>
Profit for the year		<u><u>7,145,341</u></u>	<u><u>6,278,896</u></u>




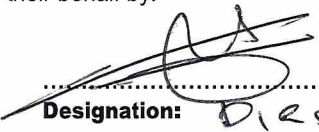
Runda Water Limited
Financial statements
For the year ended 31st December 2020

Statement of financial position

	Note	2020 Kshs	Restated 2019 Kshs
EQUITY			
Share capital	12	19,531,650	19,531,650
Retained earnings		<u>44,199,190</u>	<u>37,053,849</u>
Total equity		<u>63,730,840</u>	<u>56,585,499</u>
Contribution pending allotment	21	<u>40,160,210</u>	<u>19,435,912</u>
Non-current liabilities			
Borrowings (<i>Non current portion</i>)	13	<u>6,263,231</u>	<u>10,480,237</u>
		<u>110,154,281</u>	<u>86,501,648</u>
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	14	107,261,208	105,958,059
Deferred tax asset	15	<u>4,859,556</u>	<u>260,035</u>
		<u>112,120,764</u>	<u>106,218,094</u>
Current assets			
Inventory	16	1,016,245	1,016,245
Trade and other receivables	17	21,965,364	17,598,904
Current tax recoverable	11	2,626,161	-
Cash at bank and in hand	18	<u>7,006,375</u>	<u>2,417,242</u>
		<u>32,614,145</u>	<u>21,032,391</u>
Current liabilities			
Trade and other payables	19	29,975,069	31,366,576
Current tax payable	11	-	1,675,799
Borrowings (<i>current portion</i>)	13	<u>4,605,559</u>	<u>7,706,462</u>
		<u>34,580,628</u>	<u>40,748,837</u>
Net current liabilities		<u>(1,966,483)</u>	<u>(19,716,446)</u>
		<u>110,154,281</u>	<u>86,501,648</u>

The financial statements on pages 6 to 19 were approved for issue by the Board of Directors on
4 May 2021 and were signed on their behalf by:


.....
Designation: CHAIRMAN
Name: CHRISTOPHER SANG


.....
Designation: DIRECTOR
Name: GEORGE OOKO



Statement of changes in equity

		Share capital Kshs	Retained earnings Kshs	Total Kshs
At 1st January 2019		19,531,650	50,210,865	69,742,515
Prior year end adjustment	21		(19,435,912)	
Profit for the year		<u>-</u>	<u>6,278,896</u>	<u>6,278,896</u>
At 31st December 2019		<u>19,531,650</u>	<u>37,053,849</u>	<u>56,585,499</u>
At 1st January 2020		19,531,650	37,053,849	56,585,499
Profit for the year		<u>-</u>	<u>7,145,341</u>	<u>7,145,341</u>
At 31st December 2020		<u>19,531,650</u>	<u>44,199,190</u>	<u>63,730,840</u>



Runda Water Limited
Financial statements
For the year ended 31st December 2020

Statement of cashflows

	Note	2020 Kshs	2019 Kshs
Cash flows from operating activities			
Profit for the year		3,939,961	8,942,129
Adjustments for:			
Depreciation of property, plant and equipment	14	4,172,500	2,881,369
Interest expense	10	1,751,246	2,789,916
Changes in operating assets and liabilities:			
Increase in trade and other receivables	17	(4,366,460)	(3,531,330)
Decrease in inventory	16	-	-
(Decrease)/Increase in trade and other payables	19	<u>(1,391,507)</u>	<u>6,391,633</u>
Cash generated from operations		4,105,740	17,473,718
Interest paid	10	(1,751,246)	(2,789,916)
Income tax paid	11	<u>(5,696,102)</u>	<u>(552,945)</u>
Net cash generated from operating activities		<u>(3,341,608)</u>	<u>14,130,856</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	14	<u>(5,475,648)</u>	<u>(7,568,750)</u>
Net cash used in investing activities		<u>(5,475,648)</u>	<u>(7,568,750)</u>
Cash flows used in financing activities			
Contribution pending allotment	21	20,724,298	-
Repayments of borrowings	13	<u>(7,317,908)</u>	<u>(6,146,495)</u>
Net cash used in financing activities		<u>13,406,390</u>	<u>(6,146,495)</u>
Net movement in cash and cash equivalents		4,589,133	415,611
Cash and cash equivalents at 1st January		<u>2,417,242</u>	<u>2,001,631</u>
Cash and cash equivalents at 31st December	18	<u>7,006,375</u>	<u>2,417,242</u>



Notes to financial statements

1 General information

Runda Water Limited is domiciled in Kenya, where it is incorporated under the Kenyan Companies Act as a private Company limited by shares. The address of its registered office is L.R No. 4275/121 Riverside Drive, Nairobi. The principal activity of the Company is the supply of water to the residents of Runda estates.

2 Summary of significant accounting policies

a) Basis of preparation and summary of significant accounting policies

These financial statements have been prepared on a going concern basis in compliance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board. They are presented in Kenya Shillings (Kshs). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies.

b) New and revised standards

ii) Adoption of new and revised standards

There were new and amended standards and interpretations that became effective for the first time during the financial period and they have been adopted by the company where relevant to its operations. The adoption of these amendments had no material effect on the company's accounting policies or disclosures.

Definition of Material (Amendments to IAS 1 and IAS 8). On 31 October 2018, the IASB issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after 1 January 2020.

Amendments to References to the Conceptual Framework in IFRS Standards: Together with the revised 'Conceptual Framework' published in March 2018, the IASB also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'. The amendments are effective for annual periods beginning on or after 1 January 2020.

Definition of a Business (Amendments to IFRS 3) On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) On 26 September 2019, the IASB issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the IBOR reform could have on financial reporting. The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

Covid-19-Related Rent Concessions (Amendment to IFRS 16) On 28 May 2020, the IASB published 'Covid-19-Related Rent Concessions (Amendment to IFRS 16)' amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 June 2020.



2 Summary of significant accounting policies

c) Revenue recognition

Revenue from sale of water is recognised when the water is supplied to customers. Revenue from sale of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes collected on behalf of the government of Kenya.

Interest income is recognised on a time proportion basis using the effective interest method.

d) Share capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity.

e) Financial assets

Trade and other receivables are initially at the transaction price. Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

f) Income tax

Tax expense represents the aggregate amount included in profit or loss for the period in respect of current tax and deferred tax.

Current tax is the amount of income tax payable or refundable in respect of the taxable profit or loss for the current and prior periods, determined in accordance with the Kenyan Income Tax Act.

A deferred tax asset or liability is recognised for tax recoverable or payable as a result of past transactions or events. Deferred tax arises from differences (known as temporary differences) between the carrying amounts of assets and liabilities in the balance sheet and their corresponding tax bases, and the carry forward of unused tax losses. The tax bases of assets are determined by the consequences of sale of the assets.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which the directors expect the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

At each reporting date, deferred tax assets are reviewed and adjusted, if necessary, by a valuation allowance, so that the net carrying amount equals the highest amount that is more likely than not to be recovered, based on current or estimated future taxable profit. Any changes to the valuation allowance are recognised in 'tax expense'.



Notes (continued)

2. Summary of significant accounting policies (continued)

g) Property, plant and equipment

Items of property, plant and equipment, are measured at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold land is depreciated on a straight line basis over the lease period of 99 years. For all other assets, depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the reducing balance method. The following annual rates are used for the depreciation of property, plant and equipment:

	Rate - %
Buildings	5
Water works	20
Plant & machinery	12.5
Motor vehicles	25
Furniture & fittings	12.5
Office equipment	30

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new

On disposal, the difference between the net disposal proceeds and the carrying amount of the item sold is recognised in profit or loss.

h) Inventories

Inventories are stated at the lower of cost and selling price less costs to complete and sell. Cost is calculated using the first-in, first-out (FIFO) method.

i) Financial liabilities

Financial liabilities are initially recognised at the transaction price (including transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortized cost using the effective interest method.

j) Intangible asset

The intangible asset is purchased water billing software that is stated at cost less accumulated depreciation and any accumulated impairment losses. It is amortized over its estimated life of three years using the straight-line method. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

k) Employee benefits - post-employment benefits

The Company and the employees contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the Company's contributions are charged to profit or loss in the year to which they relate.



Runda Water Limited
Financial statements
For the year ended 31st December 2020

Notes (continued)

	2020	2019
	Kshs	Kshs
3 Revenue		
Sale of water	53,288,728	56,257,598
Meter protection and installation	234,500	405,000
Meter rent	2,676,000	2,646,400
	<u>56,199,228</u>	<u>59,308,998</u>
4 Cost of sales		
Water reticulation and treatment	6,464,819	10,787,788
Electricity	14,748,403	14,554,231
Fuel	438,251	436,708
Wages	392,150	248,500
Security expenses	129,500	105,000
Depreciation of property, plant and equipment	1,919,665	1,090,564
	<u>24,092,788</u>	<u>27,222,791</u>
5 Other income		
Account handling fees RA	2,400,000	2,932,349
Decrease in provision in bad and doubtful debts	-	205,327
Account handling fees Evergreen	669,638	628,321
	<u>3,069,639</u>	<u>3,765,997</u>
6 Administrative expenses		
Staff costs (Note 7)	16,113,070	12,219,391
Director's fees	480,000	200,000
Hire of meetings portal	1,231,700	-
Internet expenses	35,234	21,958
Discount allowed	6,444	19,268
Fines and penalties	154,883	19,590
Postage and telephone	168,722	133,453
Travelling and transport	95,522	86,677
Printing and stationery	154,096	183,447
Audit fees	272,334	272,334
Valuation fee	-	431,034
Legal fee	50,000	429,200
Other professional services	457,052	424,500
Motor vehicle expenses	82,640	306,849
Bank charges	386,669	459,748
Provision for bad debts	184,331	493,809
General expenses	1,264,264	986,392
	<u>21,136,961</u>	<u>16,687,650</u>



Notes (continued)

7 Staff costs

Salaries and wages	12,335,955	10,438,332
Staff uniform	19,881	142,835
Staff medical	1,160,784	201,389
Staff bonus	994,995	667,835
Pension	626,154	515,090
Other staff expenses	975,301	253,910
	<u>16,113,070</u>	<u>12,219,391</u>

8 Establishment expenses

Rent and rates	216,750	1,345,206
Repairs and maintenance	968,635	592,645
Water infrastructure expenditure	1,607,351	-
Drainage expenses	112,840	2,680
Insurance	364,511	366,755
Licenses and rates	2,824,986	3,334,419
Depreciation of property and equipment	1,384,325	922,282
Amortization of leasehold land	868,512	868,522
Total establishment expenses	<u>8,347,911</u>	<u>7,432,509</u>

9 Profit before tax

(a) Items charged

The following items have been recognised as expenses in determining profit before tax:

Employee benefits expense (Note 7)	12,335,955	10,438,332
Depreciation of property, plant and equipment	4,172,502	2,881,369
Auditors' remuneration	272,334	272,334
	<u>16,780,791</u>	<u>13,592,035</u>

(b) Employee benefits expense

The following items are included in employee benefits expense:

Post-employment benefits		
National Social Security Fund	<u>45,800</u>	<u>47,000</u>

10 Finance costs

Interest expense on bank loan	<u>1,751,246</u>	<u>2,789,916</u>
-------------------------------	------------------	------------------

11 Taxation

Statement of comprehensive income

Current tax	1,394,142	2,647,295
Deferred tax (Note 15)	(4,599,521)	15,939
Tax expense	<u>(3,205,379)</u>	<u>2,663,233</u>

The tax on the company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:



Runda Water Limited
Financial statements
For the year ended 31st December 2020

Notes (continued)

	2020	2019
	Kshs	Kshs
11 Taxation (continued)		
Profit before tax	3,939,961	8,942,129
Tax calculated at the statutory tax rate of 30%	984,990	2,682,639
Tax effect of:		
deferred tax	(4,599,521)	15,939
Income not subject to tax	(77,370)	(408,178)
Expenses not deductible for tax purposes	486,521	372,834
Tax expense	<u>(3,205,380)</u>	<u>2,663,234</u>
<i>Statement of financial position</i>		
Balance brought forward	1,675,799	(418,551)
Tax charge	1,394,142	2,647,295
	<u>3,069,941</u>	<u>2,228,744</u>
Withholding tax paid	(487,734)	-
Installment taxes paid	(2,441,470)	-
Prior year payments made	(2,766,898)	-
Provision for the year	-	(552,945)
	<u>(2,626,161)</u>	<u>1,675,799</u>
12 Share capital		
	No. of ordinary shares	Issued and paid up capital Kshs
At 1st January and 31st December 2020	<u>1,953,165</u>	<u>19,531,650</u>
At 1st January and 31st December 2019	<u>1,953,165</u>	<u>19,531,650</u>
The total number of authorized ordinary shares is 5,000,000 (2019: 5,000,000) with a par value of Shs 10 each.		
13 Borrowings		
<i>Non-current</i>		
Bank loan	<u>6,263,231</u>	<u>10,480,237</u>
<i>Current</i>		
Bank loan	<u>4,605,559</u>	<u>7,706,462</u>
Total borrowings	<u>10,868,790</u>	<u>18,186,699</u>

The bank loan facility is secured by Kshs 20 Million debenture of over all the assets of the company and a charge over L.R. No's 7785/794 and 7785/92. The loan was issued at a rate of 15%, 2 points below the base lending rate per annum, which has subsequently been reviewed in line with the Banking amendment Act (No 25 of 2016). The principal and interest together are repayable in equal monthly installments over 10 years from December 2012.

Notes (continued)

14 Property, plant and equipment	Leasehold land Kshs	Buildings Kshs	Water works Kshs	Plant & machinery Kshs	Motor vehicles Kshs	Furniture & fittings Kshs	Office equipment Kshs	Total Kshs
Cost								
At 1st January 2020	85,983,445	24,321,315	85,412,544	7,530,879	2,283,000	1,434,853	3,945,967	210,912,003
Additions	-	-	-	4,473,250	97,368	164,825	740,205	5,475,648
At 31st December 2020	85,983,445	24,321,315	85,412,544	12,004,129	2,380,368	1,599,678	4,686,172	216,387,651
At 1st January 2019	85,983,445	24,321,315	78,091,044	7,339,629	2,283,000	1,434,853	3,889,967	203,343,253
Additions	-	-	7,321,500	191,250	-	-	56,000	7,568,750
At 31st December 2019	85,983,445	24,321,315	85,412,544	7,530,879	2,283,000	1,434,853	3,945,967	210,912,003
Depreciation								
At 1st January 2020	6,892,237	10,475,256	75,814,175	4,927,864	2,044,087	1,032,769	3,767,555	104,953,944
Charge for the year	868,512	692,308	1,919,665	380,792	69,869	53,339	188,015	4,172,500
At 31st December 2020	7,760,749	11,167,564	77,733,840	5,308,656	2,113,956	1,086,108	3,955,570	109,126,444
At 1st January 2019	6,023,715	9,746,516	75,092,427	4,559,048	1,964,449	975,327	3,711,093	102,072,575
Charge for the year	868,522	728,740	721,748	368,816	79,638	57,442	56,462	2,881,369
At 31st December 2019	6,892,237	10,475,256	75,814,175	4,927,864	2,044,087	1,032,769	3,767,555	104,953,944
Net Book Value								
At 31st December 2020	78,222,696	13,153,751	7,678,704	6,695,473	266,412	513,569	730,602	107,261,208
At 31st December 2019	79,091,208	13,846,059	9,598,369	2,603,015	238,913	402,084	178,412	105,958,059



Notes (continued)

15 Deferred income tax

Deferred income tax is calculated using the tax rate of 25% (2019: 30%). The movement on the deferred income tax account is as follows:

	2020 Kshs	2019 Kshs
At 1st January	(260,035)	(275,974)
Charge to profit & loss account (Note 11)	<u>(4,599,521)</u>	<u>15,939</u>
Deferred tax liability (asset) at 31st December	<u><u>(4,859,556)</u></u>	<u><u>(260,035)</u></u>

Deferred tax assets and liabilities, deferred tax charge/(credit) in the profit and loss account are attributable to the following items:

	At 1st January 2020 Kshs	(Credited)/ charged to profit & loss Kshs	At 31st December 2020 Kshs
Year ended 31st December 2020			
Property, plant and equipment	(408,178)	(4,701,581)	(5,109,759)
Provisions	<u>148,143</u>	<u>102,060</u>	<u>250,203</u>
Net deferred tax asset	<u><u>(260,035)</u></u>	<u><u>(4,599,521)</u></u>	<u><u>(4,859,556)</u></u>
Year ended 31st December 2019			
Property, plant and equipment	(239,630)	(168,548)	(408,178)
Provisions	<u>(36,344)</u>	<u>184,487</u>	<u>148,143</u>
Net deferred tax asset	<u><u>(275,974)</u></u>	<u><u>15,939</u></u>	<u><u>(260,035)</u></u>



Runda Water Limited
Financial statements
For the year ended 31st December 2020

Notes (continued)

	2020	2019
	Kshs	Kshs
16 Inventories		
Raw materials	<u>1,016,245</u>	<u>1,016,245</u>
17 Trade and other receivables		
Due from Runda estate residents	14,079,835	14,021,828
Less: specific provision for bad debts	<u>(5,947,123)</u>	<u>(5,762,792)</u>
Net trade receivables	8,132,712	8,259,036
Due from Runda Association (Note 20(ii))	-	363,215
Deposits	217,246	217,246
Prepayments	316,017	88,664
Staff advances	12,416	19,299
VAT Recoverable	11,819,420	8,641,106
Other receivables	<u>1,467,552</u>	<u>10,339</u>
	<u>21,965,364</u>	<u>17,598,904</u>
<i>The movement on the provision for bad doubtful debts is as follows:</i>		
At 1st January	5,762,792	5,557,465
Net increase charged to profit and loss account	<u>184,331</u>	<u>205,327</u>
At 31st December	<u>5,947,123</u>	<u>5,762,792</u>
18 Cash and cash equivalents		
Cash at bank	6,929,085	2,385,042
Cash in hand	<u>77,290</u>	<u>32,200</u>
	<u>7,006,375</u>	<u>2,417,242</u>

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts

19 Trade and other payables

Trade payables	5,735,082	11,622,474
Payable to parent (Note 20(i))	13,183,035	9,789,099
Payroll liabilities	747,969	1,722
Excise duty	245,070	245,070
Accruals	272,334	-
Customer deposits	9,791,578	9,653,228
Other payables	<u>-</u>	<u>54,985</u>
	<u>29,975,069</u>	<u>31,366,576</u>

20 Related party transactions

The company's parent, which is also its ultimate controlling party, is Runda Association. Runda Association does not produce financial statements available for public use.

The following transactions were carried out with the parent:

	2020	2019
	Kshs	Kshs
i) Payable to parent (Note 19)		
Balance b/fwd	9,789,099	8,941,002
Change during the year	<u>3,393,937</u>	<u>848,097</u>
Payable to parent	<u>13,183,035</u>	<u>9,789,099</u>

The above balance relates to revenue collected on behalf of Runda Association .



Runda Water Limited
Financial statements
For the year ended 31st December 2020

Notes (continued)

20 Related party transactions (continued)

	2020	2019
	Kshs	Kshs
ii) Receivable from Parent (Note 17)		
Opening b/fwd	363,215	363,215
Account handling fees (Note 5)	2,400,000	2,932,349
Write off during the year	(363,215)	-
Receipts during the year	(2,400,000)	(2,932,349)
Utilization during the year	<u>-</u>	<u>-</u>
As at 31st December	<u>-</u>	<u>363,215</u>

iii) Key management compensation

Directors' fees	<u>480,000</u>	<u>200,000</u>
-----------------	----------------	----------------

21 Contribution pending allotment

As at start of year	19,435,912	19,435,912
Additions during the year	20,724,298	-
Balance as at end of year	<u>40,160,210</u>	<u>19,435,912</u>

22 Contingent liabilities and capital commitments

The company has a five years strategy for infrastructure development amounting to Kshs 66,960,000. The capital commitments as at 31 December 2020 amounted to Kshs 17,284,000.

There were no contingent liabilities as at 31 December 2020 (2019: Nil).

23 Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

24 Incorporation

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