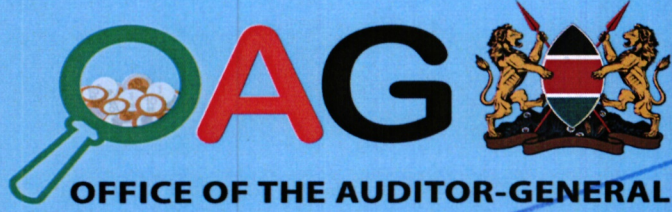


REPUBLIC OF KENYA

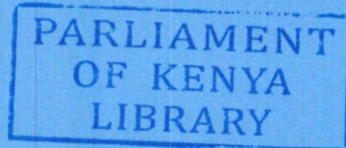


Enhancing Accountability

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REPORT

OF



THE AUDITOR-GENERAL

ON

**LIMURU WATER AND SEWERAGE
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**

2



LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

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LIMURU WATER AND SEWERAGE COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

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LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

KEY ENTITY INFORMATION

Background information

Limuru Water and Sewerage Company Limited was incorporated on 13th March 2006 under the Companies Act (Cap. 486) and is one of the agents appointed by the Athi Water Services Board (AWSB). The Company is responsible for the efficient and economical provision of water and sewerage services.

The Company is registered as a Private Company Limited by Shares. The Company is wholly owned by County Government of Kiambu and is Governed by a memorandum and articles of Association.

Principal Activities

The principal activity of Limuru Water and Sewerage Company is to ensure efficient and effective provision of water and sewerage services in our area of jurisdiction. The mandate and objective of Limuru Water and Sewerage Company is enshrined in the memorandum and articles of association. The principal objective of the company is to carry out the business of water and sewerage services provision within the area under its Jurisdiction as provided for in the Service Provision Agreement with Athi Water Services Board.

Directors

The directors who served the entity during the period were as follows

1. Prof Stephen Gichuki Njuguna	Chairman of the Board
2. Jennifer Kanini Musyoki	Appointed on 14 th February 2022
3. Joseph Ng'ang'a Mbugua	Appointed on 14 th February 2022
4. Dennis Mwaura Njung'e	Appointed on 14 th February 2022
5. Peter Mbugua Kimani	Appointed on 14 th February 2022
6. Eliud Githiga Muchiri	Appointed on 14 th February 2022
7. Michael Kang'ethe	Appointed on 14 th February 2022
8. Prof. Eng. Bernard Njoroge	Left on 14 th February 2022
9. James Gitau Muriuki	Left on 14 th February 2022
10. Samuel Gatama	Left on 14 th February 2022
11. Eng. Andrew Muigai	Left on 14 th February 2022
12. Emma Waithira Ng'ang'a	Left on 14 th February 2022
13. Ndung'u Wa Munywe	Left on 14 th February 2022
14. Dominic Gachanja	Left on 14 th February 2022
15. Bishop Solomon Waweru	Left on 14 th February 2022
16. Margaret Waruguru Maina	Managing Director
17. Josphine Waceke Muritu	Company Secretary

Corporate Secretary

Ms Josphine Waceke Muritu
P.O Box 2344 -00900
KIAMBU

Registered Office

Maji Center Limuru
P.O Box 1286 -00217
LIMURU

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Corporate Headquarters

Maji Centre Building
Hospital Road
P.O. Box 1286-00217
Limuru, Kenya

Corporate Contacts

P.O. Box 1286-00217
Maji Centre Building
Hospital Road
Limuru, KENYA

Telephone: (254) 725054212

E-mail: liwaseco@yahoo.com
info@limuruwater.go.ke

Website: www.limuruwater.go.ke

Corporate Bankers

Kenya Commercial Bank
Limuru Branch
P.O Box 933 - 00217
Limuru

Post Bank- Kiambu branch
Head Office
P.O. Box 30311-0100
Nairobi, Kenya

Safaricom M-Pesa money transfer service
Pay Bill No. 895900

Independent Auditors



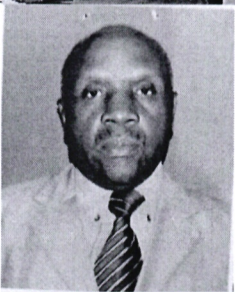

Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

Principal Legal Advisers

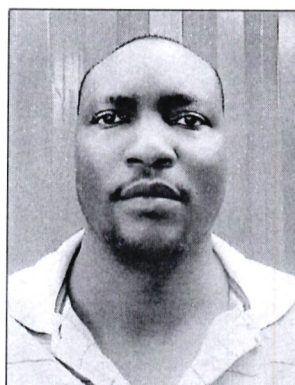
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

THE BOARD OF DIRECTORS

	<p> 1. Name: Prof Steven Njuguna 2. Position: Director 3. DoA : 14th February 2022 4. Date of Birth 12/09/1950 5. Qualification: Phd, Msc, Bsc (1st Class Hons) Environmental Science, Diploma in Education 6. Work Experience: Kenyatta University, Faculty of Environmental Studies </p>
	<p> 1. Name: Jennifer Kanini Musyoka 2. Position: Chief Officer, Water and Sanitation 3. DoA: 29th July 2020 4. Date of Birth 29/07/1984 5. Qualification: MBA (Strategic Management); BSc Civil Engineering 6. Work Experience: Previously worked as a Water & Sanitation Engineer in planning and design of urban and rural water and sanitation infrastructure; formulating national and county government water and sanitation policies, strategies and plans; conducting out technical assessments, socio-economic studies and surveys with H.P. Gauff Ingenieure, GIZ International Water Stewardship programme and Authentic Living Int. Co. Ltd. Currently working as the Chief Officer in the Department of Water, Environment, Energy and Natural Resources. </p>
	<p> 1. Name: Joseph Ng'ang'a Mbugua 2. Position: Chairman Technical Committee 3. DoA : 14th February 2022 4. Date of Birth -3rd January 1947 5. Qualification: Motor and plant mechanic Grade III 6. Work Experience: Over 30years experience in the airline industry. </p>
	<p> 1. Name: Dennis Mwaura Njung'e 2. Position: Chairman-Finance and Administration Committee 3. DoA : 14th February 2022 4. Qualification: Msc. Policy & Management, Water Science, Oxford University- (U.K); B.Sc. Environmental planning and Management (Kenyatta University) 5. Work Experience: Groots Kenya - Monitoring, Evaluation, Research and Learning Manager; Louis Dreyfus Company, Kenya Big Five Africa Limited – Social/ Organizational Development consultant. Practical Action East Africa-WASH Business developer and strategic planner </p>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022



1. Name: Peter Mbugua Kimani
2. Position: Chairman Audit Committee
3. DoA: 14th February 2022
4. Date of Birth: 27 November 1982
5. Qualification: Diploma in Analytical Chemistry – Kabete Technical Training Institute
6. Work Experience: Brookside Distributor, Managing Director at Lakenya homes, **Inventory** Management Consultant, **Inventory** manager at Tusker Mattresses Limited, **Quality** assurance supervisor at Twiga Chemical Limited



1. Name: Eliud Githiga Muchiri
2. Position: Representing Chief Officer Finance
3. DoA: 14th February 2022
4. Qualification: Msc. Arts in Economics (UON), Certified Public Accountant (KASNEB), Bsc. Of Arts (Economics)-UON.
5. Work Experience: Head of Financial Reporting Unit – County Government of Kiambu, Assistant Director- trade services, Assistant Director-Accounting services County government of Kiambu, Portfolio Manager- SBM Bank, Credit Officer – Co-operative Bank K Ltd.



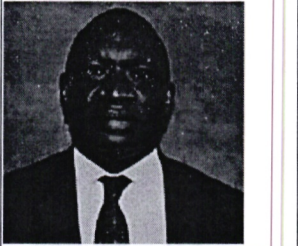

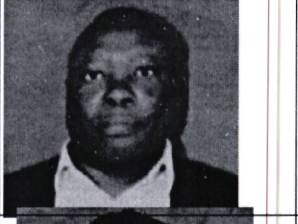



1. Name: Michael Kang'ethe
2. Position: Representing Chief Officer Administration.
3. DoA: 14th February 2022
4. Date of Birth: 1st September 1969
5. Qualification: Holder of Master's Degree in Counselling Psychology (2012)- Kenyatta University.
 Bachelor of Arts degree (1996) Kenyatta University.
 Post Graduate Diploma in Education (2003) (Egerton University).
6. Work Experience: 10 years' experience in teaching in public and private secondary schools.
 -16 years' experience in Public Administration as Assistant County Commissioner and County Director in the Department of Administration. Currently Director Alcoholic Drinks Control, Kiambu County.



1. Name: Prof. Eng. Bernard Njoroge
2. Position: Chairman
3. DoA: 2018
4. Date of Birth: 1956
5. Qualification: Ph.D Duke University (U.S.A); M.Sc. New Castle Upon Tyne (U.K); B.Sc.(U.O.N.), Civil Engineering Eng.; M.I.E.K.
6. Work Experience: DVC Finance University of Nairobi, U.O.N Professor Faculty of Engineering from year 2002

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022




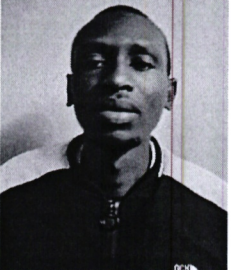
	<p>1. Name: Mr. James Gitau Muriuki 2. Position: Chairman Finance Committee 3. DoA: 2018 4. Date of Birth 1956 5. Qualification: Bachelor of Science in Chemistry/Biochemistry, Msc. Environmental Health Engineering Sector: Representative of Water Consumers 6. Work Experience: Ministry of Water and Irrigation, Technical Consultant on Water and Waste water Treatment and Quality Analysis; Environmental Audits, Environmental Impact Assessments (EIA).</p>
	<p>1. Name: Samuel Gatama 2. Position: Director 3. DoA: 2018 4. Date of Birth 1953 5. Qualification: Business man, S 1 Teacher 6. Work Experience: Retired teacher over 30Years Experience</p>
	<p>1. Name: Eng. Andrew Muigai 2. Position: Director 3. DoA: 2018 4. Date of Birth 10/01/1964 5. Qualification: Bsc Civil Engineering UON 6. Work Experience: Director Kenya Industrial Research and Development Institute Entrepreneur Engineer and Management Consultant</p>
	<p>1. Name: Emma Waithera Ng'ang'a 2. Position: Chair Person Human Resource Committee 3. DoA: 2018 4. Date of Birth 01/01/1957 5. Qualification: Msc Corporate Entrepreneurship 6. Work Experience: 40 years' experience in Business and Marketing</p>
	<p>1. Name: Ndung'u Wa Munywe 2. Position: Director 3. DoA : 2018 4. Qualification: Bachelor of Arts, Advanced Public Administration 5. Work Experience: Worked with UON as Senior Administration Assistant. Ministry of Water and Ministry of Commerce</p>
	<p>1. Name: Dominic Gachanja 2. Position: Chairman Audit Committee 3. DoA: 2018 4. Date of Birth 31/01/1955 5. Qualification: Doctor in Pharmacy 6. Work Experience: Businessman Thika, Board Member Land Control Board</p>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

	<p> 1. Name: Bishop Solomon Waweru 2. Position: Director 3. DoA : 2018 4. Date of Birth 15/08/1950 5. Qualification: Retired Public Officer 6. Work Experience: Bishop of A Church- Representative of NGOs </p>
	<p> 1. Name: Josphine W. Muritu 2. Position: Company Secretary 3. DoA: 2018 4. Date of Birth 10/01/1974 5. Qualification: LLB (UoN), Member of ICS 6. Work Experience: Worked with Kiambu County Government Senior Legal Counsel, Assistant Director (Quality Assurance, compliance and Accreditation), Assistant Commission Secretary (Legal Affairs), Assistant Counsel Mwaniki & Company Advocates, Counsel Musyimi & Company Advocates </p>
	<p> Managing Director Professional Qualifications: -Water Chemist-MSc. Public health (Kenyatta University) Continuing. -Bachelor of philosophy Applied Biology (Technical University). -Member of IOD(K) -Full member KIM Experience: 28yrs experience in water sector i.e., Min. of water, NWSC, AWSB and Limuru water & sewerage company. </p>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

MANAGEMENT TEAM

<p>1.Margaret W Maina</p> 	<p>Managing Director Professional Qualifications: -Water Chemist-MSc. Public health (Kenyatta University) Continuing. -Bachelor of philosophy Applied Biology (Technical University). -Member of IOD(K) -Full member KIM Experience: 28yrs experience in water sector i.e., Min. of water, NWSC, AWSB and Limuru water & sewerage company.</p>
<p>Josphine W. Murtu</p> 	<p>1.Position: Company Secretary 2: DoA: 2018 3. Date of Birth 10/01/1974 4.Qualification: LLB (UoN), Member of ICS 5.Work Experience: Worked with Kiambu County Government Senior Legal Counsel, Assistant Director (Quality Assurance, compliance and Accreditation), Assistant Commission Secretary (Legal Affairs), Assistant Counsel Mwaniki & Company Advocates, Counsel Musyimi & Company Advocates</p>
<p>2.Joseph M Kyule</p> 	<p>Technical Manager Professional Qualifications: Diploma-Water Technology (KEWI) Academic Qualifications: A-Level-Kenyatta High School Mwatate Experience: 25yrs Experience in water sector in different institutions i.e., Ministry of Water, AWSB NWSC, Limuru water & Sewerage Ltd.</p>
<p>Mary Mbugua</p> 	<p>Finance & Administration Manager Professional Qualifications: -MBA (UON), BA(KEMU) and is a CPA(K) Experience: 7 years' experience in insurance Industry 10 years' experience in the water sector</p>
<p>4.Nicholas Wainaina</p> 	<p>Commercial Manager Professional Qualifications: -Bachelor of Business Management -BBM Finance & Banking Option Second Class Honours Upper Division-Moi University. -CPA(K) Experience: 10 Years' experience in Limuru Water & Sewerage Co. Ltd In various positions.</p>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

CHARIMAN'S STATMENT

1. INTRODUCTION

It gives me pleasure to present to you the financial report for the year ending 30th June 2022. During the financial year the company celebrated 16 years since inception. The company has over the years provided safe, reliable and affordable water to our customers, we serve all areas in Limuru sub-county and part of Lari sub-county which is an area of 286km² with a total population of 280,000. The company is divided in four administrative schemes namely; Limuru, Bathi, Uplands and Thigio. We have partnered with some community water projects, Bibirioni and Kamirithu through a third-party service provision agreement to supply water in our area of jurisdiction and increase in coverage.

2. PERFORMANCE

During the year ended 30th June 202 the company focused on key objectives as stated in the strategic plan which include; increased coverage, financial sustainability, operational sustainability and customer satisfaction. The company registered some positive growth in customer base, revenue collection, billing, operational stability, good governance among others although with some short coming here and there.

The company's total revenue increased by Kshs 73,688,412 from Kshs122,472,485 in the previous year to Kshs 196,160,898. This increase is attributed to increase in water billing as a result of operationalization of our Tigoni project and Loromo boreholes, the Company also received grant from Water Sector Trust Fund and the County Government of Kiambu The operational cost increased by Kshs 28,146,627 from Kshs 141,583,462 to Kshs 169,730,089 this resulted to a profit of Kshs 26,430,808.

The company's operations were challenged by;

- high production cost due to electricity bills
- High operational cost where tariff review was expected to mitigate this as the company is still operating under 2010 approved regular tariff by WASREB
- Slow pace of completion of development projects like Tigoni project, Roromo borehole and Ndeiya pipeline which were supposed to generate more revenue
- Impact of Covid -19 which led to many of our customers not able to pay for water bills

However, some of the above challenges are being addressed through our limited company capacity and by partnering with other stakeholders such as County Government of Kiambu and Athi Water Works Development Agency.

3. APPRECIATION

As the Chairman of the Board, I am committed to providing leadership that espouses principles of good governance. On behalf of the Board and Management, I wish to express our appreciation to shareholders, development partners and our customers for their support during the period. Our development partners are The World Bank who drilled and equipped our Roromo boreholes, the Ministry of Water Environment and Natural Resources who helped in laying our Ndeiya pipeline through Athi Water Development Agencies and African Development Bank who are undertaking our sewerage project through the Kenya Towns Sustainable Water Supply and Sanitation Program project. I also thank the Management and all employees who have continued to work diligently and exhibited resilience in challenging times. Lastly, I thank my fellow Board members and urge them to work zealously in the best interest of the Company.


Board Chairman

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

REPORT OF THE MANAGING DIRECTOR

1.INTRODUCTION

I am pleased to present to you the financial report for the year ending 30th June 2022. Our role as a water services provider is to provide water and sewerage services within Limuru and part of Lari sub-counties of Kiambu County. Provision of water and sewerage services is critical considering that water is now a constitutional right and in this regard the Company made remarkable progress in the quest to enhance our network coverage and improve reliability of water supply to our customers.

2.PERFORMANCE

The company made some strides during the financial year towards achievement of our strategic objectives. The following are some of the achievements made during the financial year.

- **Drought Mitigation Project**

The World Bank through Athi Water Works Development Agency drilled and equipped three boreholes under the drought mitigation 2; namely Redhill, Kiriri and new Manguo boreholes. The boreholes are to serve the following area; Kiriri Borehole, it has a production capacity of 9m³ It is meant to supply water to Kiriri village in Ndeiya. Redhill borehole, It is meant to supply water to customers in Mathanja Village, and Redhill and Karuri water. This project was operationalized during the financial year and it is supplying water to Karuri Water while Manguo New borehole the borehole is meant to supply water to residents of Kamandura and Koyani in Limuru town

- **Tigoni Water Supply**

Tigoni Water Supply the water supply was completed in the financial year, it has a daily production capacity of 2000m³. It was meant to supply customers in Tigoni, Karanjee, Kabuku and Karuri Water. However, the project was not operationalized during the financial year

- **Loromo boreholes**

Loromo borehole, Power for Loromo boreholes was installed in the financial year and the pipes for Ndeiya were laid in the same period. The project will be fully operational in the next financial year.

- **Sewerage Project**

Pipe laying for our sewer network began in the financial year through Kenya Towns Sustainable Supply and Sanitation Program towns program.

- It is worth noting that the above project will have a major impact in our cash flows sustainability of the company after they are all operationalized

3.APPRECIATION

I am most thankful to County Government of Kiambu, Athi Water Works Development Agency, Limuru and Lari Sub-Counties, all our customers, our Suppliers and bankers for their support and loyalty and we assure them of our determination to continually improve the quality of our services. Finally, I would like to express my deep appreciation for the dedication and commitment of Board of Directors, Management and Staff of Limuru Water. Without their commitment, hard work and teamwork we would not have come this far.

Margaret Maina


Managing Director

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

Limuru Water & Sewerage Company has strategic pillars and objectives within its strategic plan for financial year 2015-2019. These strategic pillars are as follows;

- 1 Increase in coverage
- 2 Attain financial sustainability
- 3 Operational efficiency/institutional strengthening
- 4 Attain customer and key stakeholder's satisfaction

Limuru Water & Sewerage Company develops its annual work plans based on the above pillars. Assessment of the board's performance against its annual work plan is done on quarterly basis. The company achieved its performance targets set for the FY 2021/2022 period for its 4No. strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Increase in coverage	To serve more customers	Increase in customer connections	Increase in water production Increase in pipeline extension Rehabilitation of networks Increase water storage capacity Reduction of NRW	We increased water production after we partially operationalized Tigoni scheme We have been continuously rehabilitating our water system We are currently at 32.8% on NRW
Attain financial sustainability	To be self-sustaining	Ability to settle obligations as and when they fall due	Introduction of zonal and master meters to enhance accountability Put in place debt management and collection strategies Increase water and sewer connection	We have been able to clear our outstanding obligations as they fall due though not at 100%
Operational efficiency/institutional strengthening	To improve efficiency	Increase in staff productivity and quality service	To develop, improve and implement operation systems and procedure Improve staff productivity through training To provide a positive work environment	We have been continuously training our staff from time to time
Attain customer and key stakeholders' satisfaction	To attain customer satisfaction	Reduced customers complaints	Customer service charter Improve communication strategy	We did a customer satisfaction survey during the period

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

CORPORATE GOVERNANCE STATEMENT

Limuru Water and Sewerage Company is a semi-autonomous entity in accordance with the provisions of the Water Act 2002. The company is governed by a Board of Directors (BOD). There are four board committee which oversee the running of the company. The committee comprises of: Technical Committee: Finance and Administration Committee, Audit, Risk and Governance Committee and Full Board. The committee and full board meet four times a year as per the board committee calendar.

Below the BOD, is the Managing Director (MD), followed head of department which forms the management team and then the section heads. This is followed by other members of staff. The BOD including the MD have signed a Code of Conduct and the tenets therein, are adhered to as appropriate.

The BOD is directly accountable to the shareholders and every year the company holds an annual general meeting (AGM), the directors provide a report to shareholders on the performance of the company and its future plans. The objects of the company are defined in the Memorandum of Association and regulations are laid out in the Articles of Association. The board of directors' key purpose is to ensure the company is meeting its obligations by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders. In addition to business and financial issues, the BOD deals with challenges the company is facing, and issues relating to corporate governance, corporate social responsibility and corporate ethics.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

MANAGEMENT DISCUSSION AND ANALYSIS

The company's operational and financial performance

During the financial year the company made a profit of Ksh 26,430,808 compared to a loss of Kshs 19,110,977 during the previous financial year. During the financial the operational revenue increased by Kshs 73,688,412 as a result of operationalization of Tigoni project, Loromo boreholes and we also increased our area of coverage where we started supplying water to our customers in Manjiri Kabuku scheme.

Company's compliance with statutory requirements

The company complied with statutory requirement like payment of NHIF, NSSF, PAYE, WIBA and contribution to pension schemes. Nevertheless, we have arrears in other statutory obligations like pension, lease fee, regulatory levy and abstraction levy to WARMA and audit fee.

Major risks facing the company

The major risk facing the company is the going concern of the company as a result of the ongoing process of consolidation of water companies in Kiambu County.

Material arrears in statutory/financial obligations

We have the following as the material balances in the year under review are as follow:

1. Lease Fee to AWSB Kshs 29,215,454
2. Regulatory Levy Kshs 15,766,377
3. Abstraction Levy Kshs 1,141,989

The company's financial probity and serious governance issues

The company does not have any financial probity or any governance issues, since the company has risk management in place and adequate internal controls. At the moment the company is under going through the process of restructuring/consolidation.

Development Projects

We have tabulated our development projects in terms of status, effects and proposed intervention.

No	Proposed Capital Work	STATUS	IMPACT	PROPOSED INTERVENTION	SOURCE OF FUNDS
1	Tigoni treatment work	Complete	Increase in coverage area of water services	Construction of a treatment works	Athi Water Works Development Agency
2	Kambaa Borehole	Ongoing	Increase in coverage area of water services	Drilling and equipping of a borehole and laying of a pipeline	NAMSIP
3	Loromo Borehole	Complete	Increase in coverage area of water services	Drilling and equipping of a borehole water tank and laying of a pipeline	World Bank
4	Sewerage Work	Outstanding	Increase in coverage area sanitation	Laying of sewer line	Africa Development Bank

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Below is an outline of the organisation's policies and activities that will promote sustainability

i Sustainability strategy and profile –

Increase in coverage

The company has on-going projects that are almost complete and when they will be completed, we will have increased water production and increase in pipe network in the unserved areas. During the period we have increased storage capacity and we have come up with strategies to reduce non-revenue water. However, during the period, the company encountered challenges due to the impact of Covid- 19 and also because of flooding of Manguo swamp where we were not pumping water for a period of about 6 months.

Increase in revenue collection

During the financial year the company introduced zonal and master meters to enhance accountability, increased water and sewer coverage and came up with strategies to improve revenue collection. The Company also operationalized new billing software which increased the revenue collection efficiency.

Operational efficiency/institutional strengthening

During the financial year we developed, improved and implemented operational systems and procedures, we improved our staff productivity through training, we provided a positive work environment by recognizing and rewarding individual talent, encouraging team work and promoted mutual trust and we provided quality water through strengthening process control and water quality monitoring.

ii Environmental performance

The company sponsors and participate in tree planting activities in order to protect our water sources and also for environmental conservation.

iii Employee welfare

Employee are hired on need basis through a competitive process, we take into consideration the gender ratio. We continually train our staff based on training needs as identified in our training needs assessment.

iv Responsible supply chain and supplier relations

The company complies with Public Procurement Act and regulations 2015. We have a good working relationship with our suppliers and we honour contracts

v Product stewardship

Water is a natural resource and it is a basic human right as enshrined in our constitution and in this regard the company has made remarkable progress in the quest to enhance our network coverage and improve reliability of water supply to our customers.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Corporate Social Responsibility / Community Engagements

During the financial year the company did not spend any money on corporate social responsibility due to financial constraint as a result of Covid-19. However, during the financial year we did not disconnect our customers in our Misiri zone which is a pro-poor area serving about 725 households which is a total population of about 3,625 people. The Company partnered with Tigoni Police station during their annual event.

The company embraces the fact that in order to succeed it has to satisfy its customers and key stakeholders. This will be achieved through the customer service charter and improvement of our communication strategies to our customers and to follow up on our customer complaints. During the financial year we had a stakeholder meeting in our Thigio scheme.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of Limuru Water and Sewerage Company affairs.

Principal activities

The principal activities of the entity are to ensure the economical provision of water and sewerage services in Limuru and part of Lari Sub County.

Results

The results of the entity for the year ended June 30, 2022 are set out on page 1 to 31.

Dividends

The Directors do not recommend the payment of dividend for the year.

Directors

The members of the Board of Directors who served during the year are shown on page iv-vii.

Auditors

The Office of the Auditor General is responsible for the statutory audit of Limuru Water and sewerage Company Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015, which empowers the Office of the Auditor General to nominate other auditors to carry out the audit on his behalf.

Ms. Josphine Muritu



Company Secretary

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of Limuru Water and Sewerage Company Limited financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

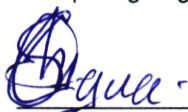
The Directors accept responsibility for Limuru Water and Sewerage Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that Limuru Water and Sewerage Company Limited financial statements give a true and fair view of the state of the Company transactions during the financial year ended June 30, 2022, and of the Company financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

Limuru Water and Sewerage Company financial statements were approved by the Board on 30th September 2022 and signed on its behalf by:

Joseph Ng'ang'a Mbugua



Board Chairman

Mrs Margaret W Maina



Managing Director

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON LIMURU WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Limuru Water and Sewerage Company Limited set out on pages 1 to 33, which comprise of the statement of financial position as at 30 June, 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya

and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Limuru Water and Sewerage Company Limited as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with the accrual basis of accounting method under the International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012, the Companies Act, 2015 and the Water Act, 2016.

Basis for Qualified Opinion

1. Inaccurate Statement of Cash Flows

Review of the statement of cash flows revealed purchase of property, plant and equipment amounting to Kshs.1,557,199 for the comparative year. However, the prior year audited financial statements reflects an amount of Kshs.2,485,200 for property, plant and equipment purchased during that year. The variance amounting to Kshs.928,001 was not reconciled.

In the circumstances, the accuracy of the statement of cashflows could not be confirmed.

2. Excessive Non-Revenue Water

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects operating revenue amounting to Kshs.129,417,084. Review of revenue records revealed that the Company produced a total of 2,104,947 cubic meters (m³) of water out of which 1,415,777 cubic meters (m³) of water was sold (billed) to customers. The difference of 689,170 cubic meters (m³) represents unaccounted for water being 32.74% of the total water produced which is 7.74 percentage points above the allowable loss of 25% set by Water Services Regulatory Board (WASREB) Guidelines. The unaccounted-for water may have resulted into loss of sales estimated at Kshs.41,350,200 worth of water.

In the circumstances, the accuracy of operating revenue of Kshs.129,417,084 could not be confirmed.

3. Unexplained Variance of Customer Deposits Balance

The statement of financial position and Note 21 to the financial statements reflects customer deposits balance of Kshs.13,068,000. However, review of the bank statement for deposit bank account revealed a balance of Kshs.1,795,957 resulting to a variance of Kshs.11,272,043. Management provided approval for borrowing of Kshs.6,000,000 and Kshs.1,000,000 during 2020/2021 and 2021/2022 financial years' respectively from the customers' deposits account. However, authority of the County Treasury to use the customers' deposits was not provided.

In the circumstances, the accuracy and completeness of customer deposits balance of Kshs.13,068,000 could not be confirmed.

4. Long Outstanding Trade and Other Receivables Balance

The statement of financial position and Note 15 to the financial statements reflects trade and other receivables balance of Kshs.25,937,769. Review of the account's receivables listing revealed long outstanding balances of Kshs.43,571,979 which had been outstanding for a period of more than ninety (90) days. Included in the balance are debts due from a local shoe manufacturer out of which Kshs.11,470,926 was outstanding for over five (5) years.

In the circumstances, the completeness and recoverability of the trade and other receivables balance of Kshs.25,937,769 could not be confirmed.

5. Non-Disclosure of Inventory of Water

The statement of financial position and Note 14 to the financial statements reflects inventory balance of Kshs.1,807,660 in respect of pipes and fittings, chemicals, water meters and stationery. However, Management did not disclose the undetermined opening and closing water stocks held in the reservoirs, water treatment plants and in the water system in the financial statements.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs.1,807,660 could not be confirmed.

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

Key Audit Matters

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

Emphasis of Matter

Failure to Disclose Material Uncertainty in Relation to Going Concern

The statement of financial position reflects total current assets balance of Kshs.30,888,759 and total current liabilities balance of Kshs.100,245,573 resulting in a negative working capital of Kshs.69,356,814. Further, the statement reflects accumulated deficit amounting to Kshs.78,611,716. This material uncertainty casts significant doubts on the Company's ability to continue as a going concern and may not be able to meet its current obligations as and when they fall due.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Board Expenditure

The statement of profit or loss and other comprehensive income and Note 11 to the financial statements reflects board expenses amounting to Kshs.4,350,280. However, information on the rates of allowances due or paid to the Board members was not disclosed. Included in this expenditure are allowances paid to the members of the caretaker board that was in place from 1 July, 2021 to 13 February, 2022 contrary to the provisions of Section 79(1) of the Water Act, 2016 which provides that each water service provider should have a Board of Directors constituted in accordance with the Companies Act, 2015 and any other written law. Available information indicate that the payment was made to twelve (12) directors who held office during the period in question and who were appointed on 26 March, 2019 for a period of two years which was extended for a further one year from 20 April 2021. As previously reported, the appointment letters indicate that the directors were appointed to act on behalf of Kiambu County Water and Sewerage Company, which is a separate entity from Limuru Water and Sewerage Company Ltd.

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

2. Incomplete Fixed Assets Register

The statement of financial position and Note 13 to the financial statements reflects property, plant and equipment balance of Kshs.29,693,181. Review of the assets register revealed that the register did not have details such as tag numbers, invoice numbers, serial numbers and conditions of the assets contrary to Section 149(2)(o) of the Public Finance Management Act, 2012 which provides that an Accounting Officer should ensure that the respective County Government entity has adequate systems and processes in place to plan for, procure, account for, maintain, store and dispose of assets, including an asset register that is current, accurate and available to the relevant County Treasury or the Auditor-General.

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

3. Long Outstanding Trade and Other Payables Balance

The statement of financial position and Note 20 to the financial statements reflects trade and other payables balance of Kshs.87,077,025 which includes long outstanding payables to Water Services Regulatory Board, Water Resource Management Authority,

Thika Water and Sewerage Company, Athi Water Services Board and Office of the Auditor-General amounting to Kshs.50,643,490 as per the table below:

Payee	Description	Amount (Kshs.)
Water Resource Management Authority	Abstraction Fee	1,141,989
Thika Water and Sewerage Company Limited	Billing Charges	2,663,670
Athi Water Services Board	Lease Fee	29,215,454
Water Services Regulatory Board	Regulatory Fee	15,766,377
Office of the Auditor-General	Audit Fee	1,856,000
Total		50,643,490

Further, payables balance includes amounts owed to a local firm of advocates and Federation of Kenya Employers of Kshs.225,500 and Kshs.132,850 respectively which have been outstanding for long with no movement over the years.

In the circumstances, the long outstanding payables may expose the Company to litigation charges resulting to additional costs and the risk of liquidation.

4. Non-Compliance with Minimum Requirement on Employee Ethnic and Gender Balance

The statement of profit or loss and other comprehensive income and Note 9 to the financial statements reflects staff costs amounting to Kshs.66,124,755. Review of employee records revealed that the Company has a total of twenty (20) employees on permanent and pensionable terms. Out of the total number of employees on permanent and pensionable terms, seventeen (17) or 85% are from the dominant ethnic community. In addition, review of the current board composition revealed that the newly appointed Board had seven (7) members, six (6) of whom were male, contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which provides that no public establishment shall have more than one third of its staff from the same ethnic community or gender and the Articles of Association which requires that at least one third of the Board members should be from either gender.

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

5. Idle Equipment

The statement of financial position and Note 13 to the financial statements reflects property, plant and equipment balance of Kshs.29,693,181. Review of records provided for audit showed that the company received fixed meter calibration/test bench worth Kshs.6,000,000 from Athi Water Works Development Authority. However, the equipment was delivered on 24 November, 2020 but had not been put in to economical use contrary to Section 153(1)(a) and (b) of the Public Finance Management Act, 2012 which provides that the Accounting Officer for a County Government entity is responsible for the management of the entity's assets and liabilities and shall manage those assets in such a way as to ensure that the County Government entity achieves value for money in acquiring, using or disposing of those assets.

In the circumstances, there was no value for money on the idle equipment and Management was in breach of the law.

6. Irregular Payment of Airtime Allowances

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflects general and operations expenses amounting to Kshs.87,187,119 out of which an amount of Kshs.710,100 relates to airtime allowance paid to officers. However, the payments were not backed by any policy approved by the Board contrary to the provisions of the Articles of Association that requires the Board of Directors to approve all policies.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Risk Management Policy

During the year under review, the Company lacked a risk management policy thus it did not have a framework for management of risk and hence it was not possible to identify, assess and control risk. As a result, it was not possible to define the Company's risk appetite and set the risk tolerance levels by identifying boundaries against unacceptable exposure to risk. This is in contravention of Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism; and the county government entity develops a system of risk management and internal control that builds robust business operations.

2. Lack of Information Technology (IT) Steering Committee and Approved Disaster Recovery Plan

Review of IT Policy revealed that the Company did not have an approved IT continuity and disaster recovery plans. As a result, the Company may lose data in the event of

disaster, which may affect planning, decision making and operations. Further, the company did not have an IT steering and risk management committee. In the circumstances, it was therefore, not possible to ascertain how the Company planned to achieve its IT strategic objectives.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report based on the audit, that:

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

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting method and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease 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.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu CBS
AUDITOR-GENERAL

Nairobi

13 April, 2023

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2022

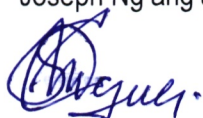
	Notes	2022	2021
<u>REVENUE</u>		Kshs	Kshs
Operating Revenue	6	129,417,084	119,244,291
Grant Income	7	62,653,514	424,795
Miscellaneous Income	8	4,090,300	2,803,400
TOTAL REVENUE		196,160,898	122,472,485
<u>EXPENSES</u>			
Staff Costs	9	66,124,755	50,838,096
General and Operations Expenses	10	87,187,119	76,800,830
Board Expenses	11	4,350,280	1,119,850
Maintenance Expenses	12	8,891,557	10,690,502
Depreciation	13	3,176,379	2,134,184
		<u>169,730,089</u>	<u>141,583,462</u>
<u>Profit/Loss</u>		<u>26,430,808</u>	<u>(19,110,977)</u>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	2022 Kshs	2021 Kshs
<u>NON-CURRENT ASSETS</u>			
Property, Plant and Equipment's	13	29,693,181	18,947,614
		29,693,181	18,947,614
<u>CURRENT ASSETS</u>			
Inventory	14	1,807,660	923,342
Trade and Other Receivables	15	25,937,769	23,496,539
Cash and Cash Equivalent	16	3,143,330	4,335,959
<u>TOTAL CURRENT ASSETS</u>		30,888,759	28,755,841
<u>TOTAL ASSETS</u>		60,581,940	47,703,455
<u>EQUITY AND LIABILITIES</u>			
Capital and Reserves			
Share Capital	17	40	40
Capital Reserve	18	38,948,043	38,948,043
Revenue Reserve	19	(78,611,716)	(105,042,522)
Total Capital and Reserves		(39,663,633)	(66,094,439)
<u>CURRENT LIABILITIES</u>			
Trade and Other Payables	20	87,077,025	101,159,762
Customer Deposits	21	13,068,000	11,921,500
Deferred Income - WSTF	22	100,548	716,632
<u>TOTAL CURRENT LIABILITES</u>		100,245,573	113,797,894
<u>Total Equity and Liabilities</u>		60,581,940	47,703,455

Joseph Ng'ang'a Mbugua



Board Chairman

Mrs. Margaret W Maina



Managing Director

Mary W. Mbugua



**Finance Manager
CPA8457**

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Share Capital Kshs	Revenue Reserves Kshs	Capital Reserves Kshs	Total Amount Kshs
Balance as at 1st July 2020	40.00	(85,931,545)	38,948,043	(46,983,462)
Deficit for the year 2020-2021	-	(19,110,977)	-	(19,110,977)
Balance as at 30th June 2021	40.00	(105,042,522.00)	38,948,043.00	(66,094,439.00)

	Share Capital Kshs	Revenue Reserves Kshs	Capital Reserves Kshs	Total Amount Kshs
Balance as at 1st July 2021	40.00	(105,042,522)	38,948,043	(66,094,439)
Profit for the year 2021-2022	-	26,430,808	-	26,430,808
Balance as at 30th June 2022	40.00	(78,611,713.83)	38,948,043.00	(39,663,631)

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2022

Cash Flows from Operating Activities

	Kshs 2022	Kshs 2021
Receipts		
Operating Revenue	127,070,826	112,919,324
Grant	51,234,139	-
Customer Deposits	1,146,500	1,376,000
Deposit repayment	3,410,000	1,340,000
Receipt from Water Companies	-	1,020,625
Total Receipts	182,861,465	116,655,949
Payments		
Staff Costs	71,603,832	54,255,012
Board Expenses	4,350,280	1,869,850
General and Operation Expenses	78,005,838	43,020,442
Maintenance	14,405,070	10,973,303
Deposit	3,410,000	1,340,000
Total Payments	171,775,020	111,458,607
Net Cash From/ (Used in) Operating Activities	11,086,444	5,197,342
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment (PPE)	(12,279,071)	(1,557,199)
Increase/(Decrease) in cash and cash equivalents	(1,192,629)	3,640,143
Cash and Cash Equivalent at the beginning of the year	4,335,959	695,816
Cash and Cash Equivalent at the end of the year	3,143,330	4,335,959

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022

	INITIAL BUDGET	ADJUSTMENT	FINAL BUDGET	ACTUAL 2021/2022	VARIANCE	BUDGET REALIZATION
REVENUE						
Water	127,000,000	-	127,000,000	108,067,676	18,932,324	85
Sewer	30,600,000	-	30,600,000	21,349,408	9,250,592	70
Miscellaneous Income	7,200,000	-	7,200,000	4,090,300	3,109,700	57
Grant Income - WSTF		51,850,223	51,850,223	51,850,223	-	100
Grant Income - County Government		10,803,291	10,803,291	10,803,291	-	100
Total Revenue	164,800,000	62,653,514	227,453,514	196,160,898	31,292,616	86
EXPENSES						
Staff Cost	63,216,439	3,228,323	66,444,762	66,124,755	320,007	100
General and Operation Expenses	86,414,000	(2,975,000)	83,439,000	87,187,119	(3,748,119)	104
Maintenance Expenses	10,350,000	(180,000)	10,170,000	8,891,557	1,278,443	87
Board Allowances	2,628,200	1,800,000	4,428,200	4,350,280	77,920	98
Total Expenses	162,608,639	1,873,323	164,481,962	166,553,711	(2,071,749)	101
Surplus/Deficit	2,191,361	60,780,191	62,971,552	29,607,187	33,364,365	47
Capital Expenditure	0	13,921,946	13,921,946	13,921,946	-	
Total Expenditure			178,403,908	180,475,657		

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Variance Explanation

1. Operating Revenue

(a) Water Sales

The company budgeted for Kshs 127,000,000 for water sale but only realized Kshs 108,067,676 which is 85% of budget realization. This is because the company had hoped that there will be increased revenue as a result of operationalization of Tigoni and Loromo projects but the projects are were yet fully operationalized in the middle of the financial year

(b) Sewer Sale

The company realizes a revenue of Kshs 21,349,408 out of a budget of Kshs 30,600,000. The budget had factored revenues from the ongoing sewer project since it was expected to be complete in the course of the financial year.

(c) Miscellaneous Income

The Company had budgeted for Kshs 7,200,000 from miscellaneous income but only realized Kshs 4,090,300 which was a variance of Kshs 3,109,700. The budget include revenue from exhaustor services the Private Company's were stopped from exhausting from the Company's sewer system by NEMA.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Limuru Water & Sewerage Company Ltd entity was established in 2006 and derives its authority and accountability from by Company's Act (Cap 486). The entity is wholly owned by the County Government of Kiambu and is domiciled in Kenya. The entity's principal activity is to ensure efficient and economical provision of water and sewerage services within Limuru Sub County and part of Lari Sub County.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Limuru Water & Sewerage Company Ltd.

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.

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

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.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. Based on the Directors' assessment, right of use assets of KSh xxx, lease liabilities of KSh xxx and a deferred tax asset of KSh ... have been recognised with a corresponding decrease of the net amount in retained earnings in these financial statements.

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 prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

ii 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.

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

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

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 recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised 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.

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

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

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.

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 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*.

- ii) **Early adoption of standards** the entity did not early – adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. **Revenue recognition**

Revenue is recognized to the extent that it is probable that future economic benefits will flow to Limuru Water & Sewerage Company Ltd 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 Limuru Water & Sewerage Company Ltd activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of Limuru Water & Sewerage Company Ltd activities as described below.

- i) **Revenue from the sale of goods and services** is recognized in the year in which Limuru Water & Sewerage Company Ltd 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 Limuru Water & Sewerage Company Ltd 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.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **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.

b. In-kind contributions

In-kind contributions are donations that are made to Limuru Water & Sewerage Company Ltd 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, Limuru Water & Sewerage Company Ltd 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.

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.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

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.

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

Buildings and civil works	40 years or the unexpired lease period
Plant, Motors and machinery	4 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	8 years
Water Meters	5 years

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

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

e. Intangible assets

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

f. Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years. All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

g. Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

h. Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

i. Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

j. Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

k. Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

l. 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.

m. 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.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

n. Taxation

Current income tax

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.

n) Taxation

Current income tax

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.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

o. Cash and cash equivalents

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

p. Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

q. 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.

r. Retirement benefit obligations

The entity operates three defined pensions' schemes namely Local Authorities Pension Trust (Currently County Pension Fund-CPF), National Water Pension Scheme and Ministry of Water Pension Scheme for all Permanent employees.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

The schemes are administered by Laptrust, Standard Chartered Bank and British American Insurance respectively. The employees contribute 12% of Basic Salary and house allowance and employer contributes 15% of the basic and house allowance for Laptrust Scheme while employees contribute 7.5% of the basic and house allowance and employer contributes 15% of the basic and house allowance for both Ministry of Water Pension Scheme and National Water Pension Scheme.

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.

s. **Provision for staff leave pay**

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

t. **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.

u. **Comparative figures**

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

v. **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, 2022.

5. **SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY.**

The preparation of Limuru Water & Sewerage Company Ltd 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.

In the application of the Company's accounting policies, which are described above, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the periods of the revision and future periods if the revision affects both current and future periods.

Critical Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Revenue recognition

Water revenue includes an assessment of water supplied to customers between the date of the last meter reading and the year end. The water sales is estimated using historical consumption patterns taking into account the total water usage by the customer.

Water deposits

Money received from water customers as deposit is held as a non-current liability because the Company will continue to offer services to the customers for the foreseeable future and the customers are not expected to discontinue their use of water in the short run.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Property Plant & Equipment

Critical estimates are made by the Directors in determining depreciation rates of property plant & equipment. Property and equipment is depreciated over its useful life taking into account residual values, where appropriate.

Provision for doubtful debts

The estimated provision for doubtful debts is based on the period for which the debt was outstanding. General provisions are established where full recovery of the principal is considered doubtful which is made against finalized customer accounts net of deposits. The company has made a general provision of 5%.

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6 OPERATING INCOME	2022 Kshs	2021 Kshs
Water Sales	108,067,676	96,958,326
Sewerage Services	21,349,408	22,285,965
	<u>129,417,084</u>	<u>119,244,291</u>
 7 GRANT INCOME	 2022 Kshs	 2021 Kshs
WSTF CLSG Grant	51,850,223	424,795
County Government of Kiambu	10,803,291	
	<u>62,653,514</u>	<u>424,795</u>
 8 Miscellaneous Income	 <u>4,090,300</u>	 <u>2,803,400</u>
 9 STAFF COSTS	 2022 Kshs	 2021 Kshs
Gross Salary and Allowances	47,322,387	41,649,851
Casual Wages	704,600	670,460
Medical Expenses	3,389,184	2,750,000
Employer's Contribution to NSSF	193,800	158,000
Employers Contribution to Pension Scheme	4,986,597	4,688,252
Accrued Pension	4,757,284	
Staff Welfare	801,593	921,533
Other Allowances	3,969,310	
	<u>66,124,755</u>	<u>50,838,096</u>
 10 General and Operations Expenses	 2022 Kshs	 2021 Kshs
Chemicals	1,308,063	1,251,785
Chemicals WSTF	616,084	424,795

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Electricity - Operations	30,518,418	40,122,475
Transport Expenses - Fuel	5,536,812	3,808,401
general Office Running Expenses	1,461,971	875,451
Staff Uniform	174,461	366,658
Telephone	710,100	639,915
Postage and Postal Charges	14,000	14,880
Insurance	317,578	428,463
Rent - Office	120,000	150,000
Travelling and Accommodation	5,901,965	3,842,545
Training Conferences & Work shops	7,656,864	5,952,153
Staff Performance/Benchmarking	3,652,700	
Bank Charges	741,304	637,176
Security Services	3,195,002	3,214,960
Library	36,120	18,120
Fees and other Charges	5,754,021	652,050
Environmental Conservation	582,000	200,000
Advertising Expenses	127,488	156,078
Electricity - Office	209,020	153,504
Printing & Stationery	1,247,653	604,792
Billing Fee	718,387	807,958
Abstraction (WRMA) Fees	724,266	2,527,703
Internet Services	727,783	975,186
Audit Fee	232,000	232,000
Membership to Professional Association	168,700	148,020
General Provisions for Bad and Doubtful Debts 5%		293,040
Specific Provision for Bad and Doubtful Debts	5,907,922	3,000,315
Stake Holders Meeting	35,800	60,000

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WASREB Levy	5,363,558	4,881,507
Water quality Testing	270,750	160,500
Corporate Social Responsibility	43,774	-
WASCO Games	917,400	200,400
Tariff Review	1,759,720	
Commercial Viability	435,435	
	<u>87,187,119</u>	<u>76,800,830</u>

11 BOARD EXPENSES

	2022 Kshs	2021 Kshs
Board Sitting Allowances	2,785,500	1,119,850
Induction and Training	1,285,580	
Travelling and Accommodation	279,200	
	<u>4,350,280</u>	<u>1,119,850</u>

12 MAINTENANCE EXPENSES

	2022 Kshs	2021 Kshs
Maintenance of Plant and Equipment	1,272,580	1,531,828
Maintenance of Water Supply	5,290,630	5,451,601
Maintenance of Sewerage Works	1,023,160	1,878,058
Maintenance of Buildings and Stations	18,610	637,060
Maintenance of Office Equipment	39,010	38,375
Maintenance of Motor Vehicle	1,247,566	1,153,580
	<u>8,891,557</u>	<u>10,690,502</u>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

13a Property, Plant and Equipment Schedule for the Year Ended 30th June 2021										
Cost	Motor Cycle & Vehicles	Land	Meters	Computer	Tanks & Buildings	Pumps & Motors	Pipeline (Water)	Equipment & Furniture	Work in Progress	TOTALS
AT 1ST July 2020	2,521,000	1,308,500	9,470,050	1,710,170	11,876,399	9,151,405	4,587,051	1,287,270	-	41,911,845
Additions	-	-	630,000	1,077,200	-	778,000	-	-	-	2,485,200
Transfers	-	-	-	-	-	-	-	-	-	-
At 30th June 2021	2,521,000	1,308,500	10,100,050	2,787,370	11,876,399	9,929,405	4,587,051	1,287,270	-	44,397,045
Depreciation										
AT 1ST July 2020	2,521,000	-	6,480,985	1,329,157	2,053,723	8,885,030	1,001,580	1,043,772	-	23,315,247
Charge for the Year	-	-	992,656	486,190	296,910	176,938	114,677	66,813	-	2,134,184
At 30th June 2021	2,521,000	-	7,473,641	1,815,347	2,350,633	9,061,968	1,116,257	1,110,585	-	25,449,431
Net Book Value										
At 30th June 2021	-	1,308,500	2,626,409	972,023	9,525,766	867,437	3,470,794	176,685	-	18,947,614
At 30th June 2020	-	1,308,500	2,989,065	541,997	10,119,586	101,500	3,700,147	310,312	-	19,071,107

13b Property, Plant and Equipment Schedule for the Year Ended 30th June 2022										
Cost	Motor Cycle & Vehicles	Land	Meters	Computer	Tanks & Buildings	Pumps & Motors	Pipeline (Water)	Equipment & Furniture	Work in Progress	TOTALS
AT 1ST July 2021	2,521,000	1,308,500	10,100,050	2,787,370	11,876,399	9,929,405	4,587,051	1,287,270	-	44,397,045
Additions	1,145,946	-	1,249,000	715,060	-	2,887,300	5,977,077	425,980	1,521,583	13,921,946
Transfers	-	-	-	-	-	-	-	-	-	-
At 30th June 2022	3,666,946	1,308,500	11,349,050	3,502,430	11,876,399	12,816,705	10,564,128	1,713,250	1,521,583	58,318,991
Depreciation										
AT 1ST July 2021	2,521,000	-	7,473,641	1,815,347	2,350,633	9,061,968	1,116,257	1,110,585	-	25,449,431
Charge for the Year	143,243	-	1,113,373	673,780	296,910	709,990	167,272	71,811	-	3,176,379
At 30th June 2022	2,664,243	-	8,587,014	2,489,127	2,647,543	9,771,958	1,283,529	1,182,396	-	28,625,810
Net Book Value										
At 30th June 2022	1,002,702	1,308,500	2,762,036	1,013,303	9,228,856	3,044,747	9,280,599	530,854	1,521,583	29,693,181
At 30th June 2021	-	1,308,500	2,626,409	972,023	9,525,766	867,437	3,470,794	176,685	-	18,947,614

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14 INVENTORY

	2022	2021
	Kshs	Kshs
PVC Pipes	251,154	29,685
HDPE Pipes	352,708	-
HDPE End Cap	39,124	44,730
HDPE Couplers	96,263	132,297
PVC Endcaps	2,900	-
GI Endcaps	4,710	-
Chlorine HTH 65%	100,548	490,172
Alum	127,600	90,972
Soda Ash	125,280	135,488
Water Meters	261,000	-
Stationery	67,600	-
PPR Pipes	57,350	-
PVC Valves	109,733	-
PPR Fittings	81,675	-
HDPE Fittings	123,014	-
Solvent Cement	7,000	-
	<u>1,807,660</u>	<u>923,342</u>

The Company received the following items from Athi Water Work Development Agency in different financial years. They were included in our closing stock but they did not have price indicated since the Company only received a delivery note and therefore it's not easy to determine their value. However, the assets were already recognized by Athi Water Works Development Agency in their books of accounts.

ITEM	SIZE	Qty	Price	Total Amount (Kshs)
METRES	1	144	Not Indicated	
METRES	1.5	71	Not Indicated	
METRES	2	66	Not Indicated	
METRES	3	17	Not Indicated	
METRES	4	26	Not Indicated	
METRES	6	8	Not Indicated	
METRES	8	2	Not Indicated	
METRES	12	6	Not Indicated	
PVC PIPES	6	111	Not Indicated	
PVC PIPES	8	19	Not Indicated	
PVC PIPES	10	5	Not Indicated	

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15 TRADE AND OTHER RECEIVABLES

	2022	2021
	Kshs	Kshs
Total Trade Receivables	62,450,886	55,893,152
Less Specific Provision for Bad and Doubtful Debts	(38,238,811)	(32,365,089)
Less 5% General Provision for Bad and Doubtful Debts	(1,210,604)	(1,176,403)
Other Trade Debtors Receivables	150,000	299,000
Non-Trade Debtors	138,000	138,000
Bank Guarantee	1,887,751	-
Deposit for Rent, Electricity and Rural Roads	457,880	457,880
Prepayments-wiba, medical & m/v insurance	302,667	250,000
Total Trade and Other Receivables	<u>25,937,769</u>	<u>23,496,539</u>

15(b) Trade Receivables

	2022	2021
	Kshs	Kshs
Gross Trade Receivables	62,450,886	55,893,152
Provisions for doubtful receivables	(39,449,415)	(33,541,492)
Net trade receivables	23,001,471	22,351,660

at June 30, the aging analysis of the gross trade receivables was as follows:

	2022	2021
	Kshs	Kshs
Less than 30 days	9,799,554	10,387,760
Between 30 and 60 days	5,536,424	7,468,257
Between 61 and 90 days	3,542,929	1,322,779
Between 91 and 120 days	12,998,318	11,957,645
Over 120 days	30,573,661	24,756,711
Total	<u>62,450,886</u>	<u>55,893,153</u>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

16 CASH AND CASH EQUIVALENT

		2022	2,021
		Kshs	Kshs
KCB - Expenditure Account	Cash at Bank	215,318	139,126
KCB - Main Revenue Account	Cash at Bank	310,748	744,835
KCB - Customer's Deposit Accounts	Cash at Bank	2,324,417	3,200,240
WSTF - CLSG		2,486	
Cash held by Post Bank (Revenue Collecting Agent)		109,875	126,315
Cash held by Safaricom (Revenue Collecting Agent)		167,382	124,766
Cash held in Petty Cash Book		13,105	677
		<u>3,143,330</u>	<u>4,335,959</u>

17 SHARE CAPITAL

	2022	2021
	Kshs	Kshs
Authorized: 5,000 Ordinary Shares of Kshs 20 each	<u>100,000</u>	<u>100,000</u>
Issued: 2 Ordinary Shares of Kshs 20 each	<u>40</u>	<u>40</u>

18 CAPITAL RESERVE

Capital Reserve represents opening balance of trade debtors (when the Company started its operations in September 2006) which was inherited from Athi water services board and also other trade debtors, cash and liabilities taken over from projects.

19 REVENUE RESERVE

Revenue Reserve comprises of Kshs **(78,611,716)** which is a cumulative surplus(deficit) for the previous financial years as shown in page 20. This Fund is meant for infrastructure development

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

20 TRADE AND OTHER PAYABLES

	2022	2021
	Kshs	Kshs
Athi Water Services Board	29,215,454	29,215,454
Thika Water & Sewerage Co. Ltd	2,663,670	2,663,670
Office of Auditor General	1,856,000	1,624,000
Water Resource Management Authority	1,141,989	1,579,482
Kenya Power & Lighting Co. Ltd	24,362,348	38,044,273
Kijabe Station Management	46,550	65,135
Water Services Regulatory Board	15,766,377	11,540,819
Blue Media Images	-	34,800
WASPA	246,400	414,800
Lavington Security	-	1,089,312
Wanjao & Wanjau Advocates	225,500	225,500
Nairobi Ironmongers	-	320,037
Elevetus Technologies	-	341,000
Intersect Hardware Services	-	108,180
Micson	105,450	526,788
Safaricom Limited	68,351	35,256
Pan African Chemicals	313,500	-
WASCO	128,000	63,000
Bromak General Merchants	-	37,500
DaveMart Enterprises	-	96,700
Diamond Chemicals	156,600	425,000
Doshi & Co	1,574,075	505,430
Federation of Kenya Employer	132,850	132,850
Equatorial Hawk	-	198,500

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Green Day Environment	-	116,000
Spalim Company Ltd	359,608	223,478
Losagi Insurance Brokers Ltd	99,440	-
Techlink Hydrosystem	-	485,000
Kyhill Merchants	-	91,617
Legrends Investments	-	49,575
Lionet Investment	-	27,600
Muhuhu Advocate	233,520	172,100
Pentacom Enterprises	-	20,880
Umeme Quick Auto Services	-	110,000
City Collection Investment Ltd	263,320	-
Denter Enterprises	63,000	-
Haddie Supplies Ltd	239,890	-
Kenya Web	30,000	-
Limco Enterprises	14,400	-
Losai Management	1,407,776	-
Masterpiece Limited	254,999	-
Sigona Ventures	54,400	-
Uniza Trading Enterprises	70,400	-
Vinpet Enterprises	122,400	-
WEA International Incorporated	545,350	-
Commissioner of Domestic Taxes	33,139	25,141
Salaries and Allowances	5,282,267	10,550,885
	87,077,024	101,159,762

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21 CUSTOMERS DEPOSIT

	2022	2021
	Kshs	Kshs
Opening Customers Deposit Balances	11,921,500	10,545,500
Deposits Received from Customers	<u>1,146,500</u>	<u>1,376,000</u>
Closing Balance	<u>13,068,000</u>	<u>11,921,500</u>

22 Deferred Income

Chemicals Grant Closing Inventory as at 30th June 2021

	2022	2021
Item	Kshs	Kshs
Alum		90,972
Chlorine	100,548	490,172
Soda Ash		<u>135,488</u>
Total	<u>100,548</u>	<u>716,632</u>

23 Notes to the Statement of Cash Flows

a) Reconciliation of operating profit/loss to cash generated from/ (used in) operation

	2022	2021
	Kshs	Kshs
Operating Activities		
Operating Profit/(Loss)	26,430,808	(19,110,977)
Depreciation	3,176,379	2,134,184
Operating Profit/Loss before Working Capital Changes	29,607,187	(16,976,793)
(Increase) Decrease in Trade and Other Receivables	(2,441,229)	(5,918,755)
(Increase) Decrease in Inventories	(884,318)	(600,909)
Increase (Decrease) in Trade and Other Payables	(14,082,737)	27,529,167

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

Increase (Decrease) in Customer Deposits	1,146,500	1,376,000
Deferred Income	(616,084)	716,632
	(16,877,868)	23,102,135
Cash Generated from/ (Used in) Operations	12,729,319	6,125,342
Less Trade payable accrued from Investing activities (Note 23b)	(1,642,875)	(928,000)
Net Cash Generated from/ (Used in) Operations	11,086,444	5,197,342

b) Trade payable accrued from Investing activities

	2022	2021
	Kshs	Kshs
Nairobi Iron Mongers	-	315,000
Micson	-	128,000
Techlink Hydrosystem	-	485,000
Doshi & Co Hardware	1,574,075	-
Limco Enterprises	14,400	-
Sigona Ventures	54,400	-
	1,642,875	928,000

24 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks as a result of its financial instruments:

- i. Credit risk
- ii. Liquidity risk
- iii. Capital Management

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

i. Credit risk

The Company has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Credit risk mainly arises from water sales receivables and bank balances.

Credit risk arising from bank balances are low because the counter parties are financial institutions with high credit ratings.

The carrying amount of financial assets recorded in the financial statements representing the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows

ii. Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows from revenue and capital and operational outflows.

The objective of the Company's liquidity management is to ensure that all foreseeable operational, capital expansion and loan commitment expenditure can be met under both normal and stressed conditions.

The table below summarizes the maturity profile of the Company's financial liabilities based on the remaining period using 30 June 2012 as a base period to the contractual maturity date:

iii. Capital Management

The water business is currently in a major expansion phase driven by a rise in demand and Government policy. The funding of additional transmitting and other distribution capacity is to be obtained from cash generated by the business and Government support. The adequacy of water tariffs allowed by WASREB and the level of Government support are key factors in the sustainability of the Company.

25 RELATED PARTY DISCLOSURES

a) Nature of Related Party Relationships

Companies and other parties related to the company include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Limuru Water and Sewerage Company Limited is related to:

- (i) The County Government of Kiambu (CGK)
- (ii) Water Services Regulatory Board (WASREB)
- (iii) Water Resources Management Authority (WRMA)

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

- (iv) Athi Water Services Board (AWSB)
- (v) Key Management
- (vi) Board of Directors
- (vii) Ruiru Water & Sewerage Company Ltd
- (viii) Gatundu Water & Sanitation Company Ltd
- (ix) Karuri Water & Sewerage Company Ltd
- (x) Kikuyu Water & Sewerage Company Ltd
- (xi) Githunguri Water & Sewerage Company Ltd.
- (xii) Kiambu Water & Sewerage Company Ltd
- (xiii) Thika Water & Sewerage Company Ltd.

a. County Government of Kiambu

The County Government of Kiambu is the principal shareholder of the Company, holding 100% of the Company's equity interest. The Company owns eight water Companies that offer water services within their regions. The Water Companies do business with each and in the financial year the Company Sold bulk water to Karuri Water they owed the Company Kshs 7,139,650

During the financial year the Company supplied water to institutions owed by the County Government and at the close of the financial the institutions had some pending water bills amounting to Ksh 2,583,346

b. Athi Water Services Board

During the financial year the company owed Kshs 29,215,453 as licence fee as shown in note 20.

c. Water Services Regulatory Board

During the financial year the company owed Kshs 15,766,376 was levy as shown in note 20.

d. Water Resource Management Authority

During the financial year the company owed Kshs 1,141,989 as abstraction fee as shown in note 20

e. Thika Water and Sewerage Company Ltd

During the financial year the company owed Kshs 2,663.670 as billing fee as shown in note 20.

f. Key Management Staff

The gross salary for key management staff was Kshs 11,920,100 during the financial year.

26 CONTINGENT LIABILITY

As at 30th June 2022 Limuru Water & Sewerage Company Ltd did not have contingent liability

27 INCORPORATION

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

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

28 EVENTS AFTER THE REPORTING PERIOD

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

29 CURRENCY

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

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

APPENDIX 1

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

1. Property Plant and Equipment

The Procurement process of Karambaini Land Title No. I R 365508(LR.No. 145/6/27) is in the completion stage in the land registry office for title processing. A sale agreement between the seller and the company also attached in this response.

2. Trade and other receivables

The aged analysis for the current period is attached

3. Customer Deposit

The Variance of the amount in Customer Deposits includes money borrowed for office construction and electricity payments. The board authorized the management to borrow Kshs 6,000,000 and use it for construction of the office which we are now occupying. The expenditure was capital in nature and that is why we got an approval from the board. The company has also embarked on a workplan to repay the customer deposits.

4. Lease Fee payable to Athi Water Services Board (AWSB)

We have enclosed the SPA agreement between Athi Water Services Board and Limuru Water & Sewerage Ltd detailing the terms of the lease.

5 Failure to disclose material uncertainty in relation to going concern

The Company sustainability is affected by lack of completed projects over the years and the Company has come up with the following strategy to address the issue affecting the sustainability.

- a. Completion of three major projects which are almost complete and which will increase water production and increase revenue. The projects are Tigoni Water Supply, Manguo Borehole and Loromo Twin Boreholes which are of high yield. The water in Tigoni will increase revenue in Limuru especially Karanje and Misiri. Loromo Boreholes will be of benefit in Thigio and Ndeiya which will receive more water since we are currently rationing water in those areas while Manguo will increase water sales in Limuru town.
- b. The Company submitted its tariff review to the regulator since we have been operating on a tariff which was last reviewed in the year 2010. This has affected our billing despite the fact that there has been a lot of inflation and high cost of electricity bills which results to high cost of production. By reviewing the tariff the Company will be in a position to improve billing which will also improve the performance of the Company.
- c. The Company has come up with a non-revenue strategy, as per note 3 below, which is aimed at reducing the unaccounted-for water. The outcome will result to an increase in revenue and a reduction in operational costs. By doing so the Company will improve its performance and improve its revenue reserves having achieved 28% from the previous 32% in Non-Revenue Water.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

32 Budget performance

a. Under collection of Revenue

The Company was not able to realise its budget of Kshs 110,400,000 as anticipated due to the fact that there was no tariff review and non completion of ongoing capital projects that were anticipated to be complete in the financial year. The projects are:

- Tigoni Water Supply
- Loromo Boreholes
- Ndeiya Pipeline

Tariff Review

The Company tariff review which was due in 2017 but was not done due to the ongoing merger of Water Companies in the County. Lack of Tariff review has really affected the company since it was last reviewed in the year 2010. However there was tariff review in 2013 that increased licence fee and regulatory levy. Lack of tariff review impacted on the company since it was not in a position to meet its budget and also meet the expenses like electricity, operations costs and salaries. This is despite the fact that there has been inflation, high cost of electricity, fuel and rising cost of water fittings and other materials

33 Non –Revenue Water

The Company had a non- revenue water of 32% during the financial year and we have come up we the following initiatives to further reduce it; Creation of a dedicated NRW unit, reduction of leaks and bursts by use of high-quality HDPE pipes, and annual work plan that is to be reviewed on quarterly basis as below;

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2022

APPENDIX 11

PROJECTS IMPLEMENTED BY THE ENTITY

- **Drought Mitigation Project**

The World Bank through Athi Water Works Development Agency drilled and equipped three boreholes under the drought mitigation 2; namely Redhill, Kiriri and new Manguo boreholes. The boreholes are to serve the following area; Kiriri Borehole, it has a production capacity of 9m³ It is meant to supply water to Kiriri village in Ndeiya. Redhill borehole, It is meant to supply water to customers in Mathanja Village, and Redhill and Karuri water. This project was operationalized during the financial year and it is supplying water to Karuri region while Manguo New borehole the borehole is meant to supply water to residents of Kamandura and Koyani in Limuru town

- **Tigoni Water Supply**

Tigoni Water Supply the water supply was completed in the financial year, it has a daily production capacity of 2000m³. It was meant to supply customers in Tigoni, Karanjee, Kabuku and Karuri Water. However, the project was operationalized during the financial year but it was operating at half capacity.

- **Loromo boreholes**

Loromo borehole, Power for Loromo boreholes was installed in the financial year and the pipes for Ndeiya were layed in the same period.

- **Sewerage Project**

Pipe laying for our sewer network began in the financial year through Kenya Towns Sustainable Supply and Sanitation Program towns program.