



RUNDA WATER LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

mazars



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Board of directors

George Opondo Ooko
Christopher Kipkurui Sang
James Macharia Muiruri
Shabir Ahmed Bhatti
Eva Catherine Mumbi
Nancy Muthoni Gichungwa

Company secretary

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

Registered office

L.R. No. 4275/121
Village Market
P.O. Box 505 - 00621
Nairobi
Kenya

Principal banker

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

Independent auditor

Mazars LLP
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



The Directors submit their report together with the audited financial statements for the year ended 31st December 2023, 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 1% in 2023 in comparison to 2022. The profit before tax decreased in the most part due to the following:

a.) There were no major changes in 2023 but the company had a fair run.

The Directors expect the company's overall performance to improve in the year 2024 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 before tax for the year of Kshs 3,913,987.98 (2022: Kshs 20,800,848.96 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 LLP, CPA(K), the Company's auditor 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

16/04/2024



Runda Water Limited
Statement of Directors' responsibilities
For the year ended 31st December 2023

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 2023 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 16/04/2024 2024 and signed on its behalf by:


.....
Designation: *G. E. O. O. K. O.*
Name: *G E R E O O K O*


.....
Designation: *DIRECTOR*
Name: *S. A. BHATTI*

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 2023, 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 2023 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 LLP
Certified Public Accountants (K)
Nairobi

17 April

2024



Statement of comprehensive income

	Note	2023 Kshs	2022 Kshs
Revenue	3	84,918,388	84,997,940
Cost of sales	4	<u>(42,744,863)</u>	<u>(27,768,090)</u>
Gross profit		42,173,525	57,229,850
Other income	5	<u>730,352</u>	<u>746,245</u>
		42,903,877	57,976,095
Administrative expenses	6	(27,248,849)	(24,265,469)
Establishment expenses	8	(11,741,040)	(12,859,344)
Finance costs	10	<u>-</u>	<u>(50,433)</u>
Profit before tax		3,913,988	20,800,849
Tax credit (expense)	11	<u>(3,884,610)</u>	<u>(7,296,416)</u>
Profit after tax		<u>29,378</u>	<u>13,504,433</u>




Statement of financial position

	Note	2023 Kshs	2022 Kshs
EQUITY			
Share capital	12	19,531,650	19,531,650
Retained earnings		<u>56,057,565</u>	<u>56,028,187</u>
Total equity		<u>75,589,215</u>	<u>75,559,837</u>
Contribution pending allotment	21	<u>64,281,986</u>	<u>61,725,061</u>
Non-current liabilities			
Borrowings (<i>Non current portion</i>)	13	23,353,902	-
Deferred tax liability	15	<u>2,623,765</u>	<u>1,376,541</u>
		<u>165,848,868</u>	<u>138,661,439</u>
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	14	<u>178,182,336</u>	<u>129,188,079</u>
Current assets			
Inventory	16	1,016,245	1,016,245
Trade and other receivables	17	7,630,502	17,491,039
Cash at bank and in hand	18	1,997,340	3,817,393
Vat Recoverable		28,876,125	22,712,663
Current tax recoverable	11	<u>1,653,824</u>	<u>-</u>
		<u>41,174,036</u>	<u>45,037,340</u>
Current liabilities			
Trade and other payables	19	41,397,334	34,683,434
Current tax payable	11	-	880,547
Borrowings (<i>current portion</i>)	13	<u>12,110,170</u>	<u>-</u>
		<u>53,507,504</u>	<u>35,563,981</u>
Net current (Liability) /Asset		<u>(12,333,468)</u>	<u>9,473,359</u>
		<u>165,848,868</u>	<u>138,661,439</u>

The financial statements on pages 6 to 19 were approved for issue by the Board of Directors on
16/04/2024 and were signed on their behalf by:


.....
Designation: **CHAIRMAN**
Name: **GEORGE OOKO**


.....
Designation: **DIRECTOR**
Name: **S. A. BHATTI**



Statement of changes in equity

	Share capital Kshs	Retained earnings Kshs	Total Kshs
At 1st January 2022	19,531,650	42,523,754	62,055,404
Profit for the year	<u>-</u>	<u>13,504,433</u>	<u>13,504,433</u>
At 31st December 2022	<u>19,531,650</u>	<u>56,028,187</u>	<u>75,559,837</u>
At 1st January 2023	19,531,650	56,028,187	75,559,837
Profit for the year	<u>-</u>	<u>29,378</u>	<u>29,378</u>
At 31st December 2023	<u>19,531,650</u>	<u>56,057,565</u>	<u>75,589,215</u>

Statement of cashflows

	Note	2023 Kshs	2022 Kshs
Cash flows from operating activities			
Profit before tax		3,913,988	20,800,849
Adjustments for:			
Depreciation of property, plant and equipment	14	8,322,143	4,424,648
Interest expense	10	3,149,950	50,433
Changes in operating assets and liabilities:			
Decrease/(Increase) in trade and other receivables	17	9,860,537	(15,348,699)
Increase in VAT recoverable		(6,163,462)	-
Proceeds from borrowings	13	38,000,000	-
Principal loan repayment	10	(2,535,927)	(2,608,149)
Increase in trade and other payables	19	6,713,900	536,512
Cash generated from operations		61,261,129	7,855,594
Income tax paid	11	(5,171,757)	(3,006,604)
Net cash generated from operating activities		<u>56,089,372</u>	<u>4,848,990</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(57,316,401)	(25,730,636)
Net cash used in investing activities		<u>(57,316,401)</u>	<u>(25,730,636)</u>
Cash flows used in financing activities			
Contribution pending allotment	21	2,556,925	21,564,851
Interest expense	10	(3,149,950)	(50,433)
Net cash generated from/(used in) financing activities		<u>(593,025)</u>	<u>21,514,418</u>
Net movement in cash and cash equivalents		(1,820,054)	632,772
Cash and cash equivalents at 1st January		<u>3,817,393</u>	<u>3,184,621</u>
Cash and cash equivalents at 31st December	18	<u>1,997,340</u>	<u>3,817,393</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

Adoption of new and revised standards

Five Amendments to standards became effective for the first time in the financial year beginning 1st January 2022 and have been adopted by the Company. None of the Amendments has had an impact on the Company's financial statements. The following new and revised standards have become effective for the first time in the financial year beginning 1st January 2022:

Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020): The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1st January 2022.

Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020) The amendments, applicable to annual periods beginning on or after 1st January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or

Amendment to IFRS 1 titled Subsidiary as a First-time Adopter (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020) The amendment, applicable to annual periods beginning on or after 1st January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.

Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (issued in May 2020) as part of the Annual Improvements to IFRS Standards 2018-2020) The amendment, applicable to annual periods beginning on or after 1st January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020) The amendment, applicable to annual periods beginning on or after 1st January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

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.

Notes (continued)

	2023 Kshs	2022 Kshs
3 Revenue		
Sale of water	81,752,788	82,034,340
Meter protection and installation	405,000	243,000
Standing charges	2,760,600	2,720,600
	84,918,388	84,997,940
4 Cost of sales		
Water reticulation and treatment	14,946,604	9,731,493
Electricity	21,354,044	15,717,961
Generator Fuel	1,690,054	458,383
Wages	278,424	341,750
Security expenses	90,000	90,000
Depreciation of property, plant and equipment	4,385,737	1,428,504
	42,744,863	27,768,090
5 Other income		
Account handling fees Evergreen	730,352	746,245
	730,352	746,245
6 Administrative expenses		
Staff costs (Note 7)	20,050,491	19,191,758
Director's fees	480,000	460,000
Internet expenses	391,206	229,627
Discount allowed	17,889	145,685
Postage and telephone	138,445	141,000
Travelling and transport	590,867	464,905
Printing and stationery	237,951	310,683
Audit fees	400,000	315,000
Environmental audit fees	-	58,000
Legal fee	270,000	-
Other professional services	1,141,760	589,406
Motor vehicle expenses	1,014,178	634,589
Bank charges	347,794	341,504
Provision for bad debts	560,177	-
Newspaper & Journals	35,640	35,430
Office tea & Cleaning	1,262,451	1,122,883
Subscription - 'Water Services Providers Association	310,000	225,000
	27,248,849	24,265,469
7 Staff costs		
Salaries and wages	16,362,206	14,671,468
Staff uniform	102,027	87,608
Staff medical	1,215,941	1,477,758
Staff bonus	1,127,518	1,025,017
Pension	809,185	736,248
Staff training	89,600	90,000
Other staff expenses	344,014	1,103,658
	20,050,491	19,191,758

Notes (continued)

8 Establishment expenses

Rent and rates	294,664	204,750
Repairs and maintenance	1,127,307	5,056,108
Drainage expenses	41,800	11,200
Insurance	768,339	730,401
Licenses and rates	5,572,523	3,860,742
Depreciation of property and equipment	3,067,895	2,127,632
Amortization of leasehold land	868,512	868,512
Total establishment expenses	<u>11,741,040</u>	<u>12,859,344</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)	16,362,206	14,671,468
Depreciation of property, plant and equipment	8,322,144	4,424,648
Auditors' remuneration	400,000	315,000
	<u>25,084,350</u>	<u>19,411,116</u>

(b) Employee benefits expense

The following items are included in employee benefits expense:

Post-employment benefits		
National Social Security Fund	267,172	63,900
	<u>267,172</u>	<u>63,900</u>

10 Finance costs

Loan Interest	3,149,950	50,433
Capitalised interest expense (on purchase of land)	(3,149,950)	-
Interest expense on bank loan	<u>-</u>	<u>50,433</u>

11 Taxation

Statement of comprehensive income

Current tax	2,637,386	5,489,906
Deferred tax (Note 15)	1,247,224	1,806,510
Tax expense	<u>3,884,610</u>	<u>7,296,416</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:

NOTES (CONTINUED)

	2023 Kshs	2022 Kshs
11 Taxation (continued)		
Profit before tax	3,913,988	20,800,849
Tax calculated at the statutory tax rate of 30%	1,174,196	6,240,255
Tax effect of:		
Excess depreciation over wear and tear	1,215,110	(34,065)
Provision for doubtful debts	168,053	(716,284)
Pension addback	80,027	-
Tax expense	2,637,386	5,489,906
<i>Statement of financial position</i>		
Balance brought forward	880,547	(1,602,755)
Tax charge	2,637,386	5,489,906
Taxes paid	(5,171,757)	(3,006,604)
	(1,653,824)	880,547
12 Share capital	No. of ordinary shares	Issued and paid up capital Kshs
At 1st January and 31st December 2023	1,953,165	19,531,650
At 1st January and 31st December 2022	1,953,165	19,531,650
The total number of authorized ordinary shares is 5,000,000 (2022: 5,000,000) with a par value of Shs 10 each.		
13 Borrowings		
Non -current		
Bank loan	23,353,902	-
Current		
Bank loan	12,110,170	-
Total borrowings	35,464,072	-
Opening balance	-	2,608,149
Proceeds from borrowings	38,000,000	-
Loan Repayment	(2,535,927)	(2,608,149)
	35,464,073	-

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 2023	85,983,445	30,218,483	102,515,519	16,641,278	2,493,213	1,734,160	7,462,974	247,049,071
Additions	54,657,000	643,103	758,997	807,455	-	-	449,845	57,316,401
At 31st December 2023	140,640,445	30,861,586	103,274,516	17,448,733	2,493,213	1,734,160	7,912,819	304,365,472
At 1st January 2022	85,983,445	26,697,945	86,429,044	12,004,129	2,493,213	1,661,746	6,048,914	221,318,436
Additions	-	3,520,538	16,086,475	4,637,149	-	72,414	1,414,060	25,730,636
At 31st December 2022	85,983,445	30,218,483	102,515,519	16,641,278	2,493,213	1,734,160	7,462,974	247,049,071
Depreciation								
At 1st January 2023	9,497,773	12,469,560	80,715,022	6,923,956	2,262,250	1,216,122	4,776,309	117,860,993
Charge for the year	868,512	891,697	4,385,737	1,236,458	57,744	64,752	817,244	8,322,143
At 31st December 2023	10,366,285	13,361,257	85,100,759	8,160,414	2,319,994	1,280,874	5,593,553	126,183,136
At 1st January 2022	8,629,261	11,825,260	79,286,518	6,145,836	2,185,258	1,151,600	4,212,611	113,436,345
Charge for the year	868,512	644,300	1,428,504	778,120	76,992	64,522	563,698	4,424,648
At 31st December 2022	9,497,773	12,469,560	80,715,022	6,923,956	2,262,250	1,216,122	4,776,309	117,860,993
Net Book Value								
At 31st December 2023	130,274,160	17,500,329	18,173,757	9,288,319	173,219	453,286	2,319,266	178,182,336
At 31st December 2022	76,485,672	17,748,923	21,800,497	9,717,322	230,963	518,038	2,686,665	129,188,079

NOTES (CONTINUED)

15 Deferred income tax

Deferred income tax is calculated using the tax rate of 30% (2022: 30%). The movement on the deferred income tax account is as follows:

	2023 Kshs	2022 Kshs
At 1st January	1,376,541	(429,969)
Charge to profit & loss account (Note 11)	<u>1,247,224</u>	<u>1,806,510</u>
Deferred tax liability (asset) at 31st December	<u><u>2,623,765</u></u>	<u><u>1,376,541</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 2023 Kshs	(Credited)/ charged to profit & loss Kshs	At 31st December 2023 Kshs
Year ended 31st December 2023			
Property, plant and equipment	(5,109,759)	687,047	(4,422,712)
Provision for doubtful debts	716,284	560,177	1,276,461
Other provisions	<u>5,770,016</u>	<u>-</u>	<u>5,770,016</u>
Net deferred tax asset	<u><u>1,376,541</u></u>	<u><u>1,247,224</u></u>	<u><u>2,623,765</u></u>
	At 1st January 2022 Kshs	(Credited)/ charged to profit & loss Kshs	At 31st December 2021 Kshs
Year ended 31st December 2022			
Property, plant and equipment	(5,109,759)		(5,109,759)
Provisions	<u>4,679,790</u>	<u>1,806,510</u>	<u>6,486,300</u>
Net deferred tax asset	<u><u>(429,969)</u></u>	<u><u>1,806,510</u></u>	<u><u>1,376,541</u></u>

NOTES (CONTINUED)

	2023	2022
	Kshs	Kshs
16 Inventories		
Raw materials	1,016,245	1,016,245
17 Trade and other receivables		
Due from Runda estate residents	15,300,136	15,860,871
Less: specific provision for bad debts	(8,894,913)	(8,334,736)
Net trade receivables	6,405,223	7,526,135
Due from Runda Association (Note 20(ii))	363,215	363,215
Deposits	217,246	9,017,246
Prepayments	449,261	415,385
Staff advances	11,666	11,666
Other receivables	183,891	157,392
	<u>7,630,502</u>	<u>17,491,039</u>
<i>The movement on the provision for bad doubtful debts is as follows:</i>		
At 1st January	8,334,736	8,334,736
Net (decrease)/increase charged to profit and loss account	560,177	-
At 31st December	<u>8,894,913</u>	<u>8,334,736</u>
VAT Recoverable	<u>28,876,125</u>	<u>22,712,663</u>
18 Cash and cash equivalents		
Cash at bank	1,808,796	3,683,444
Cash in hand	188,544	133,949
	<u>1,997,340</u>	<u>3,817,393</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	3,704,609	3,320,878
Payable to parent (Note 20(i))	24,414,094	18,469,883
Payroll liabilities	1,682,021	1,682,024
Excise duty	245,070	245,070
Accruals	883,960	720,000
Customer deposits	10,467,580	10,245,578
	<u>41,397,334</u>	<u>34,683,434</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:

	2023	2022
	Kshs	Kshs
i) Payable to parent (Note 19)		
Balance b/fwd	18,469,883	13,183,035
Change during the year	5,944,210	5,286,848
Payable to parent	<u>24,414,094</u>	<u>18,469,883</u>

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

20 Related party transactions (continued)	2023 Kshs	2022 Kshs
ii) Receivable from Parent (Note 17)		
As at 31st December	<u>363,215</u>	<u>363,215</u>
iii) Key management compensation		
Directors' fees	<u>480,000</u>	<u>460,000</u>
21 Contribution pending allotment		
As at start of year	61,725,061	40,160,210
Additions during the year	2,556,925	21,564,851
Balance as at end of year	<u>64,281,986</u>	<u>61,725,061</u>

22 Contingent liabilities and capital commitments

The company has a five years strategy for infrastructure development amounting to Kshs 66,960,000.

Contingent liabilities

In 2023, Kenya Revenue Authority ("KRA") carried out a tax audit, and issued a preliminary assessment of approximately Shs 35 Million. The amount has not been disclosed as a contingent liability because management's review of records the tax assessment crystallising is remote.

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.