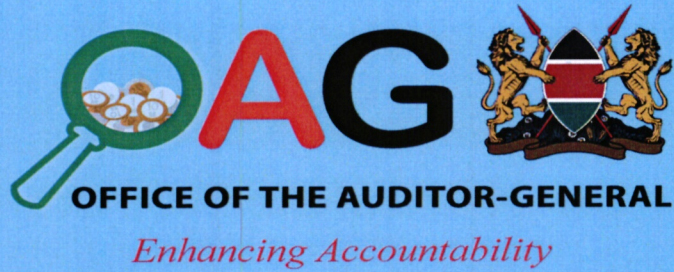


REPUBLIC OF KENYA



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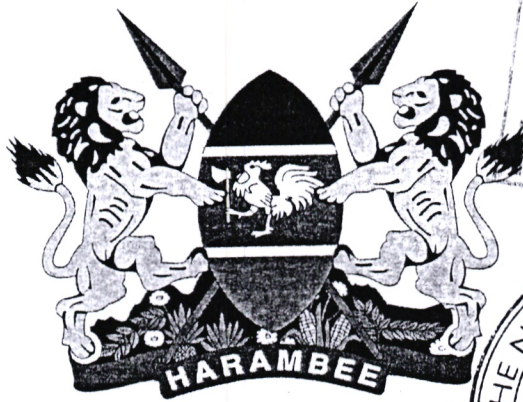
**THE AUDITOR-GENERAL**

**ON**

**KIKUYU WATER COMPANY LIMITED**

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

COPY



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**KIKUYU WATER COMPANY LIMITED**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

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

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

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## 1. KEY ENTITY INFORMATION

### Background information

Kikuyu Water Company Ltd (KWCL) was incorporated under the Companies Act (Cap. 486) on 10<sup>th</sup> March 2006 and was appointed by Athi Water Services Board (a state corporation) as an agent for the provision of efficient and effective water and sewerage services within Kikuyu Township and its environs. It is currently owned by County Government of Kiambu.

### Principal Activities

The principle activities for which the Company was established are: -

- To supply the town of Kikuyu together with the neighborhood and its environs, with water and to carry on business of water and sewerage works and to manage the assets belonging to Athi Water Services Board and the assets shall not be subject to any resolution of the Company or that of the Council
- To exercise overall control over the sources and supply of water and in particular, to conserve, redistribute and to augment those water resources, including sinking boreholes, to make, build and construct, lay down and maintain reservoirs, waterworks, cisterns, culverts, filter-beds, main and other pipe and appliances, to execute and do all works and things necessary or convenient for obtaining, storing, selling, delivering, measuring and distributing water, or otherwise for the purposes of the Company.
- To provide and distribute a constant supply of potable water for commercial, industrial and domestic purposes.

### Directors

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

Directors Name	Position	Date of Appointment
1. Prof. Bernard K Njoroge	Chairman	2018
2. Mr. James Muriuki	Member	2018
3. Eng. Andrew Muigai	Member	2018
4. Mr Samuel Gatama	Member	2018
5. Mrs Emma Ng'ang'a	Member	2018
6. Prof. Steven Njuguna	Member	2018
7. Bishop Solomon Waweru	Member	2018
8. Mr Ndungu Wa Munywe	Member	2018
9. Mr Dominic Gachanja	Member	2018
10. Dr Martin Njogu	Member	2018
11. Mr John Mutie	Member	2019
12. Jane Murage	Managing Director	2014
13. Eng. Kamunyu Kahenya	Chairman	2022
14. Mrs Esther Wambui Gacheru	Member	2022
15. Mr, Richard Njogu Ngungu	Member	2022
16. Mr, Charles N. Gikonyo	Member	2022
17. Mr Daniel Ngumi	Member	2022

**Corporate Secretary**

Josephine Muritu  
P.O. Box 2344-00900  
Kiambu

**Registered Office**

1st Floor Mugumo House, Kikuyu Township  
P. O. Box 313-00902, Kikuyu.  
Tel: 0728578098

**KWCL Headquarters**

1st Floor Mugumo House, Kikuyu Township  
P. O. Box 313-00902, Kikuyu.  
Tel: 0728578098

**KWCL Contacts**

1st Floor Mugumo House, Kikuyu Township  
P. O. Box 313-00902, Kikuyu.  
Tel: 0728578098

**KWCL Bankers**

**Kenya Commercial Bank-Kikuyu Branch**  
P. O. Box 148-00902, Kikuyu.  
Tel: +254-66-33046 Fax: +254-66-33246

**Equity Bank (K) Limited-Kikuyu Branch**  
P. O. Box 1707-00902, Kikuyu.  
Tel: +254-66-31071 Fax: +254-66-31072

**Family Bank Limited**

P.O Box 75145, Nairobi  
Tel: +254-335003 Fax 337231

**Kenya Post Office Savings Bank**

P.O Box 30311-00100, Nairobi  
Tel 020-2229551 Fax 0202229186

**Safaricom Limited**

P.O Box 66827 – 00800, Nairobi  
Tel: 020 – 4273272/0722003272





**(a) Independent Auditors**





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

**Principal Legal Advisers**

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

2. THE BOARD OF DIRECTORS

	<p><b>1. Name:</b> Eng. Kamunyu Kahenya  <b>2. Position:</b> Chairman  <b>3. DoA;</b> 2022  <b>4. Qualification:</b> Bsc. Civil Engineering Hons.(1979) UoN, Msc. Project Management (2017) University of Liverpool.  <b>5. Work Experience:</b> Managing Director Engiconsult Ltd- Consulting Engineers (2004 to present), Managing Partner – Engiconsult, Consulting Engineers, Director Engiconsult(Pty) Ltd, Botswana (1991-2003), Principal Partner, Engiconsult, Consulting Engineers(1982 – 1991)</p>
	<p><b>1. Name:</b> Esther Wambui Gacheru  <b>2. Position:</b> Director  <b>3. DoA :</b> 2022  <b>4. Qualification:</b> Masters of Tax and Customs Administration (Taxation), Bcom(Finance) UoN, CPA(K)  <b>5. Work Experience:</b> Senior Accountant – Kenya Animal Genetics Resources Centre(September 2019 to present), Senior Internal Auditor – Kenya Animal Internal Auditor Centre (December 2008 – August 2019), Accountant 1 – Kenya Animal Genetics Resources Centre (March 2016 – December 2008), School Bursar Muhu Secondary School (March 2005 – February 2006), Accountant Kenya College of Accountancy (May 2002 – April 2003), Accountant Institute of Certified Public Accountants (ICPAK) (August 1999 – March 2002).</p>
	<p><b>1. Name:</b> Richard Njogu Ndung'u  <b>2. Position:</b> Director  <b>3. DoA :</b> 2022  <b>4. Qualification:</b> CPA II, Diploma Business Administration  <b>5. Work Experience:</b> Principal Consultant Brentwrich Capital Ltd (2009 to present), Financial Controller 1992 – June 2000 Shuttle Air Services Ltd, Accounts Assistant Southern Credit Banking Corporation Ltd, Kyu Garments (K) Ltd.</p>
	<p><b>1. Name:</b> Charles N. Gikonyo  <b>2. Position:</b> Director  <b>3. DoA :</b> 2022  <b>4. Qualification:</b>  <b>5. Work Experience:</b></p>






	<ol style="list-style-type: none"> <li>1. <b>Name:</b> William Nyanjui Kimani</li> <li>2. <b>Director</b></li> <li>3. <b>DoA:</b> March 2022</li> <li>4. <b>Qualifications:</b> Msc. Business Administration (Finance), BBA (Accounting &amp; Finance), CPA (K)</li> <li>5. <b>Work Experience:</b> Chief Officer Finance &amp; Economic Planning, County Government of Kiambu (2019 – date), Chief Officer Administration County Government of Kiambu (Dec 2018 – June 2019), Director Administration, Principal Administration Officer (May 2017 – Nov 2018) – County Government of Kiambu, Finance Manager PUEA Mt Kenya University (Jan 2010 -April 2017), Finance Manager Limuru Milk Processors (Mar 2007 – Dec 2009), Chief Accountant New Baron and Leveque International &amp; Kenana Distributors (Feb 2007 – March 2002)</li> </ol>
	<ol style="list-style-type: none"> <li>1. <b>Name:</b> Prof. Eng. Bernard Njoroge</li> <li>2. <b>Position:</b> Chairman</li> <li>3. <b>DoA ; 2018</b></li> <li>4. <b>Qualification:</b> 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.</li> <li>5. <b>Work Experience:</b> DVC Finance University of Nairobi, U.O.N Professor Faculty of Engineering from year 2002</li> </ol>
	<ol style="list-style-type: none"> <li>1. <b>Name:</b> Jennifer Kanini Musyoki</li> <li>2. <b>Position:</b> Director</li> <li>3. <b>DoA:</b> 29<sup>th</sup> July 2020</li> <li>4. <b>Qualification:</b> MBA (Strategic Management); BSc Civil Engineering</li> <li>5. <b>Work Experience:</b> Previously worked as a Water &amp; 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.</li> </ol>
	<ol style="list-style-type: none"> <li>1. <b>Name:</b> Prof Steven Njuguna</li> <li>2. <b>Position:</b> Director</li> <li>3. <b>DoA :</b> 2018</li> <li>4. <b>Qualification:</b> Phd, Msc, Bsc(1<sup>st</sup> Class Hons) Environmental Science, Diploma in Education</li> <li>5. <b>Work Experience:</b> Kenyatta University, Faculty of Environmental Studies</li> </ol>






1. **Name:** Mr. James Gitau Muriuki
2. **Position:** Director
3. **DoA :** 2018
4. **Qualification:** Bachelor of Science in Chemistry/Biochemistry, Msc. Environmental Health Engineering  
Sector: Representative of Water Consumers
5. **Work Experience:** Ministry of Water and Irrigation, Technical Consultant on Water and Waste water Treatment and Quality Analysis; Environmental Audits, Environmental Impact Assessments (EIA).









1. **Name:** Samuel Gatama
2. **Position:** Director
3. **DoA :** 2018
4. **Qualification:** Business man, S 1 Teacher
5. **Work Experience:** Retired teacher over 30Years Experience

	<p>1. <b>Name:</b> Eng. Andrew Muigai                  2. <b>Position:</b> Director                  3. <b>DoA :</b> 2018                  4. <b>Qualification:</b> Bsc Civil Engineering UON                  5. <b>Work Experience:</b> Director Kenya Industrial Research and Development Institute                  Entrepreneur Engineer and Management Consultant</p>
	<p>1. <b>Name:</b> Emma Waithera Ng'ang'a                  2. <b>Position:</b>                  3. <b>DoA :</b> 2018                  4. <b>Qualification:</b> Msc Corporate Entrepreneurship                  5. <b>Work Experience:</b> 40 years' experience in Business and Marketing</p>
	<p>1. <b>Name:</b> Ndung'u Wa Munywe                  2. <b>Position:</b> Director                  3. <b>DoA :</b> 2018                  4. <b>Qualification:</b> Bachelor of Arts, Advanced Public Administration                  5. <b>Work Experience:</b> Worked with UON as Senior Administration Assistant. Ministry of Water and Ministry of Commerce</p>
	<p>1. <b>Name:</b> Dominic Gachanja                  2. <b>Position:</b> Director                  3. <b>DoA :</b> 2018                  4. <b>Qualification:</b> Doctor in Pharmacy                  5. <b>Work Experience:</b> Businessman Thika, Board Member Land Control Board</p>
	<p>1. <b>Name:</b> Bishop Solomon Waweru                  2. <b>Position:</b> Director                  3. <b>DoA :</b> 2018                  4. <b>Qualification:</b> Retired Public Officer                  5. <b>Work Experience:</b> Bishop of A Church- Representative of NGOs</p>

	<p><b>1. Name:</b> Dr. Martin Njogu Mbugua  <b>2. Position:</b> Director  <b>3. DoA :</b> 2018  <b>4. Qualification:</b> Doctor of Philosophy - Chemistry  <b>5. Work Experience:</b> Lecturer and researcher, Department of Chemistry/UoN</p>
	<p><b>1. Name:</b> Josphine W. Muritu  <b>2. Position:</b> Company Secretary  <b>3. DoA:</b>  <b>4. Qualification:</b> LLB (UoN)  <b>5. Work Experience:</b> Worked with Kiambu County Government Senior Legal Counsel, Assistant Director (Quality Assurance, compliance and Accreditation), Assistant Commission Secretary (Legal Affairs), Assistant Counsel Mwaniki &amp; Company Advocates, Counsel Musyimi &amp; Company Advocates</p>
	<p><b>JANE WANJIRU MURAGE - THE MANAGER DIRECTOR</b></p> <p>Jane Murage holds a BSC in Water &amp; Environmental Engineering (Egerton University) Diploma in Water Technology (KEWI)                  She is responsible of monitoring and assessing management's performance                  Ensuring that the company complies with the legal and governance framework of the company  <b>Ensuring institutional transformation in accordance with corporate strategy</b></p>

**3. MANAGEMENT TEAM**

	<p><b>JANE WANJIRU MURAGE - THE MANAGER DIRECTOR</b></p> <p>Jane Murage holds a BSC in Water &amp; Environmental Engineering (Egerton University) Diploma in Water Technology (KEWI)                  She is responsible of monitoring and assessing management's performance                  Ensuring that the company complies with the legal and governance framework of the company                  Ensuring institutional transformation in accordance with corporate strategy</p>
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	<p><b>CPA DANIEL KARANGATHA MUIRURI - FINANCE &amp; ADMINISTRATION MANAGER</b>                  Holds a B.COM Finance (U.o.N) and is a CPAK assist in development of current and long-term goals as well formulating policies and procedure                  Production of financial report. Oversees implementation of accounting and financial management system and oversees all the accounting function including; cash flow management, revenue collection, payroll and budgeting</p>
	<p><b>PAUL GICHUKI-TECHNICAL MANAGER</b>                  Holds a Bachelor of Science in Water and Environmental Engineering from Egerton University and a Certificate in Environmental Impact Assessment and Env. Audit from Jomo Kenyatta University of Agriculture and Technology and is responsible for heading the Technical Department</p>
	<p><b>JENIFFER CHEBET – INTERNAL AUDITOR</b>                  She holds a Bachelor of commerce in marketing                  She ensures that there is a strong control environment to prevent fraud.                  Ensuring compliance with laid down internal controls                  -preparing audit reports for the Board Audit &amp; risk committee.                  -setting internal audit programs and systems which are risk based</p>
	<p><b>STEPHEN MWANGI NDERI- PROCUREMENT OFFICER.</b>                  Holds a Bachelor of Commerce Finance Option from KCA University and a Diploma in Purchasing and Supplies from Kenya Institute of Management.                  Ensures that the procurement function is run in line with the Public Procurement and Disposal Act.</p>
	<p><b>DAVID KIMANI-COMMERCIAL OFFICER</b>                  He holds a Bachelors of Commerce in Finance and is a CPA(k)                  He formulates a work plan for daily commercial operation                  Ensure Monthly cycles and correct bills are produced accordingly</p>



**1.Name:** Josphine W. Muritu  
**2.Position:** Company Secretary  
**3: DoA:** 2018  
**4.Qualification:** LLB (UoN)  
**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

#### 4. CHAIRMAN'S STATEMENT

I am delighted to present to you the financial report for the year ended 30th June 2022. As a company we put in a lot of effort to fulfill our mandate which is to provide water and sanitation services in Kikuyu and Kabete sub-counties of Kiambu County.

During the year ended 30th June 2022 KWCL focused on key objectives as stated in the strategic plan which include; increased coverage, financial sustainability, operational sustainability and customer satisfaction.

I am happy to note that our sewage works having been incorporated for funding through African development bank is now almost complete with a target of starting sewer connections in October of 2022.

In addition, during this period 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.

During the financial year KWCL made a profit before tax for the year of Ksh 54,270,704 million compared to a deficit of Kshs 1,464,931 during the previous financial year. The profit was occasioned by Grants income from the National and County Government of Ksh 81,066,109.

Some of these challenges are being addressed through our limited company capacity and by partnering with other stakeholders such as County Government of Kiambu and Athi Water Service Board.

##### Way forward

The challenges at hand call for great improvement of existing systems and construction of new ones and I believe that with the assistance of our stakeholders this problem would be addressed.

Water is now a Constitutional Right and this may pose a challenge in our endeavour to serve the underserved in line with Sustainable Development Goals.

We are generally striving in the following key areas in order to attain sustainable operations;

- Enhanced revenue collection from water sale and exhauster services
- Reduced non- revenue water hence increased water sale
- Enhanced staff productivity
- Improve water coverage and reliability
- Intensify partnering with existing Self-Help Water Projects.
- Implement and completion of on-going /upcoming projects

I would take this opportunity to record my gratitude to my fellow board members for their support and valuable contribution to the company. I would also like to thank the management and the staff of the company for their commitment, strength and dedication towards the company. To our development partners I express my heartfelt gratitude for your continued support. Last but not the least I would also thank our stake holders for their support and loyalty and assure them of our determination to continually improve the quality of our services

Eng. Kamunyu Kahenya

Company's Chairman



## 5. REPORT OF THE MANAGING DIRECTOR

Today am pleased to present to you the financial report for the year ending 30<sup>th</sup> June 2022. During the financial year the company made several strides toward achieving the set strategic objectives which include;

- Increase in water coverage,
- Attaining financial sustainability
- Attaining operational efficiency/institutional strengthening
- Significantly improving customer satisfaction
- Mainstreaming cross cutting issues.

The year presented itself with a new challenge of extending the distribution network, having significantly improved the production capacity during the previous year.

The following are some of the achievements;

### 1. NDERI WATER CONNECTIONS REVIVAL

The project involved reactivation of more than 150 dormant water accounts. The Nderi-Karai area was facing acute water deficit leading to the multiple dormant accounts. However, with the Riu-Karai secondary water project complete, enough water was made available to reactivate the accounts. This restored the water services to the residents of the area and also played part to increase the revenue base of the company.

### 2. Kamangu new water connections

This followed the completion of Ondiri-Kamangu water project. The company has in this year connected over 450 new water connection in Kamangu area. This has made the water services available to a population of over 5000.

### 3. Ondiri- Gichuru water supply project.

The project scope includes drilling and equipping of two 72m<sup>3</sup>/hr yielding boreholes at Ondiri well field, laying 2km of 225mm pipeline from Ondiri to Gichuru tank site, installation of two 108m<sup>3</sup> elevated tanks at Gichuru grounds tank, laying 17km of assorted distribution main pipeline from Gichuru grounds tank to Uthiru via kinoo and laying 74km of assorted distribution networks. The project is expected to increase the daily water supply by 3000m<sup>3</sup>.

Once completed the project, will serve 50,000 residents in Uthiru, Kinoo, Regen, Gitaru, Mega, and Nderi areas.

This project is 85% complete with the boreholes and tanks complete while pipeline laying from Kikuyu to Uthiru at 90%.

### 4. Kikuyu Sewerage project.

The scope of the project includes the installation of a 52km sewer line, construction of Kikuyu water offices, drilling of four boreholes, and laying 27km of water pipeline.

Once complete the project is expected to serve Kikuyu town, Kidfarmaco and Thogoto areas. Notably, the sewer project presents the beginning of sewer line coverage within Kikuyu water service area.

This project is at 74% completion with the initial sewer connections expected to be done in October 2022.

#### **5. Operationalization of Rugitta borehole**

The scope of the project includes drilling and equipping of a 25m<sup>3</sup>/hr borehole at Rugitta water point, installation of a 48m<sup>3</sup> elevated tank. When complete the project is expected to add to the daily water supply by 500m<sup>3</sup>.

The project is expected to supply water to 3000 residents of Rungiri area as well as boost Muthiga water supply project. The borehole is 5% complete with the rising main to the tank site already laid. The construction of the tank is due to start in September 2022.

#### **6. Solarization of Boreholes.**

After successful solarization of Thogotto 2 and Riu 2 boreholes, the company has explored the solarization of 7 more boreholes. Resources have been mobilised and the twin and Riu 3 boreholes are due for solarization in the next financial year.

In sunny weather, the project has capacity of reducing the production cost of the specific boreholes with up to 30%.

These landmark projects will undoubtedly improve the quality of life for residents of these areas and the county in general. More so these projects are a game-changer for the company in delivering its water supply mandate.

During the financial year KWCL made a profit before tax for the year of Ksh 54,270,704 million compared to a deficit of Kshs 1,464,931 during the previous financial year. The profit was occasioned by Grants income from the National and County Government of Ksh 81,066,109. Operational cost also increased due to increase in the number of boreholes, staff cost as a result of annual salary increment and power costs

We assure our stakeholders that we shall ensure the projects operate efficiently to minimise the operational cost while we maximize on revenue collections

#### **Challenges**

##### **1. Non-Revenue Water.**

There were multiple Road construction projects going on in Kikuyu and Kabete sub counties. This posed a huge challenge especially when distribution mains were damaged as high volumes of water were lost in the bursts leading to high NRW.

##### **2. Revenue collection.**

During the COVID 19 pandemic period the collection efficiency significantly went down thus further straining the operational budget.

##### **3. Power supply**

Irregular power supply meant that some of the pumps were not working which interrupted the water supply. Some of the pumps and motors had to be replaced after burning out due to power surges.

##### **4. Power bills.**

High power bills remain to be among the biggest threats to the sustainability of our business seeing that Kikuyu Water Company predominately relies on borehole pumping for water production. The impact was even greater in the second half of the year with increased water demand during the pandemic period yet decreased in revenue collection as explained in 2 above.

### Way forward

The challenges at hand call for great improvement of existing systems and construction of new ones and I believe that with the assistance of our stakeholders this problem would be addressed.

Water is now a Constitutional Right and this may pose a challenge in our endeavour to serve the underserved in line with Sustainable Development Goals.

We are generally striving in the following key areas in order to attain sustainable operations:

- Enhanced revenue collection from water sale and exhauster services
- Reduced non-revenue water hence increased water sale
- Enhanced staff productivity
- Improve water coverage and reliability
- Intensify partnering with existing Self-Help Water Projects.
- Implement on-going /upcoming projects

### Appreciation

I am most thankful to County Government of Kiambu, Athi Water Services Board, Water Services Regulatory Board, Water Sector Trust Fund, Constituency Offices-Kikuyu and Kabete, all customers and in particular, University of Nairobi Kikuyu Campus, Alliance Boys High School, 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 Kikuyu Water. Without their enthusiasm, hard work and teamwork we would not have come this far.

**Jane Murage**



**Managing Director KWCL**

## 6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

KIKUYU WATER COMPANY has 3 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

- Pillar 1: Increased access to safe water and reliable sanitation services
- Pillar 2: Efficient and enhanced water supply and sewerage service delivery
- Pillar 3: Strengthened institutions & developed capacity for KWCL and partners

Kikuyu water Company develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. KWCL achieved its performance targets set for the FY 2021/2022 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Activities	Key Performance Indicators	Achievements
Pillar 1: Increased access to safe water and reliable sanitation services	Increase access to safe water supply by approx. 60% in 5 years.	Rehabilitate all boreholes performing at less than 80% of the tested yield	No. of rehabilitated and operational boreholes	5 Twin boreholes Riu 3&4 boreholes
		Drill and equip 42 Boreholes	No. of boreholes drilled and equipped.	Riu 4 borehole Wangige hospital borehole 5 Twin boreholes
	Increase access to sewerage for Kikuyu Town and its environs safe sanitation public places	Development of sewer line at kikuyu	No. of sewer line laid in kilometres. No. of sewer connections made.	43km. 2
Pillar 2: Efficient and enhanced water supply and sewerage service delivery	Develop policies, strategies and road maps for facilities taken over from CBOs	Audit to determine the condition of assets and water infrastructure.	Audits conducted.	On Going
		Develop technical policy and assets management policy	No. of policies approved by the board.	On Going
	Develop operational guidelines, manuals, tool kits etc.	Development of guideline manual	No. of manuals developed	7
	Support to rural water facilities			
	PPPs to enhance efficiencies and infrastructure coverage	Pipeline rehabilitation and upgrading	Length of pipeline rehabilitated or upgraded	45KMS
		Pipeline extensions	Length of pipeline extension works.	51KMS
	Enhance O&M	Develop and implement a maintenance schedule of water supply infrastructure	No. of operational schedules developed	1
Pillar 3: Strengthened	Assets & management	New asset identification (fixed & movable) and	Update of the assets register	Asset Identified Tagged

institutions & developed capacity for KWCL and partners	Enhance HR Management	valuation			
		Undertake study to establish staff training needs and capacity gaps; annual updates through appraisals	Performance appraisal developed and implemented.	Staff appraisal done	
		Implement recommendations of staff training and capacity development	No. of staff training conducted. Attended Trainings	15	
	Operational policies, strategies, guidelines, manuals and certifications	Procure and install computer based Human Resource Information System (HRIS)	Installation of the HRM System	Done	
		Develop/customize available national policies and develop guidelines (Gender; EHS; HR training and development; HR management; Corporate Social Responsibility; Procurement and Disposal; Disability; Anti-Corruption etc.); Board Members Induction Packages (and guidelines)	No. of Developed manuals and guidelines		
		Staff induction guideline and process			
		Develop/customize performance management systems and establish performance contracting framework	Performance appraisals developed for all staff.	Developed	
		ISO Certification and compliance	ISO certification		
		Establish integrity assurance/Risk mitigation systems			
		Water Safety (WS) Plans			
Enhance communication	Development and implementation of Customer communication strategy	Developed strategy.	done		

		satisfaction survey and implementation of findings	No. of survey conducted and recommendations highlighted	7. Surveys have been conducted in 7 supply zones of Karai scheme.
	Resource mobilization	Proposal development, investor conferences, donor coordination etc	No. of proposals developed and sent to financiers.	3

## 7. CORPORATE GOVERNANCE STATEMENT

Kikuyu Water company Ltd is committed to good corporate governance as it is crucial for the success of the company and ensures it remains as a sustainable and viable business. This Statement sets out the main corporate governance practices and structures in Kikuyu Water Company Ltd.

The following corporate governance guidelines and principles are applied in the company to govern directors and staff. WASREB guidelines on Corporate Governance for Water companies specify best corporate governance principles and others like the Code of Ethics for directors and the Public Officer Ethics Act, 2003 that applies to public officers.

Directors exercise independent judgment and professional competencies for effective governance of the Company as set out in their terms of reference which clearly spells out important governance arrangements covering appointment of directors.

The Directors' Code of Conduct sets out rules that govern the conduct of individual directors in order to enable the Board to operate effectively and in the best interest of Kikuyu Water Company Ltd. The Code of Conduct sets out rules for directors to among others: act honestly, in good faith and for the best interest of the company, exercise duty with care and diligence, avoidance and management of conflict of interest, maintain confidentiality of information about the company, showing commitment to and attend to Kikuyu Water Company Ltd business and respect to fellow directors.

### **Composition of the Board of Directors**

The Board comprises of Eight Directors, including the Managing Director. The composition of the Board of Directors considers requirements of the water sector, diverse mix of skills, age, gender, qualifications and experience necessary to achieve the company's goals and objectives.

### **Conflict of Interest**

Directors are required to make a written disclosure of any transaction in which they have interest and which would constitute a conflict of interest and to abstain from voting when such matters are being considered. Business transactions with all parties, directors or their related parties are carried out at arms' length.

### **Role and Responsibilities of the Board**

The Board provides leadership and strategic direction to the Kikuyu Water Company Ltd. Their main responsibilities are:

- Establishing the short and long-term goals of the Company and strategic plans to achieve those goals
- Ensuring preparation of the annual and half-year financial statements
- Approval and review of the annual budgets
- Setting and periodically reviewing key performance indicators and management performance
- Ensuring that Kikuyu Water Company Ltd has adequate systems of internal controls

- Ensuring that Kikuyu Water Company Ltd has adequate risk management plans to ensure business continuity

#### **Role of Chairman of the Board of Directors**

The Chairman is primarily responsible for providing leadership to the board, chairing board meetings and general meetings of members. The chairman also ensures that the Board is supplied with timely and sufficient information to enable it to discharge its duties effectively.

#### **Managing Director**

The Managing Director is the chief executive of Kikuyu Water Company Ltd responsible for the day to day management of Kikuyu Water Company Ltd.

#### **Directors Training and Development**

The Company recognizes the importance of having a well informed and fully empowered Board of Directors. In this regard, relevant training and capacity development opportunities are organized to equip directors with skills and knowledge necessary to effectively perform their responsibilities.

#### **Board Work plan and Meetings**

A work plan and schedule of meetings is prepared annually in advance. The Board meets at least twice per quarter or more depending on the requirements of the business. Directors receive adequate notice for meetings and detailed papers on issues to be discussed

BOARD MEETINGS AGENDA 2020/2021 FINANCIAL YEAR

	MEETING	DATES	AGENDAS
I	FULL BOARD		
	9 <sup>th</sup> Special	16 <sup>th</sup> September 2021	
	10 <sup>th</sup> Special	29 <sup>th</sup> SEPTEMBER 2021	1. Adoption of the 2020/21 Financial Report for purposes of submission to the Auditor General
	11 <sup>th</sup> Full Board	3 <sup>rd</sup> , 4 <sup>th</sup> and 10 <sup>th</sup> November 2021	1) CECM General Remarks – An update on the merger process 2) Presentation of the updated paper of the Finance & ICT Committee Report. 3) Presentation of the Risk & Audit Committee Report. 4) Presentation of the update paper of Human Resource & Administration Committee Report. 5) Presentation of the updated paper Technical Committee Report. 6) Presentation of the Ad Hoc Committee Report. 7) Confirmation of the Minutes of 9 <sup>th</sup> Full Board Meeting held on 9 <sup>th</sup> December, 2020
	Retreat	6 <sup>th</sup> to 10 <sup>th</sup> December 2021	1. Finance Committee report 2. Human resource committee 3. Resolution of the Board workshop on the following issues: • Adoption of the merger Road map • Guide on the transition plan
		10 <sup>th</sup> and 22 <sup>nd</sup> February 2022	8) Presentation of the Technical Committee Report 9) Presentation of the Human Resource & Administration Committee Report 10) Presentation of the Finance & ICT Committee Report 11) Presentation of the Risk & Audit Committee Report 12) Confirmation of the Minutes of 10 <sup>th</sup> Full Board Meeting 13) Confirmation of the Minutes of 8 <sup>th</sup> Special Board Meeting
INDEPENDENT COMPANY BOARD			
	1 <sup>ST</sup>	31 <sup>st</sup> march & 7 <sup>th</sup> April 2022	1. Consideration, approval and execution of the code of ethics 2. Approval of the Board Charter 3. Formation of Board Committees and approval of the Board and Committees work plan 4. Consideration and approval of provision of legal advisory and Company secretary services 5. Adoption of the handing over report 6. Adoption of the last minutes of the caretaker Board 7. Meeting with the Commercial viability study consultant, Vas consultant
	2 <sup>nd</sup>	6 <sup>th</sup> June 2022	1. Presentation of the Finance Committee Report 2. Presentation of the Technical Committee 3. Presentation of the Risk and Audit Committee Report 4. Confirmation of the 1 <sup>st</sup> Full Board Minutes

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<b>2</b>	<b>FINANCE</b>		
	10 <sup>th</sup>	6 <sup>th</sup> , 7 <sup>th</sup> & 9 <sup>th</sup> September 2021	<ol style="list-style-type: none"> <li>1. Consider, adopt and recommend to the Board the Committee Annual work plan</li> <li>2. Consider, adopt and recommend to the Board the 2021/22 Financial report</li> <li>3. Consider, adopt and recommend to the Board the procurement plan performance for the 2021/22 financial year</li> <li>4. Consider, adopt and recommend to the Board the proposed implementation of the salary harmonisation framework by the Regions</li> <li>5. Confirmation of the 8<sup>th</sup> Financial Committee meeting</li> <li>6. Confirmation of the 9<sup>th</sup> Financial Committee meeting</li> </ol>
	5 <sup>th</sup> Special	30 <sup>th</sup> November, 1 <sup>st</sup> December 2021	<ol style="list-style-type: none"> <li>1) Consider and recommend to the Board the Kiambu Region CBA for adoption and approval of its immediate implementation.</li> <li>2) Consider and recommend to the Board the Kiambu Region's financial capability to implement the harmonised salary framework.</li> <li>3) Consider and recommend to the Board the Karuri's Region's financial capability to implement the harmonised salary framework.</li> <li>4) Consider and recommend to the Board Kikuyu Region solarisation proposal.</li> </ol>
			<b>INDEPENDENT COMPANY BOARD COMMITTEE</b>
	1ST	19 <sup>th</sup> & 27 <sup>th</sup> May 2022	<ol style="list-style-type: none"> <li>1. Review terms of reference for the Committee</li> <li>2. Discuss, adopt and make recommendations on 3<sup>rd</sup> Quarter Human Resource Report</li> <li>3. Discuss, adopt and make recommendations on 3<sup>rd</sup> Quarter procurement utilization report</li> <li>4. Discuss, adopt and make recommendations on 3<sup>rd</sup> Quarter performance contract report</li> <li>5. Discuss, adopt and make recommendations on 3<sup>rd</sup> Quarter financial and budget performance report</li> <li>6. Consider, adopt and recommend the proposed budget for 2022/2023 financial year.</li> <li>7. Brief on the legal suit by James Mbugua against the Company and status of the Company's name and proposed way forward</li> </ol>
	2 <sup>ND</sup>	20 <sup>th</sup> June 2022	<ol style="list-style-type: none"> <li>1. Receipt of the end of year Financial performance report</li> <li>2. Receipt of the end year procurement performance report</li> <li>3. Receipt of the end year Commercial department performance report</li> <li>4. Receipt of the end year Human Resource performance report</li> <li>5. Discussion of the Committee annual work plan</li> <li>6. Confirmation of the 1<sup>st</sup> Financial Committee meeting held on 19<sup>th</sup> and 27<sup>th</sup> May 2022</li> </ol>
<b>3</b>	<b>HUMAN RESOURCE</b>		
	9 <sup>th</sup>	13 <sup>th</sup> July ,2021 2 <sup>nd</sup> & 3 <sup>rd</sup> September 2021	<ol style="list-style-type: none"> <li>1. To consider and approve the recruitment of new staff members</li> <li>2. To discuss and adopt the senior management profile and make recommendations to the Board</li> <li>3. Consider, adopt and recommend to the Board the status to</li> </ol>

			<p>secondment staff</p> <ol style="list-style-type: none"> <li>4. Consider and adopt the status report of transferred staff members</li> <li>5. Consider, adopt and recommend to the Board the report of the Human Resource committee Mombasa retreat</li> <li>6. Confirmation of the 7<sup>th</sup> Human Resource &amp; Administration committee minutes.</li> <li>7. Confirmation of the 8<sup>th</sup> Human Resource &amp; Administration committee minutes.</li> <li>8.</li> </ol>
5 <sup>th</sup> Special	21 <sup>st</sup> October 2021		<ol style="list-style-type: none"> <li>1. To discuss proposed Kiambu Water &amp; sewerage Company collective bargaining agreement (CBA)</li> </ol>
6 <sup>th</sup> Special	29 <sup>th</sup> & 30 <sup>th</sup> November 2021		<ol style="list-style-type: none"> <li>1) To discuss Contract proposed Kiambu County Water Collective Bargaining Agreement (CBA).</li> <li>2) To discuss the status of Seconded and integrated staff Members within the Regions.</li> <li>3) To discuss the FY 2021/22 Region's performance.</li> <li>4) To Discuss the performance of the Caretaker Manager, Ruiru.</li> <li>5) To discuss allowances payable to the Head quarter's team seconded from the County Government.</li> <li>6) To discuss the payment of the hospital Bill, Ruiru Region.</li> </ol>
10 <sup>th</sup>	18 <sup>th</sup> January 2022		<ol style="list-style-type: none"> <li>1) Consider and recommend to the Board the filling of vacant position in Karuri and Githunguri Region.</li> <li>2) Paper on James Muiruri deployment</li> <li>3) Paper on Translation of Terms of Employment for the ICT Director.</li> <li>4) Consider and recommend the approval of acting allowance for the Headquarter staff member seconded by the County Government</li> <li>5) Confirmation of minutes of the 6<sup>th</sup> Special Human Resource Committee meeting</li> </ol>
7 <sup>th</sup> Special	8 <sup>th</sup> February, 2022		<ol style="list-style-type: none"> <li>1) To discuss Contract proposed Headquarters' Staff members allowances</li> <li>2) To discuss Resumption of office of the Managing Director, Kiambu Region</li> <li>3) Confirm minutes of the 10<sup>th</sup> Human Resource Committee Meeting</li> <li>4) Gatundu Region field visit</li> <li>5) Githunguri Region field visit</li> </ol>
			TECHNICAL COMMITTEE
7 <sup>th</sup>	13 <sup>th</sup> & 14 <sup>th</sup> September, 2021		<ol style="list-style-type: none"> <li>1) Discussion, adoption and recommendation to the Board the 2020/21 Performance Contracting Report.</li> <li>2) Discussion, adoption and recommendation to the Board of the</li> </ol>

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			<p>2021/22 Financial year Key Performance Indicators.</p> <p>3) Discussion, adoption and recommendation to the Board the 2021/22 Committee Work Plan</p> <p>4) Confirmation of Minutes of the 7<sup>th</sup> Technical Committee Meeting.</p>
	8 <sup>th</sup>	24 <sup>th</sup> January	<p>1) Presentation of the half year performance contracting</p> <p>(a) Kiambu Region</p> <p>(b) Karuri Region</p> <p>(c) Kikuyu Region</p> <p>(d) Limuru Region</p> <p>(e) Githunguri Region</p> <p>(f) Ruiru Region</p> <p>(g) Gatundu Region</p> <p>2) Confirmation of Minutes of the 7<sup>th</sup> Technical Committee Meeting</p>
			INDEPENDENT COMPANY BOARD
	1 <sup>ST</sup>	27 <sup>th</sup> April 2022	<p>1. Review of the Committee's TORS</p> <p>2. Consideration and recommendation of the Board on the 3<sup>rd</sup> Quarter Technical Report</p> <p>3. Consider and recommend to the Board the status of the ongoing projects</p> <p>4. Consider and recommend to the Board the proposed 2022/23 financial year projects</p>
5.	<b>RISK AND AUDIT</b>		
	7 <sup>th</sup>	<p>1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, &amp; 16<sup>th</sup> December 2021</p> <p>6<sup>th</sup> January, 2022</p>	<p>5) Confirmation of minutes of the 6<sup>th</sup> Risk &amp; Audit Committee Meeting held on 10<sup>th</sup> May 2021</p> <p>6) Discussion of the Internal Audit Work plan FY2021/2022</p> <p>7) Discuss, adopt and recommend to the board the Risk Policy</p> <p>8) Discuss, adopt and recommend to the board the Risk Framework</p> <p>9) Consider, adopt and recommend to the Board the internal audit report for</p> <p>i. Karuri Region</p> <p>ii. Kikuyu Region</p> <p>iii. Limuru Region</p> <p>iv. Githunguri Region</p> <p>v. Gatundu Region</p> <p>vi. Ruiru Region follow up audit</p> <p>vii. Tariff &amp; License summarized.</p> <p>10) Discuss the exit of the Company Secretary from the Risk and Audit committee</p>
			INDEPENDENT COMPANY BOARD
	1 <sup>ST</sup>	25 <sup>th</sup> May 2022	<p>1) Update to the members on the role of Audit Committee and the relevant statuses</p> <p>2) Introduction of the Internal audit charter to the Risk and Audit committee</p> <p>3) Familiarization with the risk management framework to Risk &amp; Audit Committee</p> <p>4) Consider and recommend to the Board the work plan FY 2022/2023</p> <p>5) Consider the Management Letter and response for FY</p>

2020/2021			
No	MEETING	DATES	AGENDAS
	<b>FULL BOARD</b>		
1	Full Board	15 <sup>th</sup> March, 2022 – 17 <sup>th</sup> March, 2022	Full board induction
2	Full Board	23 <sup>rd</sup> March, 2022	<ol style="list-style-type: none"> <li>2. Signing of Code of ethics</li> <li>3. Election of chairperson</li> <li>4. Appointment of Company Secretary</li> <li>5. Approval of Board Charter</li> <li>6. Formation of Board of Committee FY 2021/22</li> <li>7. Adoption of handing over report</li> <li>8. Adoption of last minutes of the interim/caretaker Board</li> </ol>
3	Technical Committee Board	14 <sup>th</sup> April, 2022	<ol style="list-style-type: none"> <li>11) Declaration of Interest</li> <li>12) Presentation of the 3<sup>rd</sup> quarter report</li> <li>13) Presentation of Technical policies</li> </ol>
4	Finance, ICT & HR & Administration Committee Board	22 <sup>rd</sup> April, 2022	<ol style="list-style-type: none"> <li>1) Presentation of budget FY 2022/23</li> <li>2) Review of staff allowances</li> <li>3) Opening of special purpose account for WSTF grant</li> <li>4) MD terms of service (CEC communication)</li> </ol>
5	Audit and Risk Committee Board	6 <sup>th</sup> May, 2022	<ol style="list-style-type: none"> <li>1) Adoption of management letter</li> <li>2) Quarterly internal audit report</li> </ol>
6	Audit and Risk Committee special Board meeting	9 <sup>th</sup> May, 2022	<ol style="list-style-type: none"> <li>1) Adoption of Management letter</li> <li>2) Presentation of the 1<sup>st</sup> and 2<sup>nd</sup> quarter 2021/22 Internal Audit report</li> </ol>
7	Full Board Committee Meeting	17 <sup>th</sup> May, 2022	<ol style="list-style-type: none"> <li>1) Report of Finance, ICT, HR &amp; Administration Committee</li> <li>2) Report of the Audit and Risk Committee</li> <li>3) Report of the Technical Committee</li> <li>4) Translation of Terms of service of MD (CEC Communication)</li> <li>5) Nomination of the Chair Person Advisory Committee (CEC Communication)</li> </ol>
8	Special Finance, ICT, HR & Administration Board	20 <sup>th</sup> June, 2022	<ol style="list-style-type: none"> <li>1) Presentation of budget FY 2022/23</li> <li>2) Review of staff allowances</li> <li>3) Opening special purpose account for WSTF</li> <li>4) Managing Director terms of service</li> </ol>
9	Special Full Board Committee Board	7 <sup>th</sup> July, 2022	<ol style="list-style-type: none"> <li>1) Report of the Finance, ICT, HR &amp; Administration Committee</li> <li>2) Presentation of work plan FY 2022/23</li> </ol>

## **8. MANAGEMENT DISCUSSION AND ANALYSIS**

### **The company's operational and financial performance**

During the financial year KWCL made a profit before tax for the year of Ksh 54,270,704 million compared to a deficit of Kshs 1,464,931 during the previous financial year. The profit was occasioned by Grants income from the National and County Government of Ksh 81,066,109. Operational cost also increased due to increase in the number of boreholes, staff cost as a result of annual salary increment and power costs

### **Company's compliance with statutory requirements**

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

### **Major risks facing the company**

We continue to depend on boreholes to supply water to customers under our jurisdiction incurring high electricity bills which poses a challenge on the continues dependence on Kenya power.

### **Material arrears in statutory/financial obligations**

We have the following as the material balances in the year under review are as follows;

1. Lease Fee to AWSB Kshs 24,106,488
2. Regulatory Levy Kshs 18,262,872
3. Abstraction Levy Kshs 3,566,137

### **The company's financial probity and serious governance issues**

The company does not have any financial probity or governance issues, since the company has risk management in place and adequate internal controls.

**Development Projects**

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

No	Proposed Capital Work	STATUS	IMPACT	PROPOSED INTERVENTION	BUDGET
1	Drilling and equipping of a borehole at twin site and laying of pipeline to serve kamangu area.	Complete	Increase water service levels and area of coverage.	Partner with Kiambu county government for development.	21,000,000
2	Kinoo- uthiru Phase I involving pipework, 1No. 108m <sup>3</sup> elevated steel & metering	Ongoing	Increase water service levels and adequate storage facilities	Partner with AWWDA	Already budgeted under sewer project
3	Construction of Kikuyu Sewerage project	Ongoing	improved sanitation	Works on going, project 82% complete.	662,000,000
4	Non-Revenue Water Reduction Initiatives	ongoing	Increase in billing efficiency hence more revenue	Invest highly in NRW reduction and also partner with Kiambu County Government.	13,000,000
5	Distribution network for Uthiru ward	Ongoing	Increase in coverage	Partner with Kiambu County Government and AWWDA. 80% done.	15,000,000
6	Distribution network for Kinoo ward	Ongoing	Increase coverage	Partner with Kiambu County government	25,000,000
7	Rukubi Kanyariri water supply	Ongoing	Increase coverage	Partner with Kiambu County Government	5,000,000
8	Augmentation of Ondiri Maaiiii water project	Complete	Improve reliability	Partner with Kiambu County Government	4,500,000
9	Kanjeru water project	Ongoing	Improve coverage	Partner with Water Fund (WSTF)	16,400,000
10	Solarization of Twin boreholes	Ongoing	Lower production cost	Partner with AWWDA	32,200,000
11	Rugita water supply	Ongoing	Increase coverage	Partner with AWWDA	Under sewer project
12	Rungiri Kanyongo pipeline	Design ongoing	Increase coverage	Partner with Kiambu County Government	15,000,000

## 9. ENVIRONMENTAL SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

KIKUYU WATER COMPANY exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on 3 strategic pillars: putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

### 1. Sustainability strategy and profile –

According to the strategic plan 2018-2023 the pillars for sustainable service delivery are:

- Professionalization of community management.
- Recognition and promotion of alternative service provider options.
- Monitoring service delivery and sustainability
- Harmonisation and coordination
- Support to service providers
- Capacity support to service authorities
- Learning and adaptive management
- Asset management
- Financing to cover all life cycle cost
- Regulation of small rural service providers.

In the year 2021/2022, the greatest threat to the sustainability of our service and production were among others:

- Unreliable power supply on multiple times, we were temporarily unable to produce water due to low/high voltages or no power at all. This greatly affected our supply. Further, the power surges on a number of times lead to the failure of some pumps and motors that eventually had to be replaced.
- High power bills. Kikuyu Water Company predominately produces its water from boreholes. This implies that all water production through pumping which results to very high-power bills. To address these two issues, the company explored for alternative power sources; solar installations, which has partly been installed in two boreholes in Rui Karai and Thogoto. Proposals have been done to get more funding for similar projects

### 2. Environmental performance

Being a water service provider, KWCL has been intensively involved in the conservation of the water catchments in its areas of jurisdiction and its environs.

KWCL in the year 2019/2020 became an active member of the ONKARU WRUA which is responsible for the conservation of Ondiri, Karai and Rungiri catchments areas. Further, KWCL has a major interest in the conservation of Ondiri swamp.

The swamp serves as a major recharge zone for the Athi aquifer, which is the major aquifer where KWCL abstracts water from. Through WRA and the Friends of Ondiri Forum, KWCL has been involved in; tree planting activities, cleaning of the swamp area, fencing of the swamp and public education forums among others in the bid to conserve the swamp.

Further, KWCL will develop catchment conservation strategy in its technical policy to ensure continuity of conservation efforts.

In the year 2019/2020, through the Kenya satellite town projects, construction of the KIWACO sewer line began. By 30<sup>th</sup> June 2022, the project was 82% complete.

### 3. Employee welfare

The company has developed a HR manual policy that guides on contracting and employee welfare. The policy includes strategy on implementation of the OSHA; act of 2007. Further the company has insured its employees with WIBA.

#### 4. Market place practices-

a) Responsible competition practice.

Kikuyu water operates within its area of jurisdiction as guided by the WASREB operating license. The also company acknowledges the existence of community-based water service providers in its area of jurisdiction and supports them.

KWCL is fully owned by the County Government of Kiambu, and engages with the county government through the county government's department of Water and environment. Furthermore, the company answers to the County assembly committee of finance on an annual basis

b) Responsible Supply chain and supplier relations

Kikuyu Water Company has developed the Procurement Policy Manual that guides purchasing and disposing at the company. The policy also guides the annual development of the Procurement plan were suppliers are pre-qualified to ensure fair completion in its procurement

c) Responsible marketing and advertisement

Our tariff is developed by WASREB the government body mandated to give guidelines on the same

d) Product stewardship

Kikuyu Water Company complies to the KEBS guidelines for standards of drinking water. Further WASREB gives guidelines for water quality testing and reporting which KWCL adheres to. Water Quality results of samples from our borehole sources are submitted to WASREB. This serves to safeguard the quality of our product.

#### 5. Community Engagements.

KWCL carries out CSR on an annual basis. The company is involved in the take over and facilitation of failed community projects with an aim to ensure that communities that do not get water services start getting the services.

During the pandemic period, KWCL constructed hand washing water points at strategic points in Kikuyu and Kabete sub counties and provided the community with free water and soap. Further, KWCL was involved in multiple actions in the fight against the spread of COVID 19.

## 10. 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 the company affairs.

### Principal activities

The principle activities for which the Company was established are: -

- To supply water to Kikuyu town and its environs and to carry out the business of water and sewerage works and to manage the assets belonging to Athi Water Services Board and the assets shall not be subject to any resolution of the Company or that of the County Government of Kiambu
- To exercise overall control over the sources and supply of water and in particular, to conserve, redistribute and to augment those water resources, including sinking boreholes, to make, build and construct, lay down and maintain reservoirs, waterworks, cisterns, culverts, filter-beds, main and other pipe and appliances, to execute and do all works and things necessary or convenient for obtaining, storing, selling, delivering, measuring and distributing water, or otherwise for the purposes of the Company
- To provide and distribute a constant supply of potable water for commercial, industrial and domestic purposes.

### Results

The net profit before tax for the year of Ksh 54,270,704 million and has been added to the retained earnings. The results for the year are set out fully on pages 20 to 36 in the financial statements.

### Directors

The members of the Board of Directors who served during the year are shown on page 5 In accordance with Regulation of the company Articles of Association.

### Business overview

During the year ended 30th June 2021 the company's revenue increased from ksh 137,578,024 to ksh 219,914,172 with grants amounting to Ksh 81,066,109, while the expenditure increased from ksh 139,042,955 to ksh 165,643,468. The increase in operational cost was due to operationalization of Riu Nderi and Wangigi Boreholes to serve Karai Area Rusigiti, Teachers line, Nyakumu, Nairobi Ndogo Nderi, Gando and Wangigi. The net effect is that the company's profit before tax for the year of Ksh 54,270,704 compared to deficit of ksh 1,464,931 made in the previous financial period with grants of Kshs 81,066,109 some in relation to previous year's accrued expenses contributing positively to the profit. We assure our stakeholders that we shall ensure the projects operate efficiently to minimise the operational cost while we maximize on revenue collections

### Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with the Section 15 of the Public Finance Management (PFM) Act, 2012. The company's auditors and Office of the Auditor General continue in the office in accordance with public Audit Act 2015

**Relevant audit information**

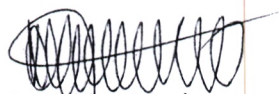
The Directors in office at the date of this report confirm that:

- (i) There is no relevant audit information of which the KWCL auditor is unaware; and
- (ii) Each of the Directors have taken all the steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Approval of financial statements**

The financial statements were approved at a meeting of the Board of Directors held on 22/09/2022

By Order of the Board



Josephine Muritu  
Corporate Secretary  
Kiambu

Date: 22/09/2022

### 11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012 and the Companies Act, require the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the company for the year. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.


The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of KWCL for and as at the end of the financial year ended on 30<sup>th</sup> June 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 company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the Company's Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended 30<sup>th</sup> June 2022, and of the KWCL financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the KWCL, 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.

The company is going through a process of consolidation to form Kiambu County Water and Sewerage Company

#### Approval of the financial statements

KWCL financial statements were approved by the Board on 22/09 2022 and signed on its behalf by:

Signature.....  
Managing Director  
Name:

Signature.....  
Chairman of the Board  
Name;

# REPUBLIC OF KENYA



*Enhancing Accountability*

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON KIKUYU WATER COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

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### 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 Kikuyu Water Company Limited set out on pages 1 to 42, which comprise the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income,

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*Report of the Auditor-General on Kikuyu Water Company Limited for the year ended 30 June, 2022*

statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts 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 Kikuyu Water 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 and comply with the Public Finance management Act, 2012, Companies Act, 2015 and Water Act, 2016.

### **Basis for Qualified Opinion**

#### **1.0 Omissions and Inaccuracies in Presentation and Disclosure in the Financial Statements**

Review of the financial statements prepared and presented for audit revealed the following observations:

- i. The table of contents does not indicate the page references to the corporate social responsibility/sustainability statement and report of the independent auditors section.
- ii. Page iv of requires alignment under the independent auditors and principal legal advisers.
- iii. Management team under page ix does not begin on its own page as per the prescribed reporting format.
- iv. The statement of financial position has deferred income with reference to Note 27. However, Note 27 to the financial statements is a Note to the statement of cash flows. Hence, the deferred income balance is not referenced by way of a Note to the financial statements.
- v. The statement of changes in equity for the year ended 30 June, 2022 reflects a prior year adjustment of Kshs.903,889 (debit) which is not supported or explained.
- vi. The statement of cash flows balances are not cross referenced to the Notes to the Financial Statements.
- vii. The statement of financial position reflects intangible assets of Kshs.555,335. However, recasting of Note 18 to the financial statements revealed intangible assets balance of Kshs.591,335 resulting to unexplained variance of Kshs.36,000.
- viii. Note 20 to the financial statements refers to Note 29a which is not anywhere in the financial statements.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

## **2.0 Variance in Donations from County Government**

The statement of profit or loss and other comprehensive income reflects grants income of Kshs.81,066,109 which includes grants from County Government of Kshs.46,361,563 as disclosed in Note 7 to the financial statements. However, review of records and information revealed that an amount of Kshs.10,000,000 was received from Kiambu County Government, resulting to an unexplained variance of Kshs.36,361,563.

In the circumstances, the accuracy and completeness of grants from County Government of Kshs.46,361,563 for the year ended 30 June, 2022 could not be confirmed.

## **3.0 Irregular and Unsupported Board Expenses**

The statement of profit or loss and other comprehensive income reflects board expenses of Kshs.2,040,300 as disclosed in Note 12 to the financial statements. Review of records revealed that included in the expenditure is Kshs.925,470 paid to the members of the caretaker board appointed to act on behalf of the Kiambu County Water and Sewerage Company, a separate entity, from 26 March, 2019 to 13 February, 2022. This is 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.

In addition, records and information on the rate of allowances, amounts paid and due were not provided for audit review.

In the circumstances, Management was in breach of the law and the accuracy and validity of board expenses of Kshs.925,470 for the year ended 30 June, 2022 could not be confirmed.

## **4.0 Unsupported Trade and Other Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.84,141,342 which is net of a provision of bad and doubtful receivables of Kshs.25,667,148 as disclosed in Note 20 to the financial statements. However, the aging analysis and basis for provision of bad and doubtful receivables were not provided for audit review.

In the circumstances, the recoverability and thus accuracy and completeness of trade and other receivable balance of Kshs.84,141,342 as at 30 June, 2022 could not be confirmed.

## **5.0 Inaccuracies in Customer Deposits**

The statement of financial position and Note 26 to the financial statements reflects a customer deposits balance of Kshs.22,901,525. However, Note 21 to the financial statements in relation to cash and cash equivalents reflects a balance of Kshs.4,477,184 which includes customer deposits balance of Kshs.3,378,366 maintained at the Keya Commercial Bank (KCB) as at 30 June, 2022 resulting to an unexplained and

unreconciled variance of Kshs.19,523,159. In addition, a list of customers and the amounts owing to them was not provided for audit review.

In the circumstances, the accuracy and completeness of customers deposits balance of Kshs.22,901,525 as at 30 June, 2022 could not be confirmed.

#### **6.0 Lack of Share Certificate**

The statement of financial position reflects ordinary share capital of Kshs.100,000 as disclosed in Note 22 to the financial statements. The balance comprises of 5,000 issued and fully paid ordinary shares of Kshs.20 par value each amounting to Kshs.100,000. Background information on page iii to the financial statements indicates that the Company is fully owned by the County Government of Kiambu. However, the share certificate relating to the paid-up share capital was not provided for audit review. This is contrary to Section 495 of part XVIII of the Companies Act, 2015 which states that a certificate duly executed in accordance with section 37 specifying any shares held by a member is, in the absence of proof to the contrary, evidence of the member's title to the shares.

In the circumstances, the ownership of the Company as at 30 June, 2022 could not be confirmed.

#### **7.0 Undisclosed Material Uncertainty Related to Going Concern**

The statement of financial position reflects total current assets balance of Kshs.89,931,156 while the total current liabilities balance was Kshs.112,404,476, resulting to a negative working capital of Kshs.22,473,320 or a ratio of 0.8. Working capital is used to measure a Company's ability to meet its short-term obligations that are due within a year. A working capital of less than 1 indicates that the Company would not have funds to meet its short-term obligations if they were to fall due at once.

In addition, the Company's debt ratio (total liabilities/total assets) is 1.25. This crucial ratio indicates that all the Company's assets are funded by debts and not equity. This high debt ratio means that the Company has limited financial flexibility and that it would face significant default risk in payment of its debts if interest rates were to rise.

The financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Kiambu and its creditors. However, the mitigating measures put in place by the Management to reverse the undesirable trend has not been disclosed in the Notes to the financial statements.

In the circumstances, it has not been possible to ascertain the appropriateness of use of the going concern basis of reporting and the survival of the Company depends on support from its stakeholders.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kikuyu Water 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 audit 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.

## **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**

#### **1.0 Non-Compliance with Law on Ethnic Composition**

Review of human resource records revealed that the Company had ninety-two (92) employees, out of whom eighty-one (81) or 85% were from the same ethnic community. This is contrary to Section 7(1) and (2) of National Cohesion and Integration Act, 2008 which provides that “all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community”.

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

#### **2.0 Non-Remittance of Statutory Deductions**

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflects staff costs totalling Kshs.56,631,967. Included in the expenditure is Kshs.3,979,362 relating to employer’s contributions to pensions scheme and Kshs.220,000 in respect of employer’s contribution to social security schemes. However, records of remittances of the deductions effected on employees’ salaries to the various statutory beneficiary institutions were not provided for audit review.

In addition, available records indicates that the Company owes LAPTRUST/Central Provident Fund (CPF) Kshs.13,806,906 including a penalty of Kshs.2,375,158 as interest charged at a rate of 1.25% per month on compounded basis and Kshs.699,175 as actuarial deficit debt. Further, remittance of Kshs.1,219,826 for the months of May and June, 2022 to LAPTRUST were not made.

This is contrary to Section 53A (1) of the Retirement Benefits Act, 2012 which provides that where an employer, having with the agreement of an employee who is a member of a scheme, makes a deduction from the employee’s emoluments for remittance to the

scheme, and fails to remit the deduction within fifteen days of the deduction, the scheme may, after giving such employer not less than seven days' notice, institute proceedings for the recovery of the deduction.

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

### **3.0 Irregular Recruitment and Payment of Salary Advance to Seconded Staff**

The statement of profit or loss and other comprehensive income reflects general and operation expenses of Kshs.82,860,586 which includes domestic traveling and subsistence of Kshs.6,293,676 as disclosed in Note 11 to the financial statements. Review of records revealed that Kshs.240,000 was incurred in respect of salary advances. However, the following anomalies were observed:

- i. Payment voucher number 3755 was supported by six (6) application letters for salary advance of Kshs.20,000 each, dated 2 June, 2022. However, Kshs.140,000 was paid out instead of Kshs.120,000 resulting to an unexplained variance of Kshs.20,000.
- ii. Out of the seven (7) staff members seconded to the Company, five (5) were absorbed by the Water Company and two (2) were not, and it is not clear whether the salary advance totalling Kshs.80,000 was recovered as at the time of audit.
- iii. Evidence of recovery of the salary advance totalling Kshs.240,000 issued in the month of March and April 2022 was not provided for audit review.
- iv. The seven (7) employees who were issued the salary advance in March and April 2022 were not employees of the Company as their contracts had expired on 28 February, 2022.
- v. It was also observed that five (5) seconded employees were recruited without following the provisions of Section 4.4.2 of the Human Resources Policy and Procedure Manual, 2015 which provides that the recruitment and selection process has four key phases; the procedure for which includes vacancy determination, advertisement, selection and appointment.
- vi. No explanation was provided for charging salary advance under domestic travel and subsistence expenditure.

In the circumstances, the regularity of the salary advance expenditure of Kshs.240,000 could not be confirmed and Management was in breach of the policy.

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 matter described in the Basis for Conclusion on 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

#### Excessive Non-Revenue Water (NRW)

Review of records revealed that the Company total water production for the year was 2,493,757 cubic metres (m<sup>3</sup>) from the four (4) production stations. However, only 1,533,733 cubic metres (m<sup>3</sup>) of water was billed during the year under review, resulting to unaccounted for water or NRW of 960,024 cubic metres (m<sup>3</sup>) or 35%, which is 13% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board (WASREB) guidelines. The Non-Revenue Water represents a loss of Kshs.14,714,127 in earnings for the Company at the average rate of Kshs.83 per m<sup>3</sup>.

In the circumstances, the effectiveness of controls on water production and billing could not be confirmed.

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 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 and the 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 (Accrual Basis) and for maintaining effective internal control 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.

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 going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or 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 money 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 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 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 the 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

19 April, 2023

**13. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE  
 INCOME FOR THE YEAR ENDED 30TH JUNE 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	136,348,063	116,785,283
Grants Income	7	81,066,109	17,339,834
Other Income	8	2,500,000	3,094,929
Finance income	9	-	357,978
<b>Total Revenue</b>		<b><u>219,914,172</u></b>	<b><u>137,578,024</u></b>
<b>Expenses</b>			
Staff Costs	10	56,631,969	46,509,272
General and Operations expenses	11	82,860,586	70,291,979
Board Expenses	12	2,040,300	1,549,660
Maintenance Expenses	13	17,672,820	16,073,136
Depreciation and Amortization expenses	14	6,377,339	4,618,908
Finance Costs	15	60,454	-
<b>Total Expenses</b>		<b><u>165,643,468</u></b>	<b><u>139,042,955</u></b>
<b>Profit/(Loss) Before Taxation</b>		<b>54,270,704</b>	<b>(1,464,931)</b>
<b>Income Tax Expense/(Credit)</b>		<b>-</b>	<b>-</b>
<b>Profit/(Loss) After Taxation</b>		<b><u>54,270,704</u></b>	<b><u>(1,464,931)</u></b>

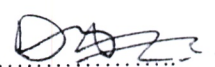
**12. REPORT OF THE INDEPENDENT AUDITORS ON THE KIKUYU WATER  
COMPANY LTD**

14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	17	58,585,005	51,244,999'
Intangible assets	18	555,335	676,858
<b>Total Non-Current Assets</b>		<b>59,140,340</b>	<b>51,921,857</b>
<b>Current Assets</b>			
Inventories	19	1,312,630	1,119,248
Trade and Other receivables	20	84,141,342	69,899,804
Bank and cash balances	21	4,477,184	3,016,939
<b>Total Non-Current Assets</b>		<b>89,931,156</b>	<b>74,035,991</b>
<b>TOTAL ASSETS</b>		<b><u>149,071,496</u></b>	<b><u>125,957,848</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	22	100,000	100,000
Capital reserve	23	349,000	349,000
Retained earnings	24	36,218,023	(17,148,792)
<b>Capital and Reserves</b>		<b>36,667,023</b>	<b>(16,699,792)</b>
<b>Current Liabilities</b>			
Trade and other payables	25	89,502,951	121,904,538
Customer Deposits	26	22,901,525	19,553,104'
Deferred Income	27	-	1,200,000
<b>Total Current Liabilities</b>		<b>112,404,476</b>	<b>142,657,642</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>149,071,496</u></b>	<b><u>125,957,850</u></b>

The financial statements were approved by the Board on 22/09/2022 2022 and signed on its behalf by:

Signature   
Managing Director  
Name: Jane Murage

Signature   
Head of Finance  
Name: CPA Daniel Muiruri  
ICPAK M/NO : 20879

Signature .....  
Chairman of the Board  
Name: Eng. Kamunyu Kahenya

**15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2022**

	Notes	Ordinary share capital	Capital reserve	Retained earnings	Total
<b>As at July 1, 2020</b>		<b>100,000</b>	<b>349,000</b>	<b>(16,587,750)</b>	<b>(16,138,750)</b>
Total comprehensive Loss		-	-	(1,464,931)	(1,464,931)
Adjustment for Expensed Inventory		-	-	903,889	903,889
<b>As at June 30, 2021</b>		<b>100,000</b>	<b>349,000</b>	<b>(17,148,792)</b>	<b>(16,699,792)</b>
<b>As at July 1, 2021</b>		<b>100,000</b>	<b>349,000</b>	<b>(17,148,792)</b>	<b>(16,699,792)</b>
Profit for the year		-	-	54,270,704	54,270,704
Prior year Adjustment for Expensed Inventory		-	-	(903,889)	(903,889)
<b>At June 30, 2022</b>		<b>100,000</b>	<b>349,000</b>	<b>36,218,023</b>	<b>36,667,023</b>

## 16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Revenue		115,510,897	91,833,260
Non-Operating Revenue		-	-
Other Income		2,500,000	3,094,929
Finance Income		-	357,978
Grants		81,066,109	17,339,834
Customer Deposits		3,348,421	1,935,000
<b>Total Receipts</b>		<b>202,425,427</b>	<b>114,561,001</b>
<b>Payments</b>			
Staff Costs		51,787,503	44,318,404
Board Expenses		2,040,300	1,549,660
General and Operation Expenses		110,445,160	20,976,123
Maintenance		18,732,053	19,528,469
Finance Costs/Standing Order		2,260,454	2,400,000
<b>Total Payments</b>		<b>185,265,470</b>	<b>88,772,656</b>
<b>Net Cash From/ (Used In) Operating Activities</b>		<b>17,159,957</b>	<b>25,788,345</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Property, Plant and Equipment (PPE)		15,699,712	30,541,013
<b>Net Cash From/ (Used In) Investing Activities</b>		<b>15,699,712</b>	<b>30,541,013</b>
<b>Cash Flows from Financing Activities</b>			
<b>Net Cash From/ (Used In) Financing Activities</b>		<b>-</b>	<b>-</b>
<b>Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>1,460,245</b>	<b>4,752,668</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>		<b>3,016,939</b>	<b>7,769,607</b>
Effects of Foreign Exchanges Rate Fluctuations		-	-
<b>Cash and Cash Equivalents at End of The Year</b>		<b>4,477,184</b>	<b>3,016,939</b>

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED  
30TH JUNE 2022**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2021-2022	2021-2022	2021-2022	2021-2022		
	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%
<b>Revenue</b>						
Operating Revenue	182,509,300	-29,409,300	153,100,000	136,348,063	-16,751,937	89.06%
Grants	60,000,000	16,000,000	76,000,000	81,066,109	5,066,109	106.67%
Finance Income	420,000	420,000	-	-	-	
Other gains	-	-	-	2,500,000	2,500,000	
<b>Total Revenue</b>	<b>242,929,300</b>	<b>-13,829,300</b>	<b>229,100,000</b>	<b>219,914,172</b>	<b>-9,185,828</b>	<b>95.99%</b>
<b>Expenses</b>						
Staff Costs	66,673,787	-5,921,787	60,752,000	56,631,969	-4,120,031	93.22%
Board Expenses	2,000,000	-	2,000,000	2,040,300	40,300	102.02%
General and operations Expenses	74,836,332	-1,936,896	72,899,436	82,860,586	9,961,150	113.66%
Maintenance	11,970,000	485,000	12,455,000	17,672,820	5,217,820	141.89%
Depreciation and amortization	3,000,000	1,500,000	4,500,000	6,377,339	1,877,339	141.72%
Finance costs	-	-	-	60,454	60,454	
Total Recurrent Expenditure	<b>158,480,119</b>	<b>-5,873,683</b>	<b>152,606,436</b>	<b>165,643,468</b>	<b>13,037,032</b>	<b>108.54%</b>
<b>Profit or Loss</b>	<b>84,449,181</b>	<b>-7,955,617</b>	<b>76,493,564</b>	<b>54,270,704</b>	<b>22,222,860</b>	<b>70.95%</b>
<b>Capital Expenditure</b>	<b>25,006,000</b>	<b>-3,510,000</b>	<b>21,496,000</b>	<b>15,699,712</b>	<b>-5,796,288</b>	<b>73.04%</b>
<b>Total Expenditure</b>	<b>183,486,119</b>	<b>-9,383,683</b>	<b>174,102,436</b>	<b>181,343,180</b>	<b>7,240,744</b>	<b>104.16%</b>
<b>Payment of Arrears</b>						
Regulatory Levy Arrears	1,500,000	-1,500,000	-	1,462,000	1,462,000	
Lease fees	1,500,000	-1,500,000	-	-	-	
Accrued staff costs	6,000,000	-	6,000,000	4,654,828	-1,345,172	77.58%
Payment of Electricity	50,426,096	-	50,426,096	50,426,096	-	100.00%
Repaying Customer Deposit	2,400,000	-	2,400,000	2,400,000	-	100.00%
<b>Total Arrears</b>	<b>61,826,096</b>	<b>-3,000,000</b>	<b>58,826,096</b>	<b>58,942,924</b>	<b>116,828</b>	<b>100.20%</b>

**Budget notes**

**1. Revenue**

Our budget total revenue was Ksh 229 million. We achieved Ksh 219 million achieving utilization of 96%. This was mainly contributed by a Ksh 81 million Grant from the county government and National Government through WSTF for settlement of electricity bills relating to the Covid 19 period.

**2. Expenditure**

**a. Staff expenses**

Our budgeted staff cost was Ksh 60 million and we utilized Ksh 56.6 million for the financial year, this was a utilization of 93%. Implementation of the new salary rates was not implemented as expected.

**b. Maintenance Cost**

Our Budgeted maintenance expenses were Ksh 43.5 million and we utilized 17.6 million. This cost increased due to required maintenance of new supply areas including Karai, Nyakumu, Ondiri Maihii, Wangigi etc These increased operations also affected the vehicle maintenance.

**c. General and Operational Expenses**

We had budgeted our general operational costs at Ksh 72.8 million and we utilized 82.8 million. Operational costs have increased mainly due to operationalization of Twin, Riu Nderi and Wangigi boreholes. Riu Nderi borehole has supplied water in Karai area, Rusigiti, Teachers, Nyakumu, Nairobi Ndogo, Nderi, Gando and Kieri. Wangigi borehole has supplied water to the area around Wangigi Hospital and Kibichiku area Water supply to these areas had led to a lot of repairs of the pipeline and rehabilitation of some of the areas and others required extension in order to serve the residents. Other new projects also increasing this cost are Ondir Maihii, Kanjeru and Rugita which are ongoing.

**d. Board Expenses**

Our budgeted board cost was Ksh 2 million. We have spent Ksh 2,040,300 million as at the end of March 2021

**e. Payment of Arrears**

Electricity arrears were paid in full and Kshs 4.6 was paid on Accrued staff costs achieving a utilization of

77.6%

## 18. NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Kikuyu Water Company Ltd (KWCL) was incorporated under the Companies Act (Cap. 486) on 10<sup>th</sup> March 2006 and was appointed by Athi Water Services Board (a state corporation) as an agent for the provision of efficient and effective water and sewerage services within Kikuyu Township and its environs. It is currently owned by County Government of Kiambu.

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Kikuyu Water 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 30TH JUNE 2021

##### *IFRS 16: Leases*

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)****i) Relevant new standards and amendments to published standards effective for the year ended 30<sup>TH</sup> JUNE 2021(Continued)**

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.

***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 2019, 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.

***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 2019, 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 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**i) Relevant new standards and amendments to published standards effective for the year ended 30<sup>th</sup> June 2021(Continued)**

*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 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

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

The amendments, applicable to annual periods beginning on or after 1<sup>st</sup> January 2019, 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 1<sup>st</sup> January 2019, 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 2018)*

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 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30<sup>th</sup> June 2021**

*IFRS 17 Insurance Contracts (Issued 18 May 2017)*

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

*Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)*

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The 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 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)****iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2021.

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

- i) **Revenue from the sale of goods and services** is recognized in the year in which the *KWCL* 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 *KWCL* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **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 *KWCL* 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, *KWCL* 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 recognised in profit or loss in the income statement.

#### d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognised in the income statement on a Reducing Balance 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:

Plant and machinery & water meters	10%
Motor vehicles, including motor cycles	25%
Computers and related equipment	33%
Office equipment, furniture and fittings	10%
Land and Building	2.5%

1 A Pro Rated 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 recognised so that the asset is written down immediately to its estimated recoverable amount.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e) Intangible assets

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

#### f) Amortisation and impairment of intangible assets

Amortisation 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 recognised 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.

#### 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 recognised 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 recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****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 realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

**m) Trade and other receivables**

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. A 5% 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.

**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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### n) Taxation (Continued)

##### *Current income tax (Continued)*

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 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****n) Taxation (Continued)***Deferred tax (Continued)*

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 interests and advances to authorised 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 amortised cost using the effective interest rate method. Amortised 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 capitalised 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 amortised 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### r) Retirement benefit obligations

The Company and employees contribute to the National Social Security Fund, a statutory pension scheme. This is a defined contribution scheme registered under the National Social Security Act Furthermore the employees contribute 7.5% of staff basic pay towards a defined contribution pension scheme (Laptrust Umbrella Retirement Fund) and the company contributes 15% to the same scheme

#### s) Provision for staff leave pay

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

#### 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 recognised in profit or loss.

#### u) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors in May 2022. No Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations as per note 17 for the 2021-2022 budget following the governing body's approval.

The entity's budget is prepared on a basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, and the budget is prepared on a accrual basis. The amounts in the financial statements were recast in accrual basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****u) Budget information (Continued)**

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

**v) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**w) Comparative figures**

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

**x) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

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

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

State all judgements, estimates and assumptions made: e.g.

**5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY  
(Continued)**

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. OPERATING REVENUE

	2021-2022	2020-2021
	Kshs	Kshs
Water sales	127,828,563.00	110,154,383.00
New Connection Fees	6,866,500.00	5,255,100.00
Exhauster Charges	1,653,000.00	1,375,800.00
<b>Total</b>	<b><u>136,348,063.00</u></b>	<b><u>116,785,283.00</u></b>

7. GRANTS INCOME

	2021-2022	2020-2021
	Kshs	Kshs
Operational grants from Government entities WSTF	34,704,546	6,239,834
Donations from County Governments	46,361,563	11,100,000
<b>Total</b>	<b><u>81,066,109</u></b>	<b><u>17,339,834</u></b>

Analysis of grants received from the Government

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund Kshs	Total grant income during the year Kshs
WSTF	34,704,546	-	-	34,704,546
Kiambu County Government	46,361,563	-	-	46,361,563
<b>Total</b>	<b>81,066,109</b>	<b>-</b>	<b>-</b>	<b>81,066,109</b>

8. OTHER INCOMES

	2021-2022	2020-2021
	Kshs	Kshs
Compensation for Land/ damage	2,500,000	3,094,929
<b>Total</b>	<b><u>2,500,000</u></b>	<b><u>3,094,929</u></b>

## 9. FINANCE INCOME

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest from fixed Deposits		357,978
<b>Total</b>	-	<b>357,978</b>

## 10. STAFF COSTS

	2021-2022	2020-2021
Description	Kshs	Kshs
Gross Salary and Allowances	48,472,702	38,665,145
Casual workers' Wages	1,056,910	1,856,946
Employer's contributions to social security schemes	220,000	254,500
Employer's contributions to pension scheme	3,979,362	3,753,810
Staff Bonus	669,960	-
Staff welfare	2,233,035	1,978,871
<b>Total</b>	<b>56,631,969</b>	<b>46,509,272</b>
<b>The Average number of employees during the year</b>	<b>97</b>	<b>97</b>

## 11. GENERAL AND OPERATIONS EXPENSES

	2021-2022	2020-2021
Description	Kshs	Kshs
Chemicals	-	93,000
Electricity	53,917,450	46,651,182
Fuel, oil, lubricants, and gases	3,501,216	2,642,238
Uniform and protective clothing	263,250	361,590
Telecommunication	1,085,010	918,330
Postage and courier	9,450	9,450
Office Electricity (Tokens)	37,880	97,320
Insurance	489,604	514,641
Rent and Rates	486,028	1,062,378
Printing & Stationeries	282,166	254,245
Domestic Traveling and subsistence	6,293,676	5,407,710
Staff training and development	1,881,120	699,770
Bank Charges	189,936	384,199
Mpesa Charges	15,593	-
Security services	2,055,000	1,806,613
Publicity and advertising	30,471	27,075

Audit fees	912,617	232,000
Legal fees	75,510	25,080
Performance Reward Systems	811,089	-
Licensing and levies (WASREB & WARMA)	6,389,567	6,134,814
Sports, recreation and Team Building	990,680	-
Donations/CSR	547,995	1,267,960
Membership to Professional Associations	255,150	210,520
Covid 19 Mitigation	211,495	-
Billing & Support Services	737,489	144,000
Water Quality Testing	191,000	95,000
Planning & Design	-	150,000
Compensation of Way Leave	-	5,000
Water Source Management	105,080	-
Conservation expenses	80,040	-
Provision for doubtful debts	615,883	916,056
Others (General Office running expenses)	399,141	181,808
<b>Total</b>	<b><u>82,860,586</u></b>	<b><u>70,291,979</u></b>

## 12. BOARD EXPENSES

Description	2021-2022	2020-2021
	Kshs	Kshs
Chairman Honoraria	-	192,500
Sitting allowances	1,803,900	825,300
Travel and accommodation	236,400	531,860
<b>Total Board Expenses</b>	<b><u>2,040,300</u></b>	<b><u>1,549,660</u></b>

## 13. MAINTENANCE EXPENSES

Description	2021-2022	2020-2021
	Kshs	Kshs
Plant and Equipment	121,274	1,094,275
Buildings	40,040	
Infrastructural networks	14,671,143	12,607,567
Motor vehicles	1,698,450	1,849,514
ICT	785,268	475,960
Office Repairs & Maintenance	356,645	45,820
<b>Total Maintenance Expenses</b>	<b><u>17,672,820</u></b>	<b><u>16,073,136</u></b>

#### 14. DEPRECIATION AND AMORTIZATION EXPENSES

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant, and equipment	6,103,816	4,351,202
Intangible assets	273,523	267,706
<b>Total Depreciation and Amortization</b>	<b>6,377,339</b>	<b>4,618,908</b>

#### 15. FINANCE COSTS

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest expense on bank overdrafts and Commissions	60,454	
<b>Total</b>	<b>60,454</b>	

#### 16. INCOME TAX EXPENSE/(CREDIT)

INCOME TAX COMPUTATION	
PIN: P051185406T	
For to the year ended 30/6/2022	
	<b>Kshs</b>
Operating Profit/Loss as per financial statements	54,270,704
<b>ADD BACK:</b>	
Provision for bad debts	615,883
Depreciation / Amortization	6,377,340
<b>Total</b>	<b>6,993,223</b>
<b>Adjusted Operating Profit</b>	<b>61,263,927</b>
<b>DEDUCT:</b>	0
Industrial Building Allowances	16,822
Wear and tear Allowance	6,136,543
Donations from county govt/ WSTF /other donors not subject to tax	81,066,109
<b>Adjusted Business Profit</b>	<b>-25,955,547</b>
Adjusted Business Profit/loss BF	<b>0</b>
Tax on business income: @ 30%	-7,786,664
<b>ADD</b>	
Tax on interest income: @30%	0
<b>Total Tax Liability</b>	<b>-7,786,664</b>
Less: paid	0
<b>Tax credit C/F</b>	<b>-7,786,664</b>

## 17. PROPERTY, PLANT AND EQUIPMENT

## a. Property, Plant and Equipment

	Motor vehicles Cycles	Office Furniture & Fittings	Computers Office Equipment & Phones	Plant and machinery	Pipes & Water Meters	Buildings	Tools	Total
<b>COST OR VALUATION</b>								
At July 1, 2021	5,089,300	979,611	4,528,311	33,648,990	26,192,904	1,339,565	55,060	71,833,741
Additions	-	450,850	1,673,217	2,725,161	6,359,194	2,174,650	60,750	13,443,822
<b>Total Non-Current Assets at cost 30/06/2022</b>	<b>5,089,300</b>	<b>1,430,461</b>	<b>6,201,528</b>	<b>36,374,151</b>	<b>32,552,098</b>	<b>3,514,215</b>	<b>115,810</b>	<b>85,277,563</b>
								-
<b>DEPRECIATION</b>								-
At July 1, 2021	3,285,717	617,778	2,922,205	10,342,934	3,377,021	19,829	23,258	20,588,742
Charge for the year	450,896	47,223	515,203	2,429,605	2,591,694	42,054	27,141	6,103,816
Impairment loss								-
Eliminated on disposal								-
<b>At June 30, 2022</b>	<b>3,736,613</b>	<b>665,001</b>	<b>3,437,408</b>	<b>12,772,539</b>	<b>5,968,715</b>	<b>61,883</b>	<b>50,399</b>	<b>26,692,558</b>
								-
<b>NET BOOK VALUE at June 30, 2022</b>	<b>1,352,687</b>	<b>765,460</b>	<b>2,764,120</b>	<b>23,601,612</b>	<b>26,583,383</b>	<b>3,452,332</b>	<b>65,411</b>	<b>58,585,005</b>

Property, Plant and Equipment (Continued)

	Motor vehicles/ Cycles	Office Furniture & Fittings	Computers Office Equipment & Phones	Plant and machinery	Pipes & Water Meters	Buildings	Tools	Total
<b>COST OR VALUATION</b>								
At July 1, 2020	3,655,010	979,611	3799,979	20,745,611	11,227,354	134,755	46,520	40,588,840
Additions	1,434,290	-	728,332	12,903,379	14,965,555	1,204,810	8,540	31,244,901
<b>Total Non-Current Assets at cost June 30, 2021</b>	<b>5,089,300</b>	<b>979,611</b>	<b>4,528,311</b>	<b>33,648,990</b>	<b>26,192,904</b>	<b>1,339,565</b>	<b>55,060</b>	<b>71,833,741</b>
<b>DEPRECIATION</b>								
At July 1, 2020	2,993,968	577,574	2,649,250	8,472,388	1,527,734	3,369	13,257	16,237,540
Charge for the year	291,749	40,204	272,955	1,870,546	1,849,287	16,460	10,001	4,351,202
Impairment loss								-
Eliminated on disposal								-
<b>At June 30, 2021</b>	<b>3,285,717</b>	<b>617,778</b>	<b>2,922,205</b>	<b>10,342,934</b>	<b>3,377,021</b>	<b>19,829</b>	<b>23,258</b>	<b>20,588,742</b>
								-
<b>NET BOOK VALUE at June 30, 2021</b>	<b>1,803,583</b>	<b>361,833</b>	<b>1,606,106</b>	<b>23,306,056</b>	<b>22,815,883</b>	<b>1,319,736</b>	<b>31,802</b>	<b>51,244,999</b>
								-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 b. Property, Plant and Equipment at Cost

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Motor Vehicles/ Cycles	5,089,303	3,736,614	1,352,689
Office Furniture and Fittings	1,430,461	665,001	765,460
Computer and equipment and Phones	6,201,527	3,437,409	2,764,119
Plant and Equipment	36,374,151	12,772,539	23,601,612
Pipes and Water meters	33,744,263	5,968,715	27,775,548
Land & Building	3,514,215	61,883	3,452,332
Tools	115,810	50,399	65,411
<b>Total</b>	<b>86,469,730</b>	<b>26,692,560</b>	<b>59,777,171</b>

18. INTANGIBLE ASSETS

	2021-2022	2020-2021
	Kshs	Kshs
<b>Cost</b>		
At July 1 <sup>st</sup>	1,528,000	1,328,000
Additions	152,000	200,000
Disposals		
At June 30 <sup>th</sup>	<b>1,680,000</b>	<b>1,528,000</b>
<b>Amortization</b>		
At July 1 <sup>st</sup>	815,142	583,436
Charge for the year	273,523	267,706
Disposals		
Impairment loss		
At June 30 <sup>th</sup>	1,124,665	851,142
<b>Net Book Value At June 30<sup>th</sup></b>	<b>555,335</b>	<b>676,858</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. INVENTORIES

	2021-2022	2020-2021
	Kshs	Kshs
Stationery	117,075	118,016
Electricals	0	295,735
Water fittings	932,105	422,248
Water meters	199,500	0
Pipes	60,560	215,359
Chemicals	3,390	67,890
<b>Total</b>	<b><u>1,312,630</u></b>	<b><u>1,119,248</u></b>

20. TRADE AND OTHER RECEIVABLES

	2021-2022	2020-2021
	Kshs	Kshs
Trade receivables (note (29a))	107,268,735	94,951,069
Other receivables (WASREB Performance Guarantee)	2,539,755	0
<b>Gross trade and other receivables</b>	<b>109,808,490</b>	<b>94,951,069</b>
Provision for bad and doubtful receivable	(25,667,148)	(25,051,265)
<b>Net trade and other receivables</b>	<b><u>84,141,342</u></b>	<b><u>69,899,804</u></b>

21. CASH AND CASH EQUIVALENTS

	2021-2022	2020-2021
	Kshs	Kshs
<b>Commercial banks</b>		
KCB - Main Revenue A/C 1102658111	49,782	26,115
Equity - 0570292031078	738,614	28,147
KCB - Expenditure A/C 1102947962	13,406	96,406
KCB - Customer Deposit A/C 1102639648	3,378,366	2,702,526
Post Bank Kenya	63,090	5,215
Family Bank 102000004731	13,592	10,774
Mpesa	220,003	147,756
Family Bank WSTF Expense AC 102000035220	331	0
	<b><u>4,477,184</u></b>	<b><u>3,016,939</u></b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**22. ORDINARY SHARE CAPITAL**

	2021-2022	2020-2021
	Kshs	Kshs
<b>Authorized:</b>		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
<b>Issued and fully paid:</b>		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000

**23. CAPITAL RESERVES**

*Capital Reserve*; the initial capital as shown is equal to the debtors inherited during the formation of KWCL

**24. RETAINED EARNINGS**

The retained earnings represent amounts available for distribution to the KWCL shareholders. Undistributed retained earnings are utilised to finance the KWCL business activities.

**25. TRADE AND OTHER PAYABLES**

	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	8,175,189	11,333,856
Accrued expenses	78,596,529	107,498,729
Revenue received in advance	1,363,233	1,703,953
Other payables	1,368,000	1,368,000
<b>Total</b>	<b>89,502,951</b>	<b>121,904,538</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. CUSTOMER DEPOSITS

	2021-2022	2020-2021
	<i>Kshs</i>	<i>Kshs</i>
Opening Balance	19,553,104	17,618,104
Add: deposits received during the year	3,348,421	1,935,000
<b>Closing Balance</b>	<b><u>22,901,525</u></b>	<b><u>19,553,104</u></b>

27. NOTES TO THE STATEMENT OF CASH FLOWS

Cash flow Statement	Notes	2021-2022	2020-2021
		<i>Kshs</i>	<i>Kshs</i>
<b>Cash flows from operating activities</b>			
Profit/ (loss) before tax		54,270,704	(1,464,931)
<b>Adjustment for:</b>			
Depreciation		6,103,816	4,351,201
Amortization		273,523	267,706
Provision for Bad Debts		615,883	916,056
<b>Cash Generated from Operations</b>		<b>61,263,926</b>	<b>4,070,032</b>
<b>Changes in Working Capital</b>			
Increase in Inventories		(193,382)	1,712,674
Increase in Trade and other receivables		(14,857,421)	(18,136,868)
Increase in Trade and other payables		(32,401,587)	36,207,507
Increase/(Decrease) in Prepayments		-	-
Increase in Customer Deposits		3,348,421	1,935,000
<b>Net cash from operating activities</b>		<b>17,159,957</b>	<b>25,788,345</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****28. RELATED PARTY DISCLOSURES****(a) Government of Kenya**

The company is wholly owned by County Government of Kiambu- incorporated in Kenya, which owns 100% of the company's shares.

**(a) Athi Water Services Board**

Athi water Services board is a state corporation under the ministry of water, environment and natural resources incorporated under state corporation act Cap (446) with the mandate of asset development within Nairobi and Kiambu counties. Kikuyu Water Company is appointed as an agent of AWSB as one of the Water service providers (WSPs) tasked with the management of asset and liabilities as negotiated through a services provision agreement (SPA). The company is supposed to pay a fixed administration levy to AWSB as indicated in the regular tariff which was approved by the Regulator (WASREB).

**(b) County Government of Kiambu**

The company is wholly owned by the County Government of Kiambu which owns 100% of the company's shares. The company is supposed to pay a fixed monthly lease fee to the county Government of Kiambu as determined in the regular tariff approved by the regulator (WASREB) at ksh 2000 per month.

**(c) Water Services Regulatory Board**

The company operates under water sector regulator that is Water services regulatory board. The company has signed a Service Provision Agreement (SPA) with the regulator through AWSB and is supposed to pay a regulatory levy to WASREB on monthly basis at 1% and 4% of all revenues generated. The regulator is also supposed to approve water and sanitation tariff at interval of three years or as need be.

**(d) Water Resources Management Authority**

The company is obligated under the water act of 2002 to pay water resources management authority on monthly basis a levy of 50cts per cubic meter of water produced.

**(e) Remuneration for directors' and key management compensation**

The remuneration for directors' and other members of key management during the year were as follows

KIKUYU WATER COMPANY LIMITED  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022

<b>(A) ATHI WATER SERVICES BOARD</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Balances brought forward	24,106,448	24,106,448
Administrative Fee payable to AWSB	-	-
<b>Balance Carried down as at 30<sup>th</sup> June</b>	<b>24,106,448</b>	<b>24,106,488</b>
<b>(B) COUNTY GOVERNMENT OF KIAMBU</b>		
Balances brought forward	168,000	168,000
County Government of Kiambu	-	-
<b>Balance Carried down as at 30<sup>th</sup> June</b>	<b>168,000</b>	<b>168,000</b>
<b>(C) WATER SERVICES REGULATORY BOARD</b>		
Balances brought forward	14,682,187	10,250,730
Regulatory levy payable to WASREB	5,142,685	4,431,457
Payments during the year	(1,562,000)	-
<b>Balance Carried down as at 30<sup>th</sup> June</b>	<b>18,262,872</b>	<b>14,682,187</b>
<b>(D) WATER RESOURCES MANAGEMENT AUTHORITY</b>		
Balances brought forward	3,469,255	2,065,898
Adjustments	-	-
Regulatory levy payable to WARMA	1,246,882	1,703,357
Payments during the year	(1,150,000)	(300,000)
<b>Balance Carried down as at 30<sup>th</sup> June</b>	<b>3,566,137</b>	<b>3,469,255</b>
<b>(E) DIRECTORS REMUNERATION</b>		
Board allowances	2,040,300	1,549,660
Remuneration of key Management	7,496,424	5,614,548
<b>Total as at 30<sup>th</sup> June</b>	<b>9,536,724</b>	<b>7,164,208</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****29. FINANCIAL RISK MANAGEMENT**

The KWCL activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

KWCL is exposed to credit risk which is the risk that the debtors will cause a financial loss to the company by failing to discharge an obligation. Credit risk arises mainly from customer deposits held in the form of bank balances or short-term deposits, and the cash held at revenue collection points with various institutions like M-Pesa platform, Equity bank Ltd, Family Bank Ltd and Post bank of Kenya Ltd. The company does not have significant concentrations of credit risk posed by collection agents or banks since the financial institutions possess high credit quality and hence the risk of default is low. Cash deposits are maintained with credible financial institutions

The company's accounts receivable is generated mainly from the water sale. Majority of these sales are in accounts receivable which generally are short term for a period not exceeding 30 days. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2022</b>				
Receivables from billing to customers transactions	107,268,735	69,899,804	25,667,148	-
Receivables from other transactions	2,539,755	2,539,755	-	-
Bank balances	4,477,184	4,477,184	-	-
<b>Total</b>	<b>114,285,674</b>	<b>76,916,743</b>	<b>25,667,148</b>	
<b>At 30 June 2021</b>				
Receivables from billing to customers transactions	94,951,069	69,899,804	25,051,265	-
Receivables from other transactions	-	-	-	-
Bank balances	3,016,939	3,016,939	-	-
<b>Total</b>	<b>97,968,008</b>	<b>72,916,743</b>	<b>25,051,265</b>	

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The company has significant concentration of credit risk on amounts due from water consumers

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the company directors, who have built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FINANCIAL RISK MANAGEMENT (Continued)**

**(ii) Liquidity risk management (Continued)**

	3 month	6 months	9 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30th June 2022</b>				
Trade payables and other payables	25,134,825	4,314,913	4,388,010	33,837,748
Provisions/Lease & regulatory fees	1,602,740	1,608,364	42,724,393	45,935,497
Deferred income	-	-	-	0
Employee benefit obligation	5,047,998	624,565	4,057,143	9,729,706
<b>Total</b>	<b>31,785,563</b>	<b>6,547,842</b>	<b>51,169,546</b>	<b>89,502,951</b>
<b>At 30th June 2021</b>				
Trade payables and other payables	3,611,231	10,607,680	54,060,506	68,279,417
Provisions/Lease & regulatory fees	1,538,740	1,695,677	39,323,514	42,557,931
Deferred income	-	-	-	-
Employee benefit obligation	3,677,601	161,9910	5,769,679	11,067,190
<b>Total</b>	<b>8,827,572</b>	<b>13,923,267</b>	<b>99,153,699</b>	<b>121,904,538</b>

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the company exposure to market risks or the manner in which it manages and measures the risk.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FINANCIAL RISK MANAGEMENT (Continued)**

**a) Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

*Management of interest rate risk*

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

*Sensitivity analysis*

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**b) Financial instruments not measured at fair value**

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FINANCIAL RISK MANAGEMENT (Continued)**

**iv) Capital Risk Management**

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2021-2022	2020-2021
	Kshs	Kshs
Trade and other payables (note 14)	89,502,951	121,904,538
Less: cash and short-term deposits	4,477,184	3,016,939
Net debt	85,025,767	118,887,599
Equity	149,071,499	125,957,850
Gearing ratio	0.5703690	0.9438681

**30. INCORPORATION**

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

**31. EVENTS AFTER THE REPORTING PERIOD**

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

**32. CURRENCY**

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

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved/ Not Resolved)	Time frame (Put a date when you expect the issue to be resolved)
(1) Trade and Other Payables	Current trade and other payables increased by Kshs.36,207,507.00 from Kshs.85,697,031.00 in financial year 2019/2020 to Kshs.121,904,53.00 as at 30 <sup>th</sup> June 2021. Included in these payables is an amount of Kshs.37,623,076 in respect of regulatory fees which has been outstanding for long (More than one financial year) therefore casting doubts on whether sufficient funds are	Due to financial constraints we have not been able to pay statutory obligations to the regulator WASREB and also to Athi Water Works and Development Board as well as pay our suppliers in time. The payables include accrued expenses amounting to Kshs 107,498,729. Included in this amount is Kshs 50,426,096 that was payable to KPLC and is now paid having accrued in the period affected by Covid-19. These challenges are mainly due to lack of major capital investment in Kikuyu relating to water supply, however in the last two-year investments have been made including boreholes in Kikuyu and Karai complete with raising mains and water tanks which has increased the amount of water supplied improving our billing and revenue collection. A sewer system to serve Kikuyu Town and	Daniel Muiruri	In Progress	Financial year 2023 2024

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point - person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	allocated to clear the debts	Thogoto has also been developed and we expect the project to be handed over before the end of the financial year 2022 2023. With this and implementation of a new tariff that is also expects in this financial year, we will be able to meet our recurrent expenditure as well as pay statutory deductions and other outstanding debts			
(2)Material uncertainty in relation to going concern	In the financial year ended 30 <sup>th</sup> Jun 2021, the company recorded a net loss of Kshs. 1,464,931, and Kshs 3,048,906 in 2019/2020 and Kshs 1,138,835 in 2018 2019 which as a result depleted retained earnings from negative Kshs 16,587,750 as at 1 July 2020 to negative	Included in the Current liability of Ksh 142,657,642 is accrued electricity bills amounting to Ksh 50.4 Million which accrued during the covid-19 period that has been paid by the county government and the national government through WSTF. Also included in the same is Ksh 24.1 Million relating to AWWDA an amount that accumulated as lease fee for projects that are not being used by KWCL Key to note also is that KWCL has been using an old tariff gazette in 2010 2011 that has led to reduced billing amount over the years giving KWCL challenges in meeting its operational	MD	In Progress	In Progress

KIKUYU WATER COMPANY LIMITED  
 ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>Kshs. 17,148,792 as at 30 June 2021. Further, the current liabilities of Kshs. 142,657,642 as at 30 June 2021 exceeded the current assets of Kshs. 74,035,991 resulting in a negative working capital of Kshs. 68,621,651</p>	<p>costs hence the accumulated losses, however we are in the process of reviewing our tariff and we expects to have a reviewed tariff in the next financial year</p> <p>To ensure the company is able to meet its obligations when they fall due the company’s management is doing the following</p> <p>To reduce operational costs, mainly electricity bills we have opted to use solar to run our Boreholes and we have two boreholes already running in Thogoto and Karai. This has reduced the cost of running the boreholes by fifty percent and we intend to also do the same with the other borehole</p> <p>Development of a new tariff in order to meet our current and expected future costs</p> <p>Adoption of a new billing system that allows us to read our meters using phones by taking photos to reduce erroneous bills.</p> <p>Continuous extension of our water supply to areas that are not served.</p> <p>Sourcing of funds from the county and national government to supply</p>			

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved/ Not Resolved)	Timeline (Put a date when you expect the issue to be resolved)
		water in areas that are not served. Establishment of a NRW Team to work on reduction of non-revenue water and a GIS team to help in mapping of all our connections.			
(3)Unaccounted for water	During the financial year 2020/2021, the company produced a total of 2,480,630 cubic meters of water, out of which only 1,473,540 cubic meters was billed to customers during the financial year. The balance of 1,007,090 cubic meters or approximately 41% of the total volume of water produced represents non-revenue water which is 15% over and above the allowable	In the financial year 2020/2021 KWC NRW was mainly contributed by construction of the northern bypass and Waiyaki Way in Kikuyu and construction of sewer line in Kikuyu town and Thogoto. Tarmacking of Gikambura town also contributed to NRW due to destruction of our pipes.  Other factors include: Old and dilapidated pipeline Old and faulty meters Poor location of the meters where some are located far from the main supply line leading to loss of water before the meter and also making it difficult to read the meters Difficulty in locating of customers inherited from community water projected taken over by KWCL We have taken measures to reduce NRW by	Peter Nganga	In Progress	In Progress

KIKUYU WATER COMPANY LIMITED  
 ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>limit of 25% set by Water Services Regulatory Board Guidelines. The non-revenue water of 43.6% may have resulted in a loss of sales estimated at Kshs.75,284, 944.</p> <p><b>Risk(s)/Effect(s)/Implications</b>                      The continued loss of produced water represents an estimated loss of income to Kikuyu Water Company of Kshs.75,284, 944 as a result of non-revenue water of 40%.</p> <p>The significant</p>	<p>Creating a NRW team whose tasks include replacement of faulty meters, relocation of meters, identification and disconnection of illegal connection etc</p> <p>Mapping of our connections using GIS</p> <p>Meter reading using phones</p> <p>Relocation and replacement of old pipelines</p> <p>Liaison with the county and national government (KeRRA, KURA) on quick restoration of destroyed pipe network by road construction</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	level of non-revenue water may negatively impact on the company's profitability and its ability to sustain services.				

**APPENDIX 2: Projects Implemented by KWCL**

No	Proposed Capital Work	STATUS	IMPACT	PROPOSED INTERVENTION	BUDGET
1	Drilling and equipping of a borehole at twin site and laying of pipeline to serve kamangu area.	Complete	Increase water service levels and area of coverage.	Partner with Kiambu county government for development.	21,000,000
2	Kinoo- uthiru Phase I involving pipework, 1No. 108m <sup>3</sup> elevated steel & metering	Ongoing	Increase water service levels and adequate storage facilities	Partner with AWWDA	Already budgeted under sewer project
3	Construction of Kikuyu Sewerage project	Ongoing	improved sanitation	Works on going, project 82% complete.	662,000,000
4	Non-Revenue Water Reduction Initiatives	ongoing	Increase in billing efficiency hence more revenue	Invest highly in reduction NRW and also partner with Kiambu County Government.	13,000,000
5	Distribution network for Uthiru ward	Ongoing	Increase in coverage	Partner with Kiambu County Government and AWWDA. 80% done.	15,000,000
6	Distribution network for Kinoo ward	Ongoing	Increase coverage	Partner with Kiambu County government	25,000,000
7	Rukubi Kanyariri water supply	Ongoing	Increase coverage	Partner with Kiambu County Government	5,000,000
8	Augmentation Ondiri Maaiiii water project	Complete	Improve reliability	Partner with Kiambu County Government	4,500,000
9	Kanjeru water project	Ongoing	Improve coverage	Partner with Water Fund (WSTF)	16,400.000
10	Solarization of Twin boreholes	Ongoing	Lower production cost	Partner with AWWDA	32,200,000
11	Rugita water supply	Ongoing	Increase coverage	Partner with AWWDA	Under sewer project
12	Rungiri Kanyongo pipeline	Design ongoing	Increase coverage	Partner with Kiambu County Government	15,000,000