

REPUBLIC OF KENYA



Enhancing Accountability

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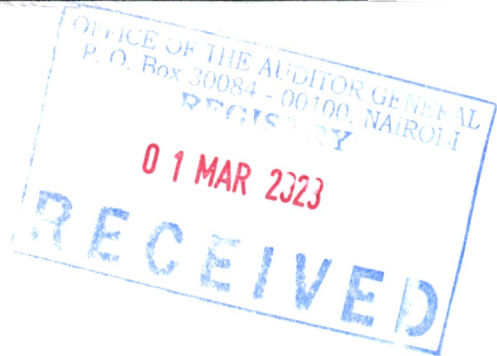
OF

THE AUDITOR-GENERAL

ON

**THIKA WATER AND SEWERAGE
COMPANY LIMITED**

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



THIKA WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

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KEY ENTITY INFORMATION

Background information

Thika Water and Sewerage Company Ltd was established under the Water Act of 2002 as a private company under companies Act 486 in July 2009. At County level, the Company is represented by the County Executive Committee Member responsible for water and sanitation, who together with the Board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya, serving Thika Sub County and its environs.

Principal Activities

The principal objective of the company is to carry out the business of providing water and sewerage services within Thika Sub-County and its environs. The core business of THIWASCO includes the following:

- a) Sourcing for water
- b) Treatment of water
- c) Collection and treatment of sewage
- d) Distribution of water
- e) Billing customers for water and sewerage services provided
- f) Revenue collection

VISION STATEMENT

THIWASCO vision defines where we want to be in the future, which is:
“To be a Model Water and Sanitation Services provider in East Africa”.

MISSION STATEMENT

The above vision is in line with the mission of THIWASCO, which is:
“To provide adequate, reliable, safe, accessible and affordable water and sanitation services in a sustainable manner through technology and innovation to the satisfaction of our customers and other stakeholders.”

STRATEGIC THEMES

The following are strategic themes that THIWASCO aims to achieve:

1. Infrastructural Development, Operations and Maintenance;
2. Customer Experience;

KEY ENTITY INFORMATION (Continued)

3. Financial Resource Mobilization and Prudent Utilization;
4. Institutional Capacity Building;
5. Risk Management;
6. Visibility and Corporate Image

CORE VALUES

The Company's operations are guided by the **CITIS** Core Values of

- 1) **C**-Customer- Focus;
- 2) **I**-Integrity;
- 3) **T**-Teamwork;
- 4) **I**-Innovation and Creativity; and
- 5) **S**-Sustainability.

Directors

The Directors who served the entity during the FY 2021/2022 were as follows:

No.	Director	Role	Date of appointment
1.	Eng. Joseph Mukora Wakimani	Chairman	Appointed in 2014 and Reappointed in 2021
2.	Dr. Martin Njogu	Member	Appointed in 2020
3.	David Kuria	Member	Appointed in 2020
4.	William Kinyanjui Kimani	Member	Appointed in 2020
5.	Lucy Wangui Kagume	Member	Appointed in 2014 and Reappointed in 2021
6.	Juma Hemedi Mwaniki	Member	Appointed in 2014 and Reappointed in 2021
7.	Dr. Bibianne Wanja Waiganjo Aidi	Member	Appointed in 2020
8.	Dr. Jackline Nyambura Munene	Member	Appointed in 2020
9.	Bernard Maina Ruo	Member	Appointed in 2020
10.	Dr. Moses Kinya	Managing Director	Appointed in 2017

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KEY ENTITY INFORMATION (Continued)

Corporate Secretary

Nyongesa Nafula & Co. Advocates
P.O. Box 42540-00100
Nairobi

Registered Office

Thika Water and Sewerage Co. Ltd
P.O. Box 6103-01000
Thika
Haile Selassie road
Thika, KENYA

Corporate Headquarters

Thika Water and Sewerage Co. Ltd
P.O. Box 6103-01000
Thika
Haile Selassie road
Thika, KENYA

Corporate Contacts

Telephone: +254 701 053 637, +254 720 418 444
E-mail: thikawater@yahoo.com
info@thikawater.co.ke
Website: www.thikawater.co.ke

Corporate Bankers

Equity Bank
Thika Supreme Branch
P.O. Box 253 - 01000
Thika, Kenya

Cooperative Bank of Kenya
Thika Branch
P.O. Box 1815- 01000
Thika, Kenya

Family Bank
Thika Branch
P.O. Box 74145- 00200
Nairobi, Kenya

KEY ENTITY INFORMATION (Continued)

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 00200
Nairobi, Kenya

Nyongesa Nafula & Co. Advocates
Fortis Suites- 2nd floor, Suite
No.5 Hospital Road.
P.O. Box 42540-00100
Nairobi.

THE BOARD OF DIRECTORS

1. Eng. Joseph Wakimani- Independent Director (Chairman)



YOB 1960

Key Qualifications:

BSc, Hons, Civil Engineering

MSc, Highway Engineering

Member of Institute of highways and Transportation

Member of Institute of Engineers in Kenya Member of Engineers board of Kenya

Work experience: -

Resident engineer: Nor ken International Ltd, Area maintenance & construction manager: Caltex oil Ltd, Engineering Manager: Caltex oil Ltd, Part time director: Frame consultants Ltd, Highway/material

Engineer: Norco cult A.S consulting Engineers, Assistant materials Engineer: MOPW, Assistant Engineer: Ministry of public works

2. David Kuria - Independent Director (CECM, WENR- Kiambu County Government)



YOB 1973

Key Qualifications:

MA in International Environmental Law

MSc Applied Ecology & Conservation -UK

BSc Natural Resource Management

Work Experience: -

Eco -Agriculture partners fellow, National Coordinator-Reforestation facility of East African Wild Life Society, Nature Kenya-Kijabe Environment Conservation Project Management Trainee Bird Life International -UK

3. Dr. Martin Njogu - Independent Director (County Secretary-Kiambu County Government)



YOB 1967

Key Qualifications:

Doctor of Philosophy -Chemistry

MSc -Chemistry

BSc -Chemistry and mathematics

Work Experience: -

Strategic Management Unit Manager, Chairman; Constituency Development Fund, Lecturer and Researcher, University of Nairobi (Dept of Chemistry).

THE BOARD OF DIRECTORS Continued

4. CPA William Kinyanjui Kimani- Independent Director (Chief Finance Officer-Kiambu County)



YOB 1977

Key Qualifications

Pursuing PHD in Business Administration (Finance Option)
Master's in Business Administration (MBA) Finance Option
Bachelors of Business Administration (Accounting & Finance)
CPA(K)

Work Experience: -

Principal (Finance & Admin)- Maasai Mara University in collaboration with Highlands state college.

Chief Accountant – Presbyterian University of East Africa

Chief Accountant – Limuru Milk Processors Ltd.

5. Lucy Kagume -Independent Director



YOB 1950

Key Qualifications

Bachelor of Education

Work experience: -

Principal-Broadway High School,
Principal-Gaturi Girls Sec School,
Principal-Kiria-ini Girls Sec School,
Deputy Principal-Gitugi Girls Sec School,
Teacher Njumbi High School

6. Juma Hemedi - Independent Director (Chair, Audit Committee)



YOB 1977

Key Qualifications

Bachelor of Development Studies, Diploma in project management,
Advanced certificate in business management, Certificate in IC

Work experience: -Constituency Coordinator-Election observation group (ELOG), Voter educator-IEBC, Youth Facilitator-Africa youth trust, first aid instructor/Trainer-Safety and health consultants Ltd, Deputy Presiding Officer-Interim independent electoral commission (IIEC), Youth facilitator/trainer- USAID and EDC, Tally clerk/Logistics-Kenya red cross society, First aid Trainer-Kenya red cross society, Youth Delegate-Norwegian red cross society

THE BOARD OF DIRECTORS Continued

7. Dr. Bibianne Wanja Waiganjo Aidi - Independent Director (Chair, Finance & Admin Committee)



YOB 1977

Key Qualifications

Global Master of Business Administration -On going, Doctor of Philosophy – Parasitology, MSc Applied Parasitology, BSc Botany and Zoology

Work experience:

Deputy Vice Chancellor (Academic and Research) MKU, Director quality Assurance. MKU Dean and Lecturer (School of Pure & Applied science), Head of Dept; pure & Applied sciences (TIT)

8. Bernard Maina Ruo - Independent Director (Chair, Technical Committee)



YOB 1968

Key Qualifications

MSc. Entrepreneurship -JKUAT, BSc Agriculture, Diploma in Banking

Work experience:

Technical Director (Kenya Nut Company), Head of Agronomy (Tropical Farm Management Kenya Ltd), Group Manager (Tropical Farm Management Kenya Ltd), Estate Manager (Tropical Farm Management Kenya Ltd)

9. Dr. Jackline Nyambura Munene - Independent Director



YOB 1984

Key Qualifications

International Certificate in Leadership and Governance in Health systems Mgt, National Institute of Public health, Tokyo, Japan, Certificate in Senior Management Course

Work experience:

Medical Officer -AAR Healthcare Outpatient Clinics, Medical Officer -Kimbimbi Sub- County Hospital, Medical Officer -Kianyaga Sub-County Hospital

THE BOARD OF DIRECTORS Continued

10. Dr. Eng. Moses Kinya (Managing Director)



YOB 1968

Key Qualifications

Bsc Civil Engineering, MSc Public Health Engineering, MBA Business Administration

Key Work experience:

Managing Director, Thika Water and Sewerage Co Ltd, Senior Water and Sanitation Engineer. H.P. Gauff Ingenieure GmbH & Co Ltd, Managing Director, Mombasa Water and Sanitation Co Ltd, Managing Director, Malindi Water and Sanitation Co Ltd. Vice Chairman, Water Service Providers Association (WASPA)

11. Yvonne Jeruto



YOB 1985




Key Qualifications

CPS (K), Post graduate in Law- Diploma, Bachelor of Law (LLB)
Member of ICS, MBR/No. 3310


Work experience:

Nyongesa Nafula & Co. Advocates – Partner,
Direct line Assurance Co. LTD, Ogutu & Co. Advocates.





MANAGEMENT TEAM

Ref	Management	Details
1.	 <p data-bbox="328 887 603 920">Dr.Eng. Moses Kinya</p>	<p data-bbox="834 477 1074 510">Managing Director</p> <p data-bbox="834 562 1110 595">D.O.B 18th July 1968</p> <p data-bbox="834 647 1094 680">Key Qualifications:</p> <p data-bbox="834 687 1233 721">MSc Public Health Engineering</p> <p data-bbox="834 728 1118 761">BSc Civil Engineering</p> <p data-bbox="834 768 1402 842">Pursuing Masters of Business Administration (MBA)</p>
2.	 <p data-bbox="316 1267 523 1301">Kennedy Kiemo</p>	<p data-bbox="834 981 1270 1014">Chief Manager-Technical Services</p> <p data-bbox="834 1066 987 1099">D.O.B 1970</p> <p data-bbox="834 1151 1094 1184">Key Qualifications:</p> <p data-bbox="834 1191 1126 1225">BSc. Civil Engineering</p>
3.	 <p data-bbox="316 1704 635 1738">Jeremiah Mathenge Beru</p>	<p data-bbox="834 1364 1313 1397">Chief Manager-Commercial Services</p> <p data-bbox="834 1449 991 1482">D.O.B 1989</p> <p data-bbox="834 1534 1098 1568">Key Qualifications:</p> <p data-bbox="834 1574 1094 1608">CPA -part 2, BCom.</p>

MANAGEMENT TEAM (Continued)

<p>4.</p>	 <p>CPA-Rosemary Wamaitha</p>	<p>Chief Manager- Finance</p> <p>D.O.B 1977</p> <p>Key Qualifications: CPA(K) BCom.</p>
<p>5.</p>	 <p>CPA-Albert Maingi</p>	<p>Chief Manager-Internal Audit.</p> <p>D.O.B 1983</p> <p>Key Qualification: CPA(K), CISA, MBA Accounting, BAM</p>
<p>6.</p>	 <p>Elaine Wanjiku Ngugi</p>	<p>Legal & Corporate Affairs Manager</p> <p>D.O.B 8th Oct 1983</p> <p>Key Qualifications: Diploma in Law, BCom HR, MSc HR</p>

MANGEMENT TEAM (Continued)

<p>7.</p>	 <p>CHRP-Irene Nyambura Ndirangu</p>	<p>Human Resource Manager. D.O.B 15th June 1984</p> <p>Key Qualifications: BCom-HR, MBA-HR, CHRP (K)</p>
<p>8.</p>	 <p>Nicellah Wairimu</p>	<p>Procurement Manager</p> <p>D.O.B 27th September 1980</p> <p>Key Qualifications: MSc-Procurement & Logistics Mgt, BSc-Procurement and Contract Mgt and Diploma in Supplies Mgt.</p>
<p>9.</p>	 <p>Anne Mburu</p>	<p>ICT Manager</p> <p>D.O.B 19th June 1987</p> <p>Key Qualifications: BSc-Computer Science</p>
<p>10</p>	 <p>Yvonne Jeruto-Company Secretary</p>	<p>YOB 1985</p> <p>Key Qualifications CPS (K), Post graduate in Law- Diploma, Bachelor of Law (LLB) Member of ICS, MBR/No. 3310</p> <p>Work experience: Nyongesa Nafula & Co. Advocates – Partner, Direct line Assurance Co. LTD, Ogutu & Co. Advocates.</p>

CHAIRMAN'S STATEMENT

On behalf of the Board, I am encouraged by the performance of THIWASCO for the financial year 2021/2022. The integrity, responsiveness and sheer determination of the company and its employees was fundamental in meeting water and sewerage services needs of our customers. The performance of the company is reflected in the financial results for the period. The company was able to meet all its operational financial requirements and obligations despite Covid-19 and the Russia-Ukraine war that has resulted in increased prices of goods and services like water treatment chemicals, materials for network maintenance and consumer water meters within the year. The company continued to achieve key performance indicators as stipulated by the regulator (WASREB) benchmarks. Revenue generated stood at Ksh.900m, with water produced being 14,022,595m³, water sold in volume 10,035,328m³ and NRW stood at 28.43%

The main objective of THIWASCO is the progressive improvement of access to quality water and sewerage services to the residents of Thika sub-county and its environs. Currently, water demand far exceeds supply hence necessitating the continuation of the rationing programme. The company has formulated strategies aimed at increasing water production and sewage treatment capacity so as to meet the increasing demand due to the growth of Thika Town. The projects proposed for implementation include:

1. Efficiency Improvement Project aimed at increasing water production capacity by 15,000 m³ to meet the demand of 56,000m³ a day at the existing water treatment works through upgrading and modifications of the treatment units and pumps.
2. The company received the second tranche of Ksh Fifteen million three hundred fifty-one thousand four hundred ninety-six (Ksh. 15,351,496) within the year from the Conditional Liquidity Support Grant CLSG facility, from World Bank through WASREB. The money was used to offset electricity bills.
3. Thika and Githunguri Water and Sanitation Improvement Project being implemented by the Government of Kenya through Athi Waterworks Development Agency funded by the DANIDA Sustainable Infrastructure funding (DSIF) is intended to increase daily potable water production by 20,000m³ and increase daily wastewater treatment capacity by 40,000m³.
4. Internally funded upgrading of the BIDCO-Engen pipeline aimed at improvement of water supply to Landless, Salama and Gatuanyaga areas.
5. A total of 43.1Km of Water pipeline was laid and a total of 6.8Km of sewer pipelines were installed as last mile connectivity during the year through company internal funding.
6. The company rented additional office space in Thika town at the Thika Bazaar aimed at reducing office congestion.

The Board considers its Human Resource as one of the most valued assets in achieving its strategic objectives. Within the year, consultancy services were engaged to conduct a job

CHAIRMAN STATEMENT (Continued)

evaluation exercise, organisation redesign, review of optimal staffing levels, HR skills audit and development of HR strategy and career progression guidelines. Implementation of the report will greatly leverage level of service to our customers as it is intended to optimize staffing both in a qualitative and quantitative manner.

The Board has also through budgeting made provisions for continuous staff training and development with all staff undergoing refresher courses during the year in their respective professions.

The Board carried out a mid-term review of the strategic plan for the year 2019 -2024 and also developed the business plan for the remaining two years of our strategic plan. The company commenced implementation of the revised indexed water tariffs for the next five years in December 2021.

In view of the measures undertaken, the Board is optimistic of a satisfactory performance in the coming financial year and sustainable water and sewerage services to our customers and other stakeholders.

Sign.....

Eng. Joseph Wakimani

Chairman

REPORT OF THE MANAGING DIRECTOR

This report highlights a performance overview of Thika Water and Sewerage Company Ltd for the year ended 30th June 2022. During this financial year, the company sustained its mandate of providing water and sewerage services within Thika Sub-County and its environs. Below are highlights of its performance:

The volume of water produced was stable during the FY 2021/22 was 14,022,595m³ compared to 14,083,006m³ in the previous year indicating a stable supply with a decrease of 0.429%.

The volume of water sold in the FY - 2021/22 was 10,035,328m³ compared to 9,134,345m³ in a similar period last year indicating a net growth of 8.9% on the back of a more efficient meter reading, billing and meter replacement program as well as timely response to customer complaints.

The Non-Revenue water was at 28.43% a significant reduction from 33% in the previous period. The company aims at continued reduction of NRW through introduction of District Metered Areas (DMAs), replacement of faulty consumer meters, the continuous adoption and use of HDPE pipes in new water projects and extensions. We are also focusing on replacement of old and dilapidated pipelines in an effort to reduce NRW.

To maintain and ensure compliance of the quality of treated water, laboratories were adequately stocked with necessary detergents and chemicals. Quality monitoring through sampling and testing of both raw and treated water was efficiently carried out as per schedule. Consequently, during the period under review, the quality of water produced complied 100% to both World Health Organization (WHO) and Kenya Bureau of Standards (KeBS) requirements. The company in its effort to combat climate change and ensure environmental protection conducted tree planting activities at Kangoki sewage works and conducted security surveillance along our intake's catchment areas.

The company's main challenges include old and dilapidated water and sewerage infrastructure, inadequate water production capacity, high electricity and chemical costs, low sewerage coverage and effects of climate change. These challenges are being addressed by pursuing implementation of strategic projects aimed at addressing the challenges. Several projects in this regard are at either implementation or at development stages and include, ongoing works on efficiency improvement of the current water treatment works and proposed northern sewerage system, and rehabilitation of the existing water and sewer systems.

The management team has also put in place measures to enhance efficiency in all operational areas so as to improve service delivery with expected revenue increase. This will enable the company to meet all the operational costs and at the same time bring the company to the desired profitability levels. The measures that are in the implementation process through internal funding include:

- Upgrading of sewer network - rehabilitation of Kenya Tanning -Biafra trunk sewer line
- BIDCO -Engen water pipeline line upgrade - DN 200 mm HDPE, 1.7Km long.
- Procurement of additional operations vehicle and motorbikes.
- Construction of an office block.
- Procurement of a water bowser.
- Construction of additional Laterals in NAMSIP areas -Kiganjo DN 315mm 1.8Km length
- Construction of additional laterals in NAMSIP area-Witeithie DN 315mm 1.8Km length.
- New water coverage in Ngoliba ;1.1 Km of DN 110mm HDPE pipe & 500m of DN 63.
- New water coverage in Magogoni ;4 Km of DN 110mm HDPE pipe.
- Relocated to an office in town with an aim of decongesting the office.

REPORT OF MANAGING DIRECTOR (Continued)

- A total of 43.1 Km of water pipelines were laid during the year using internally generated funds that enable us to extend coverage to an additional estimated population of 8700 people.

The company successfully implemented the new tariff as from December 2021 from the previous tariff which had been in use since December 2016. In turn, the revenue of the Company grew from Kshs 727m in the financial year 2020/2021 to Kshs 900m in 2021/2022. It is further attributed to the improvement in water production, operational efficiency and reduction in Non-revenue water (NRW). The customer base also increased to 54,471 connections from 52,719 water and sewerage connections.

Planning was effectively conducted through annual monitoring and evaluation of various departments against set targets as envisaged in the strategic plan. The company did a mid-term review of the strategic plan and developed the business plan to guide the Company to greater heights.

The company conducted a training needs assessment exercise for all staff which indicated the employee's current skills and competency levels. The evaluation was then used to determine where each employee stands in terms of the required competency level needed for maximum performance and productivity in the present and future. The training plan report is now ready for implementation and will run for a period of 3 years, effective July 2022 to June 2025. It will have a positive impact in terms of productivity and job effectiveness of the staff.

In conclusion, I take this opportunity to most sincerely thank all the stakeholders who enabled us to mitigate through the challenges and post favorable results to achieve what has been highlighted above and whom we also bank on for our continuous growth. In particular, I strongly believe that with the support of our County Government and stewardship and leadership of the Board of Directors (BOD), the company will achieve better results in the coming years.

Sign.....

Dr. Moses Kinya
Managing Director

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

Thika Water and Sewerage Company Ltd (THIWASCO) has six strategic themes within the current Strategic Plan for the FY 2019- FY 2024. These strategic pillars/ themes are as follows:

- 1) Infrastructural Development, Operations and Maintenance;
- 2) Customer Experience;
- 3) Financial Resource Mobilization and Prudent Utilization;
- 4) Institutional Capacity Building;
- 5) Risk Management
- 6) Visibility and Corporate Image

Thika Water and Sewerage Company Ltd develops its annual work plans based on the above six themes. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2021/2022 period for its six strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Strategic Theme 1: Infrastructural Development, Operations and Maintenance				
Aged Infrastructure	Replace, rehabilitate and upgrade old infrastructure in water and sewerage	Complete replacement of aged infrastructure with modern technology	Rehabilitation of treatment works	Rock excavation for the DN600mm raw water delivery line was completed.
			Rehabilitation of rapid sand filter	Replacement of filter media in the old and new filter galleries was completed.
Inadequate sewer networks	Upgrade sewer pipeline networks	Increased sewerage coverage	Rehabilitation of Kenya Tanning/ Biafra sewer line	Excavations, pipe laying and manhole construction for

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				the project was completed and the project is in DLP.
Water coverage	Plan for increased coverage in water	Increased water coverage	Expansion of Bidco - Engen pipeline	Laying of 1.7km of DN200mm HDPE line was completed and required appurtenances installed.
Inadequate water production Capacity	To increase water production to meet present and future demands.	Increased raw water delivery volumes	Rehabilitation of treatment works	Rock excavation for the DN600mm raw water delivery line was completed.
Non-Revenue Water	To progressively reduce the current non-revenue water to be within the sector benchmarks	To reduce NRW levels to within the sector benchmark of 25%	Identify the defective appurtenances within the DMAs, replace them and install DMA bulk meters, installing of electromagnetic meters	The contractor is in the process of installing strainers for the bulk meters.
System optimization		To reduce the number of surveillances	Upgrade the CCTV surveillance	An additional 12 CCTV cameras were installed

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	To make the systems more efficient	blind spots within the company premises		bringing the total number to 27
			To secure the premises by fencing off all areas	BoQs for the fencing works were prepared.
Insufficient working space	To comply with occupational health and safety regulations Create conducive working environment for our staff	To ensure each member of staff has sufficient working space as per OSHA regulations	To decongest the current offices	Additional office space was rented at Thika Bazaar and appropriately partitioned.
		To furnish the office space to suit function	To procure furniture for the new offices	The new Thika Bazaar office space was fully furnished.
Strategic Theme 2: Customer Experience				
	To increase customer satisfaction index	increase the CSI from 56%-71% in five years	Ensure approval and implementation of the revised customer service charter On the job training and external training for customer service staff	Awaiting approval by the BoD WIP WIP

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			Promptness in resolution of complaints Introduction of a system to carry out the satisfaction survey integrated with the billing system	to be procured in the FY 2022/23
Strategic theme 3: Financial Resource Mobilization and Prudent Utilization				
Strategic Issue 3:	Mobilise adequate financial resources to make THIWASCO financially stable	Timely reporting System report Efficiency in Revenue collection No cheques payments	a) Roll out change management of staff b) Migrate to full system reporting (Intelligence reporting) c) Embrace revenue cashless operation d) Embrace electronic mode of payment.	Implemented revenue cashless operation and electronic mode of payment. Currently implementing the Sage 300
	effective revenue collection	Reduced long term /accumulated debts	Approval and implementation of debt collection Policy.	Approved credit policy in place
	Create awareness to potential customers on new connection processes and	Increased coverage level	Increasing customer connection through increased water and sanitation Coverage.	Approved processes and procedures Increased revenue

	procedures.		Increased customer base by 2400 p.a.	
	Develop the departmental budgetary estimates	Prepare the budget and have them approved	Request udgetary estimates from the departmental level. Consolidate all departmental needs/requirement identified during the budget rationalization process. Provide for these estimates in the procurement plans. Ensuring everyprocurement is Supported by a budgetary allocation. A budget review to accommodate change in priority	Approved annual budget Approved annual procurement plan Budgetary compliance Approved supplementary budget.

Strategic theme 4: Institutional capacity building

Strategic issue 1: Manpower Gaps in the organization structure. Objective:	To review the organization structure through a comprehensive job evaluation exercise	1.Recruitment and placement of staff 2. Conduct Job evaluation exercise and restructuring of the organization.	1.Conduct Job evaluation exercise and restructuring of the organization. 2.Review job descriptions and conduct correct placement.	Approved Job evaluation and placement report
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Thika Water and Sewerage Company Ltd
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		Review job descriptions and conduct correct placement	3.Review and develop job descriptions and specifications and make recommendations to the relevant authorities.	
Business process reengineering and automation	Automation and integration of the systems in all functions	Automation of all process using modern technology	<ul style="list-style-type: none"> a) Train company non-ICT staff on the use and utilization of ICT resources b) Train company ICT officers in various ICT skills c)Acquire andsetup of ICT infrastructure d)Maintain ICT resources e) Develop and implement database systems f) Source for cloud data backup servers g) Restructuring of business processes h) Installing tough security measures like firewalls i) Installation of a network domain system j) Put in place limited system controls k) Installation of IP-PBX and l)call centre m)Procurement and installation of Wi- 	<p>Continuous</p> <p>Continuous</p> <p>Continuous</p> <p>Continuous</p> <p>Continuous</p> <p>Fully implemented</p> <p>Continuous</p> <p>Continuous</p> <p>Fully implemented</p> <p>Fully implemented</p> <p>Fully implemented</p> <p>Partially done</p> <p>Fully implemented</p>

			fi management system n) Development and deployment of dynamic website o) Implementation of fleet management system p) Implementation of human resource management system	To be done in FY 2022/2023 Fully implemented, Under implementation
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Strategic theme 5: Risk Management.

Strategic Issue: Lack of a risk management framework and weak internal controls.	To develop and institutionalise a risk management framework and effective internal controls.	Risk management policy approved and signed. Annual and quarterly risk reports to management and the board.	Implement the Risk Management Framework	Risk management policy was approved and signed. ERM reports produced for every quarter and submitted to management and the board.
			Increase skilled audit staff and continually improve on their capacity.	The department got one additional staff member with the requisite skills and knowledge.
			Comply with CPD requirements for internal audit staff to continuously improve on capacity.	Internal Audit staff met all their CPD requirements in the year.

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			Carry out internal (QAIP) assessment every three years.	This was not done but has been included in the budget for the current financial year.
			Carry out internal (QAIP) assessment every three years.	This was not done but has been included in the budget for the current financial year.
			<ul style="list-style-type: none"> Carry out internal (QAIP) assessment every three years. 	This was not done but has been included in the budget for the current financial year.
Strategic theme 6: Visibility and Corporate Image				
Issue 2: Inadequate CSI unique to THIWASCO	Develop and implement adequate CSI unique to THIWASCO by 2019	No. of CSR activities held Quarterly No. of trees planted per financial year on our conservation program which is our major CSR	Develop and implement the CSI policy	CSR policy in draft awaiting approval by the management and the Board
			Develop a budget to support the CSI	Budget developed, approved and implemented through our various CSR activities throughout the Financial Year.
			Supporting and Planting over 5,000 trees annually	Tree planting: In conjunction with our various

				<p>stakeholders such as Equity Bank/Foundation , County Government of Kiambu, Kevian Industries among others, we have planted over 5,000 trees seedling at our Ngoingwa Reservoir, Kang’oki new sewerage treatment works in Kiganjo and our intake site. We also donated 3,800 tree seedlings to Primary and Secondary schools within our jurisdiction, 12th Engineers Battalion, and towards conservation of catchment areas in conjunction with the County Government of Kiambu. We also received a donation of 7,700 tree seedlings from our stakeholders. Conservation of Chania River riparian. The marking and pegging of the encroached area was done on 25th May 2022, we are now in</p>
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Thika Water and Sewerage Company Ltd
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				<p>the process of fencing the area and planting indigenous trees. This will protect the area from further destruction and more trees planted to conserve the environment. Riparian land act as a buffer zone to prevent the river from getting contaminated. Activities that are not allowed in the riparian include washing of vehicles or laundry, cutting down of indigenous trees, building of permanent structures, waste disposal just to mention a few.</p>
			<p>Approve and implement the underserved and marginalized Pro-poor policy</p>	<p>Pro-poor policies approved and adopted by the Board of Directors and implementation of various activities are at initial stages, these are, mapping and extension of water to underserved areas are at the initial stages of</p>

				planning and tendering.
			Social connection in Low-income areas; waivers and part payments.	Customers in Low- income areas are buying water at subsidized costs from the water kiosks at kshs.35 per M ³ . Once mapping is through, we shall implement further part payments for connection fees in the low-income areas identified.
Issue 3: Need to enhance corporate image	Improved Corporate image	No. of CSR activities held quarterly to promote corporate image	Participation in charitable activities and giving donations	Through Thika District Business Association (TDBA) we supported young dragon tour to UK for Karate championship with Kshs.50,000 to support and nurture talents of young people to improve livelihoods and donated a 6000litres plastic tank to Thika Mechanics and motorbike operators in Thika town.
				Donated food stuffs to Kiota Children's home in Ngoingwa in December 2021,

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				Namrata Sha Children's home in Kamenu ward and to the old and needy in Witeithie during Christmas celebrations.
				Donated 5 desktop computers to Thika high school. This is a way of supporting the government in its policy of universal access to basic education.
				Participated and supported Charity Lions Club of Thika-Kilimambogo diabetes walk, with kshs.50,000 and 20 cases of Thiwasco brand bottled water.
				Donated 110 cases of bottled branded water during various activities as listed clean-up exercise in Thika town, Paediatrics ward in Thika level 5 hospital, Thika women's prison in support of a volleyball tournament, AP Police Thika West and East, Makongeni

Thika Water and Sewerage Company Ltd

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

				police station, CITAM Church, and during national events.
Conducive working environment	3.To comply with OSHA act	To conduct OSHA audit	Procure OSHA audit services	OSHA audit reports in place for implementation
		Operational firefighting equipment	a) Procure more firefighting equipment b) Service the existing firefighting equipment as per the manual	Functional and well-maintained firefighting equipment
		Adequate work stations	To procure adequate office furniture and equipment	Staff provided with quality office furniture and equipment
		Clean offices and neat compounds	To ensure all compounds and offices are well maintained	Properly maintained office buildings, clean offices and compounds
			To mitigate all risks and hazards	Safe and secure work environment
			Provide proper TNA for OSHA training.	staff comply to OSHA regulations
		Register the company occupational health and safety	Renew the workplace registration certificate	A current Workplace registration certificate in place
	Adequate office space	a) To budget and plan for additional acquisition of new offices b) Prepare and implement an annual	a) Prepare technical specifications for the required office space b) Procurement of new offices	New offices in place and staff moved in

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		procurement plan.		
Automation of all process using modern technology		a) To budget and plan for the fleet system b) Prepare and implement annual procurement plan.	a) Prepare technical specifications for the required fleet management system. b) Procurement of a fleet management system and install in all fleets	An operational fleet management system installed on all fleets
To enhance maximum security	Enhanced physical security of company staff and assets	a) budget and plan for upgrading of CCTV surveillance cameras. b) Prepare and implement annual procurement plan.	a) Prepare technical specifications for the required CCTV cameras. b) Procure the CCTV cameras and install them in key locations.	Operational CCTV cameras and surveillance system in place with increased coverage (27 cameras installed)
To budget and plan for additional fleet	Adequate transport for company staff	To prepare procurement documents	Have clear specifications	Ready TORs and funds
		Tender and pre-qualify the suppliers	Tenders advertised and suppliers pre-qualified	Tenders awarded
		Procure the vehicles and motorbikes	Have the tendered fleet delivered	New motor vehicles and motorcycles (one Water bowser and 4 motorcycles)
			Staff mobility enhanced	Adequate fleets available and distributed in departments for operations

<p>To cover staff and assets against any occurrences</p>	<p>Assets and staff insured against all risks</p>	<p>a) To plan and budget for insurance services b) To identify all insurable properties c) To conduct asset valuation d) To procure insurance services e) To insure all staff and asset f) To process insurance claims</p>	<p>a) Prepare budget and TORs asset assessment done b) Valuation of fleets c) Tender and pre-qualify insurance services providers d) All staff and assets insured e) Timely reporting of claims for processing</p>	<p>a) Clear TORs and specifications. insurable items identified b) Fleets valuation report. c) Contracted Insurance service providers. d) Insurance policies in place e) Claims processed and compensated.</p>
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CORPORATE GOVERNANCE STATEMENT

To achieve its strategic objectives, THIWASCO is a regulated institution governed by the Board of Directors. The Board is composed of competent, diverse and qualified members capable of exercising objective and independent judgement. The Board has appropriate autonomy and authority to exercise its functions and is accountable to its shareholders (County Government of Kiambu) and acts responsibly towards stakeholders.

Governance Principles

- a) The appointment, composition and size of the Board provides a diversity of gender, competencies and skills required for the effective leadership of the organization as guided by corporate Governance guidelines issued by WASREB. A minimum of seven members (7) and a maximum of eleven (11) members with a professional mix.
- b) THIWASCO's board is guided by the board charter as stipulated in the Mwongozo code of ethics.
- c) The Board provides strategic direction to the organization, exercises control and remains accountable to the shareholders.
- d) The Board ensures that Board members are inducted and that their skills and knowledge are continually developed to enhance effectiveness.

Board succession policies and period in office

Thika Water and Sewerage Company avoids a situation where all Board members retire at the same time; in that, two thirds of the Board members other than those from the County Government, retire from office by rotation every three years. The retiring members are determined on the basis of those who have served longest.

Director's training and development

All directors do receive formal training on their roles, duties, responsibilities and obligations as well as Board practices and procedures on first appointment. This is particularly critical for those with no previous Board experience. THIWASCO organizes these trainings to ensure all directors are exposed to the following matters:

1. Roles, duties and responsibilities of the Board and directors.
2. Rights and obligations of a director.
3. Statutory liabilities and duties of a director under criminal and company law.
4. Board practices and procedures.
5. Corporate strategy in the water sector and institutional organization.
6. Financial management systems, internal control procedures and internal audit.
7. External Audit and the Board.
8. Corporate Governance
9. Performance targeting, monitoring and evaluation with emphasis on the minimum service level agreement in the licence as required by sector benchmarks in the licence and the Tariffs.

CORPORATE GOVERNANCE STATEMENT (Continued)

10. Risk management.
11. Information Technology and information to the Board.

THIWASCO Board is committed to the values and principles of good corporate governance. Good corporate governance requires that the Board of Directors must govern the Corporation with integrity and enterprise in a manner which entrenches and enhances the mandate it has of the Water Act 2016. This embraces the company's interaction with customers, County Government of Kiambu, National Government, Water Services Regulatory Board, Water Resources Authority and other stakeholders.

As a public service organization, THIWASCO's decisions are guided by the core tenets prescribed in the Public Officers Ethics Act, and internal codes of conduct. Board members have all signed the code of ethics. We continually strive to strengthen and sustain the trust that the government, the water sector and the public have placed on us. Accordingly, the Board and its committees regularly evaluate the latest national policies and regulations with the aim of incorporating them in the business processes of THIWASCO so as to consistently deliver on our mandate.

BOARD OF DIRECTORS

The full Board of Directors meets at least four times a year as per the guidelines of WASREB. The Committees of the Board meet at least four times a year. The Directors are given appropriate information so that they can maintain full and effective control over strategic, Financial, Operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conducting day-to-day business to the Managing Director. The Board nonetheless retains oversight responsibility for establishing and maintaining the control of financial, operational and compliance issues. Board remuneration is set during the AGM.

COMMITTEES OF THE BOARD

The Board has set up the following committees which meet under well-defined terms of references. This is intended to facilitate efficient decision making by the Board in discharging its duties and responsibilities.

FINANCE AND ADMINISTRATION COMMITTEE

This committee deals with Strategic, Financial, procurement, Human Resource, Administrative and ICT issues. It meets at a minimum of four times a year or as necessary. Its membership comprises; Dr. Bibiana Wanja Waiganjo Aidi (Chairperson), Dr. Martin Njogu, William Kinyanjui Kimani, Lucy Wangui Kagume and Bernard Maina Ruo. Its responsibility includes, reviewing of periodical financial reports, provision of performance targets and Recurrent Budgets, opening and closure of bank accounts, recommendation of the Board's Strategic Plan, Procurement Plan and all staff matters.

CORPORATE GOVERNANCE STATEMENT (continued)

TECHNICAL COMMITTEE

The committee deals with all operational and planning related issues which are technical and commercial in nature. The membership comprises: Bernard Maina Ruo (Chairperson), Dr. Martin Njogu, Juma Hemedi, Jackline Nyambura Munene, Lucy Wangui Kagume and David Kuria. Its responsibilities include overseeing the development of water infrastructure and ensuring standards set by the regulator are adhered to. This committee oversees planning, coordination and execution of development and rehabilitation projects to ensure expansion of the reticulation system and to improve efficiency in water production and distribution including sewerage networks.

AUDIT COMMITTEE

The Board has constituted an audit committee which meets four times a year or as necessary. Its membership comprises Juma Hemedi (Chairperson), David Kuria, Dr. Bibiana Wanja Waiganjo Aidi, William Kinyanjui Kimani and Dr. Jackline Nyambura Munene. Its Responsibilities include; examining and assessing the effectiveness of internal control systems, approving Internal Audit programs, carrying out special audits, deliberate on and propose solutions for any material finding in any audit report, verifying THIWASCO assets and liabilities, adopting pro-active risk-based approach to internal audit system and receiving reports from the Chief Manager - Internal Audit.

Number and Nature of Meetings Held in The Financial Year 2021/2022

No	Nature	Frequency (No. Of Times)
	Full Board Meetings	
A	Regular Full Board meetings	5
	Other meetings attended by all Board members	
B	Special meeting	1
C	Board retreat, Interviews, Public Participation, AGM	1
	Sub- total	7
	Committee Meeting	
	Regular committee meetings	
A	Finance and Administration Committee	5
B	Technical committee	4
C	Audit Committee	5
	Special Committee meetings	
D	Select Committees, Special Committees	7
	Sub-total	21
	Grand Total No. of meetings held	28

CORPORATE GOVERNANCE STATEMENT (continued)

Name	Full board	Finance and Administration	Technical Committee	Audit Committee	Special full board	Special Committee
Total Number of Meetings held FY2021/2022	5	5	4	5	5	3
1 Eng. Joseph Mukora Wakimani	5				5	3
2 Dr. Martin Njogu	3	3	1		1	2
David Kuria	5		4	5	5	1
4 William Kinyanjui Kimani	4	3		1	1	2
5 Lucy Wangui Kagume	5	5	2	2	5	2
6 Juma Hemedi Mwaniki	5		4	5	5	2
7 Dr. Bibianne Wanja Waiganjo Aidi	5	4	2	3	4	3
8 Dr. Jackline Nyambura Munene	5		4	5	5	2
9 Bernard Maina Ruo	4	5	4		4	2

MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The company's operational and financial performance

The performance for the financial year 2021/22 marked a continuous recovery emanating from effects of Covid 19 pandemic displayed by encouraging signs of financial recovery compared to pre-covid period. The company however continued to adhere to Government directives among them, water service provision to low- income areas (LIAs), including previously unserved areas through establishment of additional water points via tanker delivery and maintenance of handwashing stations (water fountains) in public areas.

Water production decreased slightly by 0.429% (from 14,083,006 to 14,022,595), the consumed volume increased by 8.9% (From 9,134,345 to 10,035,328) and sales increased significantly by 30% (Ksh. 673,603,00 to Ksh. 877,368,371) from the last comparative period. Increase in consumption was as a result of increase in actual billing and implementation of the revised tariff in December 2021, resulting in a significant upward trend in sales. During the period, the number of water connections increased from 38,343 to 39,630 water accounts recording 1287 new water accounts while sewer connections also recorded an increase of 446 from the previous similar period (14,395 to 14,842).

To enhance the company's performance in debt management it has embraced a collection initiative through adoption of the Rapid Result Initiative Committee whose functions will result in data cleaning alongside collection of arrears. It is from this exercise that the company has realised 95% collection efficiency which is within the sector benchmark.

During the year the company fully implemented an integrated billing system right from meter reading to collection of revenue. With the integrated collection system, the company continued enjoying technological benefits both in water /sewer receipts and payments.

On internally Funded Projects, during the year the company did invest/planned on the below activities among others.

- i) Undertake an Upgrade of Treatment Works to increase water production by an additional 15,000m³.
- ii) Rehabilitation/Upgrading and extension of sewer network as well as construction of laterals along Kiganjo, Witheithie.
- iii) Upgrade by laying of distribution line, BIDCO - Engen.
- iv) Commenced the process on construction of office block
- v) Procurement of operation vehicles and motorcycles.
- vi) Composite manhole covers
- vii) Procurement of consumer meters both for new customers and replacements.

Challenges

- i) water production failing to meet the demand due to population growth
- ii) Increased private borehole developers who laid pipelines illegally, damaging our pipelines and proceeded to connect customers.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- iii) Encroachment by private developers in our water and sewer wayleaves.
- iv) High turbidity during the rainy season.
- v) Frequent damages of sewer and water Infrastructure by contractors.
- vi) Frequent power outages.
- vii) Old dilapidated pipeline networks along the CBD, prone to damage.
- viii) Effects associated with Climate change.

Opportunities

- i) Good geographical location.
- ii) Public goodwill.
- iii) High demand for water and sanitation services.
- iv) High population growth rate within our catchment
- v) Good regulatory environment
- vi) Improved response time to leaks and blockages due to mobilization of the O&M teams through acquisitions of new fleet.
- vii) Leverage on new technologies and ICT

The company performance is set out in the Key Performance Indicators as set out by the water Service Regulator as follows;

Key Performance Indicators		EXPECTED	FY 2021/2022
1	Collection Efficiency (%)	≥95	95%
2	O + M Cost Coverage (%)	>100	109
3	Staff Productivity - staff per 1000 connections (Nr)	<5	5
4	Metering Ratio (%)	100	100
5	Personnel Expenditure as percentage of O&M Costs (%)	<35	37
6	NRW (%)	<20%	28%

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SECTION B: Company's compliance with statutory requirements

The company was compliant on all quality tests and statutory payments (Payroll)

SECTION C: Key project and investment decision the entity is planning /implementing

- Thika and Githunguri Water and Sanitation Project to be implemented under Danida Sustainable Infrastructure Finance (DSIF) that includes Thika 3A dam across Thika river with a raised intake, construction of water treatment works and associated distribution system, new sewage treatment works and associated conveyance, several reservoirs and development of green energy.
- 3A water project that intends to construct a dam across Thika river with a raised intake under the Danida project.
- Efficiency Improvement Project aimed at increasing water production at the existing water treatment works through upgrading of treatment units using inclined settlers and energy efficient pumps.
- Rehabilitation/upgrading and extension of sewer through construction of additional lateral connecting to the newly laid NAMSIP trunk sewer line.
- Upgrade of Bidco -Engen Water pipeline to install a missing link and improve supply for Landless and Salama Area.

SECTION D: Major risks facing the entity

The company's operations are exposed to the following types of risks;

Operational Risk

This is the risk faced in the normal operations when carrying out business. The major risk is the power (over reliance on a single supplier of energy) which drives both raw and treated water and may curtail the company to adequately meet the demand.

Financial Risk

Non-payment by customers/consumers, loss of revenue through illegal connections, bursts and leakages leading to non-revenue water.

Legal risk.

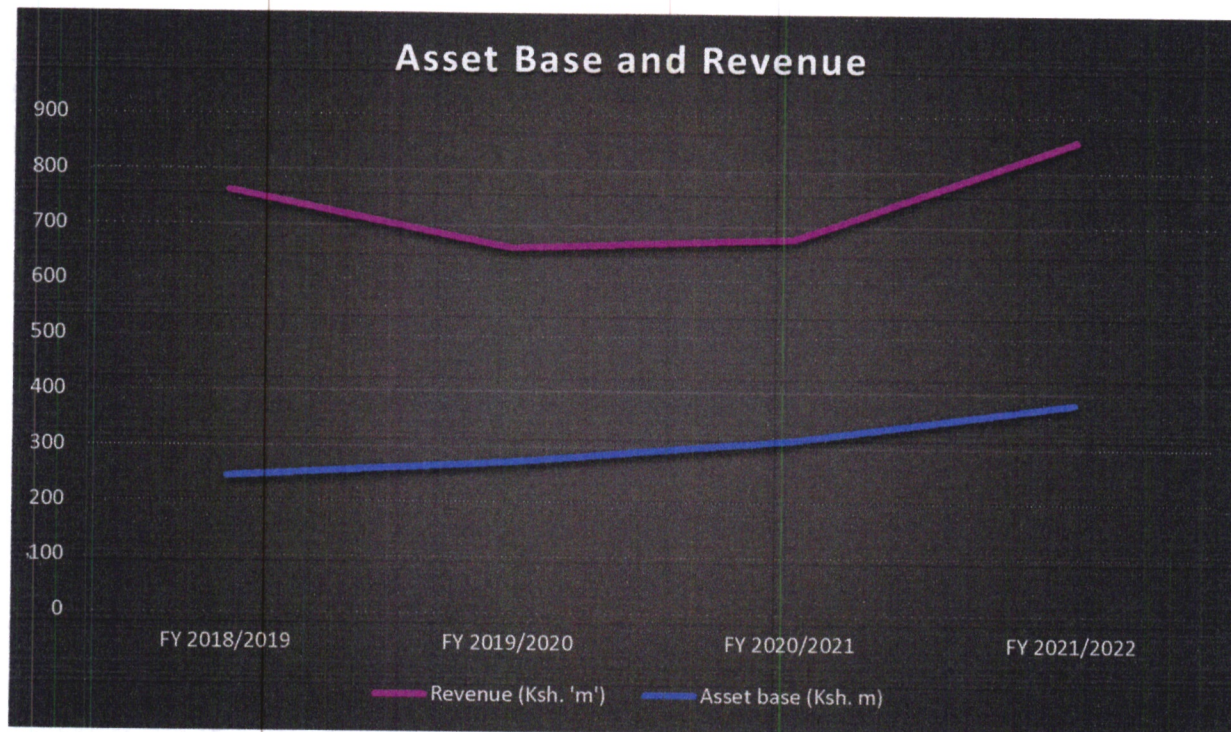
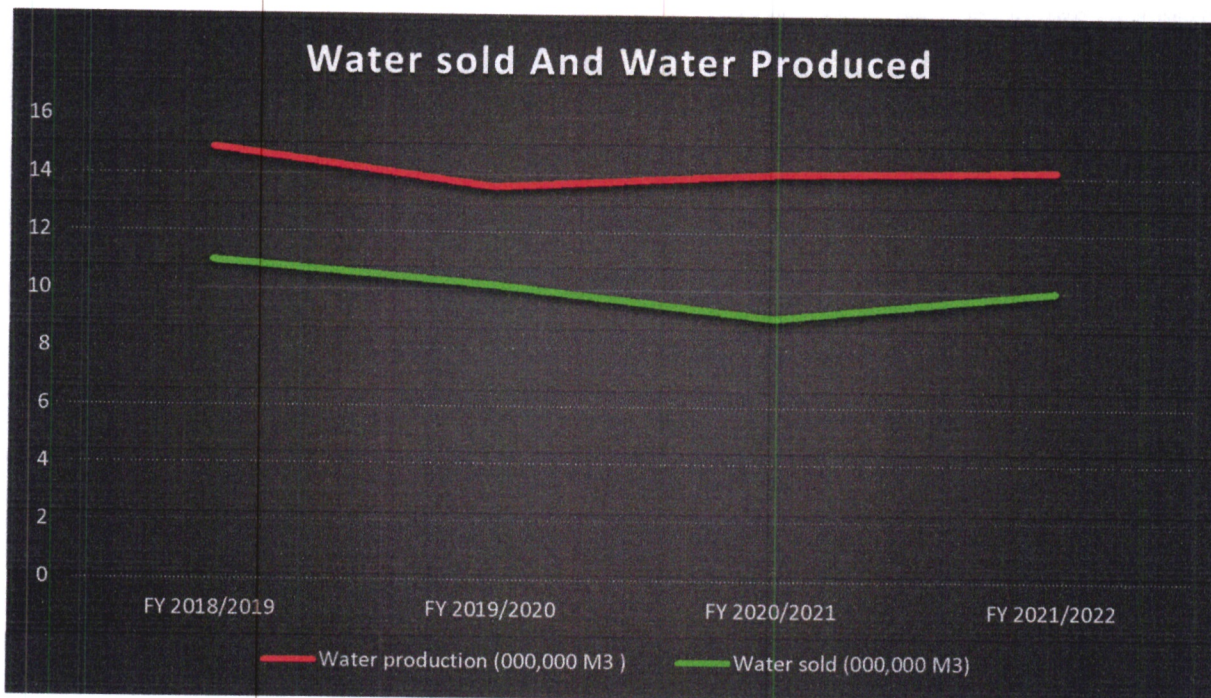
This is the risk that external providers may sue the company for non- payment.

SECTION E: Material arrears in statutory /financial obligations

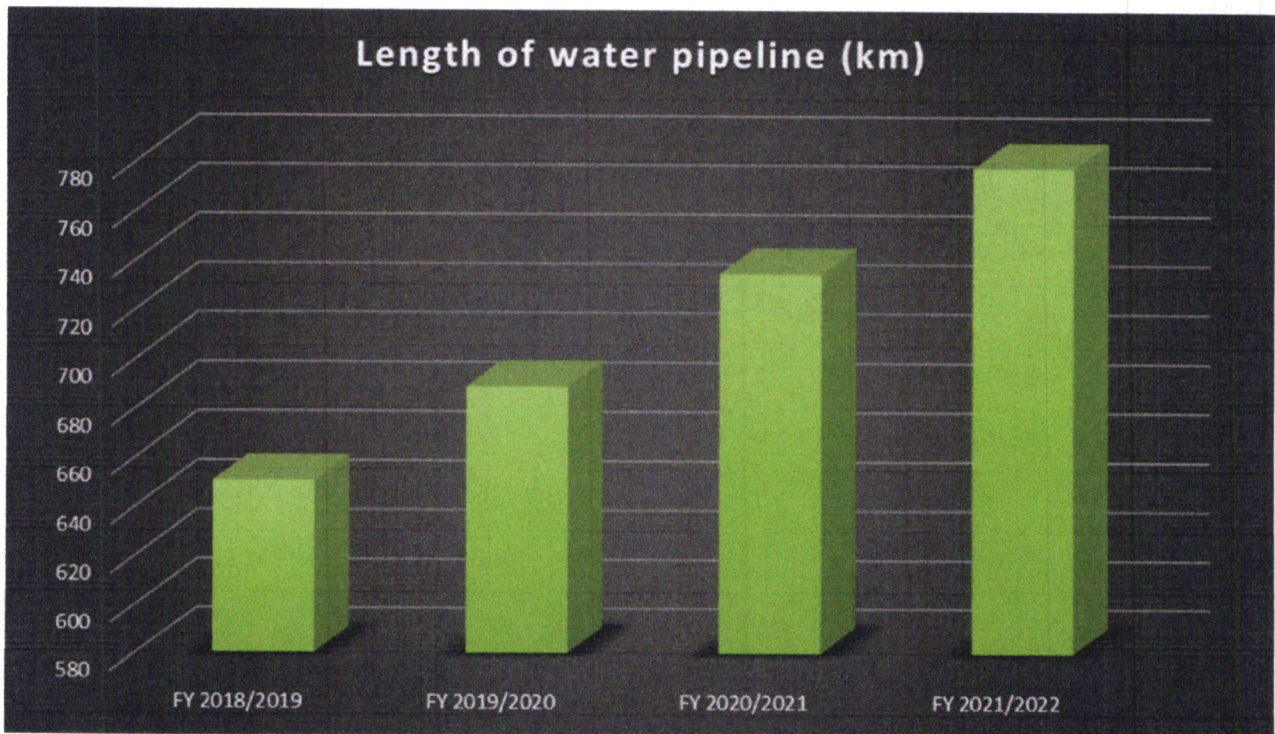
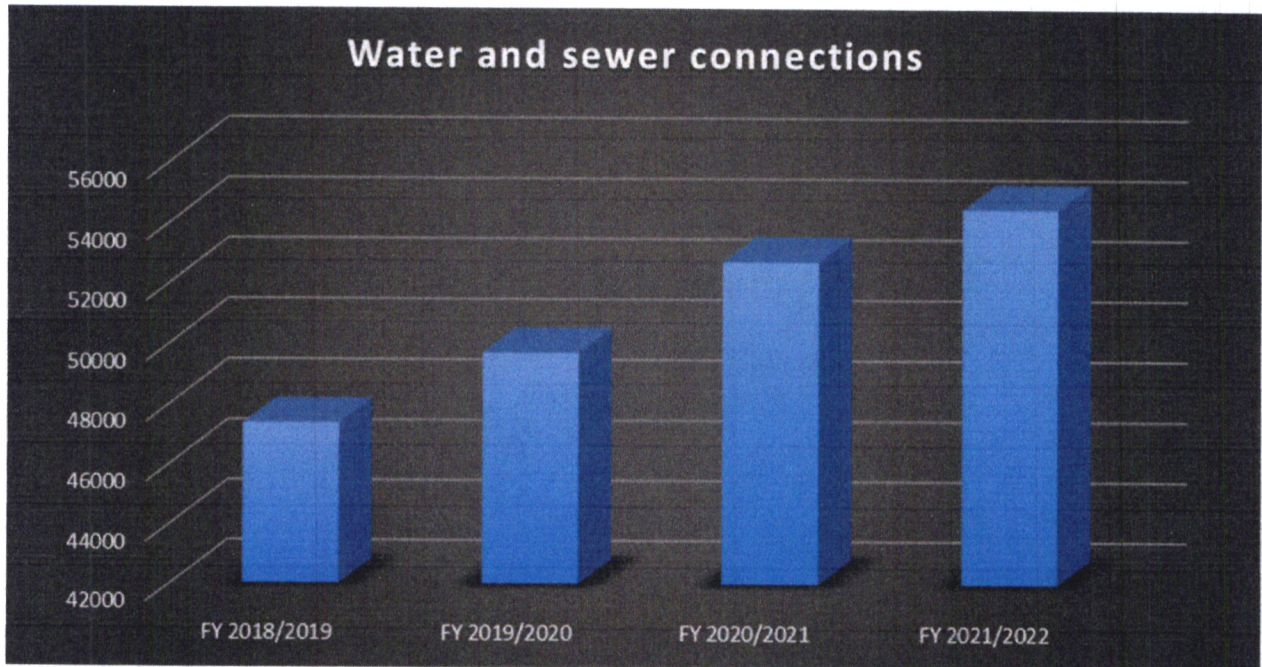
The company has outstanding arrears to;

- Defunct Municipal Council of Thika
- Defunct Athi Water Services Board (AWSB)

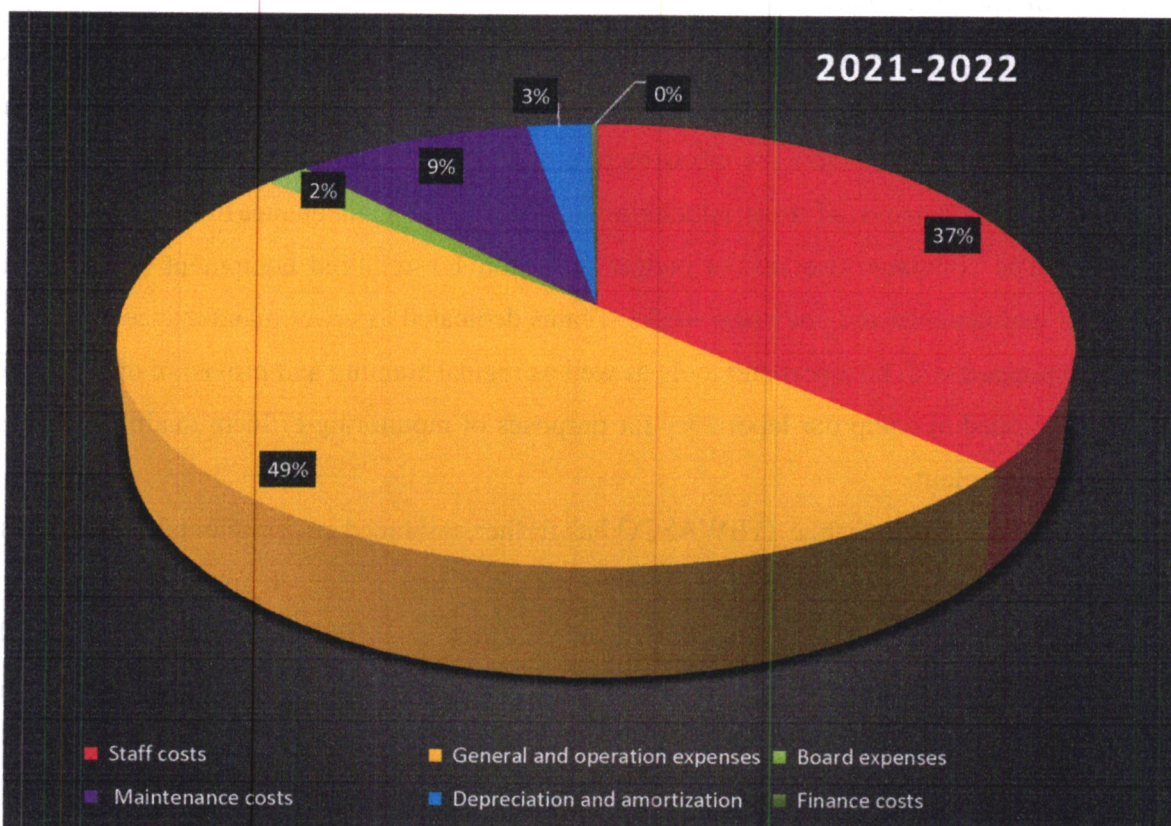
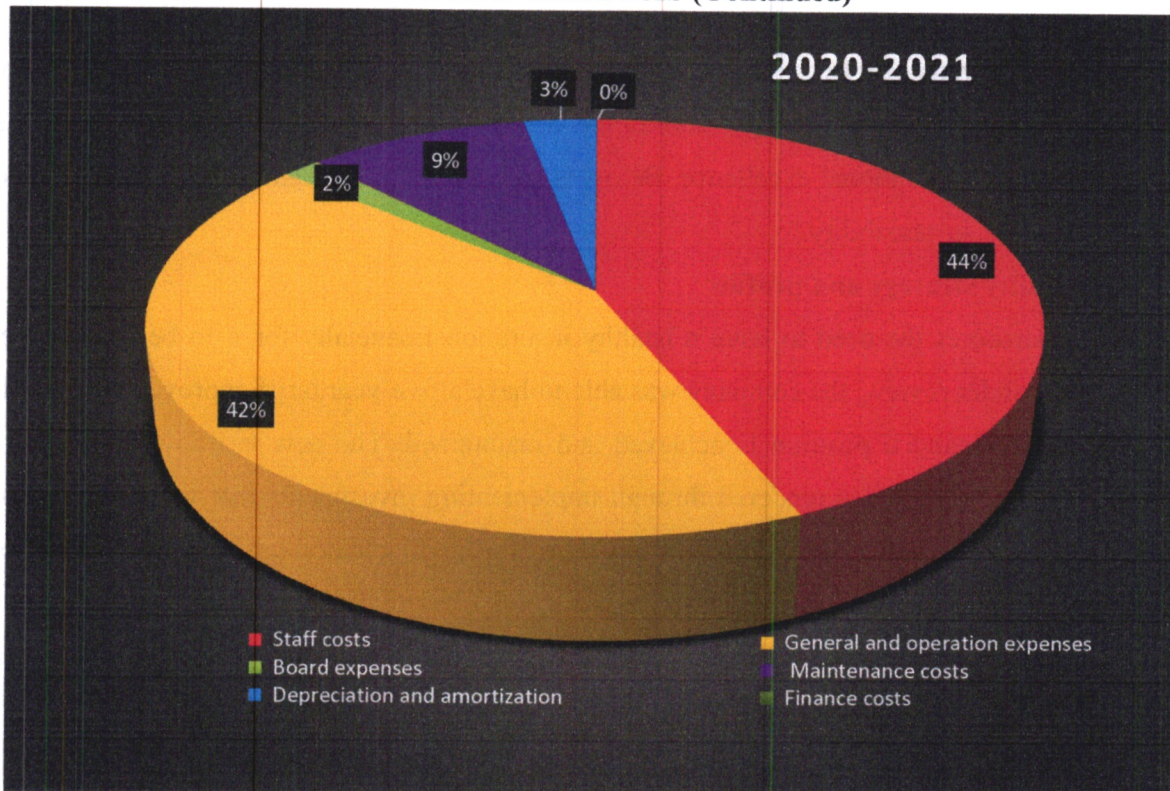
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)



ENVIRONMENTAL AND SUSTAINABILITY REPORTING

THIWASCO exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, providing water and sewerage services and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

(i) Sustainability strategy and profile

THIWASCO underscores the need to have a healthy institution financially for it to be sustainable. During the period under review, the company was able to have a five-year tariff approved which will ensure that a sound financial position is achieved and maintained. The new tariff will enable the company to enhance the services rendered through implementing investments that will be aimed at increasing water and sewerage coverage, repair and maintain the dilapidated infrastructure to control NRW which will control costs.

The approved budget for the period was adhered to couple with cost control measures, ensuring a healthy cash flow position during the year.

(ii) Environmental performance

The company in efforts to conserve environment and create liveable cities THIWASCO carries out the function of collecting and treating wastewater from households and industries in its area of jurisdiction. The company operates and maintains the infrastructure to undertake this function. Annual budget to expand sewer network to uncovered areas, rehabilitation, upgrade and maintenance of existing network is provided for. The company also makes budget provision for required equipment and tools to undertake sewer maintenance and operation works. Teams dedicated to sewer maintenance on a daily basis are fully equipped with transport and tools as well as regular training and provision of PPE. The company has continued to equip our laboratory for purposes of monitoring effluent quality from our waste water treatment plant.

In an effort to combat climate change THIWASCO has further embraced environmental conservation measures through deliberately having a vote head in its budget to support conservation. The budget has been utilised in planting over 20,000 trees and to save the region's water catchment areas through marking and pegging riparian areas. We are now planning to fence the areas to protect them from further destruction and to plant indigenous trees.

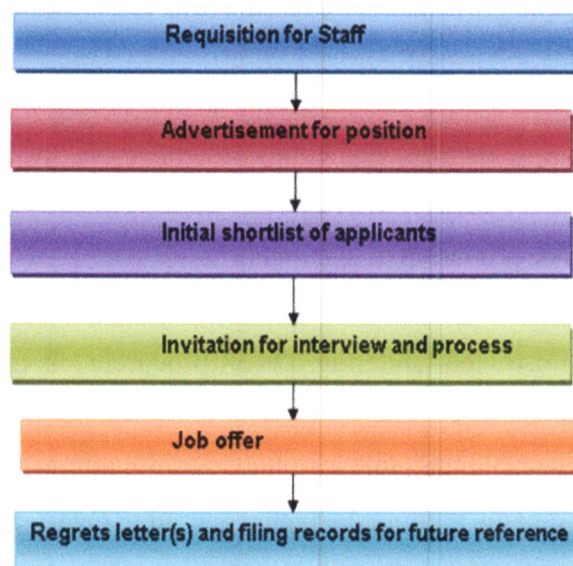
We are in the process of drafting an Environmental and waste management policy.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

(iii) Employee welfare

THIWASCO is guided by an approved HR manual/policy on matters employee welfare, which is in line with the relevant regulations in Human Resources Management and the provisions of Employment Act, 2007 and other relevant regulations.

Summary of THIWASCO'S Recruitment Process



- The company entrench competency-based training and assessment for enhanced productivity and performance improvement. The company bases the training activities on the Competency Framework.
- The company bases the training programmes on the training gaps identified during the TNA process.
- Assessing the progress and results achieved during the appraisal period against set goals/objectives/annual plans;
- Ensure staff are rewarded in terms of individual contributions to the achievement of THIWASCO goals; and
- To ensure that the recruitment process complies with chapter 6 of the constitution of Kenya. Requirements for recruitment as per chapter 6 lays emphasis on the following pillars;
 - Leadership and integrity
 - Gender representation
 - Diversity of the country

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

We have an approved Occupational Safety and Health Act (OSHA) policy in operation under the oversight of the OSHA committee.

(iv) Marketplace practices

The organisation should outline its efforts to:

a) Responsible competition practice.

THIWASCO has anti-corruption, a well-documented draft policy that clearly outlines a legal and regulatory framework for fighting corruption and unethical conduct, institutional framework for fighting corruption, strategies for fighting corruption and implementation for the policy.

THIWASCO procures all its requirements through a well-established procuring unit with qualified procurement professionals. The procuring unit uses mostly the preferred method of procurement (open-national tendering) to procure its goods, works or services. Further other alternative methods of procurement RFQs, RFPs, Restricted tendering, Direct procurements are also applied whenever the requirements are not on open tenders.

Open tendering method attracts eligible interested bidders from all over the country to participate and an evaluation criterion set out in the bidding document is used to determine the lowest most responsive bidder who is eventually awarded the contract.

RFQs-The procuring unit invites various registered bidders on rotational basis to participate, by issuing a quotation form with instructions on how to apply. A criteria contained in the quotation form is applied to determine the lowest bidder who is awarded the contract.

Market analysis

Prior to recommendation of award market survey is done to ensure the company gets value for money in all its procurements through;

- 1- Online market survey
- 2- PPRA index guide
- 3- Requesting for quotes from other suppliers who did not participate in the process.
- 4- Budget estimates from the user departments

b) Responsible Supply chain and supplier relations

THIWASCO procurement processes are fair and equal to all suppliers who participate in the process. The company notifies the participants on the procurement outcomes citing reasons for disqualifications.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

In case a bidder is not satisfied by the tender outcomes the company in the notification of award letter notifies bidders that they can request for debriefing of the tendering process within the specified timelines there in. The company also publicises tender opening reports, tender evaluation reports, contract awards on the PPIP portal which is accessible to all.

THIWASCO maintains a healthy buyer-supplier relationship by making payments within 60 days after submission of the invoices. Contract implementation teams, inspection teams are in place to inspect goods, works or services, give reports on contract progress, recommend on variations, contract extensions and issue completion certificates.

c) Responsible marketing and advertising

THIWASCO will continue to make use of the Above the Line (ATL) and the Below the Line (BTL) activities in its marketing and advertising strategy: These activities will include:

- i. Organised customers' open days;
- ii. Holding water clinic;
- iii. Customer sensitization and mobilization fora;
- iv. Promotions through public Barazas;
- v. Participation in games;
- vi. Participation in Corporate Social Responsibility activities; and
- vii. Emails, SMS, company website, billboards, mainstream and social media.

d) Product stewardship

Regulation, by and large, is about consumer protection in respect to service delivery. THIWASCO acknowledges the need to involve consumers as participants in decisions that affect the way they receive water services, hence the deliberate action to have water clinics, stakeholder meetings and AGMs every year. The empowerment of consumers is in line with Kenya's constitution which recognizes access to water services as a human right. Water Act 2016 under Section 72 requires the

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

regulator to establish a mechanism for handling complaints from consumers regarding the quality or nature of water services and develop guidelines on the establishment of consumer groups and facilitate their establishment. On the same note, we have an approved customer service policy and also have a module in the billing system to track and report on customer complaints. We also have a fully-fledged section within the commercial department to handle customer complaints and ensure that customer satisfaction is reached.

(v) Corporate Social Responsibility / Community Engagements

1) Annual HIV Program.

The company offered free testing and counselling services to over 400 members of the public during World Aids Day that was celebrated on 1st and 2nd December 2021 at Mama Ngina Grounds. We also created awareness to the members of the public on prevention measures and issued them with personal protective equipment.

2) Face lifting of public schools.

Through our CSR initiatives, we selected Gatwanyaga primary school for facelifting through construction of one unit of a classroom. This was concluded after a thorough field needs assessment with the findings citing high population in the school as a result of high enrolment of pupils through free primary education. The school also has a special class for children with special needs. Thiwasco provided requisite facilities like computers in public secondary schools, and donated five desktops to Thika High school in supporting the government in its policy of universal access to basic education.

3) Covid -19 hand wash program.

The company donated hand washing bar soaps to the operational handwash points placed at strategic public points such as bus terminus and market places to promote hygiene.

Participated during **World Wetlands day** an event organized by the County Government of Kiambu, held in Kikuyu towards conservation of our wetlands where we planted trees and donated 25 cases of water and **World Water Day** jointly organized by the County Government of Kiambu and Water Service Providers within Kiambu County held in Ruiru stadium, we planted trees and donated 42 cases of bottled drinking water.

4) Community Engagements

Additionally, we have continued to engage our customers and members of the public through our various communication channels, to raise awareness and sensitize them on the very important matters. We successfully engaged our stakeholders in a consultative meeting on Licensing and Tariff review. We also held various community engagement meetings to sensitize the community on our ongoing projects.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

5) Future plan and way forward

We shall continue to Seek financial support from our stakeholders such as the county government of Kiambu to fund our various CSR initiatives such as the tree planting program, continue with our annual tree planting program with a target of over 5000 trees yearly and organize clean-up activities within our area of jurisdiction and plans to support low-income areas and underserved areas.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the company's affairs.

i) Principal activities

The principal activities of the Company are to ensure efficient and sustainable provision of quality and affordable water and sewerage services in its area of jurisdiction. The core business includes the following:

1. Source for water
2. Treatment of water
3. Collection and treatment of sewage
4. Distribution of water
5. Billing customers for water and sanitation service provision
6. Revenue collection

ii) Results

The results of the company for the year ended June 30, 2022 are set out on page 1-53.

iii) Dividends

The company does not declare dividends.

iv) Directors

The members of the Board of Directors who served during the year are shown on page V In accordance with company's Memorandum and Articles of Association.

REPORT OF THE DIRECTORS (Continued)

v) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Nyongesa Nafula & Co. Advocates

Signature
Date



Corporate Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 requires the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

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

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012.

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2022, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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

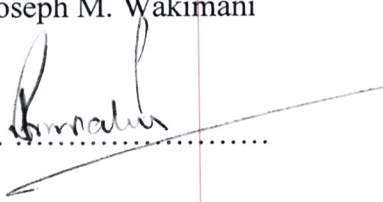
STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

Approval of the financial statements

The company financial statements were approved by the Board on 27/02 2023 and signed on its behalf by:

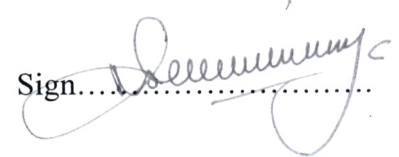
Chairman of the Board
Eng. Joseph M. Wakimani

Sign.....



Managing Director
Dr. Moses Kinya

Sign.....



REPUBLIC OF KENYA



Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

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

Enhancing Accountability

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Thika Water and Sewerage Company Limited set out on pages 1 to 65, which comprise the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory

Report of the Auditor-General on Thika Water and Sewerage Company Limited for the year ended 30 June, 2022

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 Thika Water and Sewerage Company Limited as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with the accrual basis of accounting method under the International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012, the Companies Act, 2015 and the Water Act, 2016.

Basis for Qualified Opinion

1.0. Inaccuracies in the Financial Statements

Review of the annual report and financial statements prepared and presented for audit revealed the following anomalies:

- i. The statement of cash flows reflects net cash from operating activities of Kshs.54,510,000. However, Note 47 to the financial statements reflects cash generated from operations of Kshs.54,324,000, resulting to an unreconciled variance of Kshs.186,000.
- ii. The statement of cash flows reflects general and operation expenses and purchase of property, plant and equipment amounts of Kshs.374,073,000 and Kshs.58,577,000, while the cash payment schedules provided for audit reflect corresponding amounts of Kshs.368,144,000 and Kshs.63,624,000 resulting in unreconciled variances of Kshs.5,929,000 and Kshs.5,047,000 respectively.
- iii. The statement of financial position and reflects property, plant and equipment balance of Kshs.322,638,000, while the supporting Note 20 to the financial statements shows a corresponding balance of Kshs.351,234,000, resulting in an unexplained variance of Kshs.28,596,000. Further, the Note 20 reflects balances totalling to Kshs.224,727,770 as at 1 July, 2020 for three (3) classes of property, plant and equipment, which differ with corresponding balances amounting to Kshs.222,172,000 as at 30 June, 2020 reflected in the audited financial statements for the year ended 30 June, 2021, resulting in unreconciled variances of Kshs.25,179,770 as follows:

Item	Balance 2020/2021 Audited Financial Statements (Kshs.)	Opening Balance (Kshs.)	Variance (Kshs.)
Buildings	4,708,000	3,417,000	1,291,000
Capital Work in Progress	0	11,312,000	11,312,000
Water and Sewerage and Infrastructure	220,019,770	207,443,000	12,576,770
Total	224,727,770	222,172,000	25,179,770

- iv. Note 30 to the financial statements reflects tax recoverable balance of Kshs.73,942,000 which differs with the recomputed balance of Kshs.78,500,000, resulting to an unreconciled variance of Kshs.4,558,000.
- v. Note 39 on lease liability reflects balance at the start of the year of Kshs.23,532,000 which is not reflected in the previous year's audited financial statements.
- vi. The statement of cash flows reflects amounts which differ with corresponding amounts shown in the notes to the financial statements, resulting in unreconciled variances as analysed below:

Item	Balance Per Statement of Cash Flows (Kshs'000)	Balance per Notes to the Financial Statements (Kshs'000)	Variance (Kshs'000)
Operating Revenue	808,923	877,000	(68,077)
Other Collections	3,650	-	3,650
Customer Deposit Receipts	11,945	17,945	(6,000)
Staff Costs	314,245	306,270	7,975
Maintenance	80,448	75,932	4,516
Refund of Customer Deposits	527	437	90
Lease Liability Paid	-	2,227	(2,227)

- vii. The statement of cash flows also reflects no amount in respect of taxation paid, while calculation shows that the Company paid tax of Kshs.19,672,000 during the year under review, resulting in unexplained variance of Kshs.19,672,000.

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

2.0. Inaccurate Inventories Balance

The statement of financial position reflects inventories balance of Kshs.29,356,000 which, as disclosed in Note 28 to the financial statements, comprises water meters, pipes and fittings, and chemicals balances of Kshs.12,259,000, Kshs.15,609,000 and Kshs.1,488,000 respectively. However, the stock take report as at 30 June, 2022 revealed inventories in the three stores totalling to Kshs.30,609,646, resulting in an unexplained variance of Kshs.1,253,646. In addition, review of the signed stock take report revealed that the Company held unvalued water meters which were donated several years back by Athi Water Service Board that had no documents to show their movement and cost.

Further, physical count of stocks revealed 358 meters of various sizes which differed with the stock take report and financial statements submitted for audit as shown below:

Inventories	Financial Statements	Stock Take Report	Physical Count	Difference between Financial Statements and Stock Take Report	Difference between Financial Statements and Physical Count
4" water meters	9	-	9	9	-
6" water meters	18	-	13	18	5
10" water meters	4	-	4	4	-
12" water meters	3	1	8	2	(5)
8" water meters	-	12	-	(12)	-
3/4" water meter	-	-	280	-	(280)
3" water meter	-	-	44	-	(44)
Total	34	13	358	21	(324)

Further, consumable stores such as stationery and cleaning materials were not included in the financial statements.

In the circumstances, the accuracy and completeness of the inventories balance of Kshs.29,356,000 could not be confirmed.

3.0. Unexplained and Unsupported Long Term Accrued Expense

The statement of financial position reflects long term accrued expense balance of Kshs.218,014,000 which comprises long outstanding other payables to defunct Municipal Council of Thika and defunct Athi Water Services Board of Kshs.48,502,827 and Kshs.169,511,521 respectively. However, the Company did not give reasons on why the payables remained outstanding over the years. Further, documents showing what the payables related to were not provided for audit.

In the circumstances, the accuracy and completeness of the long term accrued expense balance of Kshs.218,014,000 could not be confirmed.

4.0. Inaccuracies in and Unsupported Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.122,636,000 which includes long outstanding amount of Kshs.5,215,349 due to two (2) local suppliers, dating as far back as 2017. However, documents showing what the latter balance related to were not provided for audit.

Also included in the trade and other payables balance of Kshs.122,636,000 is an amount of Kshs.3,106,770 owed to a local company, which related to an invoice for a contract entered between Thika Water and Sewerage Company Limited and the local company on 9 April, 2021 for consulting services for the proposed Thika Water Supply Augmentation Project Karimenu-Maryhill Water Works at a contract sum of Kshs.26,782,500. The project was funded by the World Bank through Water Sector Trust Fund (WSTF) and was implemented by Athi Water Works Development Agency (AWWDA). However, Management recognized the amount as a payable and recorded it as work in progress in the financial statements. This might have led to double payment

since the Implementing Agency was paying the consultant directly, not through the Company. The amount was actually not a liability to be settled by the Company.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.122,636,000 could not be confirmed.

5.0. Unexplained Variance in and Unsupported Customer Deposits Balance

The statement of financial position reflects customer deposits balance of Kshs.100,705,000. However, review of the bank statement for deposit account revealed a balance of Kshs.21,106,168, resulting to a variance of Kshs.79,598,832 out of which, Kshs.18,875,000 was a borrowing from customer deposits and Kshs.40,000,000 was an investment in fixed deposit, leaving an unexplained variance of Kshs.20,723,832. In addition, approval of the borrowing from customer deposits and investment in fixed deposit account were not provided for audit.

In the circumstances, the accuracy and completeness of customer deposits balance of Kshs.100,705,000 could not be confirmed.

6.0. Excessive Non-Revenue Water

The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.877,000,000 which, as disclosed in Note 6 to the financial statements, includes water sales revenue of Kshs.608,173,000. Review of revenue records revealed that the Company produced a total of 14,022,595 cubic meters (M³) of water out of which 10,035,328 cubic meters (M³) was sold (billed) to customers. The difference of 3,987,267 cubic meters (M³) represents unaccounted for water being 28.4% of the total water produced, which is 3.4 percentage points above the allowable loss of 25% set by WASREB Guidelines. The unaccounted-for water may have resulted in loss of sales estimated at Kshs.199,363,350.

In addition, although Management had budgeted and replaced majority of the non-functional water meters to reduce commercial losses, the company had no organizational policies and strategies of managing non-revenue water to the acceptable levels.

In the circumstances, the accuracy of water sales revenue of Kshs.608,173,000 could not be confirmed.

7.0. Non-Disclosure of Inventory of Water

The statement of financial position reflects inventories balance of Kshs.29,356,000 (Kshs.33,095,000 as at 30 June, 2021) which, as disclosed in Note 28 to the financial statements, does not include opening and closing water stocks held in the reservoirs, water treatment plant and in the water systems. In addition, documentary evidence showing that Management measured the water volume in the water treatment plant, reservoirs and distribution systems was not provided for audit.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs.29,356,000 could not be confirmed.

8.0. Taxation

The statement of profit or loss and other comprehensive income reflect an income tax expense of Kshs.22,869,000 which is 29% of the profit before taxation. The tax expense

for the previous year was Kshs.22,351,000 which was 30% of the profit before taxation for that year. However, the taxation expense does not take into account the disallowable such as depreciation of Kshs.22,807,000 (2020-2021 - Kshs.20,419,000) provisions, wear and tear, investment deduction, donation and grants. In addition, the taxation liability appears to be also almost static over the years and with no settlement and therefore attracting penalties and interest which are not captured.

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

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0. Over Expenditure on Budgeted Amounts

The statement of comparison of budget and actual amounts reflects general and operation expenses actual on comparable basis amount of Kshs.402,806,000 which differs with the approved budget amount of Kshs.337,799,000, resulting in an over expenditure of Kshs.65,007,000 which Management attributed to reorganization in line with the new template and Russia-Ukraine war resulting to increased prices of goods and services. Similarly, the statement of comparison of budget and actual amounts reflects Board expenses actual on comparable basis amount of Kshs.14,009,000, while the approved budget reflects an amount of Kshs.12,000,000 for the item, resulting in an over expenditure of Kshs.2,009,000 attributed to numerous meetings held within the year as per approved schedule.

This was contrary to Section 147(1)(a) of the Public Finance Management Act, 2012 on role of Accounting Officers in management of public finances, which states that subject to the Constitution, the Accounting Officer shall monitor, evaluate and oversee the

management of their public finances, including promoting and enforcing transparency, effective management and accountability with regard to the use of their finances.

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

2.0. Supply and Installation of a Deficient Fleet Management System

The statement of profit or loss and other comprehensive income reflects general and operation expenses of Kshs.402,806,000 which includes an expenditure of Kshs.2,704,350 in respect of a contract for supply and installation of a fleet management system. The system was meant to manage fuel consumption and real time motor vehicle tracking and monitoring. However, audit inspection undertaken in the month of January, 2023 revealed that the system was not configured to monitor the usage of fuel and reporting on the fuel consumption and alerts on fuel theft. Further, the system was not configured to capture fuel issued to the vehicles and amount of fuel per day, week, month and per year, and It could not generate fuel analysis reports.

In the circumstances, value for money of the expenditure of Kshs.2,704,350 on supply and installation of a fleet management system could not be confirmed.

3.0. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.493,917,000 which, as disclosed in Note 29 to the financial statements, includes Kshs.1,735,000, Kshs.10,847,000 and Kshs.14,342,000 in respect of staff debtors, billing services for Water Service Providers (WSPs) and VAT recoverable respectively, which had been due for more than five (5) years with no movement over the years.

In the circumstances, the recoverability of the staff debtors, billing services for WSPs and VAT recoverable balances totalling to Kshs.26,924,000 could not be confirmed.

4.0. Non-Compliance with Minimum Requirement on Ethnic Diversity

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.306,270,000 in respect to staff costs. Review of employee records for the Company revealed that the dominant ethnic community employed by the Company constituted 90% of the total population of fifty (50) staff. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which provides that no public establishment shall have more than one third of its staff from the same ethnic community or gender and the Articles of Association which requires that at least one third of the Board Members should be from either gender.

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

5.0. Excessive Expenditure on Staff Costs

The statement of profit or loss and other comprehensive income reflects staff costs amount of Kshs.306,270,000 which translates to 37% of total operational costs of Kshs.824,190,000. This is higher by 7 percentage points of the recommended ratio of 30% in accordance with the Water Services Regulatory Board (WASREB) guidelines.

In the circumstances, Management was in breach of the WASREB guidelines.

6.0. Property, Plant and Equipment

The statement of financial position, and as disclosed in Note 20 to the financial statements, reflects property, plant and equipment balance of Kshs.351,234,000. However, the following audit issues were noted:

6.1. Motor Cycles Without Ownership Documents

The property, plant and equipment balance of Kshs.351,234,000 includes motor vehicles/bikes balance of Kshs.28,279,000. Review of the fixed asset register revealed that in June, 2019, the Company purchased seven (7) Yamaha Motor cycle YBR125G Model at a cost of Kshs.2,031,799. However, four (4) out of the seven motor cycles did not have log books or any ownership documents.

In the circumstances, the ownership of the motor cycles valued at Kshs.2,031,799 could not be confirmed.

6.2. Delay in Completion of Kangoki Trunk Sewer Rehabilitation Project

The property, plant and equipment balance of Kshs.351,234,000 includes an amount of Kshs.60,691,000 in respect of work in progress which further includes Kshs.23,753,950 relating to rehabilitation of Kangoki Trunk Sewer Project. The Company entered into a contract agreement with a local construction company for the Project at a contract price of Kshs.27,587,849 for a duration of six (6) months on 1 April, 2019. The contract was terminated and the Company through request for quotation entered into a contract with another local company being the lowest evaluated bidder to finalize the Project at a cost of Kshs.4,918,620. The Project duration was 6 months, commencing on 25 March, 2022 with completion date of 7 August, 2022. However, as at the time of audit verification, the Project was incomplete. Further, one sewer manhole was not covered and a drainage channel running parallel to the sewer line used for draining the damaged sewer to the treatment plant before rehabilitation of the sewer line was left uncovered.

6.3. Delay in Construction of Registry Container Plinth

Included in work in progress balance of Kshs.60,691,000 is Kshs.2,059,945 in respect of construction of a registry container store which commenced in 2018/2019 financial year. The latter amount comprises a balance brought forward of Kshs.1,660,855 and Kshs.399,090 spent during the year under review on construction finishing materials for the store. However, audit inspection revealed that the Project was incomplete. In addition, the Bill of Quantities and status report for the Project were not provided for audit.

In the circumstances, value for money of the expenditure of Kshs.2,059,945 on the project could not be confirmed.

6.4. Failure to Maintain a Comprehensive Fixed Assets Register

The fixed assets register provided in support of the property, plant and equipment balance of Kshs.351,234,000 was incomplete. Further, although majority of the assets were tagged and had bar codes, the asset register had no tag/barcode number column making the identification process difficult. In addition, all the new assets purchased during the year were not tagged and general and specific location column in the assets register for most assets was blank, hence the number of boreholes, location and cost per borehole could not be confirmed. This was contrary to Section 149(2) (o) of the Public Finance

Management Act, 2012, which provides that an accounting officer should ensure that the respective County Government entity has adequate systems and processes in place to plan for, procure, account for, maintain, store and dispose of assets, including an asset register that is current, accurate and available to the relevant County Treasury or the Auditor-General.

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

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

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

Responsibilities of Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or 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 money is applied in an effective manner.

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

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

27 April, 2023

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

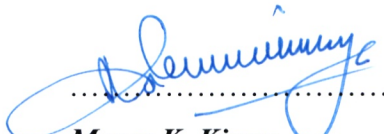
			2021/2022	2020/2021
	Note		Shs''000''	Shs''000''
REVENUE				
Operating Revenue	6		877,000	673,603
Grant income	7		20,532	47,895
Other Income	8		2,887	5,817
Other gains(losses)	10		-	38
TOTAL REVENUE			900,418	727,353
EXPENSES				
Staff costs	11		306,270	284,616
General and operation expenses	12		402,806	280,077
Board expenses	13		14,009	10,755
Maintenance costs	14		75,932	56,984
Depreciation and amortization	15		22,807	20,419
Finance costs	16		2,366	-
TOTAL EXPENSES			824,190	652,851
Profit/(loss)Before Taxation			76,229	74,502
Income tax Expense/(Credit)	17		22,869	22,351
Interest on FDA	9		-	926
Profit/(loss) After Taxation			53,360	53,077

Thika Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

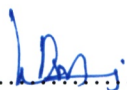
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

ASSETS	Note	2021/2022	2020/2021
Non-Current Assets		Shs"000"	Shs"000"
Land	20	28,596	28,596
Property, plant and equipment	20	322,638	283,227
Intangible assets	21	2,670	4,003
Right -of-use assets	23	21,179	-
Total Non-Current Assets		375,084	315,826
Current Assets			
Inventories	28	29,356	33,095
Trade and other receivables	29	493,917	481,192
Short- term Deposits	31	40,000	5,500
Bank and cash balances	32	97,337	107,405
Total Current Assets		660,610	627,192
TOTAL ASSETS		1,035,694	943,018
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	33	100	100
Retained earnings	36	410,216	355,823
Capital and Reserves		410,316	355,923
Non-Current liabilities			
Long term loan	38	18,875	24,875
Lease Liability	39	23,672	-
long term Accrued expense	42	218,014	218,014
Total non-current liabilities		260,561	242,889
Current Liabilities			
Provisions	40	62,976	71,563
Trade and other payables	42	122,636	114,141
Customer Deposits	43	100,705	83,199
Taxation	46	78,500	75,303
Total Current Liabilities		364,817	344,206
TOTAL EQUITY AND LIABILITIES		1,035,694	943,018

The financial statements were approved by the Board on 27/02/2022 2022 and signed on its behalf by:

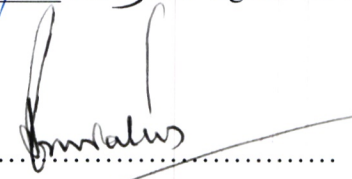

 Moses K. Kinya

Managing Director


 Rosemary Wamaitha

Head of Finance

ICPAK M/No: 8680


 Joseph M. Wakimani

Chairman of the Board

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

	<i>Share Capital</i>	<i>General Reserves</i>	<i>Capital Reserve</i>	<i>Total</i>
	<i>ksh''000''</i>	<i>ksh''000''</i>	<i>ksh''000''</i>	<i>ksh''000''</i>
<i>Balance as at 1st July 2020</i>	<i>100</i>	<i>63,605</i>	<i>223,237</i>	<i>286,942</i>
<i>Prior year Adjustment</i>	<i>-</i>	<i>15,905</i>	<i>-</i>	<i>15,905</i>
<i>surplus for the period</i>	<i>-</i>	<i>53,076</i>	<i>-</i>	<i>53,076</i>
<i>Balance as at 30 June 2021</i>	<i>100</i>	<i>132,586</i>	<i>223,237</i>	<i>355,923</i>
<i>Balance as at 1st July 2021</i>	<i>100</i>	<i>132,586</i>	<i>223,237</i>	<i>355,923</i>
<i>Prior year Adjustment</i>	<i>-</i>	<i>1,034</i>	<i>-</i>	<i>1,034</i>
<i>surplus for the period</i>	<i>-</i>	<i>53,360</i>	<i>-</i>	<i>53,360</i>
<i>Balance as at 30 June 2022</i>	<i>100</i>	<i>186,979</i>	<i>223,237</i>	<i>410,317</i>

Note:

1. Prior year adjustment should have an elaborate note describing what the amounts relate to.

- *Accrued Gratuity of Ksh. 77,000 and accrual on account for NEMA certificate of Ksh. 205,000.*
- *Previously double posted invoices of Ksh.712,480 and Ksh.39,440.*

Thika Water and Sewerage Company Ltd
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021-2022	2020-2021
		Kshs 000	Kshs 000
Cash Flows from Operating Activities			
Receipts			
Operating Revenue		808,923	678,383
Non-Operating Revenue		-	-
Other Income		369	397
other collection		3,650	4,063
Finance Income		-	926
Grant Income		15,351	44,125
Customer Deposits		11,945	14,201
Total Receipts		840,238	742,093
Payments			
Staff Costs		314,245	295,936
Board Expenses		14,069	10,307
General and Operation Expenses		374,073	249,331
Maintenance		80,448	60,294
Finance Costs		2,366	-
Refund of Customer Deposits		527	405
Total Payments		785,727	616,273
Net Cash From/(Used In) Operating Activities		54,510	125,821
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment (PPE)		- 58,577	- 35,518
Purchase of investment Property (Land)	20	-	- 28,596
Proceeds from Disposal of PPE	20	-	1,779
Purchase of Intangible Assets		-	
Net Cash From/ (Used In) Investing Activities		- 58,577	- 62,335
Cash Flows from Financing Activities			
Proceeds from Borrowings	38	-	26,875
Repayment of Borrowings	38	- 6,000	- 2,000
Net Cash From/ (Used In) Financing Activities		- 6,000	24,875
Increase/(Decrease) In Cash and Cash Equivalents		- 10,067	88,361
Cash and Cash Equivalents at Beginning Of Year		107,405	19,043
Cash and Cash Equivalents At End Of The Year		97,337	107,404

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

	Approved annual Budget	Adjustments	Approved supplementary budget	Actual on comparable basis	% of Utilisation
	Shs "000"	Shs "000"	Shs "000"	Shs "000"	%
Revenue					
Billing revenue	971,250	92,250	879,000	856,581	97
sewer connection charges	2,520	734	1,786	1,498	84
Water connection charges	6,500	2,079	4,421	3,996	90
Exhauster services	203	365	568	394	69
Other misc income	847	197	650	2,887	444
Reconnection fee and penalties	4,500	9,792	14,292	12,480	87
Water bowser	3,500	1,160	2,340	2,051	88
SUB-TOTAL	989,320	-86,263	903,057	879,887	97
Grant from WSTF(CLSG)	-	15,351	15,351	20,532	134
TOTAL REVENUE	989,320	70,912	918,408	900,418	98
Expenses					
General and operation expenses	346,175	8,376	337,799	402,806	119

Board Expenses	12,000	-	12,000	14,009	117
Staff Cost	335,809	12,470	323,339	306,270	95
Maintenance costs	93,050	13,000	80,050	75,932	95
Depreciation of property, plant and equipment	-	-	-	22,807	0
Income tax credit/expense	-	-	-	22,869	0
Finance expense	-	-	-	2,366	
Total expenditure	787,034	33,846	753,188	847,058	112
Profit or Loss	202,286	-37,066	165,220	53,360	32
Capital expenditure	214,102	37,102	177,000	58,577	33
Total expenditure	1,001,136	70,948	930,188	905,636	97

STATEMENT OF COMPARISON OF BUDGET & ACTUAL

Note:

- General and operations expenses surpassed the budget due to re-organization to conform with the template and as a result of Russia-Ukraine war that resulted in increased prices of goods and services like water treatment chemicals, materials for network maintenance and consumer water meters within the year.
- Board expenses surpassed the budget due to numerous meetings held within the year as per the approved schedule.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Thika water and sewerage Company Ltd is established by and derives its authority and accountability from Water Act 2016. The Company is wholly owned by the Kiambu County Government and is domiciled in Kenya. The Company's principal activity is to carry out the business of water and sewerage services within Thika Sub-County and its environs.

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 Company's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's 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)

3. 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 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

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

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.

Title	Description	Effective Date
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 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 liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
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.

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 (Continued)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) Revenue from the sale of goods and services** is recognised in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognised in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment, utilities or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Company 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 but disclosed.

c) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Freehold Land	-	-
Leasehold Land	-	-
Infrastructure works	10	10%
Plant and machinery	10	10%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	4	25%
Office equipment, furniture and fittings	10	10%

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Inventories have been carried at the invoiced amount since they are not held for resale.

m) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies

o) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees since inception, 2009. The scheme is administered by RBA through registered pension scheme (Lapfund & CPF) and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 15% (Basic and house allowance) per employee per month.

u) Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

v) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

w) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors in March 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of May on the 2021-2022 budget following the Boards approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. 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 Comprehensive income has been presented under page 5 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Operating Revenue

	2021/2022	2020/2021
	Shs''000''	Shs''000''
Water sales	608,173	659,981
Sewerage services	248,409	-
Billing for other services	20,419	13,622
Total Revenue	877,000	673,603

Billing for other services refers to income generated from services such as reconnection charges and penalty on illegal consumption, new connection charges (water & sewer), meter servicing, exhausters services etc.

7. Grants Income

	2021/2022	2020/2021
	Shs''000''	Shs''000''
Recurrent/operational grants from Government Agencies -WSTF- (CSLG)	15,351	47,895
In kind contribution/donation from Government Agencies – USAID through WASH Fin	5,180	-
Total	20,532	47,895

The grant from CLSG was the second and last tranche as per the signed award contract aimed at cushioning the WSP of the world pandemic, while the in-kind contribution were consumer meters received from WASH-FIN.

Name of the entity sending grant	Amount recognized in the statement of comprehensive income kshs	Amount deferred under deferred income ksh	Amount recognized in capital fund ksh	Total grant income during the year kshs.	2021-2022 kshs
Water Services Trust Fund-CLSG	15,351	-	-	-	15,351
In kind contribution/donation from WASH- FIN	5,180	-	-	-	5,180
Total	20,532	-	-	-	20,532

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

	2021/2022	2020/2021
	Shs''000''	Shs''000''
Miscellaneous income	368	395
Decrease in provision for bad debts	2,519	5,422
Total	2,887	5,817

Miscellaneous income refers to income generated from private exhausters discharging in company's sewer system.

9. Interest From fixed Deposit

	2021-2022	2020-2021
Description	Shs''000''	Shs''000''
Interest from cooperative banks on FDA	0	926
Total	0	926

The company had fixed Ksh 49m held on Customers deposits account for a period of one year, upon which after maturity, the amount wasn't re-invested until this financial year December 2021.

10. Other Gains and Losses

	2021-2022	2020-2021
Description	Shs''000''	Shs''000''
Gain on sale of fixed assets	0	38
Total	0	38

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Staff Costs

	2021/2022	2020/2021
Description	Shs''000''	Shs''000''
Salaries and allowances	225,290	219,063
Casual wages and interns	11,521	4,463
Gratuity	9,921	9,455
N.S.S.F Employers contribution	360	345
Pension Employers contribution	23,701	21,603
Overtime Allowance	5,243	4,966
NITA		390
provision for service pay	-	6,830
Medical expenses	22,993	12,863
Staff welfare	470	796
Performance bonus	6,771	3,842
Total Staff cost	306,270	284,616

The average No. of employees at end of the period was:

Permanent employees-Management	23	22
Permanent employees-Unionisable	196	195
Temporary & contracted employees	61	24

Thika Water and Sewerage Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. General and Operations Expenses

	2021/2022	2020/2021
	Shs''000''	Shs''000''
Electricity	127,584	120,870
Chemicals	25,989	19,195
Fuel, oil, lubricants and gases	9,002	4,897
Office rent	2,040	1,915
Publishing, Printing and Stationery	3,271	3,157
Postal, bulk SMS, Telephone & Internet Expenses	13,449	9,419
Workshop and conferences	3,661	3,783
Legal and Professional fees	12,362	6,439
Advertising & publicity Expenses	2,100	1,006
Staff Training Expenses	10,060	8,800
Staff team building activities	5,100	
Staff wellness program	-	1,527
Terminal dues	26	80
Licence's renewals	1,809	1,079
Abstraction fees to WRA	6,802	5,761
Sewer discharge levies -WRA	1,522	4,675
Regulatory fee to WASREB	35,095	26,961
Standards levy (KEBS)	175	136
Insurances	4,278	4,551
Travelling and Accommodation -Local	13,396	12,568
Travelling and Accommodation -External	2,672	-
Travel expenses-Mileage	299	-
Bank Charges & commission	440	523
Security expenses	13,199	12,051
Programs (OSHA, HIV, ISO, ERM)	431	55
Staff uniforms & other PPE's	3,263	2,601
COVID-19 Measures	597	1,878
Enterprise risk management	-	912
Telephone IPBX(Desktop wireless)	28	860
Fleet management system	2,605	-

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Audit fee	421	421
Subscription fees	437	580
Corporate Social responsibility	1,694	970
Environment conservation	1,656	-
Office General expenditure and Cleaning	5,845	4,349
Stake holders' expenses(external)	3,730	2,705
Annual internal stake holders meeting	1,799	1,656
Annual General meeting	87	-
ISO Certification	-	1,117
Sports-WASCO	5,228	-
Other sports events	162	
Asset tagging	100	84
Registration of hiwasco properties	1,275	-
Branding of company properties	324	7
bad debts written off specific	-	12,489
provision for bad debts written off specific	78,792	0
Total general and operations Expenses	402,806	280,076

13. Board Expenses

	2021/2022	2020/2021
	Shs''000''	Shs''000''
Honoraria	960	960
Board Allowances & expenses	11,974	9,580
Medical	1,074	215
Total Board Expenses	14,009	10,755

Thika Water and Sewerage Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Maintenance Expenses

	2021/2022	2020/2021
Description	Shs''000''	Shs''000''
Computer maintenance & repair & Accessories	1,796	1,015
CCTV Maintenance	-	-
Rehabilitation & improvement of treatment/sewer works	3,622	7,495
Building & stations	1,151	1,326
Motorvehicle Operating Expenses	3,704	5,118
Water meters	22,387	13,552
Maintenance tools & equipment	3,454	3,321
Infrastructural networks	27,355	13,444
Water testing(sampling)analysis	528	183
plant and Equipments	11,936	11,530
Total maintenance Expenses	75,932	56,984

Inclusive in motor vehicle/Cycles Operating Expenses, in a fleet transferred to the company by Athi Water Works Development Agency. (AWWDA) and the defunct Municipal Council of Thika.

REG. NO	MAKE	MODEL	OWNERSHIP
GK 298B	Honda	D 200	Defunct Municipal Council of Thika
GK 238K	Suzuki	TS 185	Defunct Municipal Council of Thika
GK 239K	Suzuki	TS 185	Defunct Municipal Council of Thika
KBG 653C	Suzuki	TS 125	AWWDA
KBG 654C	Suzuki	TS 125	AWWDA
KBG 655C	Suzuki	TS 125	AWWDA

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Depreciation and Amortization Expenses

	2021/2022	2020/2021
	Shs''000''	Shs''000''
Property, plant and equipment	19,121	20,419
Right of use assets	2,353	-
Intangible assets	1,333	-
Total Depreciation and Amortization	22,807	20,419

16. Finance costs

Description	2021/2022	2020/2021
	Shs''000''	Shs''000''
Interest on lease liabilities	2,366	-
Total	2,366	-

The interest on lease liability relates to lease of offices for a period of ten years effective July 2021.

17. Income Tax Expense/(Credit)

Current taxation

Description	2021/2022	2020/2021
	Shs''000''	Shs''000''
Current taxation based on the adjusted profit for the year at 30%	22,869	22,351
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior period under-provision for deferred tax	-	-
	22,869	22,351

Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	Shs''000''	Shs''000''
Profit before taxation	76,229	74,502
Tax at the applicable tax rate of 30%	22,869	22,351
Total	22,869	22,351

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Earnings Per Share

The Company did not declare EPS (earnings per share).

19. Dividend Per Share

The Company did not declare dividend at year end.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Property, Plant and Equipment

PARTICULARS	LAND	BUILDINGS	PLANT & EQUIPMENTS	FURNITURE & FITTINGS	MOTOR VEHICLES/BIKES	OFFICE EQUIPMENT	BORE HOLE	METER READING DEVICES	CAPITAL WORK IN PROGRESS	WATER & SEWERAGE INFRASTRUCTURE	TOTALS
COST											
BAL B/F: 1.7.2020	-	3,417	31,988	7,854.62	33,717	22,072	18,690	382	11,312.00	207,443	336,875
ADDITIONS FOR THE YEAR:	28,596	-	4,204	343	9,834	1,375	2,057	-	13,370	4,335	64,114
DISPOSAL FOR THE YEAR:	-	-	-	-	-	-	-	33	-	-	33
TOTAL COST JUNE 2021	28,596	3,417	36,192	8,197.62	43,551	23,447	20,747	349	24,682.00	211,778	400,956
DEPRECIATION											
AT 1ST JULY 2020	-	620	10,435	3,529.97	12,451	16,905	6,072	228	-	20,494	70,736
ELIMINATED ON DISPOSAL	-	-	-	-	-	-	-	23	-	-	23
CHARGE FOR THE YEAR:	-	70	2,968	568	6,767	1,978	337	39	-	5,695	18,422
AS AT 30TH JUNE 2021	-	690	13,403	4,098	19,218	18,883	6,409	244	-	26,189	89,135
NET BOOK VALUE AT 30/6/2021	-	2,727	22,788	4,100	24,333	4,564	14,337	105	24,682	185,589	311,821
									-		-
BAL B/F: 1.7.2021	28,596	3,417	36,192	8,197.62	43,551	23,447	20,747	349	24,682	211,778	400,956
ADDITIONS FOR THE YEAR:	-	-	422	5,995	10,229	5,546	-	-	36,009	376	58,577
DISPOSAL FOR THE YEAR:	-	-	-	-	-	117	-	-	-	-	117
TOTAL COST JUNE 2022	28,596	3,417	36,613	14,192	53,780	28,876	20,747	349	60,691	212,154	459,416
DEPRECIATION											
AT 1ST JULY 2021	-	690	13,404	4,097.97	19,218	18,883	6,409	244	-	26,189	89,135
ELIMINATED ON DISPOSAL	-	-	-	-	-	73	-	-	-	-	73
CHARGE FOR THE YEAR:	-	68	2,891	1,112	6,083	2,892	358	26	-	5,690	19,121
AS AT 30TH JUNE 2022	-	758	16,295	5,210	25,301	21,702	6,767	270	-	31,879	108,182
NET BOOK VALUE AS AT 30th JUNE 2022	28,596	2,659	20,319	8,982	28,479	7,174	13,979	79	60,691	180,276	351,234

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In addition to the land captured under assets movement schedule, below is additional disclosure of land parcels whose process of having the ownership transferred to Thika water & Sewerage Company Ltd is ongoing.

: LAND PARCELS									
Item No.	Project Name	County Name	Name of Parcel	Title No.	Date of Title Issuance	Land Reference No.	Land Size (Ha)	Current Registered Owner	Current Status
1.	Water Treatment Site LR. NO. 11151	Kiambu	Water Treatment Site LR. NO. 11151	N/A	not known	LR. NO. 11151	3.237	County Government of Kiambu (formerly municipal council of Thika)	Comprises of water intake/inlet, water treatment works, pumps and houses, reservoirs, ablution blocks, staff houses and ablution block.
2.	Thika Municipality	Kiambu	Thika Municipality	N/A	not known	Block 10/685-716		County Government of Kiambu	Staff quarters on one side and undeveloped land on the other side.
3.	Thika River Intake	Kiambu	Thika River Intake	N/A	not known	LR. NO. 295/16	0.298	County Government of Kiambu	This is the site for water intake from Thika River, the plot is developed with a weir across Thika River, inlet channels, pump house and residential houses.
4.	Bendor Lagoons	Murang'a	Bendor Lagoons	N/A	not known		0.2023	County Government of Kiambu	It has two ponds enclosed by compacted Earth embankments.
5.	Kimatu's Reservoir	Murang'a	Kimatu's Reservoir	N/A	not known			County Government of Kiambu	A steel tank on a steel platform capacity of 16m ³ . The plot set aside for the tank measures 20ft by 30ft.
6.	Bendor Reservoir	Murang'a	Bendor Reservoir	N/A	not known		0.02	County Government of Kiambu	The property is developed with residential staff houses.

7.	Staff Residential Property	Kiambu	Staff Residential Property	N/A	not known	LR. No. 4918/8	4.451	County Government of Kiambu	The property is developed with residential staff houses.
8.	Mary Hill Reservoir	Kiambu	Mary Hill Reservoir	N/A	not known		0.3086	County Government of Kiambu	The plot is developed with a circular reinforced concrete tank.
9.	Chania Ward Reservoir	Kiambu	Chania Ward Reservoir	N/A	not known		3.00	County Government of Kiambu	The development comprises of the pump house, store, workers house, reservoir and ablution block
10.	Section Nine Reservoir	Kiambu	Section Nine Reservoir	N/A	not known		0.23 ha	County Government of Kiambu	The plot is developed on an elevated reinforced concrete tank resting on a reinforced concrete structure. The tank is set on the North Eastern corner of the plot capacity is 48m ³ .
11.	Control Base Reservoir	Kiambu	Control Base Reservoir	N/A	not known			County Government of Kiambu	The plot has an elevated reinforced concrete tank with a capacity of 36m ³ , and a semi-permanent iron sheet structure.
12.	Kimathi Estate Reservoir Twin Tank	Kiambu	Kimathi Estate Reservoir Twin Tank	N/A	not known		0.1076	County Government of Kiambu	There is a twin steel tank resting on a steel structure with a capacity 448m ³
13.	Makongeni Reservoir	Kiambu	Makongeni Reservoir	N/A	not known		0.94	County Government of Kiambu	Erected on the plot is an elevated steel water storage tank resting on a steel structure.
14.	Gatundu / Landless Reservoir	Kiambu	Gatundu / Landless Reservoir	N/A	not known		0.108	County Government of Kiambu	An erected elevated steel water tank with a capacity of 192m ³ and a pump house constructed
15.	Old Sewerage Treatment site	Kiambu	Old Sewerage Treatment site	N/A	not known			County Government of Kiambu	The pump installed to direct sewer from the Northern trunk to the new sewer work. The structure also includes sewer tank and staff houses

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16.	New Sewerage Treatment Work	Kiambu	New Sewerage Treatment Work	N/A	not known		40	County Government of Kiambu	Developed on this plot are waste stabilization ponds and residential houses.
17.	Kilimambogo DC's Office	Kiambu	Kilimambogo DC's Office	N/A	not known			County Government of Kiambu	There is a borehole, a pump house and an office
18.	Weteithie Reservoir	Kiambu	Weteithie Reservoir	N/A	not known		0.726	County Government of Kiambu	The plot comprises of an elevated plastic tank resting on a steel structure and a site office

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

Land and buildings, were not re- valued during the year hence carried at cost.

20 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	COST	Accumulated Depreciation	NBV
Description	Kshs	Kshs	Kshs
Land	28,596	-	28,596
Buildings	3,417	758	2,659
Plant and machinery	36,613	16,295	20,319
Motor vehicles, Including motorcycles	53,780	25,301	28,479
Computer and related equipment	28,876	21,702	7,174
office equipment, furniture, and fittings	14,192	5,210	8,982
Bore Hole	20,747	6,767	13,979
Water and Sewer Infrastructure	212,154	31,879	180,276
Meter reading devices	349	270	79
Works in progress	60,691	-	60,691
TOTAL	459,416	108,182	351,234

Thika Water and Sewerage Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Intangible Assets

	2021-2022	2020-2021
	Shs''000''	Shs''000''
COST		
At July 1	14,598	14,598
Additions	-	-
Disposals	-	-
At June 30	14,598	14,598
AMORTISATION		
At July 1	10,595	8,597
Charge for the year	1,333	1,998
Disposals	-	-
Impairment Loss	-	-
At June 30	11,928	10,595
NET BOOK VALUE		
At June 30	2,670	4,003

22. Investment Property

The company did not hold investment property *as per IAS 40*.

23. Right-of-use assets

	Buildings
	Kshs(000)
COST	
As at 1 July 2021	23,532
Additions	-
As at 30 June 2022	23,532
Accumulated Depreciation	
As at 1 July 2021	-
Charge for the year	2,353
As at 30 June 2022	2,353
Carrying Amount	
As at 30 June 2022	21,179

24. Biological Assets

The company did not hold any Biological Asset.

Thika Water and Sewerage Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Fixed Interest Investments (Bonds)

The company did not hold investments in form of bonds hence No fixed interest.

26. Quoted Investments

The company did not hold any quoted investments.

27. Unquoted Investments

The company did not hold any unquoted investments.

28. Inventories

Description	2021/2022	2020/2021
	Shs''000''	Shs''000''
Water Meters	12,259	8,966
Pipe and fittings	15,609	23,026
Chemicals	1,488	1,103
TOTAL	29,356	33,095

Note: Inclusive in the inventories are water meters 9 pieces of 4'', 18 piece of 6'', 4 pieces of 10'', 3 pieces of 12'' received from Defunct Athi water services Board. These meters are not valued due to lack of documentation.

29. Trade and Other Receivables

	2021/2022	2020/2021
	Shs''000''	Shs''000''
Trade receivables (29.a)	435,938	440,753
Deposits and Prepayments(29b)	29,254	12,560
Staff debtors	1,735	1,735
Billing services-WSPs	10,847	10,897
Staff receivable (note 29c)	3,436	2,540
Vat recoverable	14,342	14,342
Share capital (County govt of. kiambu)	100	100
Staff debtors (questionable vouchers)	3,039	3,039
TOTAL	498,691	485,966
Others:		
Provision for bad and doubtful receivable-staff debtors (questionable)	- 3,039	- 3,039
Provision for bad and doubtful receivable-staff debtors	- 1,735	- 1,735
Net trade and other receivables	493,917	481,192

On Deposits and prepayments, it includes a payment to Madison insurance for staff medical scheme

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 (a) Trade Receivables

	2021/2022		2020/2021
	Shs''000''		Shs''000''
Gross trade receivables	509,225		517,323
Provision for doubtful receivables	- 73,286	-	76,570
Net trade receivables	435,938		440,753
The aging analysis of the gross trade receivables was as follows			
Less than 30 days	19,304.24		3,427.00
Between 30 and 60 days	2,445.19		2,594.00
Between 61 and 90 days	- 1,099.49	-	11,121.00
Between 91 and 120 days	567,367.07		510,468.00
Over 120 days	-		-
Total	588,017.00		505,368.00

29(b) Deposits and Prepayments

	2021/2022		2020/2021
	ksh''000''		ksh''000''
Prepayments	28,744		12,226
Deposits	510		334
TOTAL DEPOSITS	29,254		12,560

29 (c) Staff Receivables

Description	2021/2022		2020/2021
	Shs''000''		Shs''000''
Gross staff advances	3,436		2,540
Provision for impairment loss	0		0
Net staff advances	3,436		2,540
Less: Amounts due within one year	3,436		2,540
Less: Amounts due after one year	0		0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 (c) Reconciliation of Impairment Allowance for Staff Receivables

Description	2021-2022	2020-2021
	ksh''000''	ksh''000''
At the beginning of the year	4,774	4,774
Additional provisions during the year	0	0
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	4,774	4,774

30. Tax Recoverable

	2021-2022	2020-2021
	ksh''000''	ksh''000''
At beginning of the year	75,303	52,675
Income tax charge for the year (note 17)	22,869	22,628
Under/(over) provision in prior year/s (note 17)	0	0
Income tax paid during the year	-19,672	0
At end of the year	73,942	75,303

31. Short Term Deposits

	2021-2022	2020-2021
	ksh''000''	ksh''000''
Bank gaurantee-Co-operative bank	-	5,500
Equity bank-Fixed Deposit Account	40,000	-
TOTAL DEPOSITS	40,000	5,500

The company fixed Ksh 40m on FDA in December 2021 at an interest rate of 8.25% p.a.

32. Bank and Cash Balances

	2021/2022	2020/2021
	Shs''000''	Shs''000''
Cash at bank	97,298	107,238
Cash at hand	2	149
Mobile money account	37	18
Total	97,337	107,405

- The make – up of bank balances and short-term deposits above is as below:

Thika Water and Sewerage Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Detailed analysis of the cash and cash equivalents

		2021-2022	2020-2021
Financial Institution	Account No:	Shs''000''	Shs''000''
Equity operations account	0090295185223	9,007	8,311
Equity Revenue account	0090294392028	64,194	59,120
Co-operative bank-Deposit account	01136278498000	21,069	39,807
Co-operative bank-Current account	01192278498001	655	-
Family Bank-CLSG	005000069152	-	-
Family Bank-Collection account	032000010760	2,374	-
M-pesa account	M-pesa account	37	18
Cash at hand	Cash box	2	149
Grand total		97,337	107,405

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	107,405	19,044
Additional provisions during the year		
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	97,337	107,405

- The bulk of the cash at bank was held at Equity Bank, Cooperative Bank of Kenya, who are main bankers

33. Ordinary Share Capital

Description	2021-2022	2020-2021
	Shs''000''	Shs''000''
Authorized:		
5000 ordinary shares of KShs 20 par value each	100	100

This is as per the memorandum and articles of association.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. Revaluation Reserve

The company did not undertake any revaluation within the year hence lack of revaluation reserve being recognized.

35. Fair Value Adjustment Reserve

The company did not undertake any revaluation within the year hence lack of fair value adjustment reserve being recognized.

36. Retained Earnings

The retained earnings represent amounts available for distribution to the Company's shareholders. THIWASCO do not distribute retained earnings hence are utilized to finance the company operation's activities.

	2021-2022	2020/2021
	Shs''000''	Shs''000''
Working capital	223,237	223,237
General reserve	53,360	84,775
Accumulated funds	133,620	47,811
Total	410,216	355,823

37. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

The company didn't recognize any deferred tax liability

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. Borrowings

Description	2021-2022	2020-2021
	Shs''000''	Shs''000''
b) Domestic Borrowing		
Balance at beginning of the year	24,875	26,875
Repayments during the period	(6,000)	(2,000)
Balance at the end of period	18,875	24,875
The analysis of Domestic borrowings		
Kenya shilling loan from coop bank internal	18,875	24,875
Total	18,875	24,875

The analyses of both external and domestic borrowings are as follows:

Description	2021-2022	2020-2021
	KShs	KShs
Long term borrowings	18,875	24,875
Total	18,875	24,875

The long-term borrowing relates to funds borrowed internally in March 2021, from that held on customer deposits account to procure a land at Karimenu for augmentation project. The borrowing is interest free and repaid monthly through establishment of a standing order effective April 2021.

39. Lease Liability

Description	2021-2022	2020-2021
	Shs''000''	Shs''000''
At the start of the year	23,532	
Discount interest on lease liability	2,366	-
Paid during the year	(2,227)	-
At the end of the year	23,672	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

40. Provisions

Description	Provision for audit fee	Service pay	Total
	Shs''000''	Shs''000''	Shs''000''
Balance at the beginning of the year	1,263	70,300	71,563
Additional Provisions	421	-	421
Provision utilized	- 842	- 8,166	- 9,008
Less: Current portion	-	-	-
Balance at the end of the period	842	62,134	62,976

Provisions details

Description	2021-2022	2020-2021
	Shs''000''	Shs''000''
Current portion of provision	421	7,251
Long -term portion of provisions	62,555	64,312
Total	62,976	71,563

41. Retirement Benefit Obligations

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity'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. Other than NSSF the entity also has a defined contribution scheme operated by LAPFUND and CPF Pension Funds. Employees contribute 12% while employers contribute 15% of basic salary and house allowance. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

42. Trade and Other Payables

	2021-2022	2020-2021
	Shs"000"	Shs"000"
long outstanding Other payables	218,014	218,014
Total	218,014	218,014

These are long term liabilities which emanated from the relationship the company shared years back

	2021-2022	2020-2021
	Shs"000"	Shs"000"
Trade payables	47,872	49,795
Revenue received in advance	14,826	11,954
Employee payables	10,299	7,936
Other payables	49,639	44,456
TOTAL	122,636	114,141

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

43. Customer Deposits

	2021-2022	2020-2021
	Shs''000''	Shs''000''
Opening Balance	83,197	69,402
Add: deposits received during the year	17,945	14,201
Less: Refunded deposits during the year	- 437	- 405
Closing balance	100,705	83,197

44. Deferred Income

The company didn't recognize deferred income within the year.

45. Dividends Payable

The company do not declare dividends hence No provision on dividend payable that was made.

46. Taxation

	2021-2022	2020-2021
	Shs''000''	Shs''000''
At beginning of the year	75,303	52,953
Income tax charge for the year	22,869	22,350
Income tax paid during the year	- 19,672	-
At end of the year	78,500	75,303

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

47. Notes to The Statement of Cash Flows

(a) Reconciliation of operating profit/(loss) to cash generated from / (used in) operation	2021-2022	2020-2021
	Shs"000"	Shs"000"
Operating profit/(loss)	53,360	53,076
Depreciation	22,807	20,419
Prior year adjustment	1,034	15,905
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	77,200	89,400
(Increase)/decrease in inventories	3,739	- 11,158
(Increase)/decrease in trade and other receivables	- 12,726	12,972
Increase/(decrease) in trade and other payables	8,495	- 10,732
Decrease in customer deposits	17,506	- 11,060
(Increase)/decrease in deposits and prepayments	- 34,500	52,514
Increase/(decrease) in provision for payables	- 8,587	28,751
Taxation	3,197	19
Cash generated from/(used in) operations	54,324	150,697
b) Analysis of changes in loan		10
Balance at beginning of the year	24,875	26,875
Repayments during the period	- 6,000	- 2,000
Balance at the end of period	18,875	24,875
c) Analysis of cash and cash equivalent		11
Equity bank-Fixed Deposit Account	40,000	- 14
Cash at bank	97,298	107,238
Cash at hand	2	149
Mobile money account	37	18
Total	137,337	107,405
d) Analysis of interest paid		12
Interest of lease liabilities	2,353	12
e) Analysis of dividend paid	-	14

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other Disclosures

48. 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 Kiambu 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

Transactions with related parties

	2021-2022	2020-2021
a) Sales to related parties	Shs''000''	Shs''000''
Water sales to Govt. agencies	18,549	17,130
Interest income from Govt Commercial Banks	-	926
Total	18,549	18,056
b) Purchases from related parties		
Purchase of electricity from KPLC	127,584	120,870
b) Grants from the Government		
Grants from WSTF	15,351	44,125
Donations in kind-WSTF	-	3,770
Donations in kind-USAID- WASHFIN	5,180	-
Total	20,532	47,895
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for seconded employees	586	583
Total	586	583
d) Key management compensation		
Directors' emoluments	15,010	10,755
Compensation to key management	62,720	54,168
Total	77,730	64,923

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

49. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	2021-2022	2020-2021
	Kshs000	Kshs000
Amounts authorised and contracted for	177,000	96,150
Amounts authorized but not contracted for	0	0
Less: Amounts included in Work in progress	(60,691)	24,682)

50. Contingent Assets and Liabilities

Contingent Assets

	2021-2022	2020-2021
	Shs''000''	Shs''000''
Contingent assets		
Insurance reimbursements	-	-
Reimbursable indemnities and guarantees-Performance bond	1,591	1,591
Total	1,591	1,591

The company expects to realize a contingent asset upon liquidation of a performance guarantee bond issued with AAR insurance arising from breach of contract year 2021.

Contingent Liabilities

	2021-2022	2020-2021
	Kshs''000''	Kshs''000''
Contingent liabilities		
Contingent liabilities arising from KRA audit	57,711	57,711
Total	57,711	57,711

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

51. 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.

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:

	Total amount
	Kshs''000''
At 30 June 2022	
Trade Receivables	493,917
Bank balances	97,337
Total	591,254
At 30 June 2021 (previous Year)	
Receivables	481,191
Bank balances	107,405
Total	588,596

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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.

Credit Risk (Continued)

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
	ksh''000''	ksh''000''	ksh''000''	ksh''000''
At 30 June 2022				
Trade payables			107,951	107,951
Current portion of borrowings		18875		18,875
Provisions			62,976	62,976
Water Creditors		14826		14,826
Employee benefit obligation	10299			10,299
Owings to related parties -Non current			218,014	218,014
Total	10299	33701	388,941	432,941
At 30 June 2021				
Trade payables			94,251	94,251
Current portion of borrowings		24875		24,875
Provisions			146,866	146,866
Water Creditors		11954		11,954
Employee benefit obligation	7936			7,936
Owings to related parties -Non current			218,014	218,014
Total	7936	36829	459,131	503,896

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(iii) Market risk

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

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

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

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

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The Company do not manage any foreign exchange risk.

a) Interest rate risk

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

i) Management of interest rate risk

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- i)** Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii)** Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii)** Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible. The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

At 30 June 2022 Current FY	Level 1	Level 2	Level 3	Total
Non- financial Assets	ksh''000''	ksh''000''	ksh''000''	ksh''000''
Investment property	0	0	0	0
Land and buildings	28,596	0	0	28,596
	28,596	0	0	28,596
At 30 June 2021 Previous FY				
Non- financial Assets				
Investment property	0	0	0	0
Land and buildings	28,596	0	0	28,596
	28,596	0	0	28,596

There were no transfers between levels 1, 2 and 3 during the year.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial instruments not measured at fair value

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

iv) Capital Risk Management

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

	2021/2022	2020/2021
	Kshs(000)	Kshs(000)
Retained earnings	186,979	132,586
Capital reserve	223,237	223,237
Total funds	410,216	355,823
cash and bank balances	97,337	107,405

52. Incorporation

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

53. Events After the Reporting Period

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

54. Currency

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

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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.	Issue/Observations from Auditor	Management comments	Focal point person to resolve the issue.	status	Time frame
Presentation and Disclosures in the Financial Statements	The financial statements presented for audit as at 30 June, 2021 have the following errors and omissions:	The board was constituted in December year 2020 and had not finished one year under the year of consideration. Individual board score card is under implementation this year 2022.	Dr. Moses K. Kinya Managing Director	WIP	June 2022
	<ul style="list-style-type: none"> i. Corporate Governance statement lacks individual Board member score card ii. Environmental and sustainability reporting has the following missing headings. <ul style="list-style-type: none"> Sustainability strategy and profile Responsible competition practice Responsible supply chain and supplier relations Responsible marketing and advertisement Product stewardship 	However, members score card wasn't in the template provided. Provided Provided Provided Provided Provided		Resolved	
	<ul style="list-style-type: none"> iii. The Independent Auditors section lacks the Auditor-General as the Auditor of the Company 	It's well captured under page iii of the financial statements.		Resolved	
	<ul style="list-style-type: none"> iv. The financial statements reflect the statement of profit and loss 	This was a typographical error, amended in the current financial statements reports.		Resolved	

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	<p>and other comprehensive income for the year ended 30th June, 2021 instead of the statement of profit or loss and other comprehensive income for the year ended 30 June, 2021.</p> <p>v. The statement of financial position reflects creditors and accruals and inventory while Notes 21 (a) and Note14 reflects trade and other payables and inventories respectively.</p> <p>vi. The section under management team contains names and qualifications of the management team. However, the section reflects no information on years of experience and dates of appointments.</p>	<p>This was a mis presentation but in principle the wordings meant the same, however note has been taken for the current financial statements.</p> <p>We take note however provision on years of experience and dates of appointment were not provided for on the template.</p>		<p>Resolved</p> <p>Resolved</p>	
Understated Revenue	<p>The statement of profit or loss and other comprehensive income as at 30 June, 2021, reflects Kshs.659,981,000 as revenue from water billing services. However, the billing data provided for audit review revealed that the Company had adjusted downwards water billing revenue by Kshs.40,681,251. No plausible explanation was provided for the adjustments.</p>	<p>High bills occur as a result of erroneous meter reading and other anomalies such as gate locked accounts and defective meters. These accounts are billed on system average estimates due to aforementioned reasons. These estimates are either adjusted automatically by the system once</p>		Resolved	

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	In the circumstances, the accuracy of total billing revenue of Kshs.659,981 ,000 could not be confirmed.	we get actual readings or manually through a process flow in the system. The adjustments passed must be accounted for since they affect the billed amount, hence the disclosure of the adjusted figure of Ksh. 40,681,251.			
Variances in Trade and Other Receivables	The statement of financial position as at 30 June, 2021 and the corresponding Note 15 reflects net trade and other receivables balance of Kshs.451,749,000. Included in this balance is Kshs.440,752,000 in respect of water debtors. Further, Note 15(a) to the financial statements. reflects gross trade receivables amount of Kshs.517,323,000 with a provision of Kshs.76,570,000 for bad and doubtful debts. However, the aging analysis provided reflects a balance of Kshs.505,368,000 which differs with the gross trade receivables balance of Kshs.517,323,000 resulting to unreconciled variance of Kshs. 11,955,000. As a result, the accuracy of the trade and other receivables balance of Kshs.451,749,000 could not be confirmed.	The gross figure of Ksh. 517,323,000 excludes the credit/pre-paid customers of Ksh. 11,955,000 hence netting of the two generates the figure of Ksh 505,368,000 which is the total receivables as at 30 th June 2021. Ksh. 11,955,000 is reported as such and disclosed under note 21d as current liabilities, thus treatment being okay.		Resolved	
Non-Disclosure of Water Inventory	The statement of financial position as at 30 June, 2021 reflects an inventory balance of Kshs.33,095,000 which includes pipes and fittings, chemicals and water meters. However, the Management did not disclose the	There is no significant opening and closing water stock as we have a system that is pumping directly to the consumers. Due to the fact that we are not meeting the current demand at 56,000m3 per day			

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	<p>undetermined opening and closing water stocks held in the reservoirs, water treatment plant and in the water system in the financial statements, which should have been a part of cost of sales.</p> <p>In the circumstances, the accuracy and completeness of the inventory balance of Kshs.33,095,000 could not be confirmed.</p>	<p>against the design production of 36,000m³ per day, we do not store any water in our reservoirs or in pipes as it is a continuous and live system. In the unlikely event that we shut down pumping from the main T-works, the water in the pipelines gravitates to consumers as metered water while an insignificant amount may flow back to the T-works pumps.</p>			
<p>Accuracy of the Statement of Cash Flows</p>	<p>The statement of cash flows for the year ended 30 June, 2021 reflects comparative cash and cash equivalents at the end of the year balance of Kshs.19,043,829,000 while the cash and cash equivalent at the beginning reflects Kshs.19,044,000 resulting to unexplained variance of Kshs.19,024,785,000. Further, the statement of cash flows presented does not reflect the section of cash flows from financing activities.</p>	<p>This was an error of omission in that the figure captured on the statement of cash flows as Ksh. 19,043,829 was whole while the figure carried to the statement of financial position of Ksh. 19,043 was truncated, otherwise the two figures were meant to be similar. The latter being the correct one. Ksh.19,043</p>		Resolved	
<p>Lack of Ownership Documents for Motor Vehicles and Motor Cycle</p>	<p>Review of motor vehicles and Motor cycle ownership documents revealed that ownership documents of seven (7) motor vehicles and one motor cycle in the Company's fleet list were not provided for audit review.</p> <p>As a result, the ownership, validity and completeness of motor vehicles and cycles of Kshs.24,333,000 could not be confirmed.</p>		Dr. Moses K. Kinya Managing Director	WIP	

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<p>Lack of Land Ownership Documents</p>	<p>The statement of financial position reflects property, plant and equipment balance of Kshs.315,826,000 as disclosed in Note 13 which includes land valued at Kshs.28,596,000. A review of land documents revealed that, the Company had 30 parcels of land that had no ownership documents. In the circumstances, the completeness and ownership of the parcels of land of Kshs.28,596,000 could not be confirmed.</p>	<p>The land figure of Kshs.28,596,000 represents piece of land procured for Kariminu /Mayhill augmentation project whose ownership is with the company, however for the 30 parcels of land, the company has contracted a legal firm to undertake the registration process to have them under THIWASCO.</p>	<p>Dr. Moses K. Kinya Managing Director</p>	<p>WIP</p>	
<p>Unsupported Creditors and Accruals</p>	<p>The statement of financial position and as disclosed in Note 21 (a) reflects creditors and accruals balance of Kshs.218,014,000. This balance comprises of payables to the defunct Municipal Council of Thika and Athi Water Services Board of Kshs.48,502,827 and Kshs. 169,511 ,521 respectively. However, no documents were provided to support these balances. Further, the payables are long outstanding and the Company did not provide reasons for non-settlement of the payments. In the circumstances, the accuracy and completeness of the creditors and accruals balance of Kshs.218,014,000 could not be confirmed.</p>	<p>The KES 169,511,521 arose from fees that were payable to defunct Athi Water Services Board by THIWASCO for use of the water production and distribution infrastructure. By then Athi Water Service Board were the licensed operators under the Water Act 2002. The enactment of the Water Act 2016 provided for the transfer of the infrastructure to WSPs such as THIWASCO. THIWASCO on its part has historically undertaken continuous maintenance of these assets on the understanding that AWSB, the previous operator, would reimburse them for this expenditure. With both parties owing funds to each other, discussions are underway to explore the possibility of off-setting these debts against each other.</p>	<p>Dr. Moses K. Kinya Managing Director</p>	<p>WIP</p>	

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		On incorporation in 2009, THIWASCO continued to collect refuse collection fees on behalf of defunct Thika Municipality – formerly a function of the department from which it was established. Historical cash-flow challenges and the disruption posed by the transition to the current devolved system of government where the approved tariff of 2016, dropped the aspect of refuse collection. These fees accumulated to KES 48,502,827 as at the transition period which has remained to date. Ongoing discussions between the WSP and the county administrations are in progress on the modalities of potentially off-setting debts owed against each other.			
Unauthorized Borrowing from Customers Water Deposits	The statement of financial position reflects customer deposits balance of Kshs.83,199,000 and as disclosed in Note 21 (b). During the year under review, an internal borrowing from the customer deposits of Kshs.24,875,000 was made. However, the board approval for this internal borrowing was not provided for audit review. In addition, the corresponding cash book balance for customer deposits reflects Kshs.39,804,508 while Note 19 under bank and cash balances reflects Kshs.39,087,000 resulting to unexplained variance of Kshs.2,492. Further, the customers' deposits ledger was not submitted for audit review.	The figure of Ksh.24,875,000 represents balance as at June 2021 on borrowing. Borrowing from customer deposits was approved by the BOD and a No objection letter issued by the Water Services Regulatory Board (WASREB) for procurement of Kariminu/ Maryhill land for augmentation project. Repayment of the borrowed amount is made monthly through a standing order at Ksh. 500,000. The Bank and cash balances for customer deposit stood at Ksh.39,807,000 as disclosed under note 19.		Resolved	

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	In the circumstances, the accuracy and completeness of customer deposits balance of Kshs.83, 199,000 could not be confirmed.	Attached find approvals and copy of the standing order. Annex 1			
Budgetary Control and Performance	<p>The statement of comparison of budget and actual amount reflects final budget and actual on comparable basis of Kshs.707,348,000 and Kshs.728,278,000 respectively resulting to an over-collection of Ksh. 20,004,000 or 3% of the budget. Similarly, the Company spent Kshs.675,202,000 against an approved budget of Kshs.728,278,000 resulting to an under-expenditure of Kshs.53,076,000 or 7% of the budget.</p> <p>The underperformance affected the planned activities and may have impacted negatively on service delivery to the stakeholders.</p>	<p>Budget utilization defines the means by which all planned activities will be delivered and responsiveness in the activities creates the outcome for reporting by the end of the implementation period.</p> <p>The budget is found to have been utilized within the allowable thresholds. i.e >90%<110%, PFM Act, an assurance that, there was No negative impact on service delivery to the stakeholders.</p>		Resolved	
Delayed Project Completion	The Company entered into a contract dated 1 April, 2019 with a construction company to rehabilitate Kangoki trunk sewer project at a contract price of Kshs.27,587,849 for a duration of six (6) months. An extension of time was requested and granted by fifteen (15) weeks through a letter dated 7 December, 2020, to a revised completion date of 15 January, 2021 at no extra cost. An amount of Kshs.20,717,550 was paid as at 30 June, 2021 out of which Kshs.10,698,519 was paid during the year	<p>The amount of Ksh. 20,717,550 had been paid based on measured works.</p> <p>The contract has since been terminated on(Attached termination letter) for non-performance, and a new contractor engaged as per the attached and works are in progress and within time lines.</p>		Resolved	

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	<p>under review. Further, review of documents revealed that the performance bond lapsed on 22 February, 2021 and it has not been renewed, and the project was still incomplete.</p> <p>In the circumstances, value for money, effectiveness and efficiency of the resources spent on the project could not be confirmed.</p>				
Lack of Completion, Inspections and Acceptance Certificates	<p>During the year under review three (3) internally funded projects including upgrading and extension of water supply pipeline at Kisii-landless-Kwa Jomo were awarded to a company at a contract sum of Kshs. 12,863,670. Kshs. 7,780,522 was paid during the year under review. However, no completion and inspection and acceptance certificates and reports were not provided for audit review.</p> <p>In the circumstances, the validity and value for money on the projects could not be confirmed.</p>	<p>Every project is paid for upon measured works carried, inspection and acceptance certificates and reports made by the appointed committee.</p> <p>The certificates were issued as required and herein attached as annex.....</p>			
Non-Revenue Water	<p>During the year ended 30 June, 2021, the Company produced water totaling to 14,083,006 cubic meters (m³) an increase of 3% from previous year production of 13,687,384 cubic meters (m³). The Company's annual consumption was 9,136,825 m³ which is approximately 66% of the total production. However, the Company had no organizational policies and strategies</p>	<p>In regards to NRW, the Company in its approved Five-Year Strategic Plan has addressed non-revenue water reduction in the Strategic Theme No. 1</p> <p>The Strategies we have undertaken include:</p> <ul style="list-style-type: none"> . Instituted a program of preventive maintenance 			

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	<p>in place for managing the levels of non-revenue water of 33% of the total production due to theft, non-functioning water meters and active leakage leading to approximately Kshs.221,100,000 in lost revenue.</p> <p>In the circumstances, the organizational policies and strategies in place for managing the levels of non-revenue water could not be confirmed</p>	<p>. We are in the process of setting up District Metering Areas to cover all our coverage area.</p> <p>. Prompt response to leaks and bursts.</p> <p>. The company has a programe to replace non-functional meters with smart ready ones. During the period 2020 to 2022, the company has replaced 4677 meters at a cost of Ksh.18.7m which has been budgeted for in order to reduce commercial losses.</p> <ul style="list-style-type: none"> • The company has partnered with its stakeholders to report suspected illegal water activities to the company. The company in return rewards confirmed illegal water activities and penalizes the perpetrators as outlined on the tariff. Through this exercise, the company has realized Ksh. 3.3m as at June 2021. 			
<p>Use of Outdated Billing Tariffs</p>	<p>During the year under review, the Company reported water and sewer billing revenue of Kshs.659,980,683. However, the tariffs used was based on a gazette notice of 18 November, 2016 for financial years 2016/2017, 2017/2018 and 2018/2019 As a result, the tariffs in use were outdated. In addition, the license and tariffs were based</p>	<p>The company wrote to WASREB to commence the tariff application process in October 2019.Early in the consequent year, the Covid 19 pandemic hit the country and the tariff application process was hampered. The company wrote to WASREB to allow us use the expired tariffs as we wait for their revision. Whilst the approval process is long and entails public participation, we got the</p>		<p>Resolved</p>	

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	<p>on the Water Act, 2002 which was repealed and replaced with the Water Act, 2016.</p> <p>In the circumstances, the Company's compliance with Water Services Regulatory Board (WASREB) regulations on use of approved tariffs could not be confirmed.</p>	<p>approval for the new tariff and implemented it in December 2021. See attached the gazette extract of the approved tariff</p>			
<p>Lack of IT Strategic Plan and Data Recovery Plan</p>	<p>Review of the Company's Information Technology (IT) controls revealed that the Management was running Enterprise Resource Planning (ERP) applications for customer service, billing and revenue collection, procurement, payroll and financial reporting. In addition, the Company had an approved IT security policy in place, active IT steering committee and training program in place to build IT capacity. However, the following deficiencies were noted: -</p> <ul style="list-style-type: none"> i. There was no IT strategic plan that supports business requirements and ensures that IT spending remains within the approved IT strategic plan. ii. There was no approved disaster recovery plan. iii. There were no policies in place which cover physical access to IT environments. 	<p>The ICT strategic plan is incorporated in the overall company strategic plan however, we are in the process of developing ICT strategy.</p> <p>Disaster recovery plan is incorporated in the ICT policy and we are in the process of developing an elaborate disaster recovery plan policy.</p> <p>Physical access is incorporated in the ICT policy and were in the process of reviewing to enhance it.</p>		<p>WIP</p>	

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Dr. Moses Kinya
Managing Director

Sign.....

Date.....27-02-2023.....

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Appendix II: PROJECTS IMPLEMENTED BY THE COMPANY

Projects implemented by the Company Funded by development partners. - None

STATUS OF PROJECTS COMPLETION (INTERNALLY FUNDED)

	Project	Total project Cost	Total expended to date	Comp lection % to date	Actual	Status
1	Rehabilitation of prestressed concrete water tanks - THIWASCO-001-2020-2021	5,659,895.2	5,659,895.2	100%	5,659,895.2	Complete, DLP ended
2	Refurbishment of water treatment plant and replacement of filter media THIWASCO-001-2020-2021	7,497,544	7,497,544	100%	7,497,544	Complete, DLP ended
3	Upgrade of Thika Water Treatment Plant Rehabilitation Project Phase 1 Works. Raw water inlet works, rapid mixing chamber and replacement of raw water pumps THIWASCO/065/2021-2022	33,483,230	0	10%	0	Rock excavation for the 600 delivery line is complete for 200m. The Contractor has informed the company of a delay in the import of steel for pipes as a result of escalating costs due to the global inflation and supply chain delays. This has been addressed by advising the contractor to source the pipes from ASP Pipe Co. Various pumps and their costs have also been assessed and KSB identified to have suitable pumps.
4	Supply and installation of DMA	3,400,500	0	79%	0	Bulk meters were installed. The strainers did not

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	<p>meters at Gatwanyaga and Witeithie Zones THIWASCO/060/2021-2022</p>					<p>however meet required quality standards. The contractor is in the process of installing the correct valves and strainers.</p>
5	<p>Rehabilitation of Kenya Tanning Biafra Sewer Line THIWASCO/064/2021-2022</p>	7,964,440	5,877,585	100%	5,877,585	<p>Excavation, pipe laying and manhole construction have been completed. Project is in the Defects Liability Period.</p>
6	<p>Construction of Witeithie Sewer Laterals THIWASCO/063/2021-2022</p>	9,288,510	7,574,715	100%	7,574,715	<p>Site handed over to Contractor. Contractor to mobilised to site. Excavation and pipe laying complete, manhole construction completed. Project is in Defects Liability Period</p>
7	<p>Construction of Kiganjo Sewer Laterals THIWASCO/CNTRC T/013/2021-2022</p>	10,000,000	7,356,444	100%	7,356,444	<p>Site handed over to Contractor. Contractor to mobilised to site. Excavation and pipe laying complete, manhole construction completed. Project is in Defects Liability Period</p>
8	<p>Improvement of water supply Landless, Salama & Gatwanyaga Bidco-Engen Pipeline Upgrade THIWASCO/CNTRC T/017/2021-2022</p>	12,066,450	6,614,550	95%	6,614,550	<p>Site handed over to Contractor. Contractor to mobilised to site. Pipes already procured. Wayleave permits acquired. Excavation and pipe laying complete. 1 No. road crossing works completed. Awaiting 1 No. railway crossing works and 1 No. No. road crossing works. Recent floods caused damage to the Contractor's</p>

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						equipment and resulted in stoppage of works/loss of time, request for Extension of Time due was approved to enable the Contractor repair his equipment and complete outstanding works. IPC 01 has been paid. Inspection and Acceptance Committee has recommended payment of IPC 02. Project is in Defects Liability Period.
9	Completion of works for Kang'oki trunk sewer rehabilitation project THIWASCO/CNTRC T/023/2021-2022	4,918,620	0.00	90%	0.00	Site handed over to Contractor. Contractor mobilised to site. Pipes already procured & laying in progress. 1 No. road crossing works done. Interconnection to the existing sewer is pending.

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