

REPORT

OF

THE AUDITOR-GENERAL

ON

KIKUYU WATER COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE, 2020

PAPERS LAID	
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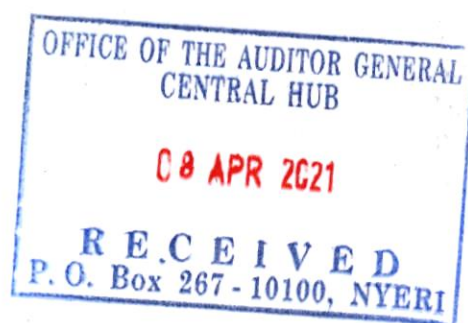


KIKUYU WATER COMPANY LIMITED

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)



KIKUYU WATER COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

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**KIKUYU WATER COMPANY LIMITED
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1. KEY ENTITY INFORMATION

Background information

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

Principal Activities

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

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

Directors

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

Directors Name	Position	Date of Appointment
1. Prof. Bernard K Njoroge	Chairman	2018
2. Mr. James Muriuki	Member	2018
3. Eng. Andrew Muigai	Member	2018
4. Mr Samuel Gatama	Member	2018
5. Mrs Emma Ng'ang'a	Member	2018
6. Prof. Steven Njuguna	Member	2018
7. Bishop Solomon Waweru	Member	2018
8. Mr Ndungu Wa Munywe	Member	2018
9. Mr Dominic Gachanja	Member	2018
10. Dr Martin Njogu	Member	2018
11. Mr John Mutie	Member	2019

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Corporate Secretary

Josephine Muritu
P.O. Box 2344-00900
Kiambu

Registered Office

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

Corporate Headquarters

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

Corporate Contacts

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

Corporate Bankers

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

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

Family Bank Limited

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

Kenya Post Office Savings Bank

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

Safaricom Limited

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

(a) Independent Auditors

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

Principal Legal Advisers





1. The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112






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City Square 00200
Nairobi, Kenya

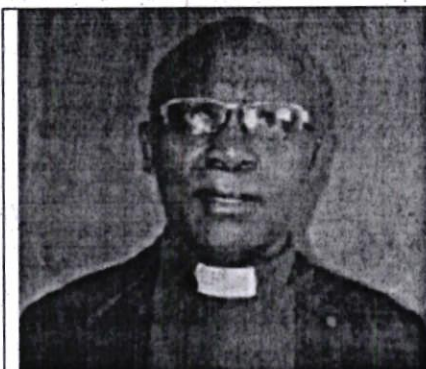
2. THE BOARD OF DIRECTORS

	<p>1. Name: Prof. Eng. Bernard Njoroge 2. Position: Chairman 3. DoB : 4. Qualification: Ph.D Duke University (U.S.A); M.Sc. New Castle Upon Tyne (U.K); B.Sc.(U.O.N.), Civil Engineering Eng.; M.I.E.K. 5. Work Experience: DVC Finance University of Nairobi, U.O.N Professor Faculty of Engineering from year 2002</p>
	<p>1. Name: Prof. Eng. Bernard Njoroge 2. Position: Chairman 3. DoB : 4. Qualification: Ph.D Duke University (U.S.A); M.Sc. New Castle Upon Tyne (U.K); B.Sc.(U.O.N.), Civil Engineering Eng.; M.I.E.K. 5. Work Experience: DVC Finance University of Nairobi, U.O.N Professor Faculty of Engineering from year 2002</p>
	<p>1. Name: Prof Steven Njuguna 2. Position: Director 3. DoB : 4. Qualification: Phd, Msc, Bsc(1st Class Hons) Environmental Science, Diploma in Education 5. Work Experience: Kenyatta University, Faculty of Environmental Studies</p>
	<p>1. Name: Mr. James Gitau Muriuki 2. Position: Director 3. DoB : 4. Qualification: Bachelor of Science in Chemistry/Biochemistry, Msc. Environmental Health Engineering Sector: Representative of Water Consumers 5. Work Experience: Ministry of Water and Irrigation, Technical Consultant on Water and Waste water Treatment and Quality Analysis; Environmental Audits, Environmental Impact Assessments (EIA).</p>

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	<p>1. Name: Samuel Gatama 2. Position: Director 3. DoB : 4. Qualification: Business man, S 1 Teacher 5. Work Experience: Retired teacher over 30Years Experience</p>
	<p>1. Name: Eng. Andrew Muigai 2. Position: Director 3. DoA : 2018 4. Qualification: Bsc Civil Engineering UON 5. Work Experience: Director Kenya Industrial Research and Development Institute Entrepreneur Engineer and Management Consultant</p>
	<p>1. Name: Emma Waithera Ng'ang'a 2. Position: 3. DoA : 2018 4. Qualification: Msc Corporate Entrepreneurship 5. Work Experience: 40 years' experience in Business and Marketing</p>
	<p>1. Name: Ndung'u Wa Munywwe 2. Position: Director 3. DoA : 2018 4. Qualification: Bachelor of Arts, Advanced Public Administration 5. Work Experience: Worked with UON as Senior Administration Assistant. Ministry of Water and Ministry of Commerce</p>
	<p>1. Name: Dominic Gachanja 2. Position: Director 3. DoB : 4. Qualification: Doctor in Pharmacy 5. Work Experience: Businessman Thika, Board Member Land Control Board</p>

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- 1. Name:** Bishop Solomon Waweru
- 2. Position:** Director
- 3. DoB :**
- 4. Qualification:** Retired Public Officer
- 5. Work Experience:** Bishop of
A Church- Representative of NGOs



- 1. Name:** Dr. Martin Njogu Mbugua
- 2. Position:** Director
- 3. DoB :**
- 4. Qualification:** Doctor of Philosophy - Chemistry
- 5. Work Experience:** Lecturer and researcher, Department of Chemistry/UoN



- 1. Name:** Josphine W. Muritu
- 2. Position:** Company Secretary
- 3. DoB:**
- 4. Qualification:** LLB (UoN)
- 5. Work Experience:** Worked with Kiambu County Government Senior Legal Counsel, Assistant Director (Quality Assurance, compliance and Accreditation), Assistant Commission Secretary (Legal Affairs), Assistant Counsel Mwaniki & Company Advocates, Counsel Musyimi & Company Advocates




JANE WANJIRU MURAGE - THE MANAGER DIRECTOR

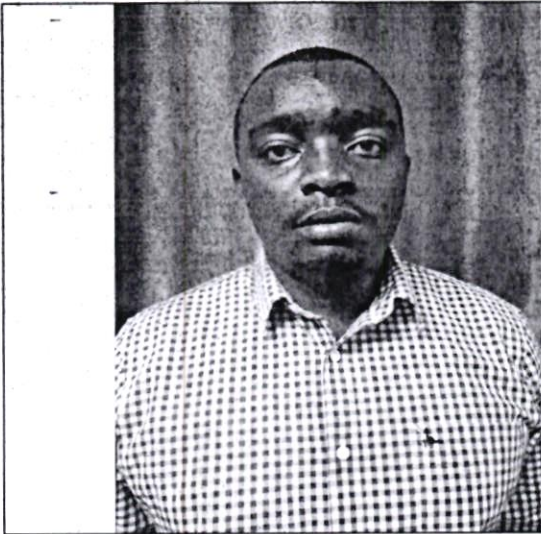
Jane Murage holds a BSC in Water & Environmental Engineering (Egerton University) Diploma in Water Technology (KEWI)
She is responsible of monitoring and assessing management's performance
Ensuring that the company complies with the legal and governance framework of the company
Ensuring institutional transformation in accordance with corporate strategy

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3. MANAGEMENT TEAM

	<p>JANE WANJIRU MURAGE - THE MANAGER DIRECTOR</p> <p>Jane Murage holds a BSC in Water & Environmental Engineering (Egerton University) Diploma in Water Technology (KEWI)</p> <p>She is responsible of monitoring and assessing management's performance Ensuring that the company complies with the legal and governance framework of the company</p> <p>Ensuring institutional transformation in accordance with corporate strategy</p>
	<p>CPA DANIEL KARANGATHA MUIRURI -FINANCE & ADMINISTRATION MANAGER</p> <p>Holds a B.COM Finance (U.o.N) and is a CPAK Aassists' in development of current and long-term goals as well formulating policies and procedure</p> <p>Production of financial report. Oversees implementation of accounting and financial management system and oversees all the accounting function including; cash flow management, revenue collection, payroll and budgeting</p>
	<p>TECHNICAL MANAGER</p>
	<p>JENIFFER CHEBET – INTERNAL AUDITOR</p> <p>She holds a Bachelor of commerce in marketing</p> <p>She ensures that there is a strong control environment to prevent fraud.</p> <p>Ensuring compliance with laid down internal controls</p> <ul style="list-style-type: none"> -preparing audit reports for the Board Audit & risk committee. -setting internal audit programs and systems which are risk based

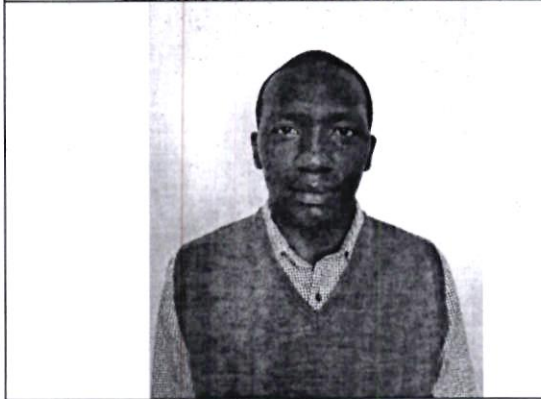
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**JOSEPH WAIHARO NJOROGE-
PROCUREMENT OFFICER.**

He holds a Diploma in Purchasing & Supplies Management and currently Pursuing a Bachelor Degree in Business Administration & Management.

Ensures that the procurement function is run in line with the Public Procurement and Disposal Act.



. DAVID KIMANI-COMMERCIAL OFFICER

He holds a Bachelors of Commerce in Finance and is a CPA(k)

He formulates a work plan for daily commercial operation

Ensure Monthly cycles and correct bills are produced accordingly

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4. CHAIRMAN'S STATEMENT

I am delighted to present to you the financial report for the year ended 30th June 2020. As a company we put in a lot of effort to fulfill our mandate which is to provide water and sanitation services in Kikuyu and Kabete sub-counties of Kiambu County.

During the year ended 30th June 2020 the company focused on key objectives as stated in the strategic plan which include; increased coverage, financial sustainability, operational sustainability and customer satisfaction.

The company has made wide strides in its strive to reduce the gap between water supply and demand by undertaking several water projects which increased water produced by 289056m³.

I am happy to note that our sewage works have been incorporated for funding through African development bank and actual construction works is ongoing.

In addition, during this period the company registered some positive growth in customer base, revenue collection, billing, operational stability, good governance among others although with some short coming here and there.

The following are some of the achievements;

- A feasibility study of possible source of Water at Kinari Dam has been successfully completed through assistance of the Kiambu County Government and National Water Conservation & Pipeline Cooperation.
- A survey on possible abstraction of water from the Ondiri well field was done. The survey showed it was possible to do 11 borehole in the area each with an estimate yield of 60m³ per hour. This would increase production by approximately 10000m³ per day.
- A total of 9.8km pipeline have been laid which has resulted to 522 new connections
- We have increased water production by 289056m³/year by taking over improving the efficiency of some of the major borehole pump sets.
- We have actualized the NRW Strategy and have reduced NRW from 47% to 42%. There were multiple interruptions on the NRW strategy implementation due to roads construction and sewer construction which damaged some of the main pipes coupled with long durations of interrupted water production due to interrupted power supply.

During the financial year the company made a deficit of ksh 3,048,906 compared to a deficit of ksh 1,138,835 during the previous financial year. The increase in loss was occasioned by increased operational cost, staff cost as a result of annual salary increment and cost of subsistence allowances.

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

Way forward

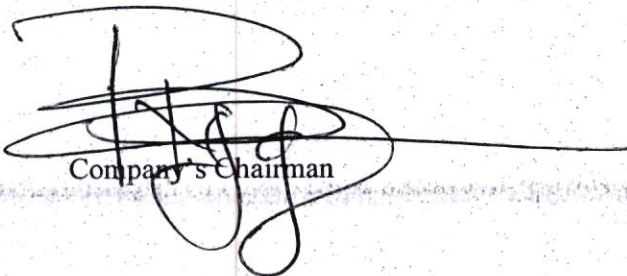
The challenges at hand call for great improvement of existing systems and construction of new ones and I believe that with the assistance of our stakeholders this problem would be addressed.

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

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

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

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


Company's Chairman

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5. REPORT OF THE MANAGING DIRECTOR

Today am pleased to present to you the financial report for the year ending 30th June 2020. During the financial year the company made several strides toward achieving the set strategic objectives which include; increase in water coverage, attaining financial sustainability attaining operational efficiency/institutional strengthening attaining customer satisfaction and Mainstreaming cross cutting issues

The following are some of the achievements;

- A feasibility study of possible source of Water at Kinari Dam has been successfully completed through the assistance of Kiambu County Government and National Water Conservation & Pipeline Cooperation.
- A survey on possible abstraction of water from the Ondiri well field was done. The survey showed it was possible to do 11 boreholes in the area each with an estimate yield of 60m³ per hour. This would increase production by approximately 10,000m³ per day.
- A total of 9.8km pipeline have been laid which has resulted to 522 new connections
- We have increased water production by 289,056m³/year by taking over improving the efficiency of some of the major borehole pump sets.
- We have actualized the NRW Strategy and have reduced NRW from 42% to 43%. There were multiple interruptions on the NRW strategy implementation due to roads construction and sewer construction which damaged some of the main pipes coupled with long durations of interrupted water production due to interrupted power supply.

Sewerage Work System

The sewer line works commenced on March 2019. By 30th June 2020, 10km of the sewer line had been laid. There were some delays in the progress of the project owing to delay in approval of the master list.

The project is expected to be completed by May 2021, with 450 active sewer connections by then.

Financial Performance

During the year ended 30th June 2020 the company's revenue increased from ksh 108,262,943 to ksh 109,538,788 while the expenditure increased from ksh 109,401,778 to ksh 112,587,694. The increase in cost was due to increased operational cost from water projects which were taken over from community as they were operating at low efficiencies. The net effect is that the company made a deficit of ksh 3,048,906 compared to deficient of ksh 1,138,835 made in the previous financial period and we assure our stakeholders that we shall ensure the projects operate efficiently to minimise the operational cost while we maximize on revenue collections

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Challenges

1. **Non-Revenue Water.**
There were multiple Road construction projects going on in Kikuyu and Kabete sub counties. This posed a huge challenge especially when distribution mains were damaged as high volumes of water were lost in the bursts leading to high NRW
2. **Revenue collection.**
During the COVID 19 pandemic period the collection efficiency significantly went down thus further straining the operational budget.
3. **Power supply**
Irregular power supply meant that some of the pumps were not working which interrupted the water supply. Some of the pumps and motors had to be replaced after burning out due to power surges.
4. **Power bills.**
Heavy power bills remain to be among the biggest threats to the sustainability of our business seeing that Kikuyu Water Company predominately relies on borehole pumping for water production. The impact was even greater in the second half of the year with increased water demand during the pandemic period yet decreased in revenue collection as explained in 2 above.

Way forward

The challenges at hand call for great improvement of existing systems and construction of new ones and I believe that with the assistance of our stakeholders this problem would be addressed. Water is now a Constitutional Right and this may pose a challenge in our endeavour to serve the underserved in line with Sustainable Development Goals.

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

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

Appreciation

I am most thankful to County Government of Kiambu, Athi Water Services Board, Kikuyu and Kabete Sub-Counties, Constituency Office-Kikuyu and Kabete, all customers and in particular University of Nairobi Kikuyu Campus, Alliance Boys High School, our Suppliers and bankers for their support and loyalty and we assure them of our determination to continually improve the quality of our services.

Finally, I would like to express my deep appreciation for the dedication and commitment of Board of Directors, Management and Staff of Kikuyu Water. Without their enthusiasm, hard work and teamwork we would not have come this far.

Jane Murage

Managing Director KWCL

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6. REVIEW OF KIKUYU WATER COMPANY LTD PERFORMANCE FOR FY 2019/2020
Performance report 2019/2020

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

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

Kikuyu water Company develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2019/2020 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Activities	Key Performance Indicators	Achievements
Pillar 1: Increased access to safe water and reliable sanitation services	Increase access to safe water supply by approx. 60% in 5 years.	Rehabilitate all boreholes performing at less than 80% of the tested yield	No. of rehabilitated and operational boreholes	2 Twin borehole Riu A borehole
		Drill and equip 42 Boreholes	No. of boreholes drilled and equipped.	2. Riu borehole Wangige hospital borehole
	Increase access to sewerage for Kikuyu Town and its environs safe sanitation public places	Development of sewer line at kikuyu	No. of sewer line laid in kilometres. No. of sewer connections made..	16km. 0
Pillar 2: Efficient and enhanced water supply and sewerage service delivery	Develop policies, strategies and road maps for facilities taken over from CBOs	Audit to determine the condition of assets and water infrastructure.	Audits conducted.	On Going
		Develop technical policy and assets management policy	No. of policies approved by the board.	On Going
	Develop operational guidelines, manuals, tool kits etc	Development of guideline manual	No. of manuals developed	7

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	Support to rural water facilities			
	PPPs to enhance efficiencies and infrastructure coverage	Pipeline rehabilitation and upgrading	Length of pipeline rehabilitated or upgraded	25KMS
		Pipeline extensions	Length of pipeline extension works.	9.8KMS
	Enhance O&M	Develop and implement a maintenance schedule of water supply infrastructure	No. of operational schedules developed	
Pillar 3: Strengthened institutions & developed capacity for KWCL and partners	Assets & management	New asset identification (fixed & movable) and valuation	Update of the assets registrar	
	Enhance HR Management	Undertake study to establish staff training needs and capacity gaps; annual updates through appraisals	Performance appraisal developed and implemented.	Staff appraisal done
		Implement recommendations of staff training and capacity development	No. of staff training conducted. Attended Trainings	12
		Procure and install computer based Human Resource Information System (HRIS)	Installation of the HRM System	Done

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	Operational policies, strategies, guidelines, manuals and certifications	Develop/customize available national policies and develop guidelines (Gender; EHS; HR training and development; HR management; Corporate Social Responsibility; Procurement and Disposal; Disability; Anti-Corruption etc.); Board Members Induction Packages (and guidelines)	No. of Developed manuals and guidelines	
		Staff induction guideline and process		
		Develop/customize performance management systems and establish performance contracting framework	Performance appraisals developed for all staff.	Developed
		ISO Certification and compliance	ISO certification	
		Establish integrity assurance/Risk mitigation systems		
		Water Safety (WS) Plans		
	Enhance communication	Development and implementation of communication strategy Customer satisfaction survey and implementation of findings	Developed strategy. No. of survey conducted and recommendations highlighted	done 7. Surveys have been conducted in 7 supply zones of Karai scheme.

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	Resource mobilization	Proposal development, investor conferences, donor coordination etc	No. of proposals developed and sent to financiers.	4
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7. CORPORATE GOVERNANCE STATEMENT

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

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

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

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

Composition of the Board of Directors

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

Conflict of Interest

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

Role and Responsibilities of the Board

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

- Establishing the short and long-term goals of the Company and strategic plans to achieve those goals

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- Ensuring preparation of the annual and half-year financial statements
- Approval and review of the annual budgets
- Setting and periodically reviewing key performance indicators and management performance
- Ensuring that the Company has adequate systems of internal controls
- Ensuring that the Company has adequate risk management plans to ensure business continuity

Role of Chairman of the Board of Directors

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

Managing Director

The Managing Director is the chief executive of the company responsible for the day to day management of the Company.

Directors Training and Development

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

Board Work plan and Meetings

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

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8. MANAGEMENT DISCUSSION AND ANALYSIS

The company's operational and financial performance

During the financial year the company made a deficit of ksh 3,048,906 compared to a deficit of 1,138,835 during the previous financial year. The increase in loss was occasioned by increased operational cost, staff cost as a result of annual salary increment and the number of staff increased after the company took over two community water projects and cost of subsistence allowances.

Company's compliance with statutory requirements

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

Major risks facing the company

The major risk facing the company is the going concern of the company as a result of the ongoing process of consolidation of water companies in Kiambu County

Material arrears in statutory/financial obligations

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

1. Lease Fee to AWSB Kshs 24,106,488
2. Regulatory Levy Kshs 10,250,730
3. Abstraction Levy Kshs 2,065,891

The company's financial probity and serious governance issues

The company does not have any financial probity or any governance issues, since the company has risk management in place and adequate internal controls. At the moment the company is under going through the process of restructuring/consolidation

Development Projects

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

No	Proposed Work	Capital	STATUS	IMPACT	PROPOSED INTERVENTION	BUDGET
1	Drilling and equipping borehole at riu borehole site to serve karai, lussegitti and nyakumu areas; plus pipeline network.		ongoing	Increase in service levels and area of coverage	Partner with Kiambu county government for development of pipeline network.	10,000,000

KIKUYU WATER COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

2	Drilling and equipping of a borehole at twin site and laying of pipeline to serve kamangu area.	Ongoing	Increase water service levels and area of coverage.	Partner with Kiambu county government for the development	21,000,000
3	Kinoo- uthiru Phase I involving pipework, 1No. 108m ³ elevated steel & metering	Ongoing	Increase water service levels and adequate storage facilities	Partner with AWWDA	Already budgeted under sewer project.
4	Procurement of 10No. Motor Bikes	Ongoing	Increase efficiency in bills distribution and meter reading	8 No. motor bikes were purchased in FY 2018/2019. 3 no. will be purchased fy2019-2020	300,000
5	Construction of Kikuyu Sewerage project	Ongoing	improved sanitation	Works on going, project 30% complete.	662,000,000
6	Non-Revenue Water Reduction Initiatives	ongoing	Increase in billing efficiency hence more revenue	Invest highly in reduction NRW and also partner with Kiambu county government.	13,000,000

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

1. Sustainability strategy and profile -

According to the strategic plan 2018-2021 the pillars for sustainable service delivery are:

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

In the year 2019/2020, the greatest threat to the sustainability of our service and production were among others:

- Unreliable power supply on multiple times, we were temporarily unable to produce water due to low/high voltages or no power at all. This greatly affected our supply. Further, the power surges on a number of times lead to the failure of some pumps and motors that eventually had to be replaced.
- High power bills. Kikuyu Water Company predominately produces its water from boreholes. This implies that all water production through pumping which results to very high power bills. To address these two issues, the company explored for alternative power sources; solar installations, which has been planned for in the year 2020/2021.
- Pandemic effect. The COVID 19 pandemic hit the country in the second half of the year 2019/2021. This had a great impact to the company as resources were focused towards efforts to fight spread of the pandemic. This included distribution of free water to the vulnerable. This period also lead to decreased revenues as the number of paying customers also decreased.

2. Environmental performance

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

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

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

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

In the year 2019/2020, through the Kenya satellite town projects, construction of the KIWACO sewer line began. By June 2020, the project was 21% complete.

3. Employee welfare

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

4. Market place practices-

a) Responsible competition practice.

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

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

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

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

d) Product stewardship

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

5. Community Engagements-

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

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

KIKUYU WATER COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

10. REPORT OF THE DIRECTORS

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

Principal activities

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

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

Results

The net loss for the year of Ksh 3,048,906 million and has been deducted from the retained earnings. The results for the year are set out fully on pages 16 to 37 in the financial statements.

Directors

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

Business overview

During the year ended 30th June 2020 the company's revenue increased from ksh 108,242,943 to ksh 109,538,788 while the expenditure increased from ksh 109,421,778 to ksh. 111,198,115. The increase in cost was due to increased operational cost from water projects which were taken over from community as they

**KIKUYU WATER COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020**

were operating at low efficiencies. The net effect is that the company made a deficit of ksh 3,048,906 compared to deficit of ksh 1,138,835 made in the previous financial period.

Auditors

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

Relevant audit information

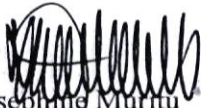
The Directors in office at the date of this report confirms that:

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

Approval of financial statements

The financial statements were approved at a meeting of the Board of Directors held on 28/09 2020

By Order of the Board



Josephine Muriu
Corporate Secretary
Kiambu

Date: 28/09/2020

KIKUYU WATER COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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


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

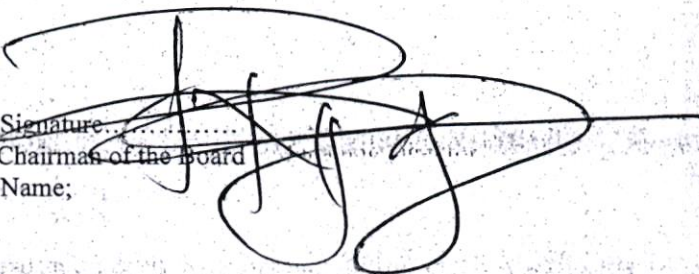
The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by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

The company is going through a process of consolidation to form Kiambu County Water and Sewerage Company and there it might not be a going concern in

Approval of the financial statements

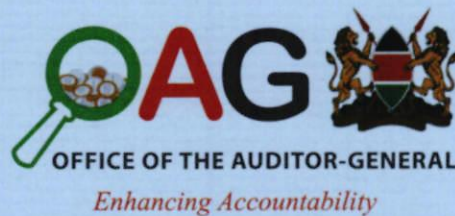
The company's financial statements were approved by the Board on 28/09 2020 and signed on its behalf by:

Signature.....
Managing Director
Name:

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

REPUBLIC OF KENYA

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



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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kikuyu Water Company Limited set out on pages 1 to 45, 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, the financial statements present fairly, in all material respects, the financial position of Kikuyu Water 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 Kenyan Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kikuyu Water Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing 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 opinion.

Emphasis of Matter

Material Uncertainty in Relation to Going Concern

I draw attention to statement of Board of Directors' responsibilities on page xxv which indicates that the Company is going through a process of consolidation of water companies in Kiambu County and there is uncertainty on its continued existence as a going concern.

Further, the Company recorded an operating loss of Kshs.3,048,906 during the financial year ended 30 June, 2020 compared to an operating loss of Kshs.1,138,835 reported in the financial year 2018/2019. This further depleted the revenue reserves from negative

Kshs.14,674,821 as at 30 June, 2019 to negative Kshs.16,587,750 as at 30 June, 2020. In addition, the current liabilities of Kshs.104,515,135 exceeded the current assets of Kshs.63,280,521 resulting into a negative working capital of Kshs.41,234,614 as at 30 June, 2020. The existence of this material uncertainty may cast significant doubt on the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Kiambu and its creditors.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

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, Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Revenue Water

During the financial year 2019/2020, the Company produced a total of 2,281,307 cubic meters of water, out of which only 1,418,971 cubic meters was billed to customers. The balance of 862,336 cubic meters or approximately 38.5% of the total volume of water

produced represents non-revenue water which is 13.5% over and above the allowable limit of 25% set by Water Services Regulatory Board (WASREB) Guidelines. The non-revenue water of 38.5% may have resulted in a loss of sales estimated at Kshs.61,171,340. The significant level of non-revenue water may negatively impact on the Company's profitability and its ability to sustain services in the long run.

2. Trade and Other Receivables

The statement of financial position reflects trade and other receivables net balance of Kshs.52,678,992 as at 30 June, 2020. Further, and as disclosed in Note 12 to the financial statements, the trade and other receivables gross balance of Kshs.76,814,201 includes an amount of Kshs.23,144,591 relating to long outstanding debts with some dating back to May, 2012.

Although the recoverability of these debts is clearly uncertain, no measures have been put in place by Management to ensure the debts are collected as required by Regulation 63(a) of the Public Finance Management (County Governments) Regulations, 2015, which requires an Accounting Officer and a Receiver of Revenue to be personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies.

3. Staff Regional Diversity

During the year under review, the Company had a total of seventy-six (76) employees out of which seventy (70) or 92% were from one dominant ethnic community. This is contrary to Section 7 (1) and (2) of the National Cohesion and Integration Commission Act, 2008 which requires that all public establishments seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment should have more than one third of its staff from the same ethnic community.

4. Trade and Other Payables

The statement of financial position reflects a balance of Kshs.85,697,031 under trade and other payables which, as disclosed in Note 17 to the financial statements, includes an amount of Kshs.1,392,000 in respect of accrued professional expenses. The accrued professional expenses relates to arrears of audit fees for seven (7) financial years from 2013/2014 to 2019/2020.

Further, the trade and other payables balance of Kshs.85,697,031 also includes amounts of Kshs.24,106,488, Kshs.6,084,954, Kshs.1,022,215, Kshs.9,679,539 and Kshs.1,200,000 in respect of lease fees payable to Athi Water Service Board, regulatory fees payable to Water Service Regulatory Board, water levies payable to Water Resources Management Authority, The Kenya Power and Lighting Company and the Kenya Revenue Authority respectively, that have been outstanding for a long period. No explanations were given for the failure to remit the outstanding amounts to the respective organizations. Non-remittance of the statutory deductions is a breach of the law which may attract heavy penalties and interests for non-compliance.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Assets Management

As disclosed in Note 10 to the financial statements, the statement of financial position reflects property plant and equipment with a net book value of Kshs.24,351,300 as at 30 June, 2020. Although the Company maintained an updated fixed asset register, the assets were not tagged for ease of identification and tracking. Further, except for motorcycles and motor vehicles with a net book value of Kshs.661,042, all other classes of assets including buildings, equipment, furniture and fittings valued at 23,690,257 were not insured against risks of theft, burglary, fire, or security threats and losses to ensure that proper control systems exist for assets and that; preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

2. Company Governance Matters

The report on Key Entity Information indicates that eleven Directors appointed on 26 March, 2019 served the Company during the financial year. However, and as previously reported, the Directors were appointed to act on behalf of Kiambu County Water and Sewerage Company which is a separate legal entity from Kikuyu Water Company. Further, Board minutes and attendance register were not provided to confirm that the Board met during the year to approve the financial statements submitted for audit. This is contrary to Section 652(1) of the Companies Act, 2015, which requires that as soon as practicable after a Company's annual financial statements have been prepared, the Directors shall approve the statements and arrange for one or more of them to sign it.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 Companies Act, 2015, I report based on my 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 the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, 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 applicable basis of accounting unless the Management is aware of intention to liquidate the Company or to cease operations.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date

of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 February, 2022

KIKUYU WATER COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2020


13. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2020

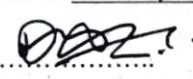
	Note	2019-2020	2018-2019
		Kshs	Kshs
REVENUES			
Revenue	6	109,538,788	108,262,943
TOTAL REVENUES		109,538,788	108,262,943
OPERATING EXPENSES			
Administration Expenses	7	52,442,851	46,484,662
Operation & Maintenance	8	60,144,843	62,917,116
TOTAL OPERATING EXPENSES		112,587,694	109,401,778
PROFIT/(LOSS) BEFORE Finance Cost/ Bfr Income Tax		(3,048,906)	(1,138,835)
Finance Cost	9		
INCOME TAX EXPENSE/(CREDIT)		-	-
PROFIT/(LOSS) AFTER TAXATION		(3,048,906)	(1,138,835)

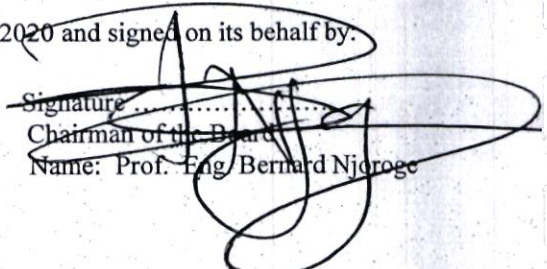
14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	Note	2019-2020 Ksh.	2018-2019 Ksh.
ASSETS			
Non-Current Assets			
Property, plant and equipment	10A	24,351,300	8,672,375
Intangible assets	10B	744,564	180,887
Total Non-Current Assets		25,095,864	8,853,262
Current Assets			
Inventories	11	2,831,922	1,636,145
Trade and other receivables	12	52,678,992	33,857,246
Bank and cash Equivalents	13	7,769,607	11,446,708
Total Current Assets		63,280,521	46,940,099
Total Assets		88,376,385	55,793,361
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	14	100,000	100,000
Capital reserve	15	349,000	349,000
Revenue Reserves	16	(16,587,750)	(14,674,821)
Capital and Reserves		(16,138,750)	(14,225,821)
Current Liabilities			
Trade and other payables	17	85,697,031	52,447,942
Customer Deposits	18	17,618,104	16,371,240
Differed Income		1,200,000	1,200,000
Total Current Liabilities		104,515,135	70,019,182
TOTAL EQUITY AND LIABILITIES		88,376,385	55,793,361

The financial statements were approved by the Board on 28/09 2020 and signed on its behalf by:

Signature 
 Managing Director
 Name: Jane Murage

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

Signature 
 Chairman of the Board
 Name: Prof. Eng Bernard Njoroge

15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2020

	Ordinary share capital	Retained earnings	Capital Reserves	Total
At June 30, 2018	100,000	(13,535,986)	349,000	(13,086.986)
At July 1, 2018				
Total comprehensive Loss		(1,138,835)		(1,138,835)
Proposed final dividends				
At June 30, 2019	100,000	(14,674,821)	349,000	(14,225,821)
At July 1, 2019				
Prior year adjustment on retained earnings		1,135,977		1,135,977
Total comprehensive Loss		(3,048,906)		(3,048,,906)
Proposed final dividends				
At June 30, 2020	100,000	(16,587,750)	349,000	(16,138,750)

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	19	14,170,957	2,073,340
Net cash generated from/(used in) operating activities		14,170,957	2,073,340
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(17,848,058)	(2,532,557)
Net cash generated from/(used in) investing activities		(17,848,058)	(2,532,557)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash generated from/(used in) financing activities		-	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(3,677,101)	(459,217)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		11,446,708	11,905,925
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		7,769,607	11,446,708

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
water sales	126,863,000		126,863,000	100,657,189	(26,205,811)
New connections	3,600,000		3,600,000	2,442,900	(1,157,100)
Exhauster Revenue	1,209,000		1,209,000	1,044,300	(164,700)
Interest Income	-		-	181,317	181,317
Other income	-		-	5,213,082	5,213,082
Total income	131,672,000		131,672,000	109,538,788	(22,133,212)
Expenses					
Administrative Expenses	17,647,400		17,647,400	13,333,540	4,313,860
Board Expenses	1,905,600		1,905,600	-	1,905,600
Staff Expenses	39,329,600		39,329,600	39,109,311	220,289
Finance Cost	498,000		498,000	-	498,000
Administrative Fees & Regulatory	3,766,910		3,766,910	4,165,776	(398,866)
Operational Expenses	67,326,000		67,326,000	55,979,067	11,346,933
Total expenditure	130,473,510		130,473,510	112,587,694	17,885,816
Surplus for the period	1,198,490	-	1,198,490	(3,048,906)	

Budget notes

1. Revenue

a. Water sales

We budgeted Ksh 126 million and managed to achieve 100 million. We did not meet our target due to interruption of our water supply by road construction and sewerage construction in our areas of supply including Karai, Kidfarmaco, Wangigi and Kikuyu. Also some of the anticipated projects were not completed eg Kikuyu Springs and Kamangu Borehole

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b. New connections

We budgeted Ksh 3.6 million and Managed to achieve Ksh 2.4 million. We did not meet our target because some of the anticipated projects as explained in a above were not completed and also interruption by road construction locked out some of our potential customers

c. Exhauster Services

Our budgeted exhauster revenue was Ksh 1,209,000 but Managed to achieve Ksh 1,044,300. This was affected by reduced prices by our competitors

2. Expenditure Revenue

a. Administrative Expenses

We budgeted Ksh 17 million and spent Ksh 13 million. This was due to reduced office, staff travel, accommodation and administrative expenses due to effects of covid-19 in the second half of the financial year

b. Board Expenses

No board expenses were incurred in this financial year due to dissolution of the Boards of Directors of all the water companies in Kiambu County by the County government of Kiambu in order to have one company running water services in the county

c. Staff expenses

Staff expenses reduced due to retirement of some of our staff including the Technical Manager

d. Finance Cost

No finance costs were incurred during the year

e. Regulatory Fee

We budgeted Ksh 3.7 Million but incurred Ksh 4.1 Million. This was due to taking over of some of the water projects in our area of supply ie Muthiga water projects

f. Operational expenses

Our budget for operational expenses was Ksh 67.3 Million and we incurred Ksh 55.9 Million. This was due to reduced borehole maintenance cost were we have continuously increased protection of our panels to avoid damage of our motors and pumps. However power bills continues to be the main contributor of our operational cost

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Kikuyu Water Company Ltd

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

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

i) Relevant new standards and amendments to published standards effective for the year ended 30TH JUNE 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 recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 30TH JUNE 2020(Continued)

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. Based on the Directors' assessment, right of use assets of KSh xxx, lease liabilities of KSh xxx and a deferred tax asset of KSh ... have been recognised with a corresponding decrease of the net amount in retained earnings in these financial statements.

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

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

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2020

IFRS 17 Insurance Contracts (Issued 18 May 2017)

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

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

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

iii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognised in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised 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 recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognised as it accrues.

b) In-kind contributions

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Property, plant and equipment

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

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

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

A Pro Rated depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

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

g) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h) Finance and operating leases

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

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

l) Inventories

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

m) Trade and other receivables

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

n) Taxation

Current income tax

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

Current income tax (Continued)

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

Deferred tax

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

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

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

Deferred tax (Continued)

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

o) Cash and cash equivalents

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

p) Borrowings

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

q) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Retirement benefit obligations

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

s) Provision for staff leave pay

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

t) Exchange rate differences

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

u) Budget information

The original budget for FY 2019-2020 was approved by the Board of Directors in May 2019. No subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of xxxxx on the 2019-2020 budget following the governing body's approval.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) Budget information (Continued)

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

v) Service concession arrangements

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

w) Comparative figures

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

x) Subsequent events

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

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. REVENUE

	2019-2020	2018-2019
	Kshs	Kshs
Water Sales	100,657,189	97,301,308
New Connections	2,442,900	1,881,100
Exhauster Revenue	1,044,300	1,239,000
Sale of Meters	-	182,249
Interest Earned on Fixed Deposit	181,317	
Other incomes	5,213,082	7,659,285
Total	109,538,788	108,262,942

7. (a) ADMINISTRATION COSTS

i)Administrative & other expenses	2019 / 2020	2018 / 2019
Rent and Rates	665,392	858,370
Electricity Expense	107,000	120,000
Telephone Expense	711,250	
Postage	9,450	9,711
Printing and Stationeries	243,344	668,155
IT Cost Maintenance of Computer & Internet	679,640	286,610
Travelling, Accommodation and Subsistence Allow	4,326,396	4,759,605
Staff Training and Workshops	57,000	715,315
Security	30,000	
Staff Protection Gear and Uniform	18,125	143,630
Staff Welfare	288,093	454,500
Insurance	45,244	118,091
DIT Levy	-	38,400
Membership to Professional Association	37,400	85,400
General Office Running Expenses	306,264	939,753
Office Repairs and Maintenance	-	189,940
Agm Expenses	-	
Publication and Book Expenses	-	
Advertising & Promotions	-	476,939
Audit and Professional Fees	232,000	232,000
Depreciation	2,557,108	1,084,885
Amortization	184,323	89,095
Sports-WASCO	123,921	682,200
Bad Debts Written off	-	-

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Provision for Bad Debts	990,618	
Contribution to Merger Fund	-	-
Environmental conservation	37,500	--
Lease fee	-	24,000
Performance Reward Systems	113,000	
Bank Charges	250,233	479,599
MPesa Charges	247,239	
Corporate social responsibility	1,073,000	143,850
Legal fees compensation & Fines	-	-
Strategic Planning and Other Consultancies	-	-
ii)Board Expenses		
Capacity Building	-	-
Travel and Accommodation	-	-
Board Honorarium	-	-
Medical Expenses	-	-
Board Allowances	-	260,000
iii)Staff Expenses		
Salaries and allowances of permanent employees	35,274,167	30,330,164
Wages of temporary employees	2,633,625	2,236,050
Compulsory national health insurance schemes	784,000	736,000
Compulsory national social security schemes	146,400	126,400
Other pension contributions	-	-
Leave pay and gratuity provisions		196,000
Other Staff Deductions	271,119	-
Total Administration Costs	52,442,851	46,484,662

The average number of employees at the end of the year was:		
Permanent employees – Management	10	10
Permanent employees	47	48
Temporary and contracted employees	17	13
Total	74	71

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8. Operational expenses

	2019 / 2020	2018 / 2019
	Kshs.	Kshs.
Electricity - operations	44,468,143	37,494,437
Water quality testing	-	-
Chemicals	-	-
Water Use Fees (WARMA)	1,243,682	695,092
Billing & Other Support Services	122,020	198,000
Water Source Management	36,000	-
Operations Repairs & Maintenance	2,885,741	-
Maintenance of Water Systems	1,568,600	5,475,323
Maintenance of Sewer Systems	-	-
Maintenance of Plant & Equipments	2,156,272	7,864,698
Maintenance of buildings	-	-
Planning & Design	-	656,400
Fuels & Lubricants	2,129,025	1,701,111
Vehicle Maintenance	1,232,584	976,460
Compensation of Way Leave	137,000	-
Regulatory Fee (WASREB)	4,165,776	3,362,769
Permits and Licenses	-	99,450
AWSB	-	4,129,076
Exhauster Disposal Charges	-	264,300
Total	60,144,843	62,917,116
9. Finance cost	2019 / 2020	2018 / 2019
Interest on loans	-	-
Interest on Overdraft	-	-
	0	0

10. NOTES TO THE FINANCIAL STATEMENTS (Continued)

a. PROPERTY, PLANT AND EQUIPMENT

2019	Motor vehicles/ Cycles	Office Furniture & Fittings	Computers Office Equipment & Phones	Plant and machinery	Pipes & Water Meters	Buildings	Tools	Total
COST OR VALUATION								
At July 1, 2019	3,655,010	978,611	2,682,648	11,963,926	3,052,453	-	38,470	22,371,118
Additions	-	1,000	1,117,331	8,781,685	8,174,901	134,755	8,050	18,217,722
Total Non Current Assets at cost 30/06/2020	3,655,010	979,611	3,799,979	20,745,611	11,227,354	134,755	46,520	40,588,840
DEPRECIATION								
At July 1, 2019	2,773,620	532,903	2,236,769	7,346,621	790,518			13,680,431
Charge for the year	220,347	44,671	412,482	1,125,766	737,216	3,369	13,257	2,557,108
Impairment loss								-
Eliminated on disposal								-
At June 30, 2020	2,993,968	577,574	2,649,251	8,472,387	1,527,734	3,369	13,257	16,237,540
NET BOOK VALUE At June 30, 2020	661,042	402,037	1,150,728	12,273,224	9,699,620	131,386	33,263	24,351,300

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2019	Motor vehicles/ Cycles	Office Furniture & Fittings	Computers Office Equipment & Phones	Plant and machinery	Pipes & Water Meters	Total
COST OR VALUATION						
At July 1, 2018	2,823,013	978,610	2,682,648	11,963,926	1,384,899	19,833,096
Additions	832,000				1,667,554	2,499,554
Total Non Current Assets at cost 30/06/2019	3,655,013	978,610	2,682,648	11,963,926	3,052,453	22,332,650
DEPRECIATION						
At July 1, 2018	2,548,037	483,381	2,017,428	6,833,587	692,956	12,575,389
Charge for the year	205,244	49,523	219,523	513,034	97,561	1,084,885
Impairment loss						0
Eliminated on disposal						0
At June 30, 2019	2,753,281	532,904	2,236,951	7,346,621	790,517	13,660,274
						-
NET BOOK VALUE At June 30, 2019	901,732	445,706	445,697	4,617,305	2,261,936	8,672,376
						-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

b. INTANGIBLE ASSETS

	2019-2020	2018-2019
	Kshs	Kshs
COST		
At July 1	580,000	580,000
Additions	748,000	
Disposals		
At June 30	1,328,000	580,000
AMORTISATION		
At July 1	399,113	310,020
Charge for the year	184,323	89,093
Disposals		
Impairment loss		
At June 30	583,436	399,113
NET BOOK VALUE		
At June 30	744,564	180,887

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. INVENTORIES

	2019-2020	2018-2019
	Kshs	Kshs
Stationery	124,348	-
Electrical Fittings	648,555	102,350
Water Fittings	496,956	488,657
Water Meters	1,170,150	425,074
Pipes	286,063	240,564
Tools	43,550	317,200
Chemicals	62,300	62,300
	2,831,922	1,636,145

12. A. TRADE AND OTHER RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Trade receivables	76,629,946	56,817,582
Prepayments	-	71,255
Staff receivables (note 27 (c))	-	15,000
Other receivables	184,255	98,000
Gross trade and other receivables	76,814,201	57,001,837
Provision for bad and doubtful receivable	(24,135,209)	(23,144,591)
Net trade and other receivables	52,678,992	33,857,246

B. STAFF RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Gross staff advances	-	15,000
Provision for impairment loss	-	-
	-	15,000
Less: Amounts due within one year	-	(15,000)
Amounts due after one year	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. CASH AND CASH EQUIVALENTS

Financial institution	Account number	2019-2020 KShs	2018-2019 KShs
a) Current account			
Kenya Commercial bank	1102947962	10,644	91,348
Kenya Commercial bank	1102658111	142,891	442,288
Kenya Commercial bank	1102639648	7,419,551	10,430,543
Equity Bank	0570292031078	57,487	79,440
Post Bank Of Kenya	0744130007563	22,580	25,820
Family Bank	102000004731	38,650	131,958
Sub- total		7,691,803	11,201,397
b) Others(specify)			
cash in hand		-	17,734
M pesa		77,805	227,577
Sub- total		77,805	245,311
Grand total		7,769,607	11,446,708

14. ORDINARY SHARE CAPITAL

	2019-2020 Kshs	2018-2019 Kshs
Authorized:		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
	=====	=====
Issued and fully paid:		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
	=====	=====

15. CAPITAL RESERVES

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

16. RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. TRADE AND OTHER PAYABLES

	2019-2020	2018-2019
	Kshs	Kshs
Trade payables	9,421,308	14,894,796
Accrued expenses	74,286,769	35,516,683
Other payables	1,988,954	2,036,461
	=====	=====
	85,697,031	52,447,940
	=====	=====

18. CUSTOMER DEPOSITS

	2019-2020	2018-2019
	Kshs	Kshs
Opening Balance	16,371,240	14,278,440
Additions	1,246,864	2,092,800
Balance at end of the year	17,618,104	16,371,240

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19. NOTES TO THE STATEMENT OF CASH FLOWS

Cashflow Statement	Notes	2019 / 2020	2018 / 2019
		Kshs.	Kshs.
Cash flows from operating activities			
Profit/ (loss) before tax		(3,048,906)	(1,138,836)
Adjustment for:			
Depreciation	10a	2,557,108	1,084,885
Amortization	10b	184,323	89,098
Provision for Bad Debts		990,618	
Loss on sale of Motor Vehicle		-	-
Adjustment of receivables		-	-
Cash Generated from Operations		683,143	35,147
Changes In Working Capital			
Increase in Inventories	11	(1,195,777)	735,519
Increase in Trade and other receivables	12	(19,812,364)	(11,043,114)
Increase in Trade and other payables	17	33,249,091	10,309,940
Increase/(Decrease) in Prepayments		-	(56,952)
Increase in Customer Deposits	18	1,246,864	2,092,800
Net cash from operating activities		14,170,957	2,073,340

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. RELATED PARTY DISCLOSURES

(a) Government of Kenya

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

(a) Athi Water Services Board

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

(b) County Government of Kiambu

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

(c) Water Services Regulatory Board

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

(d) Water Resources Management Authority

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

(e) Remuneration for directors' and key management compensation

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

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(A) ATHI WATER SERVICES BOARD	2019-2020	2018-2019
Balances brought forward	24,106,448	19,977,411
Administrative Fee payable to AWSB	-	4,129,077
Balance Carried down as at 30th June	24,106,488	24,106,488
(B) COUNTY GOVERNMENT OF KIAMBU		
Balances brought forward	168,000	144,000
County Government of Kiambu	-	24,000
Balance Carried down as at 30th June	168,000	168,000
(C) WATER SERVICES REGULATORY BOARD		
Balances brought forward	6,084,954	2,722,185
Regulatory levy payable to WASREB	4,165,776	3,362,769
Payments during the year	-	-
Balance Carried down as at 30th June	10,250,730	6,084,954
(D) WATER RESOURCES MANAGEMENT AUTHORITY		
Balances brought forward	1,022,215	1,451,564
Adjustments	-	(874,441)
Regulatory levy payable to WARMA	1,243,682	695,092
Payments during the year	(2,00,000)	(250,000)
Balance Carried down as at 30th June	2,065,898	1,022,215
(E) DIRECTORS REMUNERATION		
Board allowances	-	280,000
Remuneration of key Management	5,058,505	7,180,280
	5,058,505	7,460,280

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

The company is exposed to credit risk which is the risk that the debtors will cause a financial loss to the company by failing to discharge an obligation. Credit risk arises mainly from customer deposits held in the form of bank balances or short term deposits, and the cash held at revenue collection points with various institutions like M-pesa platform, Equity bank Ltd, Family Bank Ltd and Post bank of Kenya Ltd.

The company does not have significant concentrations of credit risk posed by collection agents or banks since the financial institutions possess high credit quality and hence the risk of default is low. Cash deposits are maintained with credible financial institutions

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from billing to customers transactions	76,629,946	52,491,737	24,135,209	-
Receivables from other transactions	184,225	184,225	-	-
Bank balances	7,769,608	7,769,608	-	-
Total	84,583,779	60,445,570	24,135,209	
At 30 June 2019				
Receivables from billing to customers transactions	56,817,582	33,672,991	23,144,591	-
Receivables from other transactions	170,755	170,755	-	-
Bank balances	11,479,712	11,479,712	-	-
Total	68,468,049	45,323,458	23,144,591	

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

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

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

ii) Liquidity risk management

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	3 month	6 months	9months	Total
	Kshs	Kshs	Kshs	Kshs
At 30th June 2020				
Trade payables and other payables	4,610,587	561,1572	35,398,989	45,621,148
Provisions? Lease & regulatory fees	1,351,504	1,370,468	33,701,142	36,423,114
Deferred income	-	-	-	0
Employee benefit obligation	3,652,768.00	-	-	3,652,768
Total	9,614,859	6,982,040	69,100,131	85,697,030
At 30th June 2019				
Trade payables and other payables	18,056,067	-	1,129,507	19,185,574
Provisions? Lease & regulatory fees	7,515,845	4,933,969	17,909,627	30,359,442
Deferred income	-	-	1,200,000	1,200,000
Employee benefit obligation	2,902,926	-	-	2,902,926
Total	28,474,838	4,933,969	20,239,134	53,647,941

(iii) Market risk

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

a) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

b) Financial instruments not measured at fair value

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

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

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve		
Retained earnings	(15,387,750)	(14,674,821)
Capital reserve	349,000	349,000
Total funds	(15,038,750)	(14,325,821)
Trade and other payables	0	0
Less: cash and bank balances	7,769,607	11,446,708
Net debt/(tRa)		
Gearing	0	0

22. INCOPORATION

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

23. EVENTS AFTER THE REPORTING PERIOD

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

24. CURRENCY

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

**KIKUYU WATER COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
(1) Electricity expenses	<p>Included in Note 9 to the financial statements under operational expenses is an amount of Kshs. 42,009,651 relating to expenses. An examination of billing statements from Kenya Power and Lighting Company for the period of July 2017 to June 2018 revealed total electricity bills amounting to Kshs. 31,245,031 and thus, resulting in unexplained expenditure difference of Kshs 10,764,620. Further, an analysis of the payment records revealed that cheques amounting to Kshs. 39,962,826 were made in favour of</p>	<p>During the year under review the company incurred an electricity expense of Ksh 42,009,651 as indicated in note 9 to the financial statements. The company also paid ksh 39,834,342 to service the arrears of Ksh 2,806,257, the current bills of ksh 42,009,651 and as a result the balance of 4,981,566 was not paid as at 30th June 2018. The tabulation below indicates how the balances were arrived at: Balance B/F 2,806,257 Add expense for the year 42,009,651 Less payments (39,834,342) Is equal to balance C/F 4,981,566 A detailed schedule of how the expenses and payments were arrived at its attached for your information and further action.</p>	Mary	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
(2) Payables relating to water regulatory board	According to Note (xvii) to the financial statements on related parties in the summary of significant accounting policies, the Company operates under a regular tariff signed between Water Service Regulatory Board (WASREB), Water Resources Management Authority (WARMA), Athi Water Services Board (AWSB) and Kikuyu sub-county whereby, WASREB is paid 1% of all revenue generated from provision of and sanitation services, AWSB and Kikuyu sub-county are	Note 20 of the financial statements reflects payables to related parties which includes kshs 19,977,411 lease fee to AWSB, regulatory levy kshs 2,722,185 and WARMA charges (Abstraction levy) kshs. 1,451,564 during the current year under review. The levy payable to WASREB is anchored in the service provision agreement APPENDIX 3: SCHEDULE OF LEASE FEES which states as follows. The Lessee shall pay to the Water Services Regulatory Board 1% of Water and Sewerage revenue collected during the month. The abstraction fee payable to WARMA is anchored in the 1 st schedule of WARMA rules PART B WATER USE CHARGES (Attached are copies for your information) We have attached a tariff schedule of lease fee payable to AWSB lease fee payable to Kikuyu sub-county. The company is licensed by Water Services Regulatory Board and operates under a Service Provision Agreement that spells out the term's operation. Attached is the copy of	Daniel Muiruri	Pending	In Progress

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
(3) Failure to disclose material uncertainty in relation to going concern	In the financial year ended 30 th Jun 2018, the company recorded a net loss of Kshs. 7,018,040 (30 th June 2017: a net loss of Kshs. 547,365) which as a result depleted retained earnings from negative Kshs 6,517,946 as at 1 July 2017 to negative Kshs. 13,535,986 as at 30 June 2018. Further, the current liabilities of Kshs. 57,616,442 as at 30 June 2018 exceeded the current assets of Kshs. 37,001,769 resulting in a negative working capital of Kshs. 20,614,673	The expenses of the company included administrative fees expenses of Kshs. 3,932,454 payables to Athi Water Services Board, the administrative fees were based on approved tariff in 2010 to 2013 against a projected billing that was not realised. Athi Water developed Kikuyu Springs with a capacity to produce 1000m ³ per day. However, it was not operational in the period under review since the project is not yet operational. However, the company in partnership with Kiambu County Water and Sewerage Company is conducting studies on installation of cheaper sources of power that included solar power. Once this is once the company gets a new tariff it will be able to cover its operational costs.	MD	In Progress	In Progress

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FOR THE YEAR ENDED 30TH JUNE 2020

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1). Unaccounted for water	Operational income increased by Kshs. 13,976,724 from Kshs. 84,107,871 in the financial year 2016/2017 to Kshs. 98,084,485 in 2017/2018. The total water production for the year under review was 2,053,652 cubic meters. However, only 1,043,780 cubic metres were billed during the year. This implies that unaccounted for water was 1,009,872 cubic metres or 49.17% of the total production. In essence, unaccounted for water was 24.17% over and above the 25% level recommende	The non-revenue water being both apparent and commercial losses, the company has invested heavily in rehabilitation of water systems, storage tanks and addressing leaks and bursts in order to address technical losses. In addition, the company has dedicated a full pledged non -revenue tam so as to maximise on reduction of non-revenue. Also, the company is increasing metering of customers in order to address the same by buying quality meters and installing them to new customers. However, during the financial year under review the company lost considerable amounts of water during construction of road in Kikuyu town and peripheries estates by Nairobi metropolitan development authority. It is also important to note that the county Government of Kiambu had an ambitious rural rid upgrading programme where we also lost water during the exercise. However, the 49.17% is still above the allowable thresholds and the company is committed to bringing it to further down.	Peter Nganga	In Progress	In Progress

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Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2). Customers' Deposits	<p>The statement of financial position shows that the customers' deposits increased by Kshs 2,080,000 from Kshs. 12,198,440 as at 30 June 2017 to Kshs. 14,278,440 as at 30 June 2018 and as disclosed in Note 21 to the financial statements. However, as disclosed in Note 15 to the financial statements under cash and bank balances, the customers, deposits bank account had a balance of Kshs. 11,082,420 as at June 2018. The difference of Kshs. 3,196,020 apparently represents the amount</p>	<p>While the company's deposits policy anticipant's repayment period not exceeding Twelve months and to maximum of Kshs. 1,000,000 the company however was unable to actualize this due to liquidity pressure. During the year under review the company maintained a standing order of ksh 100,000 to this account for the sole purpose of reducing the balance. Once the company successfully secures a new regular tariff it will be able to cover its operational cost and borrowing will be suspended.</p>	Mary Mbugua	Resolved	Resolved

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3). Audit Fees arrears	Included in the trade and other payables in Note 20 to the financial statements are professional fees totalling Kshs 1,160,000 and which relates to arrears of audit fees that have not been paid by the company for four financial years namely 2013/2014, 2014/2015, 2015/2016, 2016/2017 and 2017/2018. The company has therefore been in persistence breach of Section 41 (1) (c) of the Public Audit Act, 2015 which empowers the Auditor General to charge audit fees at the rates prescribed and be paid	The company in its obligation to prepare the financial statement in accordance to the law has accrued the entire audit fee due to the office of the auditor general prudently. However due to cash flow constraints the company was unable to clear all the debt due to the office of the auditor general as at 30 th June 2018 as indicated in Note 20 to the financial statements. During the year under review the company paid a cheque (4552) of Ksh 232,000 in the favour of office of the auditor general and thus why the balance brought down was equal to balance carried down. The company is committed to honour its obligation to pay off all the amounts owed to the AOG office once its liquidity improves.	Daniel Muiruri	In Progress	In Progress

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1). Failure to Appoint Board of Directors.	A review of records of the board of directors of Kikuyu Water Company Limited revealed that the company had in office nine board members, all had retired, the positions remained vacant and has not been filled as at the time of audit in January 2019. In the absence of full board, activities that require full board approval could not be implemented. As a result, there was lack of formulation of new Company Policies, procedures and execution of the functions of the board contrary to Section 79 (1) of the	The company did not replace the board members who had retired in the course of the financial year since instructions were issued by the county government on the change of management where all the eight water companies are to be merged to form one company.	County Government of Kiambu	Resolved	Resolved

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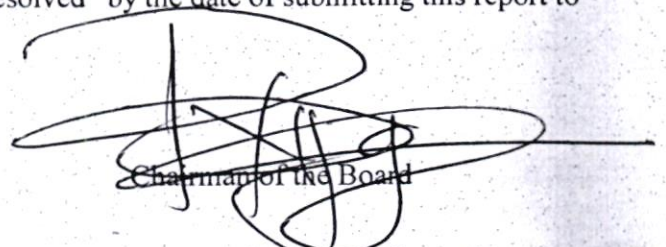
Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Managing Director



Date..... 28/09/2020



Chairman of the Board

Date..... 28/09/2020

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Status of on-going externally funded projects				
1. Kikuyu sewerage project				
Date of Commencement	Current Status	Expected completion date	Challenges and Risks	Proposed mitigation measures
12 th Nov 2018	30% work undertaken	May 2021	-Encroachment of road by private land owners. Challenge in reinstatement of water pipeline destroyed during sewer line excavation.	Kiambu County Government to assist in removing encroachers
2. Twin –island rising main system – drilling of two no. boreholes at twin site, laying 160mm rising main from twin to island tank site, construction of two no. 108m3 elevated tanks at island borehole site,				
Date of Commencement	Current Status	Expected completion date	Challenges and Risks	Proposed mitigation measures
6 th July 2020	20% completed	30 th September	Border rocks presented challenge during casing. Water during drilling went to neighbours farm	A trench was done, directing water to ondiri swamp
3. Twin Gichuru tank rising main- drilling of two number boreholes at twin site, laying 2.4km 160mm rising main from twin borehole site to Gichuru tank site, construction of two no. 108m3 elevated tank at Gichuru tank site.				
Date of Commencement	Current Status	Expected completion date	Challenges and Risks	Proposed mitigation measures
6 th July May 2020	10%	30 th September 2020.	Contractor yet to complete drilling of boreholes in project 2. However tank construction on going.	Contractor instructed to mobilize and proceed with laying of pipeline as they continue with the drilling.
4. Gikambura –karai rising main- drilling of borehole at Riu borehole site, laying of 5km 160mm rising main from riu to karai secondary school , construction of 108m3 elevated tank				
Date of Commencement	Current Status	Expected completion date	Challenges and Risks	Proposed mitigation measures
6 th June 2020	50%	20 September 2020.		
Status of on-going County/ Internally funded projects				
1. Ondiri-Kamangu pipeline –Drilling 1 no. borehole and 9km pipe line km water pipeline and storage tank				
Date of Commencement	Current Status	Expected completion date	Challenges and Risks	Proposed mitigation measures

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10 th May 2020	10% work undertaken	31 st August 2020	Procurement of the pipes not yet completed	Intensive follow up with county government.
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