

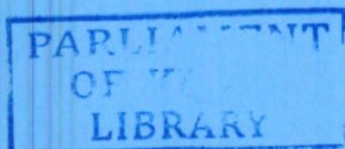
REPUBLIC OF KENYA



*Enhancing Accountability*

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## REPORT



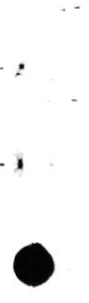
OF

**THE AUDITOR-GENERAL**

ON

**KAHUTI WATER AND SANITATION  
COMPANY LIMITED**

**FOR THE YEAR  
ENDED 30 JUNE, 2020**



*Kahuti Water & Sanitation Company*

**Reports and Financial Statements**

**As at June 30, 2020**

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OFFICE OF THE AUDITOR GENERAL  
CENTRAL HUB  
15 APR 2021  
**R E C E I V E D**  
P. O. Box 267 - 10100, NYERI



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**KAHUTI WATER & SANITATION COMPANY**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

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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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**Reports and Financial Statements  
As at June 30, 2020**

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## **KEY ENTITY INFORMATION**

### **Background information**

Kahuti Water and Sanitation Company was established by the Companies Act of Parliament on 10<sup>th</sup> April 2006. At cabinet level, the entity is represented by the Cabinet Secretary for Environment, Water & Natural Resources, who is responsible for the general policy and strategic direction of the entity.

### **Principal Activities**

The principal activity of the entity is to provide quality water & sanitation services at an affordable rate.

### **Vision**

To be the leading water and sanitation provider in the country.

### **Mission**

To ensure provision of quality water and sanitation services to its customers in an affordable and sustainable manner.

### **Core objectives**

1. To increase access and coverage to water services within the area of jurisdiction
2. To reduce non-revenue water
3. To achieve operational financial stability
4. To strengthen the company's institutional capacity
5. To improve communication with stakeholders
6. Facilitate improvement in access to sanitation services
7. Mainstream cross cutting issues of poverty, HIV, environment.

### **Directors**

The Directors who served the entity during the year/period were as follows as appointed and re-elected during our Annual General Meeting held on

1. Mrs. Frasih Wanjiku Kamau - Chairperson
2. Mrs. Margaret Mworio
3. Mr. Stephen Kamau
4. Mrs. Martha W. Wanguku
5. Mr. Erastus Thuku Nyingi

### **Corporate Secretary**

Mr. Gikuhi Kiana  
P.O. Box 1271-10100

*Kahuti Water & Sanitation Company*

**Reports and Financial Statements**

**As at June 30, 2020**

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Nyeri

**Headquarters/Registered Office**

Kahuti Water Building  
Off Kangema-Kanorero Road  
P.O. Box 118-10202  
Kangema, KENYA

**Corporate Contacts**

Telephone: (254) 728 828 168 or 020 2061816

E-mail: [kahutiwater@yahoo.com](mailto:kahutiwater@yahoo.com)

Web-site: [info@kawasco.co.ke](mailto:info@kawasco.co.ke)

**Corporate Bankers**

Equity Bank Ltd  
Kangema Branch  
Private Bag  
Kangema.





**Legal Advisors**

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


**Independent Auditors**


Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya


I. THE BOARD OF DIRECTORS

<p>1.</p>  <p>Frasah W. Kamau – Chair Person</p>	<ul style="list-style-type: none"><li>- Bachelor of Education(Arts)</li><li>- Works as a teacher</li><li>- Representing Education institution</li><li>- Born -1965</li></ul>
<p>2.</p>  <p>Margaret Mworira – Board Member</p>	<ul style="list-style-type: none"><li>- University graduate-B.E.D</li><li>- Representing business community</li><li>- Retired high school principal.</li><li>- Born – 1958</li><li>- Business woman</li></ul>
<p>3.</p>  <p>Martha W. Wanguku – Board Member</p>	<ul style="list-style-type: none"><li>- Certificate in Early childhood.</li><li>- Women leader and farmer</li><li>- Representing Women groups</li><li>- Born - 1971</li></ul>
<p>4.</p>  <p>Erastus Nyingi T – Board Member</p>	<ul style="list-style-type: none"><li>- Certificate in GCE</li><li>- Community leader</li><li>- Representing C.D.F</li><li>- Born - 1948</li></ul>




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5.  Mr. Stephen M. Kamau – Board Member	-Diploma in School of Management -P1 Teacher training -Head Teacher -Representing professional bodies -Born -1956
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1.  BSC –Civil Engineering	Eng. Ephantus Kamau – General Manager
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2.  BSC-Water & Environmental Engineering	J.K. Kiarie – Technical Manager
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MANAGEMENT TEAM

3.  Master's in Business Administration(MBA)	Titus M. Mukunda – Commercial Manager
4.  B.Com- HR Option	Ceciliah Nthigah – HR/A Officer
5.  Bachelor of Business Administration-(BBA)	Josephat Macharia– Internal Auditor
6	Company Secretary

*Kahuti Water & Sanitation Company*

**Reports and Financial Statements  
As at June 30, 2020**

 <p>Richard Gikuhi Kiana</p>	
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**CHAIRPERSON'S STATEMENT**

I am pleased to present the company's annual report and financial statements for the years ended 30th June 2020

The company has continued to grow upward by carrying out its strategies focusing on its customer service delivery objectives. In doing this, the company continues to be guided by our vision, mission, values and strategic objectives.

Some of the positive indicators on this include increased number of active customers, extension of services to some hitherto un-served areas and the gradual decrease of non- revenue water.

The extension of services has been achieved through internal funding and assistance from the National Government. We've for example received assistance worth over ksh 45million under the Murang'a Community Water project for the boosting of some of the distribution lines within our area of jurisdiction. This is part of the National Government's Corporate Social Responsibility package for the Northern Collector Tunnel project. Once completed, this is going to improve our service greatly. The project is still on-going and is being implemented by Athi Water Services Board.

In order to reduce water losses, the company is now using the HDPE pipes for the new lines. These are more durable, and less prone to bursts. If resources allow, we intend to sustain this approach.

We've also submitted a number of proposals to the National Government for various distribution lines, including Mukarara-Kiamara-Nyakahura, Kawariua –Githiga-Gatang'ara among others. Let me also state that we've submitted proposals worth over ksh 500 million to the County Government, and we look forward to a positive response.

Over the years, we've also expanded our scope on Corporate Social Responsibility. In partnership with the Murang'a County Initiative, we've admitted a number of interns to join the company as they await their admission to university. This is in addition to the attachees that we engage regularly from the various institutions. We've also installed some water catchment facilities (gutters and tanks) to some needy families. We promise to continue and enhance our Corporate Social Responsibility as a way of being part of the community.

Let me also point out that recently, we've been experiencing some challenges. The major one has been brought by the misunderstandings by various parties on the approach and extent of devolution of the Water Sector within the County. This led to the imposition of irregular tariffs by the County Government, which greatly affected our revenue and hence our service delivery. Some matters are in court and we may not

**Reports and Financial Statements**

**As at June 30, 2020**

discuss them in more details here. Adverse weather, characterised by long dry periods followed by extremely heavy rains is also a challenge that we've to contend with.

Looking forward however, the future is bright. The National Government is supportive and there's hope that the many proposals we've submitted will bear fruits.

I take this opportunity to assure our stakeholders of the continued commitment towards availing clean & affordable water to all the residents within our area of jurisdiction in an efficient manner. And to achieve this, we will continue to uphold our values which have so far guided us in our endeavours.

Finally, may I take this opportunity to extend my sincere thanks to the Board of Directors, whose tireless effort has seen the company continue to progress. We have continued to receive a lot of support from Tana Water Services Board, and the National Government. My sincere thanks to them.

The management and staff of the company have worked tirelessly to achieve the said progress. I sincerely thank them. To you our stakeholders, your continued support is highly appreciated.

God bless you all. Thank you.

FRASIAH W. KAMAU



DATE

14/4/21

**REPORT OF THE CHIEF EXECUTIVE OFFICER**

I wish to comment about the company's performance for the financial year ending 30<sup>th</sup> June 2020.

**Key indicators**

In regard to other sector performance parameters, the company fairs as follows:

**i. Non-Revenue Water (NRW):**

This is the water that has been produced at abstraction but is not billed. At incorporation of the company in 2006, the NRW status was not known. The company took measures to establish the same and found it was about 89%. At the time of audit of 2016-2017, it was 77% while currently, it is 66%. This is a progressive decline and we hope to reduce further. To achieve this, we've adopted use of HDPE pipes instead of the PVC, as the former is less prone to damage. We've also adopted the policy whereby new consumers get fittings from our stores directly in order to control quality of fittings used. This is bearing fruits in terms of NRW reduction.

**ii. Service Coverage:**

This is the number of customers served as a percentage of the total population within our service area. There has been significant growth over the years, as during the incorporation of the company, the number of active connections was hardly 3,000, which is about 12% while currently we are at 48%. On this, we've a long way to go to achieve the sector bench mark of 80%, but with the continued assistance from the National Government as indicated here below, we believe it is achievable.

**iii. Operations & Maintenance coverage:**

This is the extent to which internally generated funds cover the cost running the company. It is a measure of the company's financial sustainability. The recommended sector benchmark is 150%, although anything above 100% is considered safe. The company has maintained an operation & maintenance cost coverage of above 100% over the years.

**iv. Collection efficiency:**

This is the ratio of amount collected to amount billed. Sector benchmark is that collection efficiency must be above 95%. The company has maintained a collection efficiency of over 92%.

**v. Drinking Water Quality:**

I am happy to report that all our drinking water quality tests have passed. This means that our water is well treated and safe to drink. This is also verified by low number of water borne diseases in our service area.

**On-going developments**

With the assistance of the National Government, the company has initiated a number of development projects as follows:

**i. Murang'a Community Water project:** This is on-going and estimated at ksh 45 million. It involves laying HDPE pipes in various lines in all the five wards to boost service. The project is being implemented through Athi Water Services Board as part of the Corporate Social Responsibility for the Northern Collector Tunnel. It is at 79% completion level.

ii. It is anticipated that over-haul of phase II line will commence soon. This will involve replacing the PVC pipes with HDPE and also increasing the diameter to boost supply. This will not only reduce the cost of maintenance, it will also improve services in Mugoiri area. The contractor is on site pending way leaves.

Other plans/proposals

i. We are following up on a proposal to construct a treatment plant in Tuthu, together with laying transmission lines to Nyakahura and Gatheru areas.

ii. We've also submitted a proposal to the National Government covering laying of various distribution lines, among them:

- Mukarara-Nyakahura line
- Kanorero -G3 line
- Kanyenyaini Githiga - Kahuti line
- Gitiri-Mbari ya Hiti line

ENG. E. KAMAU



Date:

14/04/2021

**REVIEW OF KAHUTI WATER AND SANITATION COMPANY PERFORMANCE FOR FY 2019/2020**

According to water sector regulatory board the performance of the company is assessed using the broad 9 key performance indicators as shown below to assess the company performance. The company posted an improvement in all kpis apart from Personnel expenditure and collection efficiency

WASREB		Good	Acceptable	Not	KAWASCO	KAWASCO	
Key Performance Indicators				Acceptable	2018/19	2019/2020	
1.	Water coverage-%	>90%	80 – 90%	< 80%	50%	56%	
2.	Drinking Water Quality	>95%	90 – 95%	< 90%	93%	100%	
3.	Hours of Supply	Population > 100,000	21 - 24	16–20	< 16	21hrs	21.3hrs
		Population < 100,000	17 – 24	12–16	< 12	n/a	n/a
4.	Personnel Expenditure as % of O&M costs	Very large WSPs	< 20%	20 – 30%	> 30%	45%	49%
		Medium WSPs	< 30%	30 – 40%	> 40%	n/a	n/a
		Small WSPs	< 40%	40 – 45%	> 45%	n/a	n/a
5.	O&M Cost Coverage	≥ 150%	100-149%	≤ 99%	113%	109%	
6.	Revenue Collection Efficiency	> 95%	95-85%	<85%	92%	87%	
7.	Non-Revenue Water	< 20%	20– 25%	>25%	66%	64%	
8.	Staff Productivity - Staff per 1,000 connections	Very large WSPs	< 5	5-8	> 8	7	7
		Medium WSPs	< 7	7–11	> 11	n/a	n/a
		Small WSPs	< 9	9–14	> 14	n/a	
9	Metering ratio	100%	95 - 99%	< 95%	91%	91%	

**Reports and Financial Statements**

**As at June 30, 2020**

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**CORPORATE GOVERNANCE STATEMENT**

KAWASCO is committed to operating under clear governance frame work and adheres to sound management practices.

We are committed to ensuring compliance with all the provision of the water Act 2002, Service Provision Agreement granted by Tana Water Services Board and the Companies Act CAP 486.

**Board Committee**

In order to enhance corporate governance, the KAWASCO Board of Directors has constituted the following committees;

- (i) **Audit Committee:** The committee addresses audit reports from internal and external auditors and also evaluates the financial reporting standards adopted by the company. The committee also ensures compliance with financial regulations and soundness of internal control systems.

The members of the committee are;

- a) Margaret Mworira
- b) Erastus Nyingi
- c) CEC Water

- (ii) **Administration, Finance & Technical committee:** The Committee is responsible for all human resources, technical issues and effect utilization of resources. It also approves capital investment and ensures they meet technical standards and are well maintained and deals with general finance matters of the company.

- a) Stephen Kamau
- b) Martha Wanguku
- c) CEC Finance
- d) Frasih Kamau

The succession plan for the directors is in accordance with Article 31 and 32 of the Memorandum & Articles of Association, which require that in every Annual General Meeting, one third of the directors must retire and are eligible for election subject to a maximum of two terms. The Article restricting to terms however, came into effect in January 2014. The directors, upon election, do sign a code of ethics and are taken for induction training.

Further, all directors are required to sign a “declaration of interest” book during each meeting

**Reports and Financial Statements  
As at June 30, 2020**

The board meeting for the year were held as below

Name of member	5/7/2019	20/8/2019	15/11/2019	20/02/2020	11/06/2020	25/06/2020
Frasiah W. Kamau	✓	✓	✓	✓	✓	✓
Stephen M.Kamau	✓	✓	✓	✓	✓	✓
Margaret W. Mworira	✓	✓	✓	✓	✓	✓
Martha W. Wanguku	✓	✓	✓	✓	✓	✓
Erastus N.Thuku	✓	✓	✓	✓	✓	✓
CEC- Finance	X	X	X	✓	X	✓
CEC - Water	X	X	X	X	X	X

**Administration, Finance & Technical Committee**

Name of member	13/08/2019	08/11/2019	14/02/2020
Stephen M.Kamau	✓	✓	✓
Martha W. Wanguku	✓	✓	✓
Frasiah W. Kamau	✓	✓	✓
CEC - Water	X	X	X

**Audit Committee**

Name of member	01/08/2019	17/10/2019	23/01/2020
Stephen M.Kamau	✓	✓	✓
Martha W. Wanguku	✓	✓	✓
Frasiah W. Kamau	✓	✓	✓
CEC -finance	X	X	X

By order of the Board

For and on its behalf

MRS. FRASHIAH W. KAMAU  DATE 14/4/21

**CHAIRPERSON KAHUTI WATER & SANITATION COMPANY**

Eng. E. KAMAU  DATE 4/24/2021

**GENERAL MANAGER KAHUTI WATER & SANITATION COMPANY**

**MANAGEMENT DISCUSSION AND ANALYSIS**

The financial year 2019/2020 was going on well as far as major company objectives were concerned until Covid 19 hit the whole company on March 2020. This really affected our fourth quarter of the financial year in all aspects of our operations which in return affected our overall performance during the year. The company had lined up several projects as follows

**I. CAPITAL INVESTMENT PROJECTS**

Project Name	Expected completion date	Excavation	Pipe laying	Installation of fittings	concrete works	Testing and cleaning	commissioning	Overall Progress	Remarks
Murang'a Community Water Project	Sep-19	97%	97%	40%	10%	0%	60%	80%	Contractor deserted site before completion of his work
Kahuti Community water Project	Sep-20	100%	100%	90%	100%	100%	0%	95%	Contractor deserted site immediately after handover; some activities were left undone
Rwathia-Kagaa mainline (under Kiambu-Ruaka Sewarage project)	Jul-20	13%	13%	0%	0%	0%	0%	20%	Works progressing well
Gatango community water project	Jun-21	85%	85%	30%	45%	30%	20%	75%	Works progressing well
Murang'a Augmentation community water project	Jun-21	80%	80%	10%	0%	10%	10%		
Kiruri Ichichi water project	Dec-20	95%	95%	90%	60%	80%	0%	80%	Bulk of work remaining at the Maanguo intake. Construction challenged by rainy weather condition

*Kahuti Water & Sanitation Company*

**Reports and Financial Statements**

**As at June 30, 2020**

**FINANCIAL PERFORMANCE**

The year saw the onset of the covid 19 pandemic in the country and the effects were very detrimental to our financial position. However we were able to remain a going concern as we were able to meet our core activities which helped us in mitigating the effects of the pandemic. We were able to continuously supply treated water to all our customers and also free water points as per the GOK directives in all the bus station and the marketed.

We experienced a major drop in our collection efficiency meaning that we were billing but not doing much collections because we didn't want to enforce punitive measures on collection e.g. disconnections so we gave our customers some amnesty so that we could navigate through the situations.

**Billing compared to our collection for the years were as follows**

<b>MONTH</b>	<b>TOTAL Billings</b>	<b>TOTAL Collections</b>
Jul-19	6,718,720	5,698,740
Aug-19	5,879,200	5,332,155
Sep-19	5,520,985	5,037,364
Oct-19	5,615,830	4,458,188
Nov-19	5,431,610	5,076,434
Dec-19	4,695,995	4,692,286
Jan-20	5,918,815	5,705,948
Feb-20	6,039,035	5,159,100
Mar-20	5,701,517	4,527,955
Apr-20	5,334,990	2,891,222
May-20	4,850,085	4,543,652
Jun-20	5,096,005	4,942,194
<b>TOTAL</b>	<b>66,802,787</b>	<b>58,065,238</b>

**Reports and Financial Statements  
As at June 30, 2020**

Our collection efficiency for the year was 87% against the regulators benchmark of 87%

**CHALLENGES**

- Covid 19 still and continues to be a main challenge in our operations. We are keenly monitoring the situation so that we can continue executing our core mandate
- Continued non-payment of county government owned hospitals and other establishments which have accumulated debts of approximately 2million
- We anticipate major interruption of our systems from the effects of the Mau Mau road constructions that touches most of our lines and especially the mainline around Kiamara-Kangema-Kanyenyaini-Tuthu where the road is being constructed and the works have already commenced

**Way forward**

- We have started major campaigns across all the areas where we are doing major extension works through the assistance of the National government so as to open up all this areas. This coupled with the new water connection charges will be monitored so as to build on our customer base
- One on one visitation of our customers to persuade them to pay for the water. We have also established an adhoc team that is currently calling the customers with huge debts and trying to convince them to pay their dues or come up with a part payment arrangement mode. This approach has assisted us to collect without necessarily doing mass disconnections as we also maintain the supply of water to our customers at this time when it is very much needed.
- Continue monitoring the situation with an aim to adjust our expenditures accordingly to remain afloat with the absence of our main consumers that is the schools and other institutions which are major consumers of our water

During the year an analysis of the company risks, strengths and opportunities were analysed and were as follows

<b>STRENGTH</b>	<ol style="list-style-type: none"> <li>1. Good organizational structure</li> <li>2. Competent staff</li> <li>3. Adequate water production</li> <li>4. Staff good working relationship</li> <li>5. Gravitational water system</li> <li>6. Increased automation</li> <li>7. A going concern</li> <li>8. Credit worthiness</li> <li>9. High revenue collection efficiency</li> </ol>	<b>OPPORTUNITIES</b>	<ol style="list-style-type: none"> <li>1. Wide coverage area</li> <li>2. Adequate water at the sources</li> <li>3. Favourable terrain for gravitational supply</li> <li>4. Improved road network</li> <li>5. Availability of financiers</li> <li>6. Availability of technology</li> <li>7. Improving Economic status of the society</li> <li>8. Potential for introduction of sewer services</li> <li>9. Continuously rehabilitated infrastructure</li> </ol>
<b>WEAKNESSES</b>	<ol style="list-style-type: none"> <li>1. Aging infrastructure</li> <li>2. Inadequate office space</li> <li>3. Inadequate transport</li> <li>4. Low revenue generation</li> <li>5. Inadequately motivated staff</li> <li>6. High NRW level</li> <li>7. High level of debtors</li> <li>8. Inadequate working tools</li> </ol>	<b>THREATS</b>	<ol style="list-style-type: none"> <li>1. Political interference</li> <li>2. Pandemics</li> <li>3. Poor terrain</li> <li>4. Competition</li> <li>5. Degradation of catchment areas</li> <li>6. Unpredictable weather patterns</li> <li>7. Vandalism of water infrastructure</li> <li>8. Declining population numbers</li> </ol>

**Corporate Social Responsibility Statement**

We are cognisant of the fact that we belong to the wider community and cannot be blind to the needs and challenges within it. It is the policy of the company therefore to always give back to the society in accordance with our ability. In the past, we've engaged in various CSR activities like donating food and detergents to Kombi Children's home, planting trees (in partnership with banks and education institutes). We also regularly engage attaches from the various Institutes within our locality to gain on the job experience. Currently we've admitted five (5) interns who are waiting to join university. These were sourced from among those who were supported by the Murang'a County Initiative for their secondary school education, and are thus from needy family. We've also been installing tanks and gutters for rain harvesting for the needy cases.

**Challenges**

- i. **Unsustainable water tariffs:** as noted above, the tariff imposed by the County Government has made the company not achieve full operation and maintenance cost for the first time. It is also affecting our service delivery as we've to scale down some of our activities e.g. we've reduced standby staff on weekends.
- ii. **Unfavourable political environment:** this is occasioned by misunderstandings by various parties on devolution of the water sector within the County. It has continued to have adverse effect on service delivery.
- iii. **Aging infrastructure contributes to water loss and hence high NRW.**
- iv. **Pipe damage by road contractors contracted by the County Government and KERRA.** A lot of pipes have been damaged and no compensation has been forth coming despite our appeals. The damage so far is estimated to be over ksh +50 million.

I believe with your continued support, we will be able to overcome the above challenges. I take this opportunity to thank all those who've contributed in making the year a success for the company. They include the management of Kawasco, the Board of Directors and our customers and stakeholders. To you all, your valuable support is highly appreciated.

Thank you.

E. Kamau



Date

14/04/2021

*Kahuti Water & Sanitation Company*

**Reports and Financial Statements**

**As at June 30, 2020**

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**REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the entity's affairs.

**Principal activities**

The principal activities of the entity are provision of quality water & sanitation services at affordable rates.

**Results**

The results of the entity for the year ended June 30, 2020 are set out on page 17.

**Directors**

The members of the Board of Directors who served during the year are shown on page 4.

**Auditors**

The Auditor General is responsible for the statutory audit of the entity in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board

Corporate Secretary

Nairobi

Date: .....

Reports and Financial Statements

As at June 30, 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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


The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2020, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The entity's financial statements were approved by the Board on 30<sup>th</sup> September 2020 and signed on its behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# REPUBLIC OF KENYA



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## REPORT OF THE AUDITOR-GENERAL ON KAHUTI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kahuti Water and Sanitation Company Limited set out on pages 22 to 45, which comprise of the statement of financial position as at 30 June, 2020, statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and the 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 the Kahuti Water and Sanitation Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards, and comply with the Water Act, 2016, the Kenyan Companies Act, 2015 and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1. Lack of Valuation of Property, Plant and Equipment

As disclosed in Note 11 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.55,085,512 as at 30 June, 2020. However, the value of land and buildings was not disclosed separately hence depreciation was charged on land contrary to International Accounting Standards (IAS)No.16. The Company Management did not update the fixed assets register while the logbooks for one motor vehicle and three motor-cycles that were inherited from Tana Water Services Board were not provided for audit review.

Further, and as previously reported, the Company revalued various classes of its fixed assets by a total of Kshs.10,491,533 during the financial year 2018/2019. However, the

Company did not disclose the method used to revalue the assets and whether the valuation was done by a professional contrary to the provisions of Paragraph 31 of International Accounting Standard No.16 which requires revalued assets to be stated at fair value which can reliably be measured.

Consequently, the ownership, accuracy and completeness of property, plant and equipment balance of Kshs.55,085,512 as at 30 June, 2020 could not be ascertained.

## **2. Unsupported Trade and Other Receivables**

Disclosed in Note 12a to the financial statements, the statement of financial position reflects trade receivables gross balances of Kshs.51,843,287 as at 30 June, 2020. However, the balance includes an amount of Kshs.213,416 described as unrealized income which was not supported by a ledger, schedules and an analysis.

Further, and as previously reported, included in the trade receivables balance is an amount of Kshs.13,512,583 inherited from the Ministry of Water and Irrigation (National Conservation and Pipeline Corporation) at the inception of the Company. Although the recoverability of this debt is doubtful, the provision for bad and doubtful debts of Kshs.10,483,130 made in the financial statements appears inadequate.

Consequently, the accuracy and full recoverability of the trade and other receivables, balance of Kshs.51,842,992 as at 30 June, 2020 could not be confirmed.

## **3. Unsupported Inventory**

The statement of financial position reflects inventory balance of Kshs.1,011,207 as at 30 June, 2020. However, no records including stock take sheets and ledgers were provided to confirm existence and valuation of the inventories. Further, no explanatory note was provided in the financial statements to indicate the sub-classification of the stock contrary to Paragraph 77 of IAS 1 which requires an entity to disclose, either in the statement of financial position or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity's operations.

## **4. Inaccuracies in the Financial Statements**

As disclosed in Note 2 to the financial statements, the statement of profit and loss and other comprehensive income for the year ended 30 June, 2020 reflects direct costs amounting to Kshs.13,934,550. However, the balances as reflected in Note 2 were at variance with the supporting schedules and ledgers as follows:

<b>Item</b>	<b>Financial Statement Amounts (Kshs)</b>	<b>Supporting Schedule Amounts (Kshs)</b>	<b>Difference (Kshs)</b>
Opening Stock	2,199,212	1,366,894	832,318
Purchases	12,746,546	12,992,893	(246,347)
Closing Stock	(1,011,207)	(1,022,052)	(10,845)

Management has not reconciled the variances between the two sets of records.

In the circumstances, the accuracy and completeness of direct production costs amounting to Kshs.13,934,550 for the year ended 30 June, 2020 could not be confirmed.

## **5. Unconfirmed Tax Expenses**

The statement of profit and loss and other comprehensive income reflects tax expenses balance of Kshs.1,952,709 and Kshs.270,497 for the financial years 2019/2020 and 2018/2019, respectively. However, tax computations and schedules for that expenses were not provided for audit review. Further, the audited 2018/2019 financial statements reflected tax expense of Kshs.2,941,821, resulting in a variance of Kshs.2,671,324 which has not been explained or reconciled.

Consequently, the validity, accuracy, and completeness of tax expense reflected in the financial statements for the year ended 30 June, 2020 could not be confirmed.

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

## **Key Audit Matters**

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

## **Other Matter**

### **1. Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.63,946,547 and Kshs.57,067,933 respectively resulting to an under-funding of Kshs.6,878,614 or 11% of the budget. Similarly, the College expended Kshs.62,984,747 against an approved budget of Kshs.64,263,246 resulting to an under-expenditure of Kshs.1,278,499 or 2% of the budget.

The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

## **2. Prior Year Issues**

In the audit report of the previous year, several matters were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or explained its failure to report on the progress made in resolving the issues as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board vide The National Treasury and Planning letter reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

### **Other Information**

The Directors are responsible for the other information. The other information comprises the report of Directors as required by the Companies Act, 2015, and the statement of the Directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **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. Use of Expired Tariffs to Bill Customers**

During the financial year 2019/2020, the Company billed customers for water supplied worth Kshs.65,050,177. However, it was noted that the existing tariffs gazetted on 3 March, 2017 vide Kenya Gazette Notice number 1960 were effective 1 August, 2015 to 30 June, 2018 and therefore had expired. Although the Company Management wrote to Water Services Regulatory Board on 20 November, 2019, seeking for approval of new water tariffs, the approval has not been granted due to pending consent by the County Government of Murang'a. Further, no explanation or evidence was provided indicating

whether the Company Management sought extension of the approved rates during the financial year as per Clause 72(1)(b) of the Water Act 2016.

In the circumstances, Management was in breach of the law

## **2. Excessive Non-Revenue Water**

During the year under review, the Company produced a total of 2,859,438 M<sup>3</sup> of water, out of which 1,013,901 M<sup>3</sup> was billed to customers and the difference of 1,845,537 (m<sup>3</sup>) or 64.5 % represents unaccounted for water. The un-accounted for water of 64.5 % is 39.5.% above the allowable loss of 25% set by Water Services Regulatory Board (WASREB) Guidelines. The non-revenue water of 64.5% may have resulted in a loss of sales estimated at Kshs.104,734,225. The significant level of non-revenue water may negatively impact on the company's profitability and its ability to sustain services.

In the circumstances, Management was in breach of the law

## **3. Non-Compliance with Ethnic Diversity Requirement**

During the year under review, the Company had a total of seventy-four (74) employees out of whom sixty-four (64) or 86% were from one dominant ethnic community. This is contrary to the requirements under Section 7(2) of the National Cohesion and Integration Act, 2008, which requires that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that at least 30% of the employees be from other ethnic communities.

In the circumstances, Management was in breach of the law

## **4. Non-Compliance with Industrial Benchmark on Personnel Costs**

The statement of profit and loss and other comprehensive income reflects staff costs of Kshs.31,225,706 for the year 30 June, 2020 representing about 50% of the total expenditure of Kshs.63,020,447, which is higher than the recommended ratio of 30% in accordance with Paragraph 3.9(10) of the Water Services Regulatory Board (WASREB) Corporate Governance guidelines. The excess personnel costs may negatively impact on the company's profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable level.

In the circumstances, Management was in breach of the law

## **5. Corporate Governance**

Part II of the annual report on Key Entity Information on the financial statements for the year ended 30 June, 2020 discloses the names of seven (7) Directors who held office during the year under review. Records indicated that one of the Directors appointed on 23 October, 2012 has served the Company for a period over six (6) years or 2 terms of three (3) years in contravention of Paragraph 1.5 of Mwongozo the Code of Governance for State Corporations. Further, two Directors appointed in 2017 and another one who

was appointed in 2015 whose first term in office as directors had expired were still serving without valid appointments. No explanation was provided for the irregularity.

In the circumstances, Management was in breach of the law

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

#### **Long Outstanding Loan – ADB Loan**

The statement of financial position as at 30 June, 2020 reflects non-current liability balance of Kshs.13,344,063 in respect of ADB loan, which has remained constant for several years. Management indicated that the loan was incurred on Water Treatment Plant constructed by Tana Water Works Development Agency on behalf of the Company. Further, correspondence indicated that there exists a dispute between the Company and the Agency due to low volume of water realized from the intake which disadvantaged its customers. As a result, the company suspended payment of the loan. Management has not provided measures taken to resolve the matter.

In the circumstances, the existence of an effective internal mechanism to ensure discharge of obligations as they fall due cannot be established. The Company is therefore exposed to litigation and subsequent penalties and interest thereof.

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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

### **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), 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, risk management and overall governance.

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

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

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

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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 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 to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 to 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

11 February, 2022

**STATEMENT OF PROFIT & LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME**

	Note	2019/2020 Shs	2018/2019 Shs
Revenue	1	66,802,787	58,707,296
Direct Costs	2	13,934,550	9,423,159
<b>Gross profit</b>		<b>52,868,237</b>	<b>49,284,137</b>
Other income	3	7,949,037	11,723,086
<b>Gross Income</b>		<b>60,817,274</b>	<b>61,007,223</b>
Repair & maintenance Expenses	4	3,318,688	4,243,138
Personnel costs	5	31,225,706	29,142,071
Administrative expenses	6	15,962,913	16,453,890
Professional services	7	608,300	335,000
Directors Expenses	8	1,303,938	723,360
Depreciation on property, plant and equipment	9	10,565,202	10,488,400
<b>Total Expenditure</b>		<b>62,984,747</b>	<b>61,385,859</b>
<b>Note 11</b>			
<b>Profit before tax expense</b>		<b>(2,167,474)</b>	<b>(378,636)</b>
Tax expense/income	10	(1,952,709)	(270,497)
<b>Profit/loss after tax</b>		<b>(214,764)</b>	<b>(108,139)</b>

**STATEMENT OF FINANCIAL POSITION AT 30TH JUNE 2020**

<u>ASSETS</u>	Note	<u>2019/2020</u>	<u>2018/2019</u> Kshs
<b>Non-current assets</b>			
Property, plant and equipment	11	55,085,512	61,391,698
other Assets			
<b>Total Non-Current Assets</b>		<u>55,085,512</u>	<u>61,391,698</u>
<b>Current assets</b>			
Inventories		1,011,207	2,199,212
Trade and other receivables	12	51,842,992	46,904,918
Cash at bank and in hand	13b	15,783,864	14,352,185
		<u>68,638,063</u>	<u>63,456,314</u>
<b>TOTAL ASSETS</b>		<u>123,723,575</u>	<u>124,848,012</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Capital fund</b>			
Capital Reserves		13,512,583	13,512,583
Retained earnings		1,988,918	1,988,918
Revaluation Reserve		16,208,254	18,375,728
Capital and Reserves		<u>12,857,835</u>	<u>12,857,835</u>
		<u>44,567,590</u>	<u>46,735,064</u>
<b>Non-Current Liabilities</b>			
ADB Loan		13,344,063	13,344,063
Grant Deferred Income		21,304,519	22,784,451
<b>Total Non-Current Liabilities</b>		<u>34,648,582</u>	<u>36,128,514</u>
<b>Current liabilities</b>			
Trade and other payables	14	36,698,500	33,741,985
Current tax	10	3,945,648	4,028,375
Deferred Grant income		3,863,253	4,214,075
<b>Total Current Liabilities</b>		<u>44,507,401</u>	<u>41,984,435</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>123,723,574</u>	<u>124,848,013</u>

Director General/C.E.O/M.D

Name: *Ephraim Kamau*

Sign: *[Signature]* 14/04/2021

Head of Finance

Name: *103 M. M. M. M.*

ICPAK M/NO: *10227*  
Sign: *[Signature]*

Chairman of the Board

Name: *Frasiah Kamau*

Sign: *[Signature]*

*Kahuti Water & Sanitation Company*

**Reports and Financial Statements  
As at June 30, 2020**

**STATEMENT OF CHANGES IN EQUITY**

	<b>Capital Reserves Kshs</b>	<b>Capital funds Kshs</b>	<b>Revaluation Reserve Kshs</b>	<b>Revenue Reserves Kshs</b>	<b>Total Kshs</b>
At 1st July 2018					
As restated	1,988,918	13,512,583	2,366,302	18,754,364	36,622,167
<b>Changes in equity in 2018</b>					
Profit/(loss) for the year	-	-	-	(378,636)	(378,636)
Revaluation of assets	-	-	10,491,533		10,491,533
At 30th June 2019					
	<b>1,988,918</b>	<b>13,512,583</b>	<b>12,857,835</b>	<b>18,375,728</b>	<b>46,735,064</b>

	<b>Capital Reserves Kshs</b>	<b>Capital funds Kshs</b>	<b>Revaluation Reserve Kshs</b>	<b>Revenue Reserves Kshs</b>	<b>Total Kshs</b>
At 1st July 2019	1,988,918	13,512,583	12,857,835	18,375,728	46,735,064
As restated					
<b>Changes in equity in 2019</b>					
Profit/(loss) for the year				(2,167,474)	(2,167,473)
Revaluation of assets					
At 30th June 2020					
	<b>1,988,918</b>	<b>13,512,583</b>	<b>12,857,835</b>	<b>16,208,254</b>	<b>44,567,591</b>

**STATEMENT OF CASHFLOWS FOR THE PERIOD ENDING 30<sup>TH</sup> JUNE 2020**

	Note	<u>2019/2020</u>	<u>2018/2019</u> Kshs
<b>Cash flows from operating activities</b>			
Receipt from trade debtors	16	65,950,497	62,833,884
Payment to suppliers	16	(29,679,932)	(31,921,706)
Payment to Employees	16	(32,529,644)	(29,865,431)
Income tax paid	10	(82,727)	-
		<hr/>	<hr/>
<b>Net cash generated from/(used in) operating activities</b>		<b>3,658,194</b>	<b>1,046,747</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(2,226,516)	(1,849,146)
		<hr/>	<hr/>
<b>Net cash generated from/(used in) investing activities</b>		<b>(2,226,516)</b>	<b>(1,849,146)</b>
<b>Cash flows from financing activities</b>			
Repayments of long-term borrowings		-	(169,320)
Interest on loans		-	-
		<hr/>	<hr/>
<b>Net cash generated from/(used in) financing activities</b>		<b>-</b>	<b>(169,320)</b>
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>		<b>1,431,678</b>	<b>(971,719)</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at 1st July</b>		<b>14,352,188</b>	<b>15,323,907</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at 30th June</b>		<b>15,783,865</b>	<b>14,352,188</b>

*Kahuti Water & Sanitation Company*

**Reports and Financial Statements**

**As at June 30, 2020**

**1. KAHUTI WATER AND SANITATION COMPANY STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020**

	TOTAL ACTUAL	BUDGET 2019/2020	VARIANCE	% variance
1100010 · Revenue				
1100020 · Connection fees	1,219,400	224,648	994,753	443
1100030 · Reconnection fees	476,010	336,840	139,170	41
1100050 · Water sales collection	54,803,308	62,895,063	(8,091,755)	(13)
Total 1100010 · Total Collection	56,498,718	63,456,551	(6,957,833)	(11)
Other Income				
1200000 · Interest earned	538,665	489,996	48,669	10
1200021 · Salary Surcharge	30,550	-	30,550	
Total Other Income	569,215	489,996	79,219	16
<b>Total Income</b>	<b>57,067,933</b>	<b>63,946,547</b>	<b>(6,878,614)</b>	<b>(11)</b>
Expenses				
2100020 · Chemicals	1,736,815	2,821,137	1,084,322	38
2100030 · Repair & Maintenance-Materials	8,443,185	8,795,296	352,111	4
3100000 · Advertising and Promotion	646,840	720,000	73,160	10
3100011 · Vehicle running expenses	2,837,983	3,273,384	435,401	13
3100012 · Vehicle/Bikes repairs & maintain	464,456	590,801	126,345	21
3100020 · Bank Service Charges	99,496	110,258	10,762	10
3100030 · Staff Training	363,960	700,000	336,040	48
3100050 · Subscriptions	98,600	150,000	51,400	34
3100060 · Insurance Expense	338,253	350,000	11,747	3
3100080 · General Expense	150,843	216,596	65,753	30
3100090 · Postage and Telephone	581,986	670,978	88,992	13
3200000 · Printing and stationeries	296,120	580,510	284,390	49
3200010 · Repair and maintenance Office	239,276	200,000	(39,276)	(2)
3200020 · Repair & maintenance intakes	89,700	60,000	(29,700)	(5)

*Kahuti Water & Sanitation Company*

**Reports and Financial Statements  
As at June 30, 2020**

3200050 · Staff welfare	729,130	589,905	(139,225)	(24)
3200060 · Travelling and Subsistence	2,823,149	3,510,000	686,851	20
3200070 · Security services	825,000	1,140,000	315,000	28
3200080 · Staff uniform	11,200	150,000	138,800	93
3200090 · Computer expenses	24,901	120,000	95,099	79
3300000 · Director allowances	1,181,598	1,500,000	318,402	21
3300010 · Corporate social responsibility	501,725	319,706	(182,019)	(57)
3300020 · Audit fees	15,700	150,000	134,300	90
3300030 · Consultancy & Professional fees	737,600	730,000	(7,600)	(1)
3300052 · Wasreb-Regulatory Levy	2,170,905	2,714,262	543,357	20
3300053 · WARMA-Abstraction Fees	720,000	720,000	-	-
3300054-TWSB	1,200,000	1,200,000	-	-
3300060 · AGM/Stakeholders Expenses	234,470	500,000	265,530	53
3300070 · Salaries & Wages - Other	30,979,207	30,890,064	(89,143)	(0)
3400010 · Electricity	279,087	446,611	167,524	38
3400020 · Contingencies	269,571	343,738	74,167	22
Total Expense	58,369,123	64,263,246	5,894,123	9
Capital works			-	
3400060 · NRW Expenses	598,772	1,100,000	501,228	46
ADB loan repayments	-	684,000	684,000	100
meters	860,000	1,120,000	260,000	23
Repayment of customer deposits	536,664	1,200,000	663,336	55
Furniture	-	100,000	100,000	100
Extension of service lines	1,102,443	1,600,000	497,557	31
purchase of laptop	51,000	-	(51,000)	
<b>Total capital expenditure</b>	<b>3,148,879.00</b>	<b>5,804,000.00</b>	<b>2,655,121</b>	

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Notes to the budget statement

- There was an overall 11% budget deficit in terms of revenue projected. This was as a result of the last quarter where the Covid-19 pandemic hit the country which also affected our incomes drastically
- Most of the votes were not exhausted because of the drop in revenues and also the government directives that prohibited movements and gatherings. Due to this drop in the revenues collection the company deemed it fit to suspend some of the expenditures that it deemed not very urgent and focus on the expenditures that were solely directed toward provision of water e.g. salaries and wages, purchase of pipes and fittings to ensure no water disruptions in case of pipes breakages, Repairs of motor vehicles and motorbikes for ease of operations, Fuel and oils etc.
- There was an over expenditure in the vote for corporate social responsibility this was due to the emergence measures taken during the onset of the covid 19 pandemic to offer free water kiosk in all public places and also to the vulnerable population in the society
- We did not pay anything of the ADB loan since we are still following up on the disagreement that arose between the company and Murang'a south water company that we were sharing the treatment with
- We were given chemical worth 282,800 alum and chlorine by the County Government thus we did not purchase chemicals in the third quarter as anticipated
- The new billing system was supposed to be installed during this period. However due to the disturbances caused by the Covid – 19 pandemic we were not able to complete the process in time .This has now commenced.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Kahuti Water and Sanitation Company was established by the Companies Act of Parliament on 10<sup>th</sup> April 2006. At cabinet level, the entity is represented by the Cabinet Secretary for Environment, Water & Natural Resources, who is responsible for the general policy and strategic direction of the entity.

The principal activity of the entity is to provide quality water & sanitation services at an affordable rate.

### 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 *entity*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, International Financial Reporting Standards (IFRS) and presented using the correct templates as provided for by the treasury. The accounting policies adopted have been consistently applied to all the years presented.

### 3. ADOPTION OF NEW AND REVISED STANDARDS

#### i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

#### **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 pre-payable 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)

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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.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

**iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2017.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(1) 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 the entity and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the entity's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the entity's activities as described below.

i) Revenue from the sale of goods and services is recognized in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii) Grants from National Government are recognized in the year in which the entity 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 realized 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**

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In-kind contributions are donations that are made to the entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the entity includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**c).Property, plant and equipment**

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

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

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

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

**Note:** the process of carrying out valuation of assets is underway in order to ascertain the correct valuations of the assets which are to be reflected in the property, plant and equipment movement schedule. The value currently used are the 2018/2019 management estimates

**d).Depreciation and impairment of property, plant and equipment**

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The policy for depreciation is as follows:

Land and Building	2.5%
Treatment plant	2.5 %
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5 %
Water Pipeline	12.5%

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

**e).Intangible assets**

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

**g).Amortization and impairment of intangible assets**

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years and the rate of amortization is 33.3%.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

**h).Inventories**

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

**Note:** The closing stock for the financial year 2017/2018 was overstated due to wrong pricing and inclusion of non-stock items which resulted to an overstatement of kshs555, 647. A journal has been raised to correct the same and we are finalizing on the correcting the opening stock for 2018/2019 and closing stock 2019/2020 which have also been affected

**i) 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. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

**j).Provision for bad and doubtful debts,**

It is the WSP's policy to provide for uncollectable debts at the rate of 20% as general provision for trade debtors

**k).Taxation**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

**l).Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprest and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**m).Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they

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are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

**n).Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

**o).Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 2013. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

**p).Provision for staff leave pay**

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

**q) Provision for long term dues**

It is the WSPs policy to provide for gratuity payment at the rate of 31% of their basic pay of management staff who are on fixed term contract after its expiry.

**r).Comparative figures**

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

**s).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, 2020.

**t) Financial risk management policies**

The company's 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:

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a) **Credit risk**

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

b) **Market risk management**

The Water Company takes on exposure to market risk, which is the risk that changes in market prices, such as interest rate and cost of production and distribution. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while transferring other risks to other partners. Monitoring of market risk is done by management in conjunction with the Board of Directors. Market risk exposures are measured by the use of sensitivity analyses.

c) **Retained earnings.**

The retained earnings represent amounts available for recouping to the Company's expansion activities.

d).**Determination of Production cost**

Cost of sales has been determined as expenditure incurred in water treatment until its ready for storage prior to distribution as from this financial year.

e).**Finance cost**

These have been determined as aggregate of Cost of operating bank accounts and interest on loans.

f).**Revaluation Reserve**

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

*Kahuti Water & Sanitation Company*

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

	2019/2020	2018/2019
		Kshs
<b>1 Revenue</b>		
Reconnection Fees	504,410	313,400
Connection Fees	1,207,900	142,200
Water Sales	65,050,177	58,166,546
Other Service Charges	40,300	85,150
	<u>66,802,787</u>	<u>58,707,296</u>

**DIRECT PRODUCTION COST**

	2019/2020	2018/2019
	Kshs	Kshs
<b>2 COST OF RAW MATERIAL CONSUMED</b>		
Opening stock	2,199,212	1,618,598
Purchases	12,746,546	10,003,773
Closing stock	<u>(1,011,207)</u>	<u>(2,199,212)</u>
	<u>13,934,550</u>	<u>9,423,159</u>

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3 Other income	2019/2020	2018/2019
Operational Grant from MOWI	560,076	2,042,622
Water Connection Fittings	2,967,617	4,973,505
In-Kind contribution	-	-
Other income	-	12,700
Salary surcharge	30,550	54,216
Interest Earned	527,541	425,968
Grant Deferred Income	3,863,253	4,214,075
	<u>7,949,037</u>	<u>11,723,086</u>

3b.Total Capital Grants as at 30th June 2020

			2nd year	
2018-2019	2019-2020		Deferred income	
Net value	Additions	Total cost	Amortization	Net Value
20,492,395.88	2,032,500.00	22,524,895.88	2,815,612	19,709,284
4,631,130.00	-	4,631,130.00	578,891	4,052,239
1,875,000.00	-	1,875,000.00	468,750	1,406,250
<b>26,998,525.88</b>	<b>2,032,500.00</b>	<b>29,031,025.88</b>	<b>3,863,253</b>	<b>25,167,773</b>

The Capital grants include Pipeline Infrastructure, water meters and motor Vehicle that have been granted by Athi Water Services Board (AWSB) and Tana Water Services Board (TWSB) during the year under consideration and have been amortized annually at normal rates as below.

<u>Asset</u>	<u>Rate%</u>
Water pipeline	12.5%
Water meters	12.5%
Motor vehicle	25%

*Kahuti Water & Sanitation Company*

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	2019/2020 Kshs	2018/2019 Kshs
<b>4 <u>Repair &amp; Maintenance</u></b>		
Repair & Maintenance (pipeline)	1,927,377	1,594,020
Repairs and Maintenance (Materials donated)		1,767,906
	285,360.00	
Repairs of intakes		89,880
	98,200.00	
Vehicle repair and maintenance	725,718	694,932
repairs of office	242,933	29,200
Computer expenses	39,101	67,200
<b>Total</b>	<b>3,318,688</b>	<b>4,243,138</b>
	<b>2019/2020</b>	<b>2018/2019</b>
		<b>Kshs</b>
<b>5 <u>Personnel costs</u></b>		
Salaries and wages	29,481,787	27,462,098
Provision for long-term service dues	1,743,919	1,679,973
<b>Total personnel costs</b>	<b>31,225,706</b>	<b>29,142,071</b>

**The average number of employees at the end of the year was:**

Permanent employees – management	5	5
Permanent employees – union stable	20	20
Temporary & contract employees	49	52
	<u>74</u>	<u>77</u>
	==	==

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	2019/2020 Kshs	2018/2019 Kshs
<b>6 <u>Administrative Costs</u></b>		
Licenses Administrative Fees	3,039,776	2,563,187
Postages and telephones	599,828	564,787
Security Services	931,500	991,431
Vehicle running	2,736,968	3,118,682
Printing and stationery	372,843	537,596
Electricity and water	155,361	237,360
AGM Expenses	234,470	1,575,910
Increase in Provision for Bad Debts	1,747,583	218,782
Bank charges and commissions	99,667	200,071
General Expenses	432,369	360,356
Staff welfare	628,580	534,993
Staff Uniforms	700	1,600
Staff training expenses	363,960	1,611,713
Corporate Social Responsibility	428,715	581,654
Insurance	338,253	338,071
Staff travel and Subsistence	2,933,332	2,252,647
Advertising and sales promotion	820,408	628,000
Subscription	98,600	137,050
<b>Total</b>	<b>15,962,913</b>	<b>16,453,890</b>
	<b>2019/2020 Kshs</b>	<b>2018/2019 Kshs</b>
<b>7 <u>Professional services</u></b>		
Legal and professional fees	608,300	335,000
Audit fees		
- Current year Provision		
- KENAO fees		
<b>Total</b>	<b>608,300</b>	<b>335,000</b>

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	2019/2020 Kshs	2018/2019 Kshs
<b>8 <u>Directors expenses</u></b>		
Directors emoluments	1,303,938.00	723,360.00
	<u>1,303,938.00</u>	<u>723,360.00</u>
<b>9. Depreciation on property, plant and equipment</b>	<u><b>10,565,202</b></u>	<u><b>10,488,400</b></u>
<b>10. Current Taxation</b>	<b>2019/2021 Kshs</b>	<b>2018/2020 Kshs</b>
Current income tax on adjusted profit	(1,952,709)	(225,414)
Current tax: Prior year under/over provision	-	-
Deferred income tax (Note 16)	-	-
Income tax expense/(credit)	<u>(1,952,709)</u>	<u>(225,414)</u>
The tax on the company's profit/(loss) before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:		
<b>Profit/(loss) before income tax</b>	<u><b>(2,167,473)</b></u>	<u><b>(378,636)</b></u>
Tax calculated at the statutory tax rate of 25%	(541,868)	(113,591)
Tax effect on expenses not deductible for tax purposes	12,312,785	10,707,182
Tax effect on income not taxable	7,390,946	11,230,202
Tax effect on Capital allowance WTA	10,565,202	10,488,400
Recognition of previously unrecognized deferred tax assets	-	-
Taxable Income	<u>(7,810,836)</u>	<u>(901,656)</u>
Balance b/f	4,028,375	4,028,375
Payment during the year	(82,727)	
Provision for the year	<u>(1,952,709)</u>	<u>(270,497)</u>
	<u><b>3,945,648</b></u>	<u><b>4,028,375</b></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
11. PROPERTY, PLANT & EQUIPMENT

	Buildings	Water Pipelines	Motor cycles / vehicles	Furnitu re & fittings	Treatmen t Plant	Computer s, copiers & faxes	Office Equip ments	Water Meters	Intang ible Asset	Restated Total
<b>At 30th June 2019</b>										
Cost as at 1st July 2018	5,029,070	10,362,245	4,022,480	766,497	13,852,023	2,097,260	160,000	12,231,735	-	48,521,310
Additions	-	82,250	-	-	-	-	-	1,506,896	260,000	1,849,146
Grants	-	23,419,881	2,500,000	-	-	-	-	5,292,720	-	31,212,601
Revaluation on Mgt Estimate	5,691,017	-	3,380,936	339,880	-	464,500	615,200	-	-	10,491,533
	<b>10,720,087</b>	<b>33,864,376</b>	<b>9,903,416</b>	<b>1,106,377</b>	<b>13,852,023</b>	<b>2,561,760</b>	<b>775,200</b>	<b>19,031,351</b>	<b>260,000</b>	<b>92,074,590</b>
<b>Provision for Depreciation</b>										
Balance as at 1st July 2018	1,380,088	5,429,712	4,022,480	455,377	346,301	2,097,260	160,000	6,303,275	-	20,194,493
Depreciation charge for the year	268,002	4,233,047	2,475,854	138,297	346,301	464,500	96,900	2,378,919	86,580	10,488,400
Balance as at 30th June 2019	1,648,090	9,662,759	6,498,334	593,674	692,602	2,561,760	256,900	8,682,194	86,580	30,682,892
<b>Closing Net Book Value</b>	<b>9,071,997</b>	<b>24,201,617</b>	<b>3,405,082</b>	<b>512,703</b>	<b>13,159,421</b>	<b>(0)</b>	<b>518,300</b>	<b>10,349,157</b>	<b>173,420</b>	<b>61,391,698</b>

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Property, plant and equipment

	Land&Buildi ngs	Water Pipelines	Motor cycles / vehicles	Furniture & fittings	Treatment Plant	Office equipment	Computers, copiers & faxes	Water Meters	Intangible Asset	Restated Total
<b>At 30th June 2020</b>										
Gros amount 1st July 2019	10,720,087	33,864,376	9,903,416	1,106,377	13,852,023	775,200	2,561,760	19,031,351	260,000	92,074,590
Additions	-	879,963	-	-	-	-	51,000	1,295,553	-	2,226,516
Grants	-	2,032,500	-	-	-	-	-	-	-	2,032,500
Revaluation on Mgt Estimate	-	-	-	-	-	-	-	-	-	-
<b>Total Cost</b>	<b>10,720,087</b>	<b>36,776,839</b>	<b>9,903,416</b>	<b>1,106,377</b>	<b>13,852,023</b>	<b>775,200</b>	<b>2,612,760</b>	<b>20,326,904</b>	<b>260,000</b>	<b>96,333,606</b>
<b>Provision for Depreciation</b>										
Balance as at 1st July 2019	1,648,090	9,662,759	6,498,334	593,674	692,602	256,900	2,561,760	8,682,194	86,580	30,682,892
Depreciation charge for the year	268,002	4,597,105	2,475,854	138,297	346,301	96,900	15,300	2,540,863	86,580	10,565,202
Balance as at 30th June 2020	1,916,092	14,259,863	8,974,188	731,971	1,038,902	353,800	2,577,060	11,223,057	173,160	41,248,094
<b>Closing Net Book Value</b>	<b>8,803,995</b>	<b>22,516,976</b>	<b>929,228</b>	<b>374,406</b>	<b>12,813,121</b>	<b>421,400</b>	<b>35,700</b>	<b>9,103,847</b>	<b>86,840</b>	<b>55,085,512</b>

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As at June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019/2020	2018/2019
		Kshs
<b>12a. Trade and other receivables</b>		
Trade receivables	52,415,648	43,677,735
Less: provision for impairment losses	(10,483,130)	(8,735,547)
Net trade receivables	41,932,518	34,942,188
Vat Recoverable	9,386,013	11,664,494
Former staff advance	41,440	41,440
Salary advance	23,256	32,256
Stock surcharge	246,348	
Unrealised Income	213,416	224,540
	<u>51,843,287</u>	<u>46,904,918</u>

12b. Trade receivables

	2019-2020	2018-2019
	Kshs	Kshs
Gross trade receivables	52,415,648	43,677,735
Provision for doubtful receivables	(10,483,130)	(8,735,547)
	<u>41,932,518</u>	<u>34,942,188</u>
	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	5,055,770	XXX
Between 30 and 60 days	6,638,730	XXX
Between 61 and 90 days	1601865	XX
Between 91 and 120 days	1501889	XXX
Over 120 days	37,617,394	XXX
	<u>52,415,648</u>	<u>XXX</u>
	=====	=====

*Kahuti Water & Sanitation Company*

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1. The billing system that we were using during the year 2018/2019 could not provide the aging of debtors for comparison purposes and therefore the ages of the debtors could not be well established but in 2019/2020 we invested in new billing software which is now able to give us this data.

2. There was a sharp increase in trade debtors for the year this was brought about by

A) .Destruction of supply main lines by the Mau Mau road contractors which left a number of consumers without supply. It was difficult to convince the affected consumers to pay for their bills when there was no supply. However this has been partially addressed and therefore we expect better figures this year

B). The onset of the covid -19 pandemic where the government gave a moratorium for the consumers to continue taking water without disconnection. It was difficult to convince the consumers to pay for their bills.

3. Some of our debtors are not functional we have commenced a process of identifying this non functional debtors. Some cannot be traced on the ground we are doing the exercise so as to do a recommendation for write-off of such identified debtors

	2019/2020 Kshs	2018/2019 Kshs
<b>13(a). Cash and cash equivalents</b>		
For the purpose of the cash flow statement, cash and cash equivalents comprise the following:		
Cash and current account balances	15,783,865	14,352,185
Cash at bank and in hand	-	-
	15,783,865	14,352,185

13b.	<u>ACCOUNT NUMBERS</u>	2019/2020 Kshs	2018/2019 Kshs
Equity Bank Current Account	30290276210	1,603,331	1,936,721
Equity Bank Savings Account	30190309493	654,910	970,265
Equity Bank Fixed Deposit	30377379971	9,500,000	8,000,000
Family Bank Current Account	90000010652	4,025,624	3,445,199
<b>TOTAL</b>		<b>15,783,865</b>	<b>14,352,185</b>

	2019/2020 Kshs	2018/2019 Kshs
<b>14. Trade and other payables</b>		
Trade payables	15,474,733	12,865,653
Other payables	21,223,767	20,876,332
	36,698,500	33,741,985
ADB Loan	13,344,063	13,344,063

The fair value of other payables approximates their fair value.

### 15. Note to Taxation

- Corporation Tax for the year ending 30th June 2020 was 25%
- Expenses not deductible includes Depreciation and provision for bad debt
- Income not taxable includes operation grants from Mowi, water connection fittings and grant deferred income

### 16. Note to Cashflow Statement

	<u>2019/2020</u>	<u>2018/2019</u>
<b>Receipt from debtors</b>		
Opening Trade receivables	46,904,918	43,522,495
Add:Revenue	66,802,787	58,707,296
Other income		
Operational Grant from MOWI	560,076	2,042,622
Water Connection Fittings	2,967,617	4,973,505
Sale of Chemical tins	-	12,700
Interest Earned	527,541	425,968
Salary surcharge	30,550	54,216
Less:Opening Trade receivables	51,842,992	46,904,918
	<u>65,950,497</u>	<u>62,833,884</u>
<b>Payment to suppliers</b>		
Opening Trade payables	33,741,985	34,627,890
Add: Purchases	12,746,546	10,003,773
Professional services	608,300	335,000
Administrative Costs	15,962,913	16,453,890
Repair& Maintenance	3,318,688	4,243,138
Less: Closing Trade Payables	36,698,500	33,741,985
	<u>29,679,932</u>	<u>31,921,706</u>
<b>Payments to Employees</b>		
Personnel costs	31,225,706	29,142,071
Directors emoluments	1,303,938.00	723,360.00
	<u>32,529,644</u>	<u>29,865,431</u>

**17. INCOPORATION**

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

**18. EVENTS AFTER THE REPORTING PERIOD**

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

**19. CURRENCY**

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