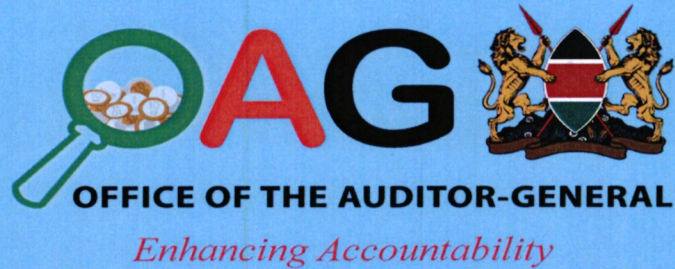


REPUBLIC OF KENYA



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REPORT

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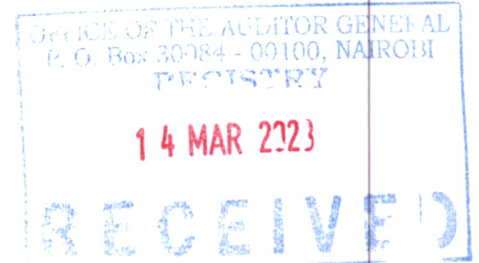
THE AUDITOR-GENERAL

ON

**KARURI WATER AND SANITATION
COMPANY LIMITED**

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





KARURI WATER AND SANITATION COMPANY LIMITED



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2022

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

Karuri Water & Sanitation Company Ltd
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I. Key Entity Information

Background Information

Karuri Water and Sanitation Company Limited is a public company (herein referred to as KAWSCO) which was registered under the Companies Act on 24th April 2007 and in accordance with the Water Act 2002. The Company started its operations on 1st June 2008 and had its first board meeting on 4th November 2008. The company has twelve directors and its core function is water delivery within Kiambaa Sub-County's area of jurisdiction which covers five administrative wards namely Kiambaa, Muchatha, Ndenderu, Cianda and Kihara. The County Government of Kiambu is the shareholder of the company. During the period under review, the company had nineteen (14) permanent staff and thirty-one (31) staff under contract and eleven (11) staff on internship.

Principal Activities

The principal activity of the company is to distribute water from our sources to individual and commercial consumers within our jurisdiction.

Vision

To excel in the provision of reliable quality and affordable water and sewerage services and be the pride WSP in the region.

Mission

Ensure provision of good quality water and sewerage services within our area effectively and efficiently

Directors

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

- | | | |
|----------------------------|---------------------|---|
| 1. Eng. Andrew Muigai | - Chairman | - Appointed on 14 th February 2022 |
| 2. John P. Karioki | - Managing director | |
| 3. Jennifer Kanini Musyoki | | - Appointed on 14 th February 2022 |
| 4. Joram Kamau | | -Appointed on 14 th February 2022 |
| 5. William Kimani | | -Appointed on 14 th February 2022 |
| 6. Charles Gikonyo | | -Appointed on 14 th February 2022 |

Corporate Secretary

Josphine Muritu
P.O. Box 2344-00900
Kiambu

Registered Office

Davekon Palace
Banana-Limuru Road
P.O Box 818-00219,
Karuri, KENYA

Corporate Headquarters

P.O Box 818-00219
Davekon Palace
Banana-Limuru Road
Karuri, KENYA

Karuri Water & Sanitation Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2022

Karuri, KENYA

Corporate Contacts

Telephone: (254) 0727484139

Email: info@karuriwater.co.ke

Website: www.karuriwater.co.ke

Corporate Bankers

Post Bank- Karuri branch

Head Office

P.O. Box 30311-0100

Nairobi, Kenya

Family Bank- Banana branch

Head Office

P.O. Box 74145-00200

Nairobi, Kenya

Co-operative bank-Ruaka Branch

Head Office

P.O. Box 48231 - 00100,

NAIROBI

Equity Bank-Ruaka Branch

Head Office

P.O. Box 75104-00200

Nairobi, Kenya

Safaricom M-Pesa money transfer service

Paybill No. 544500

Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O Box 30084

GPO 00100

NAIROBI, Kenya

Principal Legal Advisers

The Attorney General

State Law Office, Harambee Avenue

P.o Box 40112

City Square 0200

Nairobi, Kenya

Kiambu County Government




Legal Department

II. The Board of Directors


The core functions of the board of directors are to formulate policies to ensure sustainability of the company, effective and efficient management of the company’s resources geared towards equitable supply of water within the company’s area of jurisdiction.

<p>Eng. Andrew Muigai Chairman</p> 	<p>DoA: 14th February 2022</p> <p>DoB: 10/01/1964</p> <p>Qualification: Bsc Civil Engineering UON</p> <p>Work Experience: Director Kenya Industrial Research and Development Institute</p> <p>Entrepreneur Engineer and Management Consultant</p>
<p>Jennifer Kanini Musyoki Chief Officer-Dept of Water, Environment, Energy and Natural Resources</p> 	<p>DoA: 14th February 2022</p> <p>DoB: 29/07/1984</p> <p>Qualification: MBA (Strategic Management); BSc Civil Engineering</p> <p>Work Experience: Previously worked as a Water & Sanitation Engineer in planning and design of urban and rural water and sanitation infrastructure; formulating national and county government water and sanitation policies, strategies and plans; conducting out technical assessments, socio-economic studies and surveys with H.P. Gauff Ingenieure, GIZ International Water Stewardship programme and Authentic Living Int. Co. Ltd.</p>

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<p>Mr Joram Kamau Nyongo Director</p> 	<p>DoA: 14th February 2022</p> <p>DoB: 1st April 1986</p> <p>Qualification : MBA(Strategic Management),Post Graduate Diploma (Management of Development Projects), B.com(Management Option)</p> <p>Work Experience: Has over 7 years’ experience in the marketing field helping company’s he has worked for to improve their brand visibility and quality while managing their social media channels.</p>
<p>Mr Charles Gikonyo Director</p> 	<p>DoA: 14th February 2022</p> <p>DoB: 10th July 1977</p> <p>Qualification: Bachelor of Arts (Government & Public Administration) Certified Public Secretaries of Kenya (CPS-K) Chartered Institute of Purchasing and Supply (CIPS-UK)</p> <p>Work Experience: Previously worked in private practice as a company secretary and is currently the Chief Officer in charge of administration and public service at Kiambu County Government.</p>
<p>Mr William Kimani Director</p> 	<p>DoA: 14th February 2022</p> <p>DoB:</p> <p>Qualification: MBA (Finance), Bachelors of Administration (Accounting and Finance), CPA(K). Currently pursuing PHD in Business Administration (Finance)</p> <p>Work Experience: He is currently working with the County Government of Kiambu as the Chief Officer, Finance and Economic Planning. He has over 20 years of experience in establishing, supporting and strengthening public finance and fiscal processes as well as streamlining private sector finance operations and offering sound fiscal budgeting, business planning and financial management in high level public sector agencies and private companies including The County Government of Kiambu, Limuru Milk Processors, New Baron and Leveque International and Kenana Distributors’.</p>

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<p>Mr John P. Karioki- Managing Director</p>  <p>Dip. Ground Water Technology</p>	<p>DoA: 2008</p> <p>DoB: 31/07/1967</p> <p>Qualification: Diploma in Ground Water Technology</p> <p>Work Experience: He was instrumental in setting of the Company in 2008 after secondment from Ministry of Water and took over operations of one borehole which was operated by the defunct Karuri Town Council. Has over 23years working experience in the water sector with his last assignment being divisional water officer – Kiambaa constituency before being seconded to start the Company.</p>
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III. Management Team

The management staff during the year was as follows:

1	<p>Mr John P. Karioki- Managing Director</p>  <p>Dip. Ground Water Technology</p>	<p>He is responsible for: Coordinating the day to day management of the Company</p> <p>Monitoring and assessing management’s performance</p> <p>Ensuring that the company complies with the legal and governance framework of the company</p> <p>Ensuring institutional transformation in accordance with corporate strategy</p>
2	<p>Mr James Njoroge - Technical Manager</p>  <p>BSC Environmental Health</p>	<p>He is responsible for all the technical aspects of water production and distribution. He is also tasked with overseeing field operations and ensuring that the Company progressively increases coverage to the underserved areas.</p> <p>He is also responsible for ensuring that the company keeps the non-revenue water (NRW) within acceptable standards.</p>
4	<p>Ms Monica Kimani – Procurement Officer</p>  <p>BBA Supplies & Purchasing</p>	<p>She is responsible for making all purchases for the company in line with the Public Procurement and Asset Disposal Act, 2015 as well as the regulations thereof.</p> <p>She also supervises the issuing and accounting of store items.</p>

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5	<p>Mr Cyrus M. Maina – Senior Accountant</p>  <p>BED Arts & CPAI</p>	<p>He is in charge of the finance department that is entrusted with accounting and finance functions of the company.</p> <p>He oversees the preparation of financial statements according the Public Finance Management Act 2012 as well as International Financial Reporting Standards (IFRS).</p> <p>He is also in charge of Revenue collection which entails disconnections and reconnections.</p>
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IV. Chairman's Statement

Karuri Water and Sanitation Co. Ltd has had a relatively challenging financial year, our main challenge continues to be the lack of high yielding and cost-effective gravity sources of water.

However, as far as water sources are concerned, AWWDA has embarked on exploitation of two springs at Gathiri & Kambara which are at advanced levels of development and though they have pumping components, the cost is not as high as in the case of boreholes.

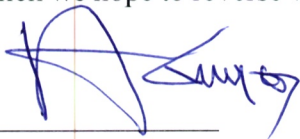
AWWDA has also drilled and equipped 3 boreholes; two in Gachie and one in Kawaida, we also expect the County Government to handover a borehole drilled in the construction of Kihara Market.

The Kiambu-Ruaka Sewer project is another project expected to increase revenue for the company it involves Installation of DN450, 21.388km Trunk sewers, DN300, 18.8km Lateral sewers and connection of 1000 households as well as laying of DN90, 2.4km pipes and DN50, 6.5km.

We are pleased that as the year came to a close, the contractor was already on site and had begun to undertake the preliminary works.

Satisfying our customers and creating stakeholder value remain our cherished goals. As we look into the future, our resolve is to remain focused to achieve these goals through securing adequate water supply, distribution capacity, reducing losses, increase in coverage and expansion of our customer base. We are also expanding our social responsibility by providing our services to the low income areas through maintenance of water kiosks where water is affordable to residents who don't have individual household connections in those areas.

The single biggest challenge in the year under review, like in past years, has been the rising cost of water operations. Our highest expenditure remains electricity and the purchase of Bulk Water from Nairobi Water Co. Ltd and now Limuru Water & Sewerage Co. Ltd accounting for 20% and 27% of our total expenditure respectively. These and other operating costs have led to a deficit in the year which we hope to reverse with an upward tariff adjustment as well as cheaper sources of water



Chairman of the Board

V. Report of the Managing Director

The financial year ending 30th June 2022 has had both challenges and achievements, it has seen us continue to implement our core mandate of water distribution in Kiambaa Sub-County and hopefully in future we shall also begin providing sewer services.

Achievements

As at 30th June 2022, the company had 10,761 registered connections. Of these 7,492 were active while 3,269 were inactive. During the year, 306 new customers were connected against a target of 996 new connections. We missed the target largely due to Nairobi Water reduced supply days from the initial two days a week to one day as well areas served by boreholes have also been experiencing prolonged rationing with some zones getting supply twice in a month, consequently the company has also stopped new connections in such areas until we get new water sources.

The average annual meter reading efficiency for the year was 96% while the annual billing efficiency was 95%.

The collection efficiency was 94.4% against a target of 105%, this was due to the massive road constructions which had a negative effect on the collections of the fourth quarter. The average number of paying customers for the year stood at 76%.

Challenges

The company has reported a profit of Kshs. 10,833,651 compared to a loss of Kshs. 24,142,203 for last year. This has been occasioned by operational grant received from Water Sector Trust Fund and Kiambu County amounting to 10,128,310 and 21,043,025 respectively which assisted in payment of electricity arrears which had accumulated during the hit of Covid-19.

In the year under review the cost of purchasing bulk water dropped from Ksh. 29,850,925 in 2021 to Ksh. 28,103,760 in 2022 this was due to reduction in water at Tigon dam caused by drought. This reduction together with increased road construction in all wards during the campaign periods has affected our pipeline and adversely affecting the billing which was targeted at Ksh. 97,390,000.

The company also continues to pursue cheaper sources of water

Managing Director,



John P. Karioki

Karuri Water & Sanitation Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2022

VI. Statement of Performance Against Predetermined Objectives for FY 2021/2022

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity's performance against predetermined objectives.

KAWSCO has seven (7) strategic goals and objectives within the current Strategic Plan. These strategic goals are as follows:

Objective 1: To Enhance Revenue Collection

Objective 2: To Supply Reliable, Adequate, Sustainable, Quality & Affordable Water.

Objective 3: To Enhance Customer Satisfaction.

Objective 4: To Attract, Develop and Retain Highly Skilled and Motivated Staff.

Objective 5: To Establish Management Information Systems.

Objective 6: To Establish a Reliable & Sustainable Sewerage Services

Objective 7: To Mainstream Cross Cutting Issues

KAWSCO develops its annual work plans based on the above 7 strategic Goals. Assessment of the Board's performance against its annual work plan is done on a annual basis. KAWSCO achieved its performance targets set for the FY 2021-2022 period for its 7 strategic Goals to the levels indicated in the diagram below:

Strategic Objective	Objective	Key Performance Indicators	Activities	Achievements
Objective 1:	Enhance Revenue Collection	96% Collection Efficiency	Set daily Targets for Officers	101% Collection Efficiency
Objective 2:	Supply Reliable, Adequate, Sustainable, Quality & Affordable Water.	Increase area of coverage to 60%	Develop New Water Sources Increase Abstraction from off-takes	52% coverage achieved.
Objective 3:	To Enhance Customer Satisfaction.	Achieve 80% Customer Satisfaction Index	Reduce response time to queries. Better informed customers.	Customer satisfaction at 65%

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Objective 4:	To Attract, Develop and Retain Highly Skilled and Motivated Staff.	Achieve 80% employee Satisfaction level.	Fill in vacant positions & introduce Commuter Allowance	Employee Satisfaction at 72%.
Objective 5:	Establish Management Information Systems.	Reduce Response time for resolving Customer Queries.	Upgrade the billing system to a web-based one. Introduce customer bill querying.	Response time reduced by 5 minutes.
Objective 6:	Establish a Reliable & Sustainable Sewerage Services	Establish a Sewer System by the year 2023	Supervise implementation of the Kiambu-Ruaka project.	The Sewer System expected to be running by April 2023
Objective 7:	Mainstream Cross Cutting Issues	30% Tenders Given to AGPO	Prioritise AGPO when advertising for goods & services.	We achieved 24% of Tenders to AGPO.

All the above strategic objectives have been tied to individual performance targets issued by the Managing Director to the Heads of Department and the same have been cascaded down to the staff of each department.

On a quarterly basis, these targets are also reported to the County Government through the Chief Officer Water, Environment and Natural Resources who through the CEC in-charge also reports to the Kiambu County Governor.

The management also directly report son these parameters on a quarterly basis to the Board of Directors through the Managing Director. This is done through the various Board Committees in form of a board report which if adopted goes to the full Board for ratification.

Staff who fail to meet the minimum requirement set by the Board of 70% are put under performance monitoring and if improvement is not achieved in, the staff is dismissed.

VII. Corporate Governance Statement

The Company regards good corporate governance as crucial to the success of the business and is committed to practice it so that it remains a sustainable and viable business. This Statement sets out the main corporate governance practices and structures in the Company.

The following Corporate governance guidelines and principles are applied in the Company to govern the Board and the 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 interests of the Company. 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 Company's business and respect to fellow directors.

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 Company. 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, half-year and quarterly financial statements.
- Approval and review of the annual budgets.

Karuri Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

- Setting and periodically reviewing key performance indicators and management performance.
- Ensuring that the Company has adequate systems of internal controls.
- Ensuring that the Company 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 Officer of the company responsible for the day to day management of the Company. He is also the secretary of the board.

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 when funds are available.

Board Work plan and Meetings

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

VIII. Management Discussion and Analysis

The following is an analysis of the key highlights in the last five years in the following categories:

1. Key implemented, ongoing and proposed projects for the last five years
2. Compliance with statutory requirements
3. Major Risks Facing the Company
4. Material arrears in Statutory and other Financial Obligations
5. Review of the Sector, Economy and future Developments

1. Key Implemented, Ongoing and Proposed Projects for the last five years

Drilling of Boreholes

The Athi Water Works Development Agency (AWWDA) drilled and equipped two boreholes at Gachie Primary and Gachie kwa Chief under the Kenya Urban Support Programme (KUSP) which began in the FY 2018-2019.

Kiambu-Ruaka Sewer project

-This project was initiated three years ago and involves the following components:

Installation of DN450, 21.388km Trunk sewers, DN300, 18.8km Lateral sewers and connection of 1000 households.

-Laying of DN90, 2.4km pipes and DN50, 6.5km.

By the close of the year, pegging of the Kanda Komu line had been completed as well as taking of inventory along the same line. This is for purposes of reinstating any structures that may be damaged to pave way for the project.

Gathiri-Kambara Project

The above-named project is including the following components:

-Operationalization of Gathiri and Kambara springs

-Laying 9.6km pipeline of assorted sizes ranging from DN110 to DN40

This is being implemented by Athi Water Works Development Agency and the Gathiri spring is substantially completed and only needs the power connection from Kenya Power.

Proposed Projects to Increase Water Supply

Karuri-Rwaka Water supply Proposal

The project with an estimated project cost of Kshs. 508,319,416 is earmarked to serve Karuri and Rwaka Sub-locations with a production capacity of 4,600m³/day. The funding proposal request was submitted to Kenya Pooled Water Fund (KPWF). KPWF consultants carried out Technical evaluation of the project on November 2017 and were positive on its feasibility. Further financial evaluation of the project by the KPWF Investment committee is currently ongoing and communication is expected in due time.

Karuri Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

2. Compliance with Statutory Requirements

The company was in compliance with most of the statutory requirements except a few as detailed below

	Statutory Requirement	Status
1	Licence Fees and Administration Fees	As at the end of the year we owed WASREB and AWWDA Ksh. 14,176,765 and Ksh. 27,092,744 respectively.
2	Pay As You Earn (PAYE)	The company was up to date with the said payments and filing of returns.
3	National Hospital Insurance Fund (NHIF)	The company was up to date with these payments.
4	National Social Security Fund (NSSF)	
5	CPF (LapTrust)-Pension Provider	
6	Water Resources Authority	The outstanding amount with WRA was Ksh. 1,703,217

3. Major Risks Facing the Company

Our main risk as a company is the lack of sufficient water to supply our customers, this has majorly been brought about by the change in weather patterns as well as the lack of new water sources to meet the growing demand.

The other major risk we face is the continuity of the company as a going concern due to being in a precarious financial position, however we are pursuing new water sources, a sewer system and a new tariff as mitigation measures.

4. Material arrears in Statutory and other Financial Obligations

The company at the end of the financial year under review had outstanding obligations totalling to Kshs. 101,835,521 out of this, material statutory obligations were owed to WASREB (Kshs. 14,176,765), WRA (Ksh. 1,703,217) and AWWDA (Kshs. 27,092,744)

5. Review of the Sector, Economy and future Developments

The water subsector has been through a metamorphosis since the Water Act 2002, and is currently implementing the latest which is Water Act 2016 with miscellaneous amendments happening as recent as 2022. The larger economy is still recovering from the decapitating effects of COVID-19 which did not spare the water sub sector, but great progress has been made.

IX. Environmental and Sustainability Reporting

KAWASCO exists to transform lives which is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on three 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

To ensure sustainability of water sources in our area, the company had planned to fence the Ite dam to discourage encroaching by the community.

2. Environmental performance

To improve our environment, the company plans to continue in tree planting exercises especially in primary schools because this encourages the younger generation in taking up the habit.

3. Employee welfare

The company is an equal opportunity employer and encourages women and the disabled to apply for vacant positions.

The company has an OSH committee in place which is operational.

4. Market place practices:

a) Responsible competition practice:

The organization ensures responsible competition practices and upholds the principles of anti-corruption, responsible political involvement, fair competition and respect for competitors in its procurement practices in line with the PPDA ACT and set out guidelines. .

b) Responsible Supply chain and supplier relations:

The organization maintains good business practices, treats its own suppliers responsibly by honoring contracts and respecting payment practices.

c) Responsible marketing and advertisement:

We ensure that our marketing and customer awareness efforts are ethical and true as well as timely.

d) Product stewardship:

Our main product which is water is sampled and tested for safety at source and random consumer points to ensure it is safe for consumption and in line with WASREB guidelines.

5. Community Engagements-

- The company in collaboration with its stakeholders bought tree seedlings which were given out to surrounding schools and churches for planting during the rainy season. The company and its staff also performed a bush clearing exercise and planted trees at Ite Dam.
- The company also has water connections that are under the pro-poor program. These are connections being used by vulnerable members of society in our area of jurisdiction. These customers are exempted from paying water bills as long as they restrict consumption to below 6 units per month.

Karuri Water & Sanitation Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2022

X. 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 KAWSCO's affairs.

Principal activities

The principal activities of KAWSCO are to distribute water from our sources to individual and commercial consumers within our jurisdiction.

Results

The results of KAWSCO for the year ended June 30, 2022 are set out on pages 1-6

Dividends

Subject to the approval of the shareholders, the Directors do not recommend the payment any dividend since the company is still making losses.

Directors

The members of the Board of Directors who served during the year are shown on pages' vi-viii.

Auditors

The Auditor General is responsible for the statutory audit of KAWSCO in accordance with the Section 5 of 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,



**Managing Director & Secretary to the Board
Company Secretary**

Date: 14/03/2023

XI. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012, Section 14 of state corporation Act, Water Act 2016 and the Companies Act 2015, require the Directors to prepare financial statements in respect of Karuri Water & Sanitation Company, which give a true and fair view of the state of affairs of KAWSCO at the end of the financial year/period and the operating results of KAWSCO for that year/period. The Directors are also required to ensure that KAWSCO keeps proper accounting records which disclose with reasonable accuracy the financial position of KAWSCO. The Directors are also responsible for safeguarding the assets of KAWSCO.

The Directors are responsible for the preparation and presentation of KAWSCO's financial statements, which give a true and fair view of the state of affairs of KAWSCO for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of KAWSCO;
- (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 KAWSCO;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for KAWSCO'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 2012 and the State Corporations Act, Water Act 2016 and Companies Act 2015.

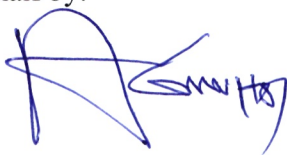
The Directors are of the opinion that KAWSCO's financial statements give a true and fair view of the state of the Company's transactions during the financial year ended June 30, 2022, and of KAWSCO's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for KAWSCO, which have been relied upon in the preparation of KAWSCO'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 KAWSCO will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Karuri water and sanitation company financial statements were approved by the Board on 7th September 2022 and signed on its behalf by:

Eng. Andrew Muigai

Chairman of the Board

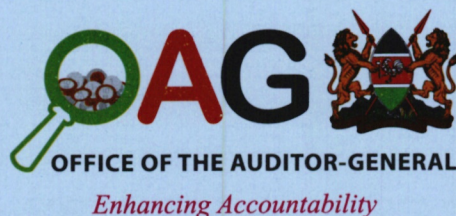


John P. Karioki

Managing Director

REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Karuri Water and Sanitation Company Limited set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2022, statement of profit or 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 Karuri Water and Sanitation 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 International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015, and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Excessive Non-Revenue Water (NRW)

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects operating revenue of Kshs.77,373,860 in relation to water sales. During the year, the Company produced 1,599,344 cubic metres (m³) of water out of which 1,005,905 cubic meters (m³) of water was billed to customers resulting to NRW of 593,439 cubic metres (m³) or approximately 37.1% of the total water production which is over and above the allowable water loss of 25% as per the Water Service Regulatory Board guidelines by 12.1 percentage points.

In the circumstances, the accuracy of operating revenue of Kshs.77,373,860 could not be confirmed.

2. Inaccurate Bank and Cash Balance

The statement of financial position and as disclosed in Note 20 to the financial statement reflects bank and cash balance of Kshs.8,267,299. Management operated nine (9) bank accounts held in four (4) banks. However, review of bank reconciliations statements for various cash books and accounts held revealed that the entity held various unreceipted payments and deposits made to the wrong accounts totalling to Kshs.758,293 dating back to the year 2013 that have not been settled and recorded in the cashbooks. There was no satisfactory explanation as to why the amounts were yet to be cleared or evidence of action taken by the entity to settle the amounts.

In the circumstances, the accuracy and completeness of bank and cash balance of Kshs.8,267,299 could not be confirmed.

3. Accuracy of Customer Deposits Balance

The statement of financial position and as disclosed in Note 25 to the financial statements reflects a customer deposits balance Kshs.20,982,770. However, Note 20 to the financial statements on cash and cash equivalents reflects a balance of Kshs.8,267,299 which

includes a balance of Kshs.7,095,927 maintained at a local bank in respect of customer deposits resulting to an unreconciled variance of Kshs.20,903,178. In addition, the list of customers and the amounts owing to them has not been provided for audit review.

In the circumstances, the accuracy of customers deposits balance of Kshs.20,982,770 could not be confirmed.

4. Non-Disclosure of Inventory of Water

The statement of financial position and as disclosed in Note 18 to the financial statements reflects inventory balance of Kshs.1,655,033 which includes pipes and fittings and stationery. However, Management did not disclose the undetermined opening and closing water stocks held in the reservoirs, water treatment plant and in the water system in the financial statements. In addition, there was no documentary evidence provided showing that Management measured the water volume in the water treatment plant, reservoirs and distribution systems.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs.1,655,033 could not be confirmed.

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

Emphasis of Matter

Failure to Disclose Material Uncertainty in Relation to Going Concern

The statement of financial position and as disclosed in Note 22 to the financial statements reflects accumulated negative retained earnings balance of Kshs.54,771,947. Even though the accumulated negative retained earnings reduced due to the surplus for the year under review of Kshs.10,833,651, the Company registered a negative working capital of Kshs.85,669,753 as a result of the balance of current liabilities of Kshs.127,631,889 exceeding the balance of current assets of Kshs.41,962,136 an indication that the Company is technically insolvent, may not be able to meet its current obligations as and when they fall due and the material uncertainty casts significant doubts on the Company's ability to continue as a going concern. Management has not put in place any mitigating measures to reverse the undesirable precarious financial position and the material uncertainty in relation to going concern have not been disclosed in the notes to the financial statements.

In view of the negative working capital, the ability of the Company to continue meet her obligations as and when they fall due is doubtful.

My opinion is not qualified based on the above matter.

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. General and Operational Costs

The statement of profit or loss and other comprehensive income and as disclosed Note 11 to the financial statements indicate that general and operations costs totaled to Kshs.63,879,978. Review of records revealed the following:

1.1 Irregular Expenditure on Bulk Water

Included in general and operations costs is bulk water expenditure of Kshs.28,103,760. During the year under review, the Management purchased bulk water amounting to Kshs.28,103,760 from Nairobi and Limuru water and Sewerage Company Limited. However, no bulk water purchase contract agreements between the parties approved by the Regulatory board were provided for review contrary to Section 100(2) of the Water Act, 2016 that states that a water service provider may enter into an agreement with any other licensee or water services provider on terms and conditions to be approved by the Regulatory Board for the supply of water in bulk for a specific period or where the supply is to be given by a water services provider, either within or outside the area of service of that water services provider.

1.2 Irregular Procurement of Fuel and Lubricants

Included in general and operations costs is fuel and lubricants expenditure of Kshs.2,008,324. Review of the payment vouchers and other supporting documents amounting to Kshs.1,978,548 revealed that the procurement of fuel and lubricants was awarded to a local Company. However, procurement documents were not provided for audit contrary to the provisions of the Public Audit Act 2015, Section 9(1)(e) which states that without prejudice to the powers given under the Constitution and this Act and for the purposes of carrying out his or her duties effectively, the Auditor-General, or an officer

authorized for the purpose of this Act, shall have powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities listed under Article 229(4) of the Constitution. In addition, a verification from the Energy and Petroleum Regulatory Authority portal revealed the vendor was not a licensed retailer of bulk LPG contrary to the provisions of Petroleum Liquefied petroleum Gas Regulations, 2019.

1.3 Irregular Payment of Telephone Expenses

Included in general and operations costs is telephone expenses amounting to Kshs.1,149,836. Review of documents provided for audit revealed that staff were advanced amounts depending on their designation for airtime. For the year under review Kshs.979,842 was spent on airtime for members of staff. However, the airtime policy provided, showed the expenses were approved on 11 May, 2022 by the Board. In the circumstances, airtime expenses amounting to Kshs.819,622 were incurred before the policy was in force contrary to Regulation 22(2)(e) of Public Finance Management (County Government) Regulations, 2015 which require that Accounting Officer take into account all relevant financial considerations, including issues of propriety, regularity and value for money, when policy proposals affecting the Accounting Officer's responsibilities are considered, and when necessary, bring those considerations to the attention of the relevant authority.

1.4 Irregular Motor Vehicle Maintenance Expenditure

Included in general and operations costs is motor vehicle maintenance costs amounting to Kshs.926,987. Review of sampled payment vouchers worth Kshs.775,601 revealed that there were no pre-inspection reports indicating the need for repair. In addition, the procurement process followed in acquiring the motor vehicle spare parts and sourcing for maintenance services were not in line with Regulation 174(1) of the Public Procurement and Asset Disposal Regulation, 2020 which states that a procuring entity shall utilize its own workshop or garage to repair and maintain motor vehicles, plant or equipment and that where the procuring entity lacks the capacity to carry out the repairs or maintenance, an Accounting Officer shall competitively procure such services from a pre-qualified list of service providers licensed to undertake such services in accordance with the Act, these Regulations and any other relevant laws.

1.5 Irregular Expenditure on Travelling, Accommodation and Subsistence Allowances

Included in general and operations costs is Kshs.1,578,190 for travelling accommodation and subsistence. Examination of payment vouchers relating to this expenditure revealed that members of staff were provided with imprest in a way of signed forms while working away from duty station, but the organization does not maintain imprest register and therefore these imprests are not recorded. Further no imprest warrant was not used to support the imprest issued contrary to Regulation 93(1) of the Public Finance Management (County Governments) Regulations, 2015 which directs that an imprest

shall be issued for a specific purpose, and any payments made from it, shall be only for the purposes specified in the imprest warrant.

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

2. Irregular Payment of Board Expenses

The statement of profit or loss and other comprehensive income and as disclosed in Note 12 to the financial statement indicate that an expenditure of Kshs.2,046,137 was in respect of board expenses. Included in this expenditure is Kshs.1,444,647 paid to the members of the Board that was in place from 01 July, 2021 to 13 February, 2022 as sitting allowances. Available information indicate that the payment was made to twelve (12) Directors who held office during the period in question and who were appointed on 26 March, 2019 for a period of two years which was extended for a further one year from 20 April, 2021 contrary to Chapter 1 of the code of governance for state corporations (Mwongozo) on the appointment, composition and size of the Board of Directors require that the board appointment be made in line with Article 27 of the Constitution, the Board will be appointed through a transparent and formal process governed by the overriding principle of merit and that the board membership of all state corporations shall be between seven (7) and nine (9) members. As previously reported, the appointment letters indicate that the directors were appointed to act on behalf of Kiambu County Water and Sewerage Company, which is a separate entity from Karuri Water and Sanitation Company Limited.

In the circumstances, Management was in breach of the law and the validity of expenditure totalling Kshs.2,046,137 incurred on Board in the year under review could not be confirmed.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 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.
- (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 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, 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 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 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 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

17 April, 2023

Karuri Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

III. Statement of Profit or Loss & Other Comprehensive Income for The Year Ended 30 June 2022.

	Note	2021-2022	2020-2021
		Kshs	Kshs
REVENUES			
Operating Revenue	6	77,373,860	76,510,500
Grants Income	7	34,632,359	2,806,236
Other Income	8a	1,233,680	1,550,130
Finance Income	9	4,097	-
TOTAL REVENUES		113,243,996	80,866,866
EXPENSES			
Staff Costs	10	28,422,216	23,486,392
General & Operations Cost	11	63,879,978	67,352,287
Board Expenses	12	2,046,137	1,448,740
Maintenance Expenses	13	3,009,286	12,250,360
Depreciation Expenses	14	5,052,728	4,759,410
Finance Cost	15	-	-
TOTAL OPERATING EXPENSES		102,410,345	109,297,189
OPERATING PROFIT/(LOSS)		10,833,651	(28,430,323)
Extra Ordinary Profit	8b	-	4,288,120
PROFIT/(LOSS) BEFORE TAXATION		10,833,651	(24,142,203)
INCOME TAX EXPENSE/(CREDIT)	17		
PROFIT/(LOSS) AFTER TAXATION		10,833,651	(24,142,203)

Karuri Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

IV. Statement of Financial Position as at 30 June 2022

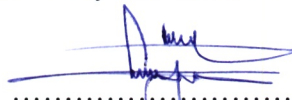
	Note	2022	2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	59,563,486	61,495,707
Total Non-Current Assets		59,563,486	61,495,707
Current Assets			
Inventories	18	1,655,033	2,352,037
Trade and other receivables	19	32,039,804	26,984,407
Bank and cash balances	20	8,267,299	8,464,488
Total Current Assets		41,962,136	37,800,932
TOTAL ASSETS		101,525,622	99,296,639
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	21	40	40
Retained earnings	22	(54,771,947)	(65,605,598)
Capital Reserve	23	977,464	977,464
Capital and Reserves		(53,794,443)	(64,628,094)
Non-Current Liabilities			
Deffered Income	26	27,688,176	31,803,988
Total Non-Current Liabilities		27,688,176	31,803,988
Current Liabilities			
Trade and other payables	24	103,188,095	109,729,239
Customer Refundable Deposits	25	20,982,770	19,585,270
Deffered Grant Income	26	3,461,024	2,806,236
Total Current Liabilities		127,631,889	132,120,745
TOTAL EQUITY AND LIABILITIES		101,525,622	99,296,639

The financial statements were approved by the Board on

2022 and signed on its behalf by:



John Karioki
Managing Director



Cyrus Maina
Head of Finance



Eng. Andrew Muigai
Chairman of the Board

XV.Statement of Changes in Equity for The Year Ended 30 June 2022

	Ordinary Share Capital	Retained Earnings	Capital Reserve	Total
	Kshs	Kshs	Kshs	Kshs
Balance Brought Forward as at July 1, 2021	40	(41,463,395)	977,464	(40,485,891)
Total comprehensive income	-	(24,142,203)	-	(24,142,203)
Balance Carried down at June 30, 2021	40	(65,605,598)	977,464	(64,628,094)
Balance Brought Forward as at July 1, 2022	40	(65,605,598)	977,464	(64,628,094)
Total comprehensive income	-	10,833,651	-	10,833,651
Balance Carried down as at June 30, 2022	40	(54,771,947)	977,464	(53,794,443)

Karuri Water & Sanitation Company Ltd**Annual Report and Financial Statements for the year ended June 30, 2022****VI. Statement of Cash Flows for The Year Ended 30 June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	27	2,923,318	337,300
Net cash generated from/(used in) operating activities		<u>2,923,318</u>	<u>337,300</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	(3,153,176)	(3,703,548)
Proceeds from Lost Meter Reading Phones		32,669	-
Net cash generated from/(used in) investing activities		<u>(3,120,507)</u>	<u>(3,703,548)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(197,189)	(3,366,248)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20	8,464,488	11,830,736
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20	<u>8,267,299</u>	<u>8,464,488</u>

Karuri Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2022

	<i>Original Budget</i>	<i>Adjustments</i>	<i>Final Budget</i>	Actual on Comparable Basis	Performance Difference	% of Utilisation
	<i>2021-2022</i>	<i>2021-2022</i>	<i>2021-2022</i>	<i>2021-2022</i>		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operating Revenue	111,990,000	(14,600,000)	97,390,000	77,373,860	20,016,140	79%
Grants	-	30,000,000	30,000,000	34,632,359	(4,632,359)	115%
Other Income	2,100,000	-	2,100,000	1,233,680	866,320	59%
Finance Income	-	-	-	4,097	(4,097)	0%
Total Revenue	114,090,000	15,400,000	129,490,000	113,243,996	16,246,004	87%
EXPENSES						
Staff Costs	32,497,000	(889,000)	31,608,000	28,422,216	3,185,784	90%
General & Operations Expenses	65,146,600	12,810,000	77,956,600	63,879,978	14,076,622	82%
Board Expenses	1,200,000	715,000	1,915,000	2,046,137	(131,137)	107%
Maintenance Expense	8,415,000	300,000	8,715,000	3,009,286	5,705,714	35%
Depreciation Expenses	2,900,000	2,100,000	5,000,000	5,052,728	(52,728)	101%
Finance Costs	-	-	-	-	-	0%
Total Recurrent Expenditure	110,158,600	15,036,000	125,194,600	102,410,345	22,784,255	82%
Surplus / (Deficit)	3,931,400	364,000	4,295,400	10,833,651	(6,538,251)	252%

Budget Notes:

Revenue

We only achieved 87% of the targeted revenue largely because some of the new sources of water were not developed by partners like the County Government of Kiambu.

Expenses

On overall, we only expended 82% of the budgeted expenditure this is because we did not achieve our targeted revenue. However, our board expenses and the depreciation exceeded the budget but none went beyond the 10% threshold.

XVII. Notes to the Financial Statements

1. General Information

Karuri Water and Sanitation Co. Ltd is established by and derives its authority and accountability from the Water Act 2016. The entity is wholly owned by the County Government of Kiambu and is domiciled in Kenya. The entity's principal activity is distribution of water from our sources to individual and commercial consumers within our jurisdiction.

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on 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 v

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the KAWSCO.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Application of New and Revised International Financial Reporting Standards (IFRS)

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted

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

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Application of New and Revised International Financial Reporting Standards (IFRS)

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax	The amendments are effective for annual reporting periods beginning on or after

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Title	Description	Effective Date
	consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax	January 1, 2023. Early adoption is permitted.
	liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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 2021/2022

NOTES TO THE FINANCIAL STATEMENTS (Continues)

7. Summary of Significant Accounting Policies

i. Revenue Recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to KAWSCO and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of KAWSCO's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of KAWSCO's activities as described below.

- (a) Revenue from the sale of goods and services** is recognised in the year in which KAWSCO delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- (b) Grants from National Government** are recognised in the year in which KAWSCO actually receives such grants.
- (c) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- (d) Other income** is recognised as it accrues.

ii. In-Kind Contributions

In-kind contributions are donations that are made to KAWSCO 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, KAWSCO 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.

iii. 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.

iv. Depreciation and Impairment of Property, Plant and Equipment

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line method on a pro-rata basis. The annual rates in use are:

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Office equipment-computers	33%
Motor Vehicles & Motor Cycles	25%
Plant Equipment	10%
Furniture and fittings	10%
Water meters	10%
Computer Software	30%
Buildings	2.5%
Pipeline	2.5%

v. Inventories

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

vi. 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.

vii. 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.

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

Through the notice issued by treasury on 30 November 2010 the company is required to pay taxes on their profit or surplus. However, since the company made losses, it has not made any provision for taxes.

viii. 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 imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

ix. 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. Budget information

The original budget for FY 2020-2021 was approved by the Board of Directors on 19th July 2020. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional

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revisions were added or subtracted to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded net adjustments of (31,297,120) on the 2020-2021 budget following the governing body's approval.

The entity's budget is prepared on accrual basis as the actual income and expenditure disclosed in the financial statements. 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.

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 page 5 of these financial statements.

xi. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

xii. 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 Karuri Water & Sanitation Co. Ltd or not, less any payments made to the suppliers.

xiii. Customer Deposits

Customer deposits are recognized as the amount paid by the consumer before service can begin less any refunds made to the customer. Water deposits are refunded when water service is disconnected on customer request and all outstanding bills are paid or when a construction work is completed. The amount required as deposit in respect of existing service agreements may from time to time be reviewed by WASREB as they review the water tariffs. As at the close of the reporting period the following are the categories of deposits made by customers:

- Kshs 1,500 for domestic connections
- Kshs 10,000 for connections that have more than one single dwelling
- Kshs. 10,000 for minor construction connections
- Kshs. 10,000 for connections made to an Institution
- Kshs. 50,000 for major construction connections

The deposits amounts are held in a separate account in one of the commercial banks as required by the regulator.

xiv. Provisions

Provisions are recognized when a company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision for bad and doubtful debts is provided at 5% of the trade debtors.

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xv. Capital Reserve

Capital reserve comprises of the amounts inherited from the municipal council during the transition when the company was incorporated.

xvi. Retirement Benefit Obligation

Employees on both permanent employment as well as contract basis contribute to a defined contribution scheme (Laprust Retirement Fund) at the rate of 7.5% of Gross Salary while the company contributes 10% of Gross Salary per person per month.

The company also contributes to the statutory National Social Security Fund (NSSF) for employees on a 3 months fixed term contracts. 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.

8. Significant Judgments and Sources of Estimation Uncertainty

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

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

Critical Judgments in Applying Accounting Policies

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

Revenue recognition

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

Water deposits

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

Key Sources of Estimation Uncertainty

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

Property Plant & Equipment

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

Provision for doubtful debts

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

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 KAWSCO.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

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- 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

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

	2021-2022	2020-2021
	Kshs	Kshs
6 Operating Revenue		
Water Sales	77,373,860	76,510,500
	77,373,860	76,510,500

	2021-2022	2020-2021
	Kshs	Kshs
7 Grants Income		
Operations grants from WSTF	10,128,310	-
Operations grants from County Government	21,043,025	-
Capital Grants Amortized	3,461,024	2,806,236
Total Grant Income	34,632,359	2,806,236

Analysis of Grant 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	Total grant income during the year KShs	2020-2021 KShs
Kiambu County Government	3,461,024	27,688,176	31,149,200	34,610,224
Total	3,461,024	27,688,176	31,149,200	34,610,224

8a Other Income	2021-2022	2020-2021
	Kshs	Kshs
New Connection Fees	842,080	1,471,360
Reconnection Fees	20,000	20,500
Disconnection on Request	106,600	48,600
Fines	265,000	9,670
Decrease in Provision for Bad Debts	-	-
	1,233,680	1,550,130
8b Extra Ordinary Income		
Compensation for Pipeline Relocation Due to Road Construction	-	4,288,120
Total Other Income	1,233,680	5,838,250

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021-2022	2020-2021
9 Finance Income	Kshs	Kshs
Interest from Commercial Banks	4,097	
Total Finance Income	4,097	-
EXPENSES	2021-2022	2020-2021
10 Staff costs	Kshs	
Salaries	22,703,421	20,124,698
Wages	906,272	1,284,530
Gratuity	231,231	-
Pension- Employer's Contribution	1,720,696	1,748,129
N.S.S.F Employer's Contribution	33,200	37,200
Staff Welfare	327,396	291,835
Staff Medical Cover	2,500,000	-
Leave Allowance	-	
Total Staff Costs	28,422,216	23,486,392

	2021-2022	2020-2021
11 General & Operational expenses	Kshs	Kshs
Electricity -Operations	17,779,942	21,469,573
Water Use Charges (WARMA)	722,011	1,198,914
Water Quality Testing	228,000	174,000
Water Sources Management	79,191	-
Chemicals	-	12,190
Planning & Design	3,000	192,990
Fuels & Lubricants	2,008,324	1,700,943
Vehicle Maintenance	926,987	603,286
Bulk Water Expenditure	28,103,760	29,850,925
Billing & Other Support Services	786,753	398,392
Compensation for Way leave	-	-
Rent and Rates	1,869,484	1,663,551
Electricity - office	-	-
Telephone Expenses	1,149,836	806,067
Postage	9,750	10,050
Stationery, Printing and Photocopies	338,765	204,709
Travelling, Accommodation & Subsistence	1,578,190	2,406,162
Staff Training and Workshops	1,065,911	538,800
Security	336,000	333,104

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Staff Protective Gear & Uniforms	346,675	349,243
	Insurance	178,519	114,168
	Membership to Professional Association	239,370	202,400
	General Office Running Expenses	696,223	651,882
	Office Repairs & Maintenance	38,450	19,750
	AGM Expenses	-	-
	Advertising Expenses	23,023	27,075
	Audit expenses & Professional Fees	116,000	116,000
	First Aid Kit	-	-
	Sports -WASCO	422,500	-
	Increase(decrease) in provision of bad debts	263,678	293,099
	Contribution to Merger Fund	335,214	156,650
	Performance Reward Systems	-	-
	Corporate Social Responsibility	-	102,370
	Legal fees, compensation & fines	8,000	-
	Environmental Conservation	126,430	-
	Covid-19 Interventions	209,560	-
	Bank Charges	389,623	304,099
	Mpesa Charges	356,507	329,470
	Regulatory Fee to WASREB	3,144,302	3,122,425
	Total General & Operations Cost	63,879,978	67,352,287
		2021-2022	2020-2021
12	Board Expenses	Kshs	Kshs
	Capacity Building	81,310	116,040
	Travel & Accommodation	490,180	127,800
	Board Honorarium	30,000	-
	Medical Expenses	-	-
	Board Allowances	1,444,647	1,204,900
		2,046,137	1,448,740
		2021-2022	2020-2021
13	Maintenance Expenses	Kshs	Kshs
	Maintenance of Water System	2,278,833	11,214,106
	Maintenance of Building	-	-
	IT Costs(maintenance of computers, Internet)	730,453	1,036,254
	Total Maintenance Expenses	3,009,286	12,250,360

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Depreciation Expenses	Kshs	Kshs
Depreciation	5,052,728	4,759,410
	5,052,728	4,759,410
	2021-2022	2020-2021
15 Finance Cost	Kshs	Kshs
Interest on Loans		
Total	-	-
TOTAL EXPENSES	102,410,345	109,297,188

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Property, Plant and Equipment

16	2021	Plant and Equipment	Motor Vehicles & Cycles	Computers & Office Equipment	Furniture & Fittings	Meters	Computer Software	Buildings	Pipe Line	Work-in-Progress	Total
	COST OR VALUATION										
	At July 1, 2020	16,706,293	600,532	3,669,031	1,773,880	8,972,542	1,694,000	1,826,770	887,806	1,382,438	37,513,292
	Additions	155,610	494,500	958,740	-	18,561,500	-	-	-	20,949,658	41,120,008
	Transfers								22,332,096	(22,332,096)	-
	Disposals	-	-	-	-	-	-	-	-	-	-
	At June 30, 2021	16,861,903	1,095,032	4,627,771	1,773,880	27,534,042	1,694,000	1,826,770	23,219,902	-	78,633,300
	DEPRECIATION										
	At July 1, 2020	5,795,641	402,740	2,371,992	774,101	2,070,758	765,409	143,389	54,153	-	12,378,183
	Charge for the year	1,104,033	142,166	570,712	99,978	2,082,291	278,578	42,085	439,568		4,759,410
	Impairment loss										-
	Eliminated on disposal	-	-	-	-	-	-	-	-	-	-
	At June 30, 2021	6,899,674	544,906	2,942,704	874,079	4,153,049	1,043,987	185,474	493,721	-	17,137,593
	NET BOOK VALUE										
	At June 30, 2021	9,962,229	550,126	1,685,067	899,801	23,380,993	650,013	1,641,296	22,726,181	-	61,495,707

16	2022	Plant and Equipment	Motor Vehicles & Cycles	Computers & Office Equipment	Furniture & Fittings	Meters	Computer Software	Buildings	Pipe Line	Work-in-Progress	Total
	COST OR VALUATION										
	At July 1, 2021	16,861,903	1,095,032	4,627,771	1,773,880	27,534,042	1,694,000	1,826,770	23,219,902	-	78,633,300
	Additions	2,194,516	366,300	592,360	-	-	-	-	-	-	3,153,176
	Transfers										-
	Disposals	-	-	69,000	-	-	-	-	-	-	69,000
	At June 30, 2022	19,056,419	1,461,332	5,151,131	1,773,880	27,534,042	1,694,000	1,826,770	23,219,902	-	81,717,476
	DEPRECIATION										
	At July 1, 2021	6,899,674	544,906	2,942,704	874,079	4,153,049	1,043,987	185,474	493,721	-	17,137,593
	Charge for the year	1,060,516	160,425	599,516	89,980	2,338,099	195,004	41,032	568,155		5,052,728
	Impairment loss										-
	Eliminated on disposal	-	-	36,331	-	-	-	-	-	-	36,331
	At June 30, 2022	7,960,190	705,331	3,505,890	964,059	6,491,148	1,238,991	226,506	1,061,876	-	22,153,990
	NET BOOK VALUE										
	At June 30, 2022	11,096,229	756,002	1,645,241	809,821	21,042,894	455,009	1,600,264	22,158,026	-	59,563,486

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021-2022	2020-2021
17 Current taxation	Kshs	Kshs
Profit/Loss before taxation	10,833,651	(24,142,203)
Expenses not deductible for tax purposes	5,432,406	6,283,271
Income not taxable		-
Capital allowances	(6,838,467)	(7,655,034)
	9,427,590	(25,513,966)
Previous Year Losses b/f	(50,125,561)	(24,611,595)
Adjusted Profit/Loss	(40,697,971)	(50,125,561)
Current taxation based on the adjusted profit for the year at 30%		
	2021-2022	2020-2021
18 INVENTORIES	Kshs	Kshs
Pipes & Fittings	1,521,484	2,182,556
Stationery	133,549	169,481
Motorbike Spares & Electricals	-	-
	1,655,033	2,352,037
	2021-2022	2020-2021
19 TRADE AND OTHER RECEIVABLES	Kshs	Kshs
Shareholders	40	40
Prepayment :- Rent Deposit	206,000	175,000
-Electricity Deposit	30,000	30,000
-Bulk SMS Service Deposit	10,000	10,000
-Internet Services Deposit(Fiber)	20,000	20,000
Staff Receivable	13,959	-
Trade Receivabe (note 19a)	33,431,374	28,157,228
less provision for bad debts	(1,671,569)	(1,407,861)
	32,039,804	26,984,407
19 a) TRADE RECEIVABLE	2021-2022	2020-2021
Gross trade receivables	33,431,374	28,157,228
Provision for doubtful receivables	(1,671,569)	(1,407,861)
Net trade receivables	31,759,805	26,749,367
At June 30, the aging analysis of gross trade receivables was as follows :		
Less than 30 days	11,510,643	11,842,823
Between 30 and 60 days	1,626,932	1,358,605
Between 61 and 90 days	509,739	943,698
Between 91 and 120 days	764,409	1,073,895
Over 120 days	19,019,651	12,838,207
Total	33,431,374	28,057,228

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021-2022	2020-2021
20 BANK AND CASH BALANCES	Kshs	Kshs
Cash at Bank		
Post Bank 6116	97,242	106,120
Post Bank 108	23,210	63,580
Family Bank 232 Revenue	367,276	1,436,786
Family Bank 5874 Operation	32,593	340,612
Family bank 3050 (Deposit)	7,095,927	5,871,926
Family Bank 10288 Collection	(43,959)	13,996
Family Bank 21056 WSTF Grant Account	3	
Co-op Collection A/c	56,715	403,153
M-Pesa Collection	617,262	128,820
Equity Bank	2,886	91,700
Cash in Hand		-
Petty Cash	18,145	7,795
	8,267,299	8,464,488
	2021-2022	2020-2021
21 ORDINARY SHARE CAPITAL	Kshs	Kshs
Authorised		
5000 ordinary shares of Ksh. 20 par value each	100,000	100,000
Issued and fully paid		
2 ordinary shares of Kshs. 20 par value each	40	40
	2021-2022	2020-2021
22 RETAINED EARNINGS	Kshs	Kshs
Opening Balance	(65,605,598)	(41,463,395)
Surplus/Deficit for the period	10,833,651	(24,142,203)
	(54,771,947)	(65,605,598)
	2021-2022	2020-2021
23 CAPITAL RESERVE	Kshs	Kshs
Opening Balance	977,464	977,464
	977,464	977,464
	2021-2022	2020-2021
24 TRADE AND OTHER PAYABLES	Kshs	Kshs
Trade Payables	101,835,521	109,729,239
Debtors with Credit Balances	1,352,574	-
	103,188,095	109,729,239

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021-2022	2020-2021
25 CUSTOMER REFUNDABLE DEPOSITS	Kshs	Kshs
Opening Balance	19,585,270	17,230,770
Additions	1,507,500	2,424,500
Less (Refunds)	(110,000)	(70,000)
	20,982,770	19,585,270
	2021-2022	2020-2021
26 DEFFERED INCOME	Kshs	Kshs
Current Liability	3,461,024	2,806,236
Long -term Liability	27,688,176	31,803,988
	31,149,200	34,610,224
	2021-2022	2020-2021
27 NOTES TO THE STATEMENT OF CASH FLOW	Kshs	Kshs
Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	10,833,651	(24,142,203)
Depreciation	5,052,728	4,759,410
Grant Income	(3,461,024)	(2,806,236)
Operating profit/(loss) before working capital changes	12,425,355	(22,189,029)
(Increase)/decrease in inventories	697,004	1,276,368
(Increase)/decrease in trade and other receivables	(5,055,397)	(5,583,890)
Increase/(decrease) in trade and other payables	(6,541,144)	24,479,350
Increase in refundable customer deposits	1,397,500	2,354,500
Cash generated from/(used in) operations	2,923,318	337,300

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other Disclosures

28. Related Party Disclosures

County Government of Kiambu

The County Government of Kiambu is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of xxx has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- The County Department in charge of Water
- County Government of Kiambu
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Nairobi Water Company
- Limuru Water Company

Transactions with related parties

	2021-2022	2020-2021
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies	1,755,845	1,320,560
Total	1,755,845	1,320,560
b) Purchases from related parties		
Purchases of electricity from KPLC	17,779,942	21,469,573
Purchase of bulk water from Limuru water	11,624,700	14,565,650
Purchase of bulk water from Nairobi water	16,479,060	14,564,790
Training and conference fees paid to govt. agencies	164,810	309,000
Bank charges paid to Govt Commercial banks(Postbank)	165,264	304,099

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Water Use Charges expense for WARMA	722,011	1,198,914
Lease Fees expense for WASREB	3,144,302	3,122,425
Total	50,957,422	55,534,451
c) Grants from the Government		
Grants from County Government(Pipes for a new pipeline)	-	19,916,460
Grants from AWWDA(Meters)	-	17,500,000
Grants from Kiambu County Government	21,043,025	-
Grants from WSTF	10,128,310	-
Total	31,171,335	37,416,460
d) Key management compensation		
Directors' emoluments	1,444,647	1,448,740
Compensation to key management	5,241,242	5,963,496
Total	6,685,889	7,412,236

29. Financial Risk Management

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:

(i) 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Credit risk(continued)

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.

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

	Fully Performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs	Total Amount Kshs
As At 30th June 2022				
Trade & Other Receivables	32,733,909	977,464	(1,671,569)	32,039,804
Cash & Bank Balances	8,262,712			8,262,712
As At 30th June 2021				
Trade & Other Receivables	27,179,764	977,464	(1,407,861)	26,749,367
Cash & Bank Balances	8,464,488			8,464,488

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 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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Liquidity risk management(continued)

The table below summarizes the maturity profile of the Company's financial liabilities based on the remaining period using 30th June 2022 as a base period to the contractual maturity date:

	Less Than 1 Month	Between 1-3 Months	Over 5 Months	Total
As At 30th June 2022				
Trade & Other Payables	11,250,513	12,270,547	79,667,035	103,188,095
As At 30th June 2021				
Trade & Other Payables	7,255,702	7,764,961	94,708,576	109,729,239

iv) Capital Risk Management

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

30. Contingent Liabilities & Assets

There were no contingent liabilities & assets in the financial year ended 30th June 2022.

31. Incorporation

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

32. Events After the Reporting Period

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

33. Currency

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

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XVIII. Appendices

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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Presentation and disclosure of the financial Statement	The financial statement have so far been prepared as per the format prescribed by the PSASB	Resolved	
2	Inaccuracies in the financial statements	The management have performed a reconciliation and the figures are tying	Resolved	
3	Inaccurate other income	Income from new connections are recognized when payment is made and not when installation is made hence bringing a difference		
4	Failure to disclose material uncertainty in relation to going concern	The company is on a path of recovery especially with a sewer project being implemented by AWWDA as well as development of cheaper water sources like springs.	Continuous	
5	Trade and other payables	the management believes that with the measures being	Continuous	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		pursued to recovery, the company will be in a position to clear long outstanding debts and break even in due course.		

John Kariuki



Managing Director

Date... 14/03/2023

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Appendix II: Projects Implemented by The Company

There were no major projects implemented by the company

Appendix III- Inter-Entity Confirmation Letter

There were no inter-entity transfers in the year under review

Appendix IV: Reporting of Climate Relevant Expenditures

There were no expenditures in relation to climate change in the year under review

Appendix V: Disaster Expenditure Reporting Template

There was no disaster expenditure in the year under review

Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized	Total Transfers during the Year
				Statement of Comprehensive income	
Water Sector Trust Fund	28/7/2022 06/05/2022	Recurrent	7,417,494 2,710,816	10,128,310	10,128,310
Kiambu County	20/12/2022	Direct Payment	10,000,000	21,043,025	21,043,025
	14/02/2022		4,000,000		
	21/03/2022		7,043,025		
Total			31,171,335	31,171,335	31,171,335