

REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

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THE AUDITOR-GENERAL

ON

**THIKA WATER AND SEWERAGE
COMPANY LIMITED**

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





International Financial Reporting Standards (IFRS) Annual Financial Reporting for Financial Year Ended June 2020

THIKA WATER AND SEWERAGE COMPANY LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL
YEAR ENDING JUNE 30, 2020**

**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

THIWASCO is incorporated under the companies Act (Cap. 486) responsible for the efficient and economical provision of water and sewerage services in its area of jurisdiction. It is domiciled in Kenya. Its main place of business is Kiambu County, Thika Sub County

Principal Activities

The principal activity of the Company is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in its area of jurisdiction.

Main Functions of THIWASCO include:

- i) Sourcing of water.
- ii) Treatment and conversion of water,
- iii) Distribution of water,
- iv) Provision of sewerage services.
- v) Billing and revenue collection.
- vi) Infrastructure management.

VISION STATEMENT

THIWASCO vision defines where we want to be in the future, which is:

“Adequate, safe, accessible water and sewerage services for all”

MISSION STATEMENT

The above vision is in line with the mission of THIWASCO, which is:

“Working closely with our main stakeholders, source, conserve, treat and supply adequate quality affordable water and sewerage services within the Thika sub-county and its environs, while ensuring strict adherence to environmental conservation and maintenance, and carefully nurturing and continuously improving our main resource – THIWASCO human resource.”

STRATEGIC OBJECTIVES OF THIKA WATER AND SEWERAGE COMPANY

The following are strategic objectives that THIWASCO aims to achieve:

1. Infrastructure maintenance and development including the state of equipment and technology in use in water and sewerage management.
2. Reduction of water loss through leakage and theft that leads to reduced revenue.
3. Enhancement of water supply and sewerage connections to meet the demand of a growing population.

KEY ENTITY INFORMATION (Continued)

4. Embracing ICT in office management and having an integrated system that interfaces with billing and revenue collection and also financial statements
5. Management of human resource and general organization communication
6. Preparedness to mitigate effects of extended drought
7. Effective customer service.

CORE VALUES

The following are the THIWASCO corporate values:

- (i) Customer focus and satisfaction
- (ii) Integrity
- (iii) Humility
- (iv) Team spirit
- (v) Cost efficiency
- (vi) Community and environmental care
- (vii) Innovation and excellence

Directors

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

- | | | |
|--------------------|--------------------|---------------------|
| 1. Joseph Wakimani | - Chairman | - Appointed in 2015 |
| 2. Lucy Kagume | -Member | - Appointed in 2015 |
| 3. Juma Hemedi | -Member | - Appointed in 2015 |
| 4. Moses K. Kinya | -Managing Director | - Appointed in 2015 |

Corporate Secretary

Otieno Okeyo & Co. Advocates P.O.
Box 9684-00100
Nairobi

Corporate Headquarters

Thiwasco Offices

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

KEY ENTITY INFORMATION (Continued)

Corporate Contacts

Telephone; 0701-053637/0720418444

E-mail: thikawater@yahoo.com
info@thikawater.co.ke

Website: thikawater.co.ke

Corporate Bankers

- Equity Bank
Equity Plaza Branch
Thika Branch

- Cooperative Bank of Kenya
Thika Branch

Independent Auditors

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

Principal Legal Advisers

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

- Otieno Okeyo & Co. Advocates
CMS Africa Building
9th floor, Suite B-1
Chania Avenue, Off Ring Road-Ngong Road, Yaya Centre P.O.
Box 9684-00100
Nairobi.

THIKA WATER AND SEWERAGE COMPANY LIMITED
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THE BOARD OF DIRECTORS

Eng. Joseph M. Wakimani (Chairman)



DOB: 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

publicworks

Lucy W. Kagume (Member)



DOB: 1960

Key Qualifications: -Bachelor of Education

Work Experience

- Principal -Broadways High School
- Principal -Gaturi Gils Sec. School
- Principal -Kiriaini Girls Sec School
- Deputy Principal -Gitugi Girls Sec School
- Teacher Njumbi s High School

Juma Hemedi (Member)



DOB 1977

Key Qualifications-Diploma in project management

-Advanced certificate in business management
-Certificate in IC Key Qualifications-Diploma in project management
-Advanced certificate in business management
-Certificate in IC

Work experience:

-Constituency Coordinator-Election observation group (ELOG)
-Youth Facilitator-Africa youth trust
-First aid instructor/Trainer-Safety and health consultants Ltd, 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

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BOARD OF DIRECTORS Continued

Eng. Moses Kweri Kinya- (Managing Director)



DOB 1968

Key Qualifications

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

Work experience:

- MD-Thika Water and Sewerage Co Ltd
- Senior Eng H.P.Gauff Ingenieure GmbH & Co Ltd
- MD-Mombasa Water and Sanitation Co Ltd
 - MD-Malindi Water and Sanitation Co Ltd

Fredrick Otieno Okeyo- (Company Secretary)



Key qualifications:




- I.I.b. hons, university of Nairobi, 1990
- Diploma, Kenya school of law, 1992

Work experience:

- Position of the firm: Partner
- Years and or months with law firm: 22 years

Membership (and status) in Professional Bodies: member of the law of Kenya, commissioner for oaths and Notary Public

THIKA WATER AND SEWERAGE COMPANY LIMITED
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MANAGEMENT TEAM

<p>Eng. Moses Kweri Kinya</p>  <p>Key Qualifications -Bsc Civil Engineering -MSc Public Health Engineering -MBA Business Administration</p>	<p>Managing Director</p>
<p>Kennedy Kiemo</p>  <p>Key Qualifications -Bsc. Civil Engineering</p>	<ul style="list-style-type: none"> ▪ Chief Manager, Technical Services
<p>Jeremy Mathenge Beru</p>  <p>Key Qualifications- CPA(k), BCom</p>	<ul style="list-style-type: none"> ▪ Chief Manager, Commercial services.

MANAGEMENT TEAM (Continued)

<p>Rosemary Wamaitha</p>  <p>Key Qualifications- CPA(K), BCom</p>	<ul style="list-style-type: none"> ▪ Chief Manager, Finance.
<p>Albert Maingi</p>  <p>Key Qualifications- CPA(K), CISA, MBA Accounting, BAM</p>	<ul style="list-style-type: none"> ▪ Chief Manager, Internal Audit.
<p>Elaine Wanjiku Ngugi</p>  <p>Key Qualifications-Diploma in Law, B-Com HR, Msc-HR</p>	<ul style="list-style-type: none"> ▪ Corporate Manager.
<p>Irene N. Ndirangu</p>  <p>Key Qualifications- Bcom-HR, MBA-HR</p>	<ul style="list-style-type: none"> ▪ Human Resource Manager.

CHAIRMAN'S STATEMENT

On behalf of the Board, I am encouraged with the performance of THIWASCO for the financial year 2019/2020. The integrity, responsiveness and sheer determination of the company and its employees was integral in meeting water and sewerage services needs of our people. The efforts of the company are reflected in the financial results for the 12-month financial period ending June 30, 2020. The company was able attend to all its financial requirements and obligations in meeting its stakeholders' expectations amidst the world pandemic (Covid-19) and the heavy rains within the year. The company continued to achieve key performance indicators as stipulated by the regulator (WASREB) benchmarks. Income generated stood at Ksh.660m, with the production of water being 13,670,384m³, water sold in volume 10,078,002m³ and NRW stood at 26%

The greatest desire of THIWASCO is the improvement of access to water and sewerage services to the residents of Thika sub-county and its environs. Currently, water demand continued to outstrip supply hence necessitating the continuation of rationing programme. The company in its effort to meet the mandate has put plans with a view of increasing the water supply which includes;


1. Proposed Thika Water Augmentation Project – Karimenu-Maryhill Waterworks funded under the Water & Sanitation Development Project (Performance Based Financing) by World Bank through Water Services Regulatory Board (WASREB). This will increase supply by 15,000 m³/day. Procurement of Design Review and construction Supervision Consultant is at advanced stage with technical evaluation of the consultant's proposal submitted to the bank for no-objection.
2. Rehabilitation and upgrade of the existing water works including but not limited to replacement of the electromechanical units at both high and low lift pump station, rehabilitation and installation of inclined settlers at treatment works to increase throughput by about 5,000 m³. The works are to be funded through Aid on Delivery (AoD), a WASTF programme under KfW funding providing 50% subsidy. Further progress is awaiting feedback from WSTF.
3. Efficiency Improvement Project to be funded through Kenya Pooled Water Fund and aimed at increasing efficiency of the existing system mainly by construction of a mini-hydropower at the Chania falls and District Area Metering. Detailed design of the project is complete with grant through SNV. Project progress is hampered by governance issues on Board composition.
4. Thika and Githunguri Water and Sanitation Improvement Project The project is being implemented by the Government of Kenya through Athi Waterworks Development Agency. Feasibility study with a grant from DANIDA Business Financing has been conducted with draft report submitted. The project aims to specifically improve sewerage services on northern part of Thika and rehabilitation and upgrade of existing water and sewer systems. Once the project is implemented Thika will have over 80% sewerage coverage and an addition 20,000m³/day water production.
5. In an effort to improve customer service delivery the Board did approve the implementation of cashless payment mode in the company effective July 2019 and online-payment effective April 2020. In addition, the Board has increased the fleet of vehicles and motorcycles that will improve efficiency of the operation and maintenance team thereby improving service delivery
6. The Board has also implemented several water extension and sewer upgrade projects with internally generated funds. A total of 38.36 Km of Water pipeline was laid by use of Contractors and in-house works. A total of 8.069 Km of sewer pipelines were laid during the year through the NAMSIP Project and the company funding.

THIKA WATER AND SEWERAGE COMPANY LIMITED
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The Board also considers its Human Resource as one of the most valued assets in achieving its strategic objectives and has ensured continuous staff training and development with all staff undergoing refresher courses during the year in their respective profession.

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.

Each new day offers us a chance to work together, pursue new opportunities and improve upon the past.



.....
Eng, Joseph Wakimani

Chairman

REPORT OF THE CHIEF EXECUTIVE OFFICER

As the water sector continues to grow, each new day is an opportunity for all the stakeholders to partner in pursuit of new opportunities as we improve on the challenges of the past. As we reflect on the changes witnessed in the water sector since incorporation of THIWASCO, we are proud of the achievements made thus far and we are even more optimistic about the future.

The company's production declined by 8.89% as compared to the previous year. This decrease was attributed to the prolonged rains leading to high turbidity, siltation and frequent pump breakdowns. Water produced stood at 13,670,384 from 15,004,653 in the previous year

The annual consumption reduced by 8.8% to 10,078,002m³ compared to 11,048,079 m³ in the previous year. The Non-Revenue water was 26%.

The company's main challenges include old and dilapidated water and sewerage infrastructure, inadequate water production and waste water treatment capacity that does not meet demand, high electricity and chemical costs and low sewerage coverage. These challenges are being addressed by pursuing implementation of strategic projects aimed at addressing the challenges. Several projects in this regard are at development stages and include on-going construction of sewerage works for the southern drainage system of Thika, proposed Karimenu-Maryhill water supply project, 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 operation 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. These measures that are in the implementation process through internal funding include:

- Rehabilitation and improvement of water treatment works.
- Water supply Pipeline at Ndula- Kilimambogo -Maguguni -Ngoliba water project.
- Construction of additional laterals in NAMSIP areas -Kiganjo.
- Construction of additional laterals in NAMSIP areas -Witeithie.
- Construction of sewer line at Kisii Stepping stone area.
- Procurement of additional operations motorbikes.
- Construction of office block.

A total of 38.362 Km of water pipeline were laid during the year using internally generated funds that enable us extend coverage to an additional estimated population of 8700 people. In addition, 8.069 km of sewer pipeline were laid through the NAMSIP Project as well as through company revenue that has enabled coverage in Ngoingwa, Kiganjo and Witeithie areas.

The management has also among others things put in place measures to maintain NRW below the sector benchmark of 25%.

We therefore appeal to our shareholders, customers and stakeholders for support and also assure them the company is strong and sustainable. As management we are making every effort to bring the company to sustainable levels and improved service delivery guided by the initiatives that we have consolidated in our revised strategic plan, we are confident of a better future.



Moses Kinya
Managing Director

CORPORATE GOVERNANCE STATEMENT

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

Governance Principles

- a) The composition and size of the Board provide a diversity of gender, competencies and skills required for the effective leadership of the organization. It is supposed to consists of 9 members.
- b) The Board provides strategic direction to the organization, exercises control and remains accountable to shareholders.
- c) The Board ensures that Board members are inducted and that their skills and knowledge are continually developed to enhance effectiveness.

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, Kiambu County Government, National Government, Water Services Regulatory Board, Water Resources Management Authority and other stakeholders.

The Directors and Management of THIWASCO regard corporate governance as vital to the successes of the company and are unreservedly committed to ensuring that good corporate governance is practiced so that THIWASCO remains a sustainable and viable institution for providing water services in County Government of Kiambu municipality and its environs.

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. 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 and international standards 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 Sub-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. Expert for direction and guidance on general policy, the Board has delegated authority for conduct of day business to the Managing Director. The Board nonetheless retains oversight responsibility for establishing and maintaining the control of financial operational and compliance issues.

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 of the Board in discharging its duties and responsibilities.

FINANCE AND ADMINISTRATION COMMITTEE

This committee deals with Strategic, Financial, Commercial, procurement Human Resource, Administrative and ICT issues. It meets at a minimum of four times a year or as necessary. Its membership comprises; ***Lucy W. Kagume (Chairman), Juma Hemedi. and Joseph M. Wakimani.*** Its responsibility includes, reviewing of periodical financial reports, reviewing development, provision of performance contracts and Recurrent Budgets, opening and closure of bank accounts recommendation of Board's Strategic Plan, Procurement Plan and all staff matters.

TECHNICAL COMMITTEE

The committee deals with all operational and planning related issues which are technical in nature. The membership comprises: ***Lucy W. Kagume (Chairperson), Joseph M. Wakimani and Juma Hemedi.*** Its responsibility includes 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 reticulation system and to improve efficiency in water production and distribution including sewerage network.

AUDIT COMMITTEE

The Board has constituted an audit committee which meets four times a year or as necessary. Its membership comprises ***Juma Hemedi (Chairperson), Joseph M. Wakimani and Lucy W. Kagume.*** 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 report from the Chief Manager, Internal Auditor.

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CORPORATE GOVERNANCE STATEMENT (Continued)

NUMBER AND NATURE OF MEETINGS HELD IN THE FINANCIAL YEAR 2019/2020

NO.	NATURE	FREQUENCY (No. of Times)
	FULL BOARD MEETINGS	
A	Regular Full Board meetings	
	Other meetings attended by all Board members	
B	Special meeting	3
C	Board retreat	
	Sub- total	3
	COMMITTEE MEETING	
	Regular committee meetings	
A	Finance and Administration Committee	5
B	Technical committee	4
C	Audit Committee	4
D	Special Committee meetings	
1	Board training on corporate Governance	
2	Adhoc meeting attended by members	
	Sub-total	
	Grand total on No. of meetings held	16

MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

Company's operational and financial performance

Water production reduced slightly by 8.89% due to prolonged rains leading to high turbidity, siltation and frequent pump breakdowns hence low production. Comprehensive desilting of the intake works at Chania river and Thika River respectively were carried out aimed at production normalization.

Overall Chemical usage increased slightly due to the poor quality of water from the Chania & Thika river. However, the quality of treated water was still maintained.

Non-revenue water increased slightly from 25% in 2018-2019 to 26% in 2019-2020.

Supply fails, Pipe Burst & sewer blockages were attended as reported.

On internally Funded Projects, projects launched in the financial 2018-2019 had been successfully implemented except a few that took long than anticipated due to prolonged rains causing floods and cessation of movement due COVID-19 pandemic. Projects planned for 2019-2020 were suspended due to cash flow constraint caused by effects of the Covid 19 pandemic.

County Government of Kiambu did intervene on the issue of water provision in Witeithie Kibute-Maraba areas where RUJIWASCO had encroached in THIWASCO's service area. In this regard a committee was constituted between THIWASCO and RUJIWASCO to harmonize customers and thereafter agree on modality of supplying THIWASCO with bulk water.

Likewise, the company is in dialogue with Gatundu Water and Sanitation Company on supply of bulk water to serve Karibaribi area residents. The company is in the process of designing and installation of the new pipeline.

Challenges

1. water production failing to meet the demand.
2. Increased private borehole developers who laid pipelines illegally, damaging our pipelines and proceeded to connect customers.
3. Encroachment by private developer in our water and sewer wayleaves.
4. High turbidity during rainy season.
5. Vandalism of water and sewerage infrastructure
6. Frequent damages of sewer and water Infrastructure by road, fiber cable and KPLC contractors.
7. Frequent power outages.
8. Flooding of Thika river intake that submerged our pumps leading to damaged motors.
9. Siltation of our intakes leading to wearing pump parts and as a result low water production.
10. Old dilapidated pipeline networks along the CBD, prone to damages.

Opportunities

- Good geographical location.
- Good public goodwill.
- High demand for water and sanitation services.
- High population growth rate within our catchment
- Good regulatory environment
- Improve in response time to leaks and blockages due to mobilization of the O&M teams through acquisitions of new pickups.

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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 2019/2020
1	Collection Efficiency (%)	>90	90%
2	O + M Cost Coverage (%)	>100	>100
3	Staff Productivity - staff per 1000 connections (Nr)	<6	5
4	Metering Ratio (%)	100	100
5	Personnel Expenditure as percentage of O&M Costs (%)	<30	46

SECTION B

Company's compliance with statutory requirements

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

SECTION C

KEY PROJECTS AND INVESTMENT DECISIONS THE ENTITY IS PLANNING/IMPLEMENTING

- Dam construction & treatment works /15,000m³ p.d to boost water supply at kariminu-Mary hill area
- Thika 3A water project that intends to construct a dam across Thika river with a raised intake under the Danida project.
- Efficiency Improvement Project, Construction of Boreholes and Laying of Water Pipelines along Karibaribi and Witeithie -Malaba area.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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.

The other risk is existence of THIWASCO as a different entity as a result of possibility of amalgamation with other WSP's within the county.

SECTION E

Material arrears statutory in /financial obligations

The company has outstanding arrears to;

- County Government of Kiambu
- AWSB
- KRA

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Corporate Social Responsibility herein also referred to as Corporate Social Investment, refers to organizations embracing responsibility for their actions and participating in activities that bring positive impacts to the environment, in which they operate, the consumers, employees, communities, general members of the public and all the stake holders. It involves proactively promoting the public stakeholder interests, and eliminating any practices that may harm the public. The decision maker puts into consideration the impact of the organization activities to the people, the environment and their profits. Businesses have to act ethically to gain positive public image.

Employee Welfare

The company is guided by human resource manual which highlights the process of recruitment. The vacant positions are advertised both internally and externally to allow competitive selection of best candidates.

- Gender ratio as provided by the WASREB guidelines are adhered to.
- Improvement of staff competence is key in an effort to maintain good service delivery
- Stakeholder's engagements are frequently conducted with aiming at improving good service delivery.
- A draft policy on Organizational Safety and health (OSHA) is in place.

Market place practices

(a) Responsible competition practice.

- Strictly adherence to procedures and guidelines stipulated in the PPADA act 2015; for use of various methods of procurement. The company mainly uses open tendering method of procurement through advertisement in the local gazettes inviting eligible bidders to participate. Bidders are scrutinized using an evaluation criterion contained in the bidding documents. The bidder/bidders who satisfies set criteria is recommended for award as the most responsive lowest evaluated bidder.
- Maintaining confidentiality of information contained in the bidders submitted bid documents.

(b) Responsible supply chain and supplier relations

- Continuous monitoring and evaluation of supplier's performance
- Inspection and acceptance of goods, works and services without delays.
- Timely and prompt payments of supplier's invoices; usually one month after deliveries are made
- Choosing the right suppliers-this is done through user's departments giving proper specifications
- Build good rapport with suppliers
- Communicating regularly like when following up orders
- Showing loyalty to our suppliers

Community engagement

1. Public participation meetings held from the month of July-November ,2019.

The meetings were held in the following areas:

- Kiganjo
- Landless
- Witeithie
- Tora
- Salama
- Gatwanyaga
- Salama
- Ngoingwa

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CORPORATE SOCIAL RESPONSIBILITY STATEMENT (Continued)

This was to sensitize customers in the aforementioned areas on;

- Completion of projects for water and sewer extension.
- Encourage them to apply for connection of water and sewerage services.
- Requirements for application of water and sewerage services
- How to query bills using USSD code
- Cashless Mode of payments for all the services.
- Water saving tips
- Ongoing projects
- Water saving tips
- Rationing program

2. Water clinic: 26th&27th September,2019.

During the water clinic week, we facilitated water clinic at Starehe grounds to sensitize our customers on how to use USSD Code, current water rationing program, water saving tips, cashless modes of payment and ongoing projects. This enabled the community to understand how the USSD code and current rationing program works how to use water sparingly.

Taking services closer to the community where their complaints are handled instantly by our customer care officers.

Charitable donations and activities

• **Donating of Thiwasco bottled water**

Donated Thiwasco brand bottled water to National Government through local administration on **Mashujaa day and Jamhuri day celebrations** to Thika east and Thika west county commissioner 10 cases each

- Donated 10 cases of Thiwasco bottled water to PSV Safety Awards Program and 12 cases to the **TDBA.**

• **Golf Tournament Co-Sponsorship**

Co-sponsored two (2) charity golf tournaments at Thika Sports club, with Kshs.150,000/= &Kshs.50,000/- respectively. Customer service staff Exhibited our services during the tournament day. Donated 10 cases of bottled Thiwasco brand water for each tournament.

- **Forest Tree Planting challenge- 28th November 2019**

We participated in the forest tree planting challenge at Kereita forest in Limuru, whose aim was to impact greatly in the community through tree planting. We participated in tree planting exercise, donated Kshs.47,500/- for seedlings and successfully completed the 8km challenge. All participants were awarded with certificates.

- **Annual customer service week -September 2019.**

This is an international, annual activity. Facilitated customer service week at our main office, victory Plaza, Huduma Centre and our other offices at Gatuanyaga, Witeithie, and Kilimambogo offices. Various gifts and pleasantries were given to the customers. Community Sensitization on cashless transition and new modes of payment of bills was also done.

- **Thika Technical Trade Fair.**

Donated 20 cases of Thiwasco brand bottled water and Kshs.50,000/-, our customer care staff exhibited our services to the public for three days.

Rehabilitation of water fountains.

Eight (8) of the water fountains rehabilitated within the Thika C.B.D From the month of February to March 2020, as listed below:

1. 2 at Mama Ngina Gardens
2. 1 opposite former Barclays Bank

THIKA WATER AND SEWERAGE COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2020

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (Continued)

3. 1 outside Nelleon centre
4. 1 at main stage
5. 1 at Jamhuri Market
6. 2 at Thika level 5

All water fountains are now operational, metered and their bills catered for by the CSR budget.

Benefits of the water fountains to the community.

- Our stakeholders and the local community members have access to clean safe drinking water at no cost.
- The water fountains are essentially being used as hand washing points especially during this Covid 19 pandemic period to promote personal hygiene to reduce the spread of the disease.
- As a public health measure, access to free clean water for drinking reduces the risk of water borne diseases which are common in the community.

Covid -19 Hand wash program

This program was initiated in March 2020, to implement measures to help in reducing the risk of spread of the Novel Covid-19 disease. A committee was appointed by the Managing Director to oversee implementation of various activities. This is ongoing. It mainly involves:

- The company partnered with various stakeholders namely; Bidco Africa, Equity Bank, AWWDA, Broadways, Cap well Industries, Chania Sacco, Tsavo Merchants, B.A.T; to donate water tanks and handwash soaps. 90 operational handwash points placed at strategic public points such as bus terminus & market places were installed.
- Supplying free water in our installed 90 public handwash points to reduce the spread of the novel Covid -19 and other waterborne diseases such as Cholera through encouraging proper hygiene behaviors through handwashing.
- Thiwasco staff were also trained on preventive measures against Corona Virus at the work place by **MOH**.
- Implementing measures to reduce the risk of the spread of the Novel Covid-19 disease amongst our staff and customers. All our working stations are being fumigated, using thermo guns to check body temperature, using sanitizers and hand washing. Our customers have been advised to reduce visits to our offices and alternatively contact us through our phone lines and email address.

FUTURE PLANS.

- Donating water tanks for handwash in schools once they reopen.
- Face lifting of various Public schools.
- Plans to continue with our Annual tree planting program with a target of 5000 trees.
- Continue providing our services closer to the people through water clinics and public participation programs quarterly.
- Branding of water kiosks in low income areas and building new ones.
- Clean up activities within our area of jurisdiction
- Participate in the Annual forest challenge
- Participating in marathon e.g. Ndaka-ini marathon

REPORT OF THE DIRECTORS

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

Principal activities

The principal activities of the entity are to ensure efficient and sustainable provision of quality and affordable water and sewerage services in its area of jurisdiction.

Main Functions of THIWASCO include:

- i) Sourcing of water.
- ii) Treatment and conversion of water,
- iii) Distribution of water,
- iv) Provision of sewerage services.
- v) Billing and revenue collection.
- vi) Infrastructure management.

Results

The results of the entity for the year ended June 30, 2020 are set out on page 24-52

Dividends

The directors do not recommend the payment of dividends within the financial year ended June 2020.

Directors

The members of the Board of Directors who served during the year are shown on page 6.

Auditors

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

By Order of the Board

.....
Company Secretary

Date:


STENO OKEYO & CO.
Advocates
P. O. Box 9684 - 00100
NAIROBI

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of THIWASCO's financial statements, which give a true and fair view of the state of affairs of THIWASCO for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes:

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

The Directors accept responsibility for THIWASCO's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that THIWASCO's financial statements give a true and fair view of the state of THIWASCO transactions during the financial year ended June 30, 2020, and of THIWASCO's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for THIWASCO, which have been relied upon in the preparation of THIWASCO's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

THIWASCO's financial statements were approved by the Board on ^{26th} April 2021 and signed on its behalf by:

Director

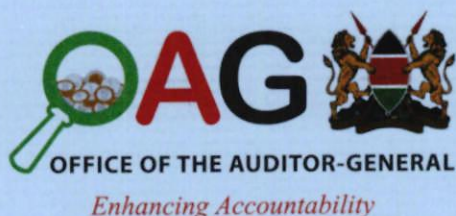


Director



REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THIKA WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

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 24 to 56, which comprise the statement of financial position as at 30 June, 2020 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects 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, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Water Act, 2016.

Basis for Qualified Opinion

1. Doubtful Trade and Other Receivables

The statement of financial position as at 30 June, 2020 reflects trade and other receivables balance of Kshs.464,720,688 and as disclosed in Note 12 (a) and (b) to the financial statements. The balance includes an amount of Kshs.137,668,310 described as inactive.

Although the recoverability of these debts is uncertain, the provision for bad and doubtful debts of Kshs.81,991,886 and Kshs.15,883,719 made in the financial statements appears inadequate.

Consequently, the accuracy and recoverability of trade and other receivables balance of Kshs.464,620,688 as at 30 June, 2020 could not be confirmed.

2. Unconfirmed Customers' Water Deposits

The statement of financial position reflects customers' water deposits balance of Kshs.94,259,071 as at 30 June, 2020. However, the bank account held at Co-operative Bank in respect of the customer water deposits reflects a balance of Kshs.1,591,551 and short-term deposits of customers' deposits of Kshs.54,500,000, all totaling to

Kshs.56,091,551. The variance of Kshs.38,167,520 constitute money spent by Management without authority from Athi Water Services Board and which had not been refunded to the account as at 30 June, 2020. It was also noted that the Company had neither a documented policy nor written guidelines on borrowings from customers' deposits account.

In view of the irregular application of the customer deposits, the Company will not be able to pay the water consumers when their liabilities crystalize.

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 audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness of 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. Long Outstanding Liabilities

The statement of financial position as at 30 June, 2020 reflects creditors and accruals balance of Kshs.218,014,348 and as disclosed in Note 19 (a) to the financial statements which comprises lease fees amounting to Kshs.169,511,521 owed to Athi Water Services Board and Kshs.48,502,827 owed to Defunct Municipal Council of Thika which had not been remitted as at 30 June, 2020. No satisfactory explanation was provided for non-settlement of the long outstanding liabilities.

2. Expired Water Tariffs

The statement of profit and loss and other comprehensive income reflects billing revenue of Ksh.649,542,840, and as disclosed in Note 6 to the financial statements which relates to water sales during the year ended 30 June, 2020. However, a review of water charges for the year under audit revealed that the Company was utilizing a water tariff structure gazetted on 18 November, 2016 which expired in the financial year 2018/2019.

In addition, the license and tariffs were based on the Water Act, of 2002 which was repealed and replaced with the Water Act, 2016. Management did not provide evidence of steps being taken to regularize the water tariffs.

3. Non-compliance with the Water Services Regulatory Board (WASREB) Regulations

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.290,923,013 for the year 30 June, 2020 representing about 45% of the total expenditure of Kshs.645,124,075, which is higher than the recommended ratio of 30% in accordance with the WASREB guidelines. The excess personnel costs may negatively impact on the Company's profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable level.

In the circumstances, the Management is 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 processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015 and for maintaining effective internal control as the 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 assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, the 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 the 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2019/2020	2018/2019
REVENUE		Ksh	Kshs
Billing	6	649,542,840	752,941,594
Other income	7(a)	10,792,642	10,911,878
TOTAL REVENUE		660,335,482	763,853,472
OPERATING EXPENSES	8		
Administration Costs	(a)	115,486,038	106,768,626
Board expenses	(b)	6,491,396	6,967,352
Staff Costs	(c)	290,923,013	333,706,134
Operational and Maintenance	(d)	220,538,185	242,151,317
General expenses	(e)	11,685,443	12,196,675
TOTAL OPERATING EXPENSES		645,124,075	701,790,104
Earnings before Interest and Tax		15,211,407	62,063,368
Income tax expense (30%)	9	4,563,422	18,619,010
Profit after tax		10,647,985	43,444,358
Add: Interest from FDA	7(b)	3,609,863	-
Profit after Interest and tax		14,257,848	43,444,358

THIKA WATER AND SEWERAGE COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2020

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

ASSETS		2019/2020	2018/2019
NON-CURRENT ASSETS	NOTES	KSH	KSH
Property, Plant and Equipment	10	273,910,786	245,922,314
TOTAL NON-C. ASSETS		273,910,786	245,922,314
CURRENT ASSETS			
Inventory	11	21,936,728	21,603,873
Trade and other receivables	12	464,720,688	460,647,503
VAT recoverable	13	14,341,794	14,341,794
Deposits & prepayments	14,15	73,124,324	50,231,808
Cash & Bank balances	16	19,043,829	(10,476,857)
TOTAL CURRENT ASSETS		593,167,364	536,348,121
TOTAL ASSETS		867,078,150	782,270,436
FINANCED BY:			
Share Capital	17(a)	100,000	100,000
Capital reserve	(b)	223,237,227	223,237,227
General Reserve	(c)	63,604,881	88,357,683
TOTAL EQUITY		286,942,108	311,694,910
NON-CURRENT LIABILITIES			
Creditors & Accruals	19(a)	218,014,348	218,014,348
Customers water Deposits	(b)	94,259,071	86,386,571
CURRENT LIABILITIES			
Creditors and accruals	(c)	149,748,020	60,420,882
Provisions	(d)	118,114,603	105,753,725
TOTAL LIABILITIES		580,136,042	470,575,526
TOTAL EQUITY & LIABILITIES		867,078,149	782,270,436

The financial statements were approved by the Board on ^{26th} April 2021 and signed on its behalf by:

Chairman of the Board
Eng. Joseph M. Wakimani

Managing Director
Moses Kirya

Head of Finance
Rosemary Kinuthia (CPAK)

Sign.....

Sign.....

Sign..... 8680

• STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

<i>Balance as at 1st July 2018</i>	<i>100,000.00</i>	<i>34,971,036</i>	<i>223,237,227</i>	<i>258,308,263</i>
<i>Prior year Adjustment</i>		<i>9,942,289</i>		<i>9,942,289</i>
<i>Surplus for the period</i>		<i>43,444,358</i>		<i>43,444,358</i>
<i>Balance as at 30 June 2019</i>	<i>100,000.00</i>	<i>88,357,683</i>	<i>223,237,227</i>	<i>311,694,910</i>
<i>Balance as at 1st July 2019</i>	<i>100,000.00</i>	<i>88,357,683</i>	<i>223,237,227</i>	<i>311,694,910</i>
<i>Prior year Adjustment</i>		<i>4,545,296</i>		<i>4,545,296</i>
<i>Prior year Adjustment</i>		<i>(43,555,946)</i>		<i>(43,555,946)</i>
<i>Surplus for the period</i>		<i>14,257,848</i>		<i>14,257,848</i>
<i>Balance as at 30 June 2020</i>	<i>100,000.00</i>	<i>63,604,881</i>	<i>223,237,227</i>	<i>286,942,108</i>

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

		2019/2020	2018/2019
	Notes	Ksh	Ksh
Cash generated from/ (used in) operations	20	81,037,442	42,249,406
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	-51,697,904	-81,234,389
Proceeds from disposal of property		185,400	-
Net cash generated from/ (used in) investing activities		-51,512,504	-81,234,389
	-		
Increase/(decrease) in cash and cash equivalents		29,520,688	-38,984,983
Cash and cash equivalents at beginning of the year		-10,476,859	28,508,125
Cash and cash equivalents at end of the year		19,043,829	-10,476,859

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

		Annual Approved budget	Adjustments	Supplementary budget	Actual on comparable basis	Performance difference	Variance
		2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	(%)
Notes	Revenue	Kshs ('000')	Kshs ('000')	Kshs ('000')	Kshs ('000')	Kshs ('000')	
1	Billing revenue	828,589	(127,542)	701,047	649,543	(51,504)	-7%
2	Other income	8,936	3,720	12,656	14,402	1,746	14%
	Total income	837,525	(123,822)	713,703	663,945	(49,758)	-7%
	Expenses						
3	Staff costs	329,133	(34,489)	294,644	290,923	3,721	1%
4	Administration Costs	81,438	(11,426)	70,012	115,485	(45,474)	-65%
5	Board Expenses	10,346	(3,346)	7,000	6,491	509	7%
6	Operational Costs	269,943	(2,627)	267,316	220,538	46,778	17%
7	General Expenses	16,366	(2,080)	14,286	11,685	2,601	18%
9	Income tax expense				4,563	(4,563)	
	Total expenditure	707,226	(53,968)	653,258	649,687	3,571	1%
	Surplus for the period	130,299	(69,854)	60,445	14,258	46,187	76%
	Investments	130,326	(70,036)	60,290	51,698	8,592	14%

Note	Description
2	Other income increased by 14% due to increased sewer connection network after completion of NAMSIP Project, Interest earned on FDA and donations received on Pandemic mitigations.
4	Administrative expense increased by 65% from the final budget due to Provision of doubtful debts, Receivables written off (specific debts) during the year and also the depreciation (Non -cash) cost on assets.
5	Board expenses declined by 7% from the final budget due to delay in filling of board of director's positions.
6	Operational costs declined by 17% due to delayed rehabilitation and improvement of water treatment works and also delayed rehabilitation of sewerage treatment works and disposal points.
7	Cost of general expense decreased by 18% due to few CSR activities contributed by COVID-19 outbreak.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Thika water and sewerage company Ltd, is established by and derives its authority and accountability from PFM Act. THIWASCO is wholly owned by the Kiambu County Government of Kenya and is domiciled in Kenya. The principal activity of THIWASCO is to ensure efficient and sustainable provision of quality and affordable water and sewerage services in its area of jurisdiction.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. 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 THIWASCO's accounting policies.

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

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

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

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

IFRS 16: Leases

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

ii) Early adoption of standards

THIWASCO did not adopt any new or amended standards in the year 2020.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to THIWASCO and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of THIWASCO's activities.

- i. **Revenue from the sale of goods and services** is recognized in the year in which THIWASCO delivers services to customers/consumers, Meter readings carried out and billed for units consumed.
- ii. **Grants from National Government** are recognized in the year in which the *entity* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii. **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in the comprehensive income statement on a time proportion basis using the effective interest rate method.
- iv. **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v. **Other income** is recognized as it accrues.

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

e) Intangible assets

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

f) Amortization and impairment of intangible assets

Amortization is calculated on the reducing balance method over the estimated useful life of computer software of three years.

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

g) Finance and operating leases

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

amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset. All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

h) Inventories

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

i) 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.

j) Taxation

Current income tax

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

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Taxation (Continued)

Deferred tax (Continued)

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.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and cash at bank.

Bank account balances include amounts held at the Company's Bank accounts at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

l) Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

m) Trade and other payables

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

n) Retirement benefit obligations

THIWASCO operates a defined contribution scheme for all full-time employees. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 15% of basic pay plus house allowance, per employee per month.

o) Provision for staff leave pay

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

p) Budget information

The original budget for FY 2019-2020 was approved by the Board of directors in February 2019. 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 THIWASCO upon receiving the respective approvals in order to conclude the final budget. The need to review the budget was necessitated by need to cut down on non-essential spending and redirect expenditure to stabilization of the operations against by backdrop of an anticipated economic downturn resulting from the Covid-19 pandemic.

THIWASCO'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. 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.

q) Comparative figures

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

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of THIWASCO'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.

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. THIWASCO 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 THIWASCO. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6	BILLING/REVENUE	2019/2020	2018/2019
		Ksh	Ksh
	Water sales	649,542,840	752,941,594
	Total water sales	649,542,840	752,941,594
7(a)	OTHER INCOME		
	Sewer Connection charges	3,792,000	615,000
	Other Miscellaneous Income	6,121,395	10,296,878
	Donations for COVID-19	770,000	
	Gain on disposal	109,247	
	Total Other income	10,792,642	10,911,878
	Total Revenue	660,335,482	763,853,472
7(b)	Interest from Fixed Deposit Account	3,609,863	-

8(a)	ADMINISTRATION COSTS	2019/2020	2018/2019
		ksh	ksh
	Office rent	1,752,071	1,538,780
	Publishing, Printing and Stationery	2,897,294	3,909,277
	Postal Expenses/Bulk sms	1,268,080	969,030
	Telephone expenses	1,313,770	1,055,500
	Audit fees	421,080	421,080
	Workshop and conferences	1,581,200	3,855,688
	Legal and Professional fees	7,416,497	6,897,535
	Advertising and publicity Expenses	1,486,068	1,626,066
	License renewals	408,958	1,080,163
	Insurance	3,649,737	2,940,591
	Travel expenses-Mileage	372,951	770,803
	Travelling and Accommodation -Local	5,841,603	10,851,988
	Travelling and Accommodation -External	3,476,413	4,614,292
	Staff team building	12,500	3,627,018
	Computer Stationery & Accessories	462,035	2,244,050
	Depreciation	23,528,285	17,456,597
	Bank Charges & commissions	1,161,871	588,925
	General expenditure and office Entertainment	4,113,956	4,821,596

THIKA WATER AND SEWERAGE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

COVID-19 Measures	1,583,665	-
Security	10,879,156	10,837,724
HIV Prevention Programme	-	385,823
OSHA Programme	391,750	667,547
Staff uniforms	939,360	2,346,946
Computer repair & maintenance	135,940	455,520
Internet expenses	4,992,333	4,915,759
Enterprise risk management	1,380,000	-
bad debts written off)	20,230,379	-
Increase in provision for debtors	2,679,341	17,890,328
Provision for receivables-wsp	11,109,745	-
Total Administrative costs	115,486,038	106,768,626

b)	BOARD EXPENSES	2019/2020	2018/2019
		ksh	ksh
	Board Allowances & expenses	5,531,396	6,007,352
	Honoraria	960,000	960,000
	Total	6,491,396	6,967,352
c)	STAFF COSTS	2018/2019	2018/2019
		Ksh	Ksh
	Salaries and Allowances	220,987,433	208,254,528
	subsistence allowance	6,525,866	7,241,312
	Pension Employers contribution	22,533,008	19,308,334
	N.S.S.F Employers contribution	317,400	366,800
	Final/Terminal dues	1,328,670	3,213,237
	Provision of Service pay	8,409,467	56,943,082
	Staff welfare	457,393	502,300
	Medical expenses	9,287,515	14,351,351
	Casual wages and interns	3,220,960	2,873,548
	Performance Bonus	2,945,774	2,565,316
	Gratuity	8,664,577	5,458,314
	Staff Training Expenses	6,244,950	12,628,012
	Total staff cost	290,923,013	333,706,134

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d)	OPERATION AND MAINTENANCE COSTS	2019/2020	2018/2019
		Ksh	Ksh
	Rehabilitation of old sewerage pumping station	-	96,000
	Repairs & maintenance Building & stations	2,254,026	1,051,667
	Motor vehicle Operating Expenses	7,872,509	12,267,439
	Electricity	118,624,482	122,461,334
	Chemicals	20,376,119	25,621,429
	Water meters	10,989,940	11,905,371
	Abstraction fees to WRMA	5,632,000	5,908,000
	Sewer discharge levies-NEMA	100,000	805,000
	Regulatory fee to WSREB	26,381,550	23,935,999
	Standards levy (KEBS)	131,908	157,724
	Pipes & fittings	16,532,724	25,715,262
	Maintenance other tools & equipment	1,250,159	4,992,963
	Repairs & maintenance plant, machinery & equipment, pumps	10,289,615	7,233,129
	water testing analysis	103,153	
	Total operational Costs	220,538,185	242,151,317

e)	GENERAL EXPENSES	2019/2020	2018/2019
		Ksh	Ksh
	Subscription fees	455,900	800,961
	Corporate Social responsibility	1,643,515	1,832,243
	Cleaning materials	758,484	167,900
	Stake holders' expenses	1,030,350	1,216,100
	Annual internal stakeholders meeting	1,576,213	1,879,915
	ISO 9001:2015 Audits	482,000	626,800
	Sports-WASCA	4,906,214	4,612,130
	Other sports events	832,767	1,060,626
	Total general expenses	11,685,443	12,196,675

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9) INCOME TAX EXPENSE/(CREDIT)

	2019/2020	2018/2019
	Kshs	Kshs
Taxation expense is based on PBT for the year at 30%	4,563,422	18,619,010
Current year deferred tax charge	0	0
Total	4,563,422	18,619,010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10) PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	BUILDINGS	PLANT & EQUIPMENTS	FURNITURE & FITTINGS	MOTOR VEHICLES/BIKES	OFFICE EQUIPMENT	BORE HOLE	METER READING DEVICES	SOFTWARES	WATER & SEWERAGE INFRASTRUCTURE	TOTALS
COST										
BAL B/F: 1.7.2018	3,322,254.00	20,674,890.91	6,142,473.21	10,118,002.18	20,111,886.54	9,175,978.51	465,600.00	10,007,007.75	141,402,080.93	221,420,174.03
ADDITIONS FOR THE YEAR:	1,386,171.00	9,359,022.69	1,171,285.01	7,194,799.00	534,460.00	257,384.72	-	2,591,440.00	58,739,826.87	81,234,389.29
DISPOSAL FOR THE YEAR:		-	-	-						-
TOTAL COST	4,708,425.00	30,033,913.60	7,313,758.22	17,312,801.18	20,646,346.54	9,433,363.23	465,600.00	12,598,447.75	200,141,907.80	302,654,563.32
DEPRECIATION										
AS AT 1ST JULY 2018	474,055.71	4,864,687.91	2,377,960.13	2,684,620.81	11,823,598.94	1,979,934.96	130,949.99	3,295,059.24	11,644,784.24	39,275,652.13
CHARGE FOR THE YEAR:	86,979.75	2,588,729.32	534,199.17	2,976,299.48	2,781,121.85	1,815,097.85	83,662.49	2,668,776.02	3,921,731.19	17,456,597.11
AS AT 30TH JUNE 2019	561,035.46	7,453,417.23	2,912,159.30	5,660,920.29	14,604,720.79	3,795,032.81	214,612.48	5,963,835.26	15,566,515.43	56,732,249.24
NET BOOK VALUE AT										
30TH JUNE 2019	4,147,389.54	22,580,496.37	4,401,598.92	11,651,880.89	6,041,625.75	5,638,330.42	250,987.52	6,634,612.49	184,575,392.37	245,922,314.08
BAL B/F: 1.7.2019	4,708,425.00	30,033,913.60	7,313,758.22	17,312,801.18	20,646,346.54	9,433,363.23	465,600.00	12,598,447.75	200,141,907.80	302,654,563.32
ADDITIONS FOR THE YEAR:	-	1,953,600.00	540,864.80	16,403,998.88	1,665,280.00	9,256,456.34	-	1,999,840.00	19,877,864.17	51,697,904.19
DISPOSAL FOR THE YEAR:		-	-	-	(240,000.00)		(83,142.85)			(323,142.85)
TOTAL COST	4,708,425.00	31,987,513.60	7,854,623.02	33,716,800.06	22,071,626.54	18,689,819.57	382,457.15	14,598,287.75	220,019,771.97	354,029,324.66
DEPRECIATION										
AT 1ST JULY 2019	561,035.46	7,453,417.23	2,912,159.30	5,660,920.29	14,604,720.79	3,795,032.81	214,612.48	5,963,835.26	15,566,515.43	56,732,249.05
ELIMINATED ON DISPOSAL	-	-	-	-	(92,466.53)		(49,528.45)			(141,994.98)
CHARGE FOR THE YEAR:	105,046.77	2,982,003.73	617,807.97	6,790,094.93	2,392,708.76	2,277,375.80	62,746.87	2,633,147.48	5,667,352.22	23,528,284.52
AS AT 30TH JUNE 2020	666,082.23	10,435,420.96	3,529,967.27	12,451,015.22	16,904,963.02	6,072,408.61	227,830.90	8,596,982.74	21,233,867.65	80,118,538.59
NET BOOK VALUE AT										
30TH JUNE 2020	4,042,342.77	21,552,092.64	4,324,655.75	21,265,784.84	5,166,663.52	12,617,410.96	154,626.25	6,001,305.01	198,785,904.32	273,910,786.07

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11) INVENTORIES

11	INVENTORIES		
	<i>ITEMS</i>	<i>2019/2020</i>	<i>2018/2019</i>
		<i>Ksh</i>	<i>Ksh</i>
	<i>Pipes and fittings</i>	<i>15,476,054</i>	<i>16,762,997</i>
	<i>Chemical</i>	<i>1,238,984</i>	<i>593,256</i>
	<i>Water meters</i>	<i>5,221,690</i>	<i>4,247,620</i>
	<i>Total</i>	<i>21,936,728</i>	<i>21,603,873</i>

Note: Inclusive in the inventories are water meters 12 pieces of 8'' and 1 piece of 12'' received from Defunct Athi water services Board. These meters are not valued due to lack of documentation.

12(a). TRADE AND OTHER RECEIVABLES

	<i>2019/2020</i>	<i>2018/2019</i>
	<i>Kshs</i>	<i>Kshs</i>
<i>Water debtors</i>	<i>464,620,688</i>	<i>449,437,758</i>
<i>Staff debtors</i>	<i>1,734,923</i>	<i>1,734,923</i>
<i>Billing services-WSPs</i>	<i>11,109,745</i>	<i>11,109,745</i>
<i>Share capital (County govt of. kiambu)</i>	<i>100,000</i>	<i>100,000</i>
<i>Staff debtors (questionable vouchers)</i>	<i>3,039,051</i>	<i>3,039,051</i>
<i>TOTAL</i>	<i>480,604,407</i>	<i>465,421,477</i>
<i>Others:</i>		
<i>· Provision for bad and doubtful receivable-staff debtors (questionable)</i>	<i>(3,039,051)</i>	<i>(3,039,051)</i>
<i>· Provision for bad and doubtful receivable-staff debtors</i>	<i>(1,734,923)</i>	<i>(1,734,923)</i>
<i>· Provision for bad and doubtful receivable-WSPs</i>	<i>(11,109,745)</i>	<i>-</i>
<i>Net trade and other receivables</i>	<i>464,720,688</i>	<i>460,647,503</i>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12(b)	TRADE RECEIVABLES		
		2019/2020	2018/2019
		Kshs	Kshs
	Gross Trade receivables	546,612,575	528,750,304
	Provision for doubtful receivables	(81,991,886)	(79,312,546)
	NET TRADE RECEIVABLES	464,620,688	449,437,758

14	DEPOSITS AND PREPAYMENTS	2019/2020	2018/2019
		KSH	KSH
	<i>Salary advance</i>	7,178,793	8,457,268
	<i>Prepaid expenses</i>	11,111,164	1,440,173
	<i>Deposits</i>	334,367	334,367
	TOTAL DEPOSITS	18,624,324	10,231,808

15. SHORT TERM DEPOSITS

	2019/2020	2018/2019
	Kshs	Kshs
<i>Cooperative Bank of Kenya (FDA)</i>	49,000,000	40,000,000
<i>Bank Guarantee – License, WASREB</i>	5,500,000	0
TOTAL	54,500,000	40,000,000

This represents monies held for customer water deposits which the company invested as to plough back the interest back to operations. The average effective interest rate on the deposits as at June 30, 2020 was 9%

16. BANK AND CASH BALANCES

	2019/2020	2018/2019
	Kshs	Kshs
<i>Cash at bank-Equity Revenue</i>	21,538,284	17,922,934
<i>Cash at bank-Co-op -Customers' Deposits</i>	1,591,551	6,185,127
<i>Cash in hand</i>	830	3,142
<i>Cash at bank-Equity Operations acc</i>	(4,466,943)	(38,525,020)
<i>M-pesa</i>	380,107	3,936,960
TOTAL	19,043,829	(10,476,857)

The cash at bank was held at Equity Bank, Cooperative Bank of Kenya and M-pesa account, and cash at hand held as petty cash. The make – up of bank balances and short-term deposits is as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Detailed analysis of the cash and cash equivalents

	Financial institution	Bank Branch	Account number	2019/2020	2018/2019
	a) Current account			Ksh	Ksh
	Equity bank (Operations)	Thika Supreme Branch	90295185223	(4,466,943)	(38,525,020)
	Equity Bank(revenue)	Thika Supreme Branch	90294392028	21,538,284	17,922,934
	Co-operative bank	Thika Branch	1136278498000	1,591,551	6,185,127
	b) Fixed deposits account				
	Co-operative bank	Thika Branch	FDA	49,000,000	40,000,000
	Co-operative bank (collateral for Bank Guarantee)	Thika Branch		5,500,000	0
	c)Others(specify)				
	cash in hand		Cash box	830	3142
	M pesa		M-pesa account	380,107	3,936,960
	Grand total			73,543,829	29,523,143

17(a). ORDINARY SHARE CAPITAL

	2019/2020	2018/2019
	Ksh	Ksh
<i>(a) Share capital (County Government of Kiambu)</i>	100,000	100,000

(b) Capital Reserves: Capital reserves represent the figure inherited from the defunct Municipal council of Thika and liabilities as at 08/09/2009

	Opening water debtors	249,893,790
	Trade creditors	-1,846,896
	Other creditors	-3,542,425
	Customer deposits	21,267,241
	Capital reserve	223,237,228

(c) General reserve from the statement of changes in equity

	2019/2020	2018/2019
	Ksh	Ksh
General reserve	63,604,881	88,357,683

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. RETAINED EARNINGS

Retained earnings represent amounts available for distribution to THIWASCO's shareholders. Undistributed retained earnings are utilized to finance THIWASCO's business activities.

19.

(a) TRADE AND OTHER PAYABLE

	2019/2020	2018/2019
NON-CURRENT LIABILITIES	Kshs	Kshs
<i>Defunct Municipal council of Thika</i>	48,502,827	48,502,827
<i>Defunct Athi water service board</i>	169,511,521	169,511,521
TOTAL NCL	218,014,348	218,014,348

(b) CUSTOMER DEPOSITS

	2019/2020	2018/2019
	Ksh	Ksh
Customer deposits	94,259,071	86,386,571

Customer Deposit represents water deposit placed by customers.

	2019/2020	2018/2019
c) CURRENT LIABILITIES	Kshs	Kshs
<i>Trade payables</i>	72,679,426	52,820,367
<i>Payroll creditors</i>	17,962,987	3,604,216
<i>Creditors-water</i>	19,017,330	
<i>Other payables</i>	40,088,277	3,996,299
TOTAL CURRENT LIABILITIES	149,748,020	60,420,882

	2019/2020	2018/2019
(d) PROVISIONS PAYABLE	Kshs	Kshs
<i>Audit fee</i>	842,160	421,080
<i>Provision for corporate tax</i>	52,952,986	48,389,564
<i>Staff service pay</i>	64,319,457	56,943,082
TOTAL PROVISIONS	118,114,603	105,753,726

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	Note	2019/2020	2018/2019
OPERATING ACTIVITIES		Ksh	Ksh
Cash and cash equivalents at the beginning of the year		-10,476,859	28,508,125
Cash generated from/ (used in) operations		14,257,848	43,444,358
Add Depreciation		23,528,285	17,456,597
Net cash generated from/ (used in) operating activities before working capital		37,786,133	60,900,955
Prior year adjustments		-39,010,650	9,942,289
(Increase)/decrease in inventories	11	-332,855	5,808,646
(Increase)/decrease in trade and other receivables	12	-4,073,185	-100,277,077
(Increase)/decrease in deposits and prepayments	14,15	-22,892,516	-21,349,199
Increase/(decrease) in trade and other payables	19(a)	89,327,138	3,174,375
Decrease /increase in provision for vat receivables		0	0
Increase/(decrease) customer deposit	19(b)	7,872,500	9,195,166
Increase/(decrease) in provision for payables	19(c)	12,360,878	74,854,251
Cash generated from/ (used in) operations		81,037,442	42,249,405
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	-51,697,904	-81,234,389
Proceeds from disposal of property, plant and equipment		185,400	0
Net cash generated from/ (used in) investing activities		-51,512,504	-81,234,389
Increase/Decrease in cash and cash equivalents		29,520,688	-38,984,984
Cash and cash equivalents at the beginning of the year		-10,476,859	28,508,125
Cash and cash equivalents at the end of the year		19,043,828.79	-10,476,859

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. STATEMENT OF CHANGES IN EQUITY

<i>Balance as at 1st July 2018</i>	<i>100,000.00</i>	<i>34,971,036</i>	<i>223,237,227</i>	<i>258,308,263</i>
<i>Prior year Adjustment</i>		<i>9,942,289</i>		<i>9,942,289</i>
<i>Surplus for the period</i>		<i>43,444,358</i>		<i>43,444,358</i>
<i>Balance as at 30 June 2019</i>	<i>100,000.00</i>	<i>88,357,683</i>	<i>223,237,227</i>	<i>311,694,910</i>
<i>Balance as at 1st July 2019</i>	<i>100,000.00</i>	<i>88,357,683</i>	<i>223,237,227</i>	<i>311,694,910</i>
<i>Prior year Adjustment</i>		<i>4,545,296</i>		<i>4,545,296</i>
<i>Prior year Adjustment</i>		<i>(43,555,946)</i>		<i>(43,555,946)</i>
<i>Surplus for the period</i>		<i>14,257,848</i>		<i>14,257,848</i>
<i>Balance as at 30 June 2020</i>	<i>100,000.00</i>	<i>63,604,881</i>	<i>223,237,227</i>	<i>286,942,108</i>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY DISCLOSURES

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

THIWASCO is related to

- i) County Government of Kiambu
- ii) WASREB
- iii) WRMA
- iv) Athi Water Works Development Agency
- v) Core management team
- vi) Board of directors

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Transactions with related parties

a) Key Management Remuneration	2019/2020	2018/2019
	Kshs	Kshs
Board of Directors' emoluments	6,491,396	6,967,352
Core Management team Compensation	54,167,605	54,167,605
Total	60,659,000	61,134,957

a) Due to Related Parties	2019/2020	2018/2019
	Kshs	Kshs
Due to Water Resources Management Authority	2,898,000	1,512,000
Due to Water Services Regulatory Board	34,728,558	7,144,514
Due to Athi Water Services Board	169,511,521	169,511,521
Due to County Government of Kiambu	48,502,827	48,502,827
Total	255,640,906	226,670,827

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. CAPITAL COMMITMENTS

INTERNALLY FUNDED PROJECT 2019-2020

Contractor Name	Project	Completion to Date (%)	Final Contract Value (KSH)	Total Expended to Date	Payments to Date (%)	Status	Completion Date & Approved EOT
Birdi Civil Engineering	THIWASCO-001-2020-2021 Rehabilitation of prestressed concrete water tanks	0%	N/A	N/A	N/A	Acceptance Letter Received on 13th August 2020 Waiting for 14 days to lapse to engage the Contractor for contract signing and Commencement	N/A
Birdi Civil Engineering	THIWASCO-002-2020-2021 refurbishment of water treatment plant and replacement of Filter media	0%	N/A	N/A	N/A	Acceptance Letter Received on 17th August 2020 Waiting for 14 days to lapse to engage the Contractor for contract signing and Commencement	N/A

Contractor Name	Project	Completion to Date (%)	Initial Contract Value (KSH)	Final Contract Value (KSH)	Total Expended to Date	Payments to Date (%)
MJENGO AND ALIED CO.LTD	Upgrading and Extension of Thika Level 5 to Bidco Sewer (THIWASCO 050/2017-2018)	8%	26,138,854	26,138,854	NONE	NONE
Sengerema Limited	Kangoki Trunk Sewer Line Rehabilitation Project (THIWASCO 045/2018-2019)	40%	27,587,849	27,587,849	8,478,018	36%
Urban building contractors LTD	Upgrading & Extension of Water Supply Pipeline at Kisii-Landless Kwa Jomo area (THIWASCO 044/2018)	95%	12,863,670	12,863,670	7,780,522	60%
Zila Systems Limited	Upgrading and Extension of Water Supply pipeline At Witeithie Area (THIWASCO 043/2018-2019)	90%	13,174,953	13,174,953	7,955,725	60%

THIKA WATER AND SEWERAGE COMPANY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. CONTINGENT LIABILITIES

A tax audit was conducted during the year and as a result the KRA office issued a demand letter of Ksh 57,710,864 in regard to Vat on sewer thus the matter is under tax tribunal and the company in this regard is foreseeing a liability.

24. FINANCIAL RISK MANAGEMENT

THIWASCO'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 minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

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

i) Credit risk

THIWASCO 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 THIWASCO's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Notes	2019/2020 Ksh	2018/2019 Ksh
Trade Receivables	12	464,620,688	460,467,503
Bank balances & ST Deposits	16&15	<u>73,543,829</u>	<u>29,523,143</u>
		<u>538,164,517</u>	<u>489,990,646</u>

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 recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii) Liquidity risk management

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

	Notes	2019/2020 Ksh	2018/2019 Ksh
Trade Payables	19 a & c	367,162,368	278,435,230

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by THIWASCO 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 THIWASCO'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 optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

a) Interest rate risk

Interest rate risk is the risk that THIWASCO'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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Management of interest rate risk

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

Sensitivity analysis

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

iv) Capital Risk Management

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

		2019/2020	2018/2019
		Kshs	Kshs
	Retained earnings	63,604,881	88,357,683
	Capital reserve	223,237,228	223,237,228
	Total funds	286,842,109	311,594,911
	Total borrowings	0	0
	cash and bank balances	19,043,829	-10,476,857

25. INCORPORATION

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

26. EVENTS AFTER THE REPORTING PERIOD

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

27. CURRENCY

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Referenc e No.	Issue/Observations from Auditor	Management comments	Focal point person to resolve the issue.	status	Time frame
Trade & other receivable s	<p>-The financial statements as at 30 June, 2018 shows Trade and Other Receivables amounting to Kshs. 360,370,426 which comprised long outstanding receivables amounting to Kshs. 105,355,982 which were described as inactive but for which no recovery efforts appear to have been made. Further no aging analysis was provided to enable ascertainment whether all or some debtors as at 30 June 2018 had become bad and doubtful.</p> <p>-In addition, Note 12 of the financial statements show under the 2016/2017 financial year, staff debtors totaling Ksh 4,813,990 comprising amounts of Ksh 1,774,994 and 3,039,051. It was explained that an amount of Ksh 3,712,543 out of the balance of Ksh 4,813,990 brought forward from the previous year was recovered in the year under review leaving an analyzed balance of Ksh 1,101,447. However, no documentary evidence was provided to</p>	<p>-On staff debtors a provision for doubtful debts has been made of Ksh. (Questionable) Ksh. 3,039,051 and a portion of Ksh. 1,734,923 for, since the recoverability of the said amount is very slim as the officers involved were dismissed administratively, although the company still awaits the report on the investigation from the Directorate of criminal Investigation. A disclosure for the same has been made on the financial statements on note No 12.</p> <p>-The Company established and equipped a Credit Control Section under the Commercial Department to enhance the collection of long outstanding debts. The Section has smart targets that will ensure that collection of these debts is reached. The Section has commenced follow up of the debts through writing demand letters and also massive disconnection exercises that are bearing fruit.</p> <p>-This notwithstanding, the County Government and the National</p>	Jeremy Mathenge-Chief Manager Commercial services	Not resolved	Contin ued exercis e

	<p>support the recovery of Ksh 3,712,543.</p> <p>In the absence of documentary evidence in support of staff debtors recovered and analysis of the outstanding balance, the completeness and accuracy of trade and other receivables balance of Ksh 360,370,426 as at June 2018 could not therefore be confirmed.</p>	<p>Government owes the Company approximately 10% of the total arrears. The Company has written demand letters to these institutions with little or no response. (attached demand letters)</p> <p>Further, the Company has secured a new billing system capable of generating aging analysis for proper debt classification.</p> <p>The Company is also analyzing the possibility of writing off bad debts as stipulated in the Kenyan Law under income tax Act Cap 470 sec 15(2). A provision for bad and doubtful debts was made in the Financial Statements to support the write off.</p>			
Inventory	<p>The statement of financial position reflects as at 30 June 2018 inventories balance of Ksh 27,412,519 and as disclosed in Note 11 to the financial statements comprises pipes and fittings, chemicals and water meters. However, the inventories were not supported by stock taking reports as of 30 June 2018. A physical verification of the inventories revealed that the company had a lot of unvalued obsolete stock which were not even recorded in the stock movement or stores register. Further, requisitions register for</p>	<p>-Stock taking for the financial year 2017/2018 was carried out on 30th June 2018, a copy of a memo issued to members who were involved in the stock taking exercise and a report of the outcome of the stock taking is attached.</p> <p>-The Company planned for disposal of all obsolete items and a disposal committee established to carry out the exercise which is in progress and will be completed by the end of this quarter. (see attached disposal appointment letter and a register of obsolete stock).</p>	Nicellah Wairimu-Procurement Manager	Resolved	

	<p>2017/2018 was not provided for audit verification, stores records and particularly the bin cards were not updated and inventories were housed in a semi-permanent fabricated building. In absence of stocktaking reports and valuation report on unrecorded obsolete stock the completeness and accuracy of the inventories balance of ksh.27,412,519 could not therefore be confirmed.</p>	<p>-Requisitions that were raised during financial year 2017/2018 are available in the stores, that shows movement of stock during this period and a requisition register in place and can be availed for check. Attached find few sample copies of issuances from requisition register.</p> <p>-The Company has also budgeted for construction of permanent stores to replace the existing semi-permanent fabricated sub-store in the next financial year 2019-2020.</p> <p>Meanwhile the Company has put security measures, by employing security guards to safe guard the semi- permanent stores and no cases of theft had been reported so far.</p>			
Creditors and accruals	<p>The statement of financial position as at 30 June 2018 reflects creditors and accruals balance of Ksh 227,394,275 under non-current liabilities and as disclosed in 19(a)to the financial statements. A review of the payables aging analysis revealed that the above balance of Ksh 227,394,275 owed to the defunct Municipal council of Thika (MCT), Athi water service board (AWSB) and Kenya revenue Authority (KRA) had been outstanding for several years. No explanation was provided for failure to clear the long outstanding creditors balance of Ksh227,394,275</p>	<p>-The long outstanding liabilities has been as a result of low water tariff between 2009 to 2016 when the company had an upward tariff review. Before 2016, the Company was not able to meet operational costs and hence was unable to make the monthly commitments to these institutions. Moving forward the Company plans to engage in settlement arrangement in a way that will not affect the day-to-day operations.</p>	<p>Rosemary Wamaitha-Chief Manager Finance</p>	<p>Not resolved</p>	<p>Contin uous exercise as not to affect operatio n ons</p>

Budgetary control and performance	During the financial year ended 30 June 2018, the company realized revenue amounting to Ksh 702,797,418 against the budgeted amount of Ksh 717,348,000 resulting in under-collection of Ksh 14,550,582 or 2%.	During the budget preparation it was projected to have 8 No. borehole drilled under OBA project to boost on water production which in return would boost in billing revenue. The project was not realized due to governance challenges and policy matters on procurement of loan from commercial banks, hence the contributed to the non-realization of projected revenue	Rosemary Wamaitha-Chief Manager Finance	Resolved	
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Chairman of the Board

Date:

[Signature]
 27/04/2021

[Signature]
 Managing Director

Date:

26/4/2021