

REPORT

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

**THIKA WATER AND SEWERAGE
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2019**

	PAPERS LAID
DATE	28.9.2021
TABLED BY	Sen. Majority leader
COMMITTEE	→
CLERK AT THE TABLE	M. Adjiwodon



**International Financial Reporting Standards (IFRS)
Annual Financial Reporting for Financial Year Ended June 2019**

THIKA WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019

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

Table of Contents

Page

KEY ENTITY INFORMATION	3
VISION STATEMENT	3
MISSION STATEMENT	3
STRATEGIC OBJECTIVES OF THIKA WATER AND SEWERAGE COMPANY	3
KEY ENTITY INFORMATION (Continued).....	4
CORE VALUES	4
KEY ENTITY INFORMATION (Continued).....	5
THE BOARD OF DIRECTORS.....	5
BOARD OF DIRECTORS Continued	6
MANAGEMENT TEAM	7
CHAIRMAN'S STATEMENT.....	11
REPORT OF THE CHIEF EXECUTIVE OFFICER	13
CORPORATE GOVERNANCE STATEMENT.....	14
CORPORATE GOVERNANCE STATEMENT (Continued)	15
CORPORATE GOVERNANCE STATEMENT (Continued)	16
MANAGEMENT DISCUSSION AND ANALYSIS	17
MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd).....	18
MANAGEMENT DISCUSSION AND ANALYSIS (Continued).....	19
CORPORATE SOCIAL RESPONSIBILITY STATEMENT.....	20
CORPORATE SOCIAL RESPONSIBILITY STATEMENT (Continued).....	21
CORPORATE SOCIAL RESPONSIBILITY STATEMENT (Continued).....	22
REPORT OF THE DIRECTORS	23
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	24
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME.....	25
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019	26
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019.....	27
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019.....	28
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019	29
NOTES TO THE STATEMENT OF COMPARISON OF BUDGET.....	30

NOTES TO THE FINANCIAL STATEMENTS 31

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 32

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 32

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 34

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 35

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 36

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 37

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 38

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 40

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 41

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 42

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 43

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 45

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 46

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 47

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 48

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 49

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 50

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 51

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 52

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 55

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 58

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 59

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 59

NOTES TO THE FINANCIAL STATEMENTS (Continued)..... 61

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS 61

KEY ENTITY INFORMATION

Background information

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

Principal Activities

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

Main Functions of THIWASCO include:

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

VISION STATEMENT

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

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

MISSION STATEMENT

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

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

STRATEGIC OBJECTIVES OF THIKA WATER AND SEWERAGE COMPANY

The following are strategic objectives that THIWASCO aims to achieve:

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

KEY ENTITY INFORMATION (Continued)

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

CORE VALUES

The following are the THIWASCO corporate values:

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

Directors

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

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

Corporate Secretary

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

Corporate Headquarters

Thiwasco Offices

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

KEY ENTITY INFORMATION (Continued)

Corporate Contacts

Telephone; 0701-053637/0720418444
E-mail: thikawater@yahoo.com
info@thikawater.co.ke
Website: thikawater.co.ke

Corporate Bankers

- Equity Bank
Equity Plaza Branch
Thika Branch
- Cooperative Bank of Kenya
Thika Branch



Independent Auditors

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

Principal Legal Advisers

- The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya
- Otieno Okeyo & Co. Advocates
CMS Africa Building
9th floor, Suite B-1
Chania Avenue, Off Ring Road-Ngong Road, Yaya Centre
P.O. Box 9684-00100
Nairobi.

THE BOARD OF DIRECTORS

<p>Eng. Joseph Wakimani (Chairman)</p>  <p>Key Qualifications: Bsc, Hons, Civil engineering Msc, Highway engineering Member of institute of highways and transportation Member of institute of engineers in Kenya Member of Engineers board of Kenya</p>	<p>DOB: 1960</p> <p>Work experience: - Resident engineer: Nor ken international ltd Area maintenance & construction manager: Caltex oil Ltd Engineering manager: Caltex oil Ltd Part time director: Frame consultants Ltd Highway/material Engineer: Norco cult A.S consulting Engineers Assistant materials Engineer: MOPW Assistant Engineer: Ministry of public works</p>
 <p>Lucy Kagume (Member) Key Qualifications -Bachelor of Education</p>	<p>D.O.B 7th march 1950</p> <p>Work experience: -Principal-Broadway High School -principal-Gaturi Girls sec school - principal-Kiriaini Girls Sec school -Deputy Principal-Gitugi Girls sec school -Teacher Njumbi High school</p>
<p>Juma Hemedi (Member)</p>  <p>Key Qualifications-Diploma in project management -Advanced certificate in business management -Certificate in IC</p>	<p>DOB 1977</p> <p>Work experience: -Constituency Coordinator-Election observation group (ELOG) -Youth Facilitator-Africa youth trust -First aid instructor/Trainer-Safety and health consultants Ltd independent electoral commission (IEC) -Youth facilitator/trainer- USAID and EDC -Tally clerk/Logistics-Kenya red cross society -first aid Trainer-Kenya red cross society Youth Delegate-Norwegian red cross society</p>

BOARD OF DIRECTORS Continued

Eng. Moses Kweri Kinya-
(Managing Director)



Key Qualifications

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

D.O.B 18th July 1968

Work experience:

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

Fredrick Otieno Okeyo-
(Company Secretary)






Key qualifications:





l.l.b. hons, university of Nairobi, 1990 ·
diploma, Kenya school of law, 1992




Work experience:

- Position of the firm: Partner
- Years and or months with law firm: 22 years
- Membership (and status) in Professional Bodies: member of the law society of Kenya, commissioner for oaths and notary public

MANAGEMENT TEAM

<p>Eng. Moses Kweri Kinya (Managing Director)</p>  <p>Key Qualifications -Bsc Civil Engineering -MSc Public Health Engineering -MBA Business Administration</p>	<p>D.O.B 18th July 1968</p> <p>Work experience:</p> <ul style="list-style-type: none"> ▪ MD-Thika Water and Sewerage Co Ltd ▪ Senior Eng H.P.Gauff Ingenieure GmbH & Co Ltd ▪ MD-Mombasa Water and Sanitation Co Ltd ▪ MD-Malindi Water and Sanitation Co Ltd
<p>Fredrick Otieno Okeyo- (Company Secretary)</p>  <p>Key qualifications: l.l.b. hons, university of Nairobi, 1990 · diploma, Kenya school of law, 1992</p>	<p>Work experience:</p> <ul style="list-style-type: none"> ▪ Position of the firm: Partner ▪ Years and or months with law firm: 22 years ▪ Membership (and status) in Professional Bodies: member of the law society of Kenya, commissioner for oaths and notary public
<p>Kennedy Kiemo</p>  <p>Key Qualifications -Bsc. Civil Engineering</p>	<p>D.O.B 1970</p> <ul style="list-style-type: none"> ▪ Chief Manager, Technical Services

<p>Jeremy Mathenge Beru</p>  <p>Key Qualifications- CPA(k), Bcom</p>	<p>D.O.B 1989</p> <ul style="list-style-type: none"> ▪ Chief Manager, Commercial services.
<p>Rosemary Wamaitha</p>  <p>Key Qualifications- CPA(K), Bcom</p>	<p>D.O.B 1977</p> <ul style="list-style-type: none"> ▪ Chief Manager, Finance.
<p>Albert Maingi</p>  <p>Key Qualifications- CPA(K), CISA, MBA Accounting, BAM</p>	<p>D.O.B 1983</p> <ul style="list-style-type: none"> ▪ Chief Manager, Internal Audit.
<p>Jeremiah Mithamo</p>  <p>Key Qualifications- CPA(K), Bcom</p>	<p>D.O.B 1984</p> <ul style="list-style-type: none"> ▪ Management Accountant.

<p>Eng. Edward Muriithi</p>  <p>Key Qualifications-Bsc. Civil & Construction Engineering</p>	<p>D.O.B 28th Feb1984</p> <ul style="list-style-type: none"> ▪ Development Manager.
<p>Irene N. Ndirangu</p>  <p>Key Qualifications- Bcom-HR, MBA-HR</p>	<p>D.O.B 15th June 1984</p> <ul style="list-style-type: none"> ▪ Human Resource Manager.
<p>Elaine Wanjiku Ngugi</p>  <p>Key Qualifications-Diploma in Law, B-Com HR, Msc-HR</p>	<p>D.O.B 8th Oct 1983</p> <ul style="list-style-type: none"> ▪ Corporate Manager.

CHAIRMAN'S STATEMENT

During the financial year 2018/2019 the company generated an income of KES 763.8 million against KES 702.7 million from the previous year. Also the company has managed to maintain the NRW within the sector benchmarks to 25% against 22% from the previous year. The company has further made elaborate plans to further reduce the NRW by implementing proposed Efficiency Improvement Project through well managed DMAs and active leak detection. In addition, we have continued with extensive replacement of all non-functional consumer meters so as to improve accuracy of our monthly billing to customers. Meters billed on actual consumption stood at 74.5%. Further to implementation of Mobile Field Assistant for all our meter reading we procured and installed a new advanced billing system, Utility Master, to improve billing accuracy and in compliance with regulatory requirement.

The company has formulated strategic objectives aimed at increasing water production and sewerage treatment capacity so as to meet the increasing demand due to heightened growth of Thika Town. Enhancement of water supply and sewerage connections in the face of growing population is also a strategic issue among others so as to increase coverage. The projects proposed for implementation include:

1. Proposed Thika Water Augmentation Project – Karimenu-Maryhill Waterworks funded under the Water & Sanitation Development Project (Performance Based Financing) by World Bank through Water Services Regulatory Board (WASREB). This will increase supply by 15,000 m³/day. Procurement of Design Review and construction Supervision Consultant is at advanced stage with technical evaluation of the consultant's proposal submitted to the bank for no-objection.
2. Rehabilitation and upgrade of the existing water works including but not limited to replacement of the electromechanical units at both high and low lift pump station, rehabilitation and installation of inclined settlers at treatment works to increase throughput by about 5,000 m³. The works are to be funded through Aid on Delivery (AoD), a WASTF programme under KfW funding providing 50% subsidy. Further progress is awaiting feedback from WSTF.
3. Efficiency Improvement Project to be funded through Kenya Pooled Water Fund and aimed at increasing efficiency of the existing system mainly by construction of a mini-hydropower at the Chania falls and District Area Metering. Detailed design of the project is complete with grant through SNV. Project progress is hampered by governance issues on Board composition.
4. Thika and Githunguri Water and Sanitation Improvement Project The project is being implemented by the Government of Kenya through Athi Waterworks Development Agency. Feasibility study with a grant from DANIDA Business Financing has been conducted with draft report submitted. The project aims to specifically improve sewerage services on northern part of Thika and rehabilitation and upgrade of existing water and sewer systems. Once the project is implemented Thika will have over 80% sewerage coverage and an addition 20,000m³/day water production.

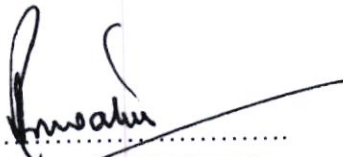
5. In an effort to improve customer service the Board is in the process of implementing cashless payment mode in the company effective July 2019. In addition, the Board has increased the fleet of vehicles and motorcycles that will improve efficiency of the operation and maintenance team thereby improving service delivery
6. The Board has also implemented several water extension and sewer upgrade projects with internally generated funds. A total of 28.32Km of Water pipeline was laid by use of Contractors and in-house works. A total of 16.77Km of sewer pipelines were laid during the year through the NAMSIP Project and the company funding.

Borehole Development Project that was to be financed through commercial loan with a 60% subsidy from Water Sector Trust Fund (WSTF) under the Output Based Aid (OBA) World Bank program and expected to increase water supply by 5,000m³/day was cancelled due to governance issues on Board composition that forced withdrawal of the subsidy. This was after procurement process and loan negotiations had been completed and disbursement of 10% subsidy from WSTF done.

The Board also considers its Human Resource as one of the most valued asset in achieving its strategic objectives and has in this regard negotiated CBA with Kenya Union of Food and allied Workers Union in an effort to improve working terms for its staff. The CBA has been registered and is under implementation. The Board has also ensured continuous staff training and development with all staff undergoing refresher courses during the year in their respective profession.

The Board is also in the process of formulating a new strategic plan for the year 2019 -2024 as the existing one is expiring at the end of the year with a consultant engaged to guide the process. The process is being undertaken parallel with tariff study aimed at reviewing the applicable tariff to fund the strategic plan in the next five years.

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


.....
Eng. Joseph Wakimani
Chairman

CORPORATE GOVERNANCE STATEMENT (Continued)

COMMITTEES OF THE BOARD

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

FINANCE AND ADMINISTRATION COMMITTEE

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

TECHNICAL COMMITTEE

The committee deals with all operational and planning related issues which are technical in nature. The membership comprises: *Lucy Kagume (Chairperson), Joseph Wakimani and Juma Hemedi.* Its responsibility includes overseeing the development of water infrastructure and ensuring standards set by the regulator are adhered to. This committee oversees planning, coordination and execution of development and rehabilitation projects to ensure expansion of reticulation system and to improve efficiency in water production and distribution including sewerage network.

AUDIT COMMITTEE

The Board has constituted an audit committee which meets four times a year or as necessary. Its membership comprises *Juma Hemedi (Chairperson), Joseph Wakimani and Lucy Kagume.* Its Responsibilities include; examining and assessing the effectiveness of internal control systems, approving Internal Audit programs, carrying out special audits, deliberate on and propose solutions for any material finding in any audit report, verifying THIWASCO assets and liabilities, adopting proactive risk based approach to internal audit system and receiving report from the Chief Internal Auditor.

CORPORATE GOVERNANCE STATEMENT (Continued)

NUMBER AND NATURE OF MEETINGS HELD IN THE FINANCIAL YEAR 2018/2019

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

MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The company's operational and financial performance

During the financial year, the company was able to meet its budgetary expectation.

Challenges

- Frequent interruption of water supply due to damage by road contractor hired by the various agencies such as KENHA, KURA and County Government etc.
- Theft of appurtenances and valves in the in the water supply network.
- Low levels of the water in the rivers during the dry season and over abstraction upstream of our intakes hence low water production
- Increase of sewer blockages due to overloading of the old and small sewer lines that have exceeded their design period.

Opportunities

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

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

Key Performance Indicators		EXPECTED	FY 2018/2019
1	Collection Efficiency (%)	>90	80%
2	O + M Cost Coverage (%)	>100	>100
3	Staff Productivity - staff per 1000 connections (Nr)	<6	6
4	Metering Ratio (%)	=100	100
5	Personnel Expenditure as percentage of O&M Costs (%)	<30	40

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SECTION B

Company's compliance with statutory requirements

The company was compliant on all water quality tests.

SECTION C

KEY PROJECTS AND INVESTMENT DECISIONS THE ENTITY IS PLANNING/IMPLEMENTING

- Intake construction & treatment works /15,000m³ p.d to boost water supply at kariminu-Mary hill area
- Sewer line upgrading along BIDCO area to reduce blockage issues.
- Implementation of newly Procured billing software.

SECTION D

MAJOR RISKS FACING THE ENTITY

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

Operational Risk

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

Financial Risk

No payment by customers/consumers, loss of revenue through illegal connections, bursts and leakages leading to non-revenue water.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SECTION E

material arrears in statutory/financial obligations

The company has outstanding arrears to;

- County Government of Kiambu
- AWSB
- KRA

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

The company offers internship to students in different field of learning, students from Kenya Institute of Water pursuing water engineering courses, operator courses, plumbing and also managerial course from different learning institutions. The interns are taken for a three months' duration and rotate to different departments to gain experience and knowledge. The company also provide a transport allowance on monthly basis. After completion the students are given recommendation letters from the section supervisor.

Water fountains.

The company repaired three water fountains located in Thika Level five hospital, Nelleon Plaza road, Mama Ngina Garden and Jamhuri market. This has played an important role in encouraging tap water consumption in the community. It has also reduced the water related diseases in those areas since the water provided is clean and good for drinking.

Polio campaign.

In the month of August, we partnered with Kiambu county in support of polio campaign, this was done with an objective of achieving hundred percent coverage under oral polio vaccine. Our aim was to immunize children through improved social mobilization. We provided transport for the four days.

DCC party.

The outgoing sub-county administration police commander invited us for a farewell party whereby we donated ten cases of thiwasco branded water.

Annual golf tournament.

In the spirit of sports, we co-sponsored golf tournament with Kshs. 150,000/= customer service staff exhibited our services during the tournament day and donated Thiwasco branded water with this kind of activity has led to the exposure of our company, entertained the clients and also boosted our relationship with the community.

The following activities were undertaken in the month of October 2018 to June 2019 namely; -

1. Trade fair exhibition was held from 9th to 11th October 2018 exhibition of our services donated bottled water for the three days.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of THIWASCO affairs.

Principal activities

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

Main Functions of THIWASCO include:

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

Results

The results of the entity for the year ended June 30, 2019 are set out on page 25-60

Dividends

The directors do not recommend the payment of dividends within the financial year ended June 2019.

Directors

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

Auditors

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

By Order of the Board


.....
Fredrick Otieno Okeyo

Company Secretary

Date: 18/5/2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of THIWASCO's financial statements, which give a true and fair view of the state of affairs of THIWASCO for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes:

- i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of THIWASCO;
- iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) safeguarding the assets of THIWASCO;
- v) selecting and applying appropriate accounting policies; and
- vi) making accounting estimates that are reasonable in the circumstances.

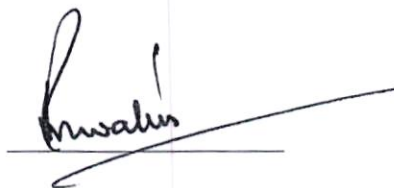
The Directors accept responsibility for THIWASCO's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that THIWASCO's financial statements give a true and fair view of the state of THIWASCO transactions during the financial year ended June 30, 2019, and of THIWASCO's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for THIWASCO, which have been relied upon in the preparation of THIWASCO's financial statements as well as the adequacy of the systems of internal financial control.

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

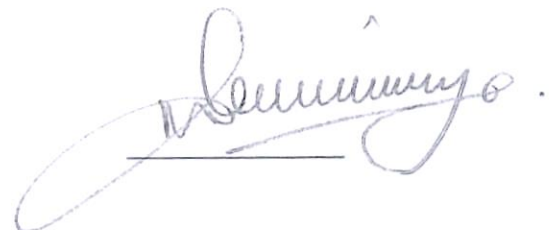
Approval of the financial statements

THIWASCO's financial statements were approved by the Board on.....September 2019 and signed on its behalf by:

Director

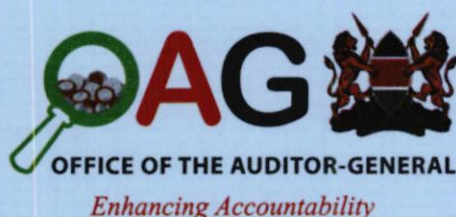


Director



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 THIKA WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Thika Water and Sewerage Company Limited set out on pages 25 to 64, which comprise of the statement of financial position as at 30 June, 2019, statement profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Thika Water and Sewerage Company Limited as at 30 June, 2019, 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 Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Trade and Other Receivables

As disclosed in Note 12 to the financial statements, the statement of financial position reflects trade and other receivables balance of Kshs.460,647,503. The balance is net of provisions for bad and doubtful receivables amounting to Kshs.79,312,546 and provisions for bad and doubtful staff debtors of Kshs.4,773,974. However, an analysis of the trade and other receivables was not provided for audit review.

Further, the receivables balance includes an amount of Kshs.105,355,982 described as inactive. Although the recoverability of these debts is uncertain, the provision for bad and doubtful debts of Kshs.79,312,546 and Kshs.4,773,974 made in the

Report of the Auditor-General on Thika Water and Sewerage Company Limited for the year ended 30 June, 2019

financial statements against the outstanding balance is inadequate to cover the already determined dormant debtors should they default.

Consequently, the accuracy and validity of trade and other receivables balance of Kshs.460,647,503 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/1/12 Vol.1(44) of 25 June, 2019.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the Company's information, corporate governance and the report of Board of Directors as required by the Companies Act, 2015. The other information does not include the financial statements and the auditor's report thereon.

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 conclusion thereon.

In connection with my audit of the Company's 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. If, based on the work I have performed, I conclude that there is a 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 matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Long Outstanding Debts

The statement of financial position reflects creditors and accruals balance of Kshs.218,014,348. A review of payables aging analysis revealed that the balance includes Kshs.48,502,827 and Kshs.169,511,521 owed to the defunct Municipal Council of Thika and Athi Water Services Board, respectively which had been outstanding for several years. No explanation was provided for failure to clear the long outstanding creditors of Kshs.218,014,348.

In the circumstances, I am unable to confirm existence of effective measures on debt management.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of a Functional Board of Directors

As previously reported, the Company had only three (3) Board of Directors in office out of the required nine (9) members . The vacant positions had not been filled as at 30 June, 2019. With only one-third of its membership, the Board cannot function optimally as it cannot constitute the various Board committees to deliberate and oversee specific Board oversight roles such as audit, Human Resources, Finance and implementation committees which are necessary to ensure effective and efficient service delivery to the public.

In the circumstances, it was not possible to confirm the effectiveness of the overall governance structures of the Company.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015, except for the matters under the Basis for Qualified Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, 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 my audit;
- (ii) In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and
- (iii) The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Directors 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 going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

The Board of Directors is responsible for overseeing the 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

15 September, 2021

THIKA WATER AND SEWERAGE COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2019

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE 2019			
	Notes	2018/2019	2017/2018
REVENUES		Ksh	Kshs
Billing	6	752,941,594	689,519,067
Other income	7	10,911,878	13,278,350
TOTAL REVENUE		763,853,472	702,797,418
OPERATING EXPENSES	8		
Administration Costs	(a)	106,768,626	101,817,214
Board expenses	(b)	6,967,352	6,749,044
Staff Costs	(c)	333,706,134	254,847,273
Operational and Maintenance	(d)	242,151,317	210,521,925
General expenses	(e)	12,196,675	31,762,212
TOTAL OPERATING EXPENSES		701,790,104	605,697,668
PROFIT BEFORE TAXATION		62,063,368	97,099,751
INCOME TAX EXPENSE(30%)		18,619,010	29,129,925
PROFIT AFTER TAXATION		43,444,358	67,969,826

THIKA WATER AND SEWERAGE COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2019

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

		2018/2019	2017/2018
ASSETS		KSH	KSH
NON-CURRENT ASSETS			
Property, Plant and Equipment	10	245,922,315	182,144,522
		245,922,315	182,144,522
CURRENT ASSETS			
Inventory	11	21,603,873	27,412,519
Trade and other receivables	12	460,647,503	360,370,426
VAT recoverable	13	14,341,794	14,341,794
Deposits & prepayments	14,15	50,231,808	28,882,609
Cash & Bank balances	16	(10,476,857)	28,508,126
TOTAL CURRENT ASSETS		536,348,121	459,515,474
TOTAL ASSETS		782,270,436	641,659,997
FINANCED BY:			
Share Capital	17(a)	100,000	100,000
Capital reserve	(b)	223,237,227	223,237,227
General Reserve	(c)	88,357,683	34,971,036
TOTAL EQUITY		311,694,910	258,308,263
NON-CURRENT LIABILITIES			
Creditors & Accruals	19(a)	218,014,348	227,394,275
Customers water Deposits	(b)	86,386,571	77,191,405
CURRENT LIABILITIES			
Creditors and accruals	(c)	60,420,882	47,866,580
Provisions	(d)	105,753,725	30,899,474
TOTAL LIABILITIES		470,575,526	383,351,734
TOTAL EQUITY & LIABILITIES		782,270,436	641,659,997

The financial statements were approved by the Board on 18th May 2020 and signed on its behalf by:

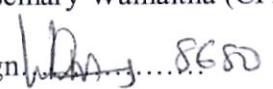
Chairman of the Board
Eng. Joseph M. Wakimani

Managing Director
Moses Kinya

Head of Finance
Rosemary Wamatha (CPA-K)

Sign.....

Sign.....

Sign.....

THIKA WATER AND SEWERAGE COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2019

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	<i>Share Capital</i>	<i>General Reserves</i>	<i>Capital Reserve</i>	<i>Total</i>
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
<i>Balance as at 30 June 2016</i>	<i>100,000.00</i>	<i>(26,004,884.00)</i>	<i>223,237,227.00</i>	<i>88,710,778.00</i>
<i>Prior year adjustment(note 10c)</i>		<i>3,181,163.00</i>		<i>3,181,163.00</i>
<i>Balance as at 30 June 2016</i>	<i>100,000.00</i>	<i>(131,445,286.00)</i>	<i>223,237,227.00</i>	<i>91,891,941.00</i>
<i>Balance as at 1st July 2016</i>	<i>100,000.00</i>	<i>(131,445,286.00)</i>	<i>223,237,227.00</i>	<i>91,891,941.00</i>
<i>Year adjustment-journal surplus for the period</i>		<i>950,000.00</i>		<i>950,000.00</i>
		<i>104,490,402.00</i>		<i>104,490,402.00</i>
<i>Balance as at 30 June 2017</i>	<i>100,000.00</i>	<i>(26,004,884.00)</i>	<i>223,237,227.00</i>	<i>197,332,343.00</i>
<i>Balance as at 1st JULY 2017</i>	<i>100,000.00</i>	<i>(26,004,884.00)</i>	<i>223,237,227.00</i>	<i>197,332,343.00</i>
<i>Prior year Adjustment surplus for the period</i>		<i>(6,993,906.00)</i>		<i>(6,993,906.00)</i>
		<i>67,969,826.00</i>		<i>67,969,826.00</i>
<i>Balance as at 30 June 2018</i>	<i>100,000.00</i>	<i>34,971,036.00</i>	<i>223,237,227.00</i>	<i>258,308,263.00</i>
<i>Balance as at 1st July 2018</i>	<i>100,000.00</i>	<i>34,971,036.00</i>	<i>223,237,227.00</i>	<i>258,308,263.00</i>
<i>prior year Adjustment surplus for the period</i>		<i>9,942,289.00</i>		<i>9,942,289.00</i>
		<i>43,444,358</i>		<i>49,893,691</i>
<i>Balance as at 30 June 2019</i>	<i>100,000.00</i>	<i>88,357,683</i>	<i>223,237,227.00</i>	<i>311,694,910</i>

THIKA WATER AND SEWERAGE COMPANY LIMITED**Annual Reports and Financial Statements for the year ended June 30, 2019****STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

		2018/2019	2017/2018
	Notes	Ksh	Ksh
Cash generated from/(used in) operations	20	42,249,406	18,330,638
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(81,234,389)	(70,866,383)
		-	-
Net cash generated from/(used in) investing activities	-	(81,234,389)	(70,866,383)
Increase/(decrease) in cash and cash equivalents		(38,984,984)	(52,535,744)
Cash and cash equivalents at beginning of the year		28,508,125	81,043,870
Cash and cash equivalents at end of the year		(10,476,859)	28,508,125

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019

		Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Variance
		2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	(%)
Notes	Revenue	Kshs('000')	Kshs('000')	Kshs('000')	Kshs('000')	Kshs('000')	
1	Billing revenue	824,537	2,127	826,664	752,942	(73,722)	-9%
2	Other income	10,710	(2,127)	8,583	10,912	2,329	27%
	Total income	835,247	-	835,247	763,854	(71,393)	-9%
	Expenses						
3	Staff costs	310,838	-	312,038	333,706	(21,668)	-7%
4	Administration Costs	87,347	830	88,177	125,388	(37,211)	-42%
5	Board Expenses	7,775	-	7,775	6,967	808	10%
6	Operational Costs	251,810	(965)	246,084	242,151	3,933	2%
7	General Expenses	16,800	(800)	16,000	12,197	3,803	24%
	Total expenditure	674,569	(935)	670,074	720,409	(50,335)	-8%
	Surplus for the period	160,678	935	165,173	43,445	121,728	74%
	Investments	160,668		165,168	85,539	79,629	48%

NOTES TO THE STATEMENT OF COMPARISON OF BUDGET

Note	Description
4	Administrative expense increased by 42% from the final budget due to high depreciation cost of assets and due to high provision of corporate tax expense .
5	Board expenses declined by 10% from the final budget due to delayed re-appointment of additional board members to fill in the vacant positions.
7	Cost of general expense decreased by 24% due to few corporate social responsibilities activities in the year and also due to delayed procurement of cleaning materials.

THIKA WATER AND SEWERAGE COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying THIWASCO's accounting policies.

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

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

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

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

IFRS 16: Leases

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

ii) Early adoption of standards

THIWASCO did not adopt any new or amended standards in the year 2019.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognized in the year in which THIWASCO delivers services to customers/consumers, Meter readings carried out and billed for units consumed.
- ii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in the comprehensive income statement on a time proportion basis using the effective interest rate method.
- iii) **Other income** is recognized as it accrues.

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Buildings and civil works	2.5%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	33.3%
Office equipment, furniture and fittings	12.5%

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 recognized so that the asset is written down immediately to its estimated recoverable amount.

e) Intangible assets

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

f) Amortization and impairment of intangible assets

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

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

g) Finance and operating leases

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

amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

h) Inventories

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

i) Trade and other receivables

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

j) Taxation

Current income tax

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

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

Deferred tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Taxation (Continued)

Deferred tax (Continued)

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

k) Cash and cash equivalents

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

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

l) Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

m) Trade and other payables

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

n) Retirement benefit obligations

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

o) Provision for staff leave pay

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

p) Budget information

The original budget for FY 2018-2019 was approved by the Board of directors in February 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by THIWASCO upon receiving the respective approvals in order to conclude the final budget. The need to review the budget was necessitated by change in priorities where there was sudden failure and collapsing of section of the main trunk sewer DN 600mm/675mm which was laid in the early 1970s

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

q) Comparative figures

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

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

THIWASCO based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of THIWASCO. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

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

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

Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 REVENUE/BILLING

6	BILLING/REVENUE	2018/2019	2017/2018
		Ksh	Ksh
	Water sales	752,941,594	689,519,067
	Total Water sales	752,941,594	689,519,068
7	OTHER INCOME		
	Sewer Connection charges	615,000	329,500
	Billing services-WSPs	-	2,059,125
	Other Miscellaneous Income	10,296,878	10,889,725
	Total Other Income	10,911,878	13,278,350
	Total Revenue	763,853,472	702,797,418

8(a)	ADMINISTRATION COSTS	2018/2019	2017/2018
		Ksh	ksh
	Office rent	1,538,780	1,621,478
	Publishing, Printing and Stationery	3,909,277	3,610,511
	Postal Expenses/Bulk sms	969,030	769,600
	Telephone expenses	1,055,500	5,574,655
	Audit fees	421,080	500,000
	Workshop and conferences	3,855,688	5,383,362
	Legal and Professional fees	6,897,535	2,767,325
	Advertising and publicity Expenses	1,626,066	1,625,393
	License renewals	1,080,163	1,315,850
	Insurances	2,940,591	3,095,677
	Travel expenses-Mileage	770,803	1,521,978
	Travelling and Accommodation -Local	10,851,988	10,292,957
	Travelling and Accommodation -External	4,614,292	5,677,808
	Staff team building	3,627,018	-
	Computer Stationery & Accessories	2,244,050	1,886,247
	Depreciation	17,456,597	12,187,695
	Bank Charges & commissions	588,925	266,262
	General expenditure and office Entertainment	4,821,596	4,793,079
	Security	10,837,724	9,834,327
	HIV Prevention Programme	385,823	505,342
	OSHA Programme	667,547	210,000
	Staff uniforms	2,346,946	4,175,790
	Computer repair & maintenance	455,520	2,400,803
	Internet expenses	4,915,759	

THIKA WATER AND SEWERAGE COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2019

	Provisions for Bad debts	17,890,328	21,801,075
	Sub-total	106,768,626	101,817,214
	Provision for Corporate tax expense	18,619,010	29,129,925
	Total operating expenses	125,387,636	130,947,139

b) BOARD EXPENSES

	BOARD EXPENSES	2018/2019	2017/2018
		ksh	ksh
	Board Allowances & expenses	6,007,352	5,789,044
	Honoraria	960,000	960,000
	Total Board Expenses	6,967,352	6,749,044

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) STAFF COSTS	2018/2019	2017/2018
	Ksh	Ksh
Salaries and Allowances	208,254,528	185,307,940
subsistence allowance	7,241,312	6,568,485
Pension Employers contribution	19,308,334	17,378,645
N.S.S.F Employers contribution	366,800	381,000
Final/Terminal dues	3,213,237	3,014,085
Service pay	56,943,082	-
Staff welfare	502,300	653,864
Medical expenses	14,351,351	17,556,456
Casual wages and interns	2,873,548	3,129,217
Performance Bonus	2,565,316	2,335,000
Gratuity	5,458,314	5,130,546
Staff Training Expenses	12,628,012	13,392,035
Total Staff costs	333,706,134	254,847,273

THIKA WATER AND SEWERAGE COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) OPERATION AND MAINTENANCE COSTS	2018/2019	2017/2018
	Ksh	Ksh
Rehabilitation of old sewerage pumping station	96,000	-
Repairs & maintenance Building & stations	1,051,667	-
Motor vehicle Operating Expenses	12,267,439	9,896,006
Electricity	122,461,334	110,228,173
Chemicals	25,621,429	31,766,365
Water meters	11,905,371	17,277,216
Abstraction fees to WRMA	5,908,000	5,933,595
Sewer discharge levies-NEMA	805,000	-
AWSB Administration cost	-	16,195,305
Regulatory fee to WSREB	23,935,999	7,023,505
Standards levy (KEBS)	157,724	137,904
Pipes & fittings	25,715,262	10,646,456
Maintenance other tools & equipment	4,992,963	-
Repairs & maintenance plant, machinery & equipment, pumps	7,233,129	-
Mapping and surveying	-	116,000
Effluent discharge	-	1,301,400
Total Operational & Maintenance Costs	242,151,317	210,521,925

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e)	GENERAL EXPENSES	2018/2019	2017/2018
		Ksh	Ksh
	Subscription fees	800,961	1,402,248
	Corporate Social responsibility	1,832,243	335,000
	Cleaning materials	167,900	1,021,509
	Stake holders expenses	1,216,100	-
	Annual internal stakeholders meeting	1,879,915	1,430,090
	ISO 9001:2015 Audits	626,800	1,208,061
	Sports-WASCA	4,612,130	4,713,234
	Other sports events	1,060,626	959,000
	Repairs & maintenance Building & stations	-	3,095,543
	Repairs & maintenance plant, machinery & equipment, pumps	-	12,705,961
	Tools & equipment	-	4,457,823
	Water testing & analysis	-	299,913
	Minor alterations & maintenance work	-	133,831
	Total General expenses	12,196,675	31,762,213

9. INCOME TAX EXPENSE/(CREDIT)

	2018/2019	2017/2018
	Kshs	Kshs
Taxation expense is based on PBT for the year at 30%	18,619,010	29,129,925
Current year deferred tax charge	0	0
Total	18,619,010	29,129,925

THIKA WATER AND SEWERAGE COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)
10. PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	BUILDINGS	PLANT & MACHINERY	FURNITURE & EQUIPMENTS	MOTOR VEHICLES/BIKES	OFFICE EQUIPMENT	BORE HOLE	METER READING DEVICES	SOFTWARES	WATER & SEWERAGE INFRASTRUCTURE	TOTALS
<u>COST</u>										
BAL B/F: 1.7.2017	3,322,254.00	11,649,473.91	4,770,844.59	5,118,000.05	13,467,705.09	1,772,645.12	465,600.00	3,062,393.09	107,095,201.79	150,724,117.64
										-
ADDITIONS FOR THE YEAR:	0	9,025,417.00	1,371,628.62	5,000,002.13	6,644,181.45	7,403,333.39		6,944,614.66	34,306,879.14	70,696,056.39
DISPOSAL FOR THE YEAR:	-	-	-	-	-					-
TOTAL COST	3,322,254.00	20,674,890.91	6,142,473.21	10,118,002.18	20,111,886.54	9,175,978.51	465,600.00	10,007,007.75	141,402,080.93	221,420,174.03
<u>DEPRECIATION</u>										
AS AT 1ST JULY 2017	400,173.30	3,049,244.68	1,847,207.42	654,882.65	10,109,290.19	73,860.22	19,400.00	2,150,444.09	8,783,054.49	27,087,957.25
DISPOSAL	-	-	-	-	-					-
FOR THE YEAR:	73,882.41	1,815,443.23	530,752.71	2,029,738.16	1,714,308.75	1,906,074.74	111,549.99	1,144,615.15	2,861,329.75	12,187,694.88
AS AT 30TH JUNE 2018	474,055.71	4,864,687.91	2,377,960.13	2,684,620.81	11,823,598.94	1,979,934.96	130,949.99	3,295,059.24	11,644,384.24	39,275,652.13
NET BOOK VALUE										
AS AT 30TH JUNE 2018	2,848,198.29	15,810,203.00	3,764,513.08	7,433,381.37	8,288,287.60	7,196,043.55	334,650.01	6,711,948.51	129,757,696.69	182,144,521.90
BAL B/F: 1.7.2018	3,322,254.00	20,674,890.91	6,142,473.21	10,118,002.18	20,111,886.54	9,175,978.51	465,600.00	10,007,007.75	141,402,080.93	221,420,174.03
ADDITIONS FOR THE YEAR:	1,386,171.00	9,359,022.69	1,171,285.01	7,194,799.00	534,460.00	257,384.72	0	2,591,440.00	58,739,826.87	81,234,389.29
DISPOSAL FOR THE YEAR:		-	-	-	-					-

THIKA WATER AND SEWERAGE COMPANY LIMITED

TOTAL COST	4,708,425.00	30,033,913.60	7,313,758.22	17,312,801.18	20,646,346.54	9,433,363.23	465,600.00	12,598,447.75	200,141,907.80	302,654,563.32
DEPRECIATION										
AS AT 1ST JULY 2018	474,055.71	4,864,687.91	2,377,960.13	2,684,620.81	11,823,598.94	1,979,934.96	130,949.99	3,295,059.24	11,644,784.24	39,275,652.13
DISPOSAL	-	-	-	-	-					-
DEP. FOR THE YEAR:	86,979.75	2,588,729.32	534,199.17	2,976,299.48	2,781,121.85	1,815,097.85	83,662.49	2,668,776.02	3,921,731.19	17,456,597.11
AS AT 30TH JUNE 2019	561,035.46	7,453,417.23	2,912,159.30	5,660,920.29	14,604,720.79	3,795,032.81	214,612.48	5,963,835.26	15,566,515.43	56,732,249.24
NET BOOK VALUE										
AS AT 30TH JUNE 2019	4,147,389.54	22,580,496.37	4,401,598.92	11,651,880.89	6,041,625.75	5,638,330.42	250,987.52	6,634,612.49	184,575,392.37	245,922,314.08

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. INVENTORIES

	ITEMS	2018/2019	2017/2018
		Ksh	Ksh
	Pipes and fittings	16,762,997.00	22,021,229.00
	Chemical	593,256.00	1,041,825.00
	Water meters	4,247,620.00	4,349,465.00
	Total	21,603,873.00	27,412,519.00

12. TRADE AND OTHER RECEIVABLES

		2018/2019	2017/2018
		Kshs	Kshs
	<i>Water debtors</i>	<i>449,437,758</i>	<i>348,059,234</i>
	<i>Staff debtors</i>	<i>1,734,923</i>	<i>2,836,370</i>
	<i>Billing services-WSPs</i>	<i>11,109,745</i>	<i>11,109,745</i>
	<i>Share capital (County govt of .kiambu)</i>	<i>100,000</i>	<i>100,000</i>
	<i>Staff debtors (questionable vouchers)</i>	<i>3,039,051</i>	<i>3,039,051</i>
	TOTAL	465,421,477	365,144,400
	<i>Others:</i>		
	· <i>Provision for bad and doubtful receivable- staff debtors (questionable)</i>	<i>(3,039,051)</i>	<i>(3,039,051)</i>
	· <i>Provision for bad and doubtful receivable- staff debtors</i>	<i>(1,734,923)</i>	<i>(1,734,923)</i>
	<i>Net trade and other receivables</i>	460,647,503	360,370,426

A provision of 15% on trade receivables has been made

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12.(a)	TRADE RECEIVABLES	2018/2019	2017/2018
		Kshs	Kshs
	Gross Trade receivables	528,750,304	365,086,336
	Provision for doubtful receivables	(79,312,546)	(17,027,102.00)
	NET TRADE RECEIVABLES	449,437,758	348,059,234

13. VAT RECOVERABLE	2018/2019	2017/2018
	<i>Ksh</i>	<i>Ksh</i>
<i>Vat recoverable</i>	14,341,794	14,341,794
14. DEPOSITS AND PREPAYMENTS	2018/2019	2017/2018
	<i>KSH</i>	<i>KSH</i>
<i>Salary advance</i>	8,457,268	7,137,227
<i>Prepaid expenses</i>	1,440,173	1,440,173
<i>Deposits</i>	334,367	305,210
TOTAL	10,231,808	8,882,610

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. SHORT TERM DEPOSITS

	<i>2018/2019</i>	<i>2017/2018</i>
	<i>Kshs</i>	<i>Kshs</i>
<i>Cooperative Bank of Kenya (FDA)</i>	<i>40,000,000</i>	<i>20,000,000</i>
<i>TOTAL</i>	<i>40,000,000</i>	<i>20,000,000</i>

This represents monies held for customer water deposits which the company invested as to plough back the interest back to operations. The average effective interest rate on the deposits as at June 30, 2019 was 9%

16. BANK AND CASH BALANCES

	<i>2018/2019</i>	<i>2017/2018</i>
	<i>Kshs</i>	<i>Kshs</i>
<i>Cash at bank-Equity Revenue</i>	<i>17,922,934</i>	<i>47,640,258</i>
<i>Cash at bank-Co-op -Customers' Deposits</i>	<i>6,185,127</i>	<i>7,026,827</i>
<i>Cash in hand</i>	<i>3,142</i>	<i>5,270</i>
<i>Cash at bank-Equity Operations account</i>	<i>(38,525,020)</i>	<i>(26,349,177)</i>
<i>M-pesa</i>	<i>3,936,960</i>	<i>184,948</i>
<i>TOTAL</i>	<i>(10,476,857)</i>	<i>28,508,126</i>

The cash at bank was held at Equity Bank, Cooperative Bank of Kenya and M-pesa account, and cash at hand held as petty cash.

The make – up of bank balances and short term deposits is as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2018/2019	2017/2018
a) Current account		Ksh	Ksh
Equity bank (Operations)	0090295185223	(38,525,020)	(26,349,177)
Equity Bank(revenue)	0090294392028	17,922,934	47,640,258
Co-operative bank	01136278498000	6,185,127	7,026,827
b)Fixed deposits account			
(Co-operative bank	FDA	40,000,000	20,000,000
c)Others(specify)			
cash in hand	Cash box	3,142	5,270
M pesa	M-pesa account	3,936,960	184,948
Grand total		29,523,143	48,508,126

17(a). ORDINARY SHARE CAPITAL

	2018/ 2019	2017/2018
	Ksh	Ksh
(a) Share capital (County Government of Kiambu)	100,000	100,000

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

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

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

	2018/2019	2017/2018
	Ksh	Ksh
General reserve	88,357,683	34,971,036

18. RETAINED EARNINGS

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. TRADE AND OTHER PAYABLES

	NON-CURRENT LIABILITIES	2018/2019	2017/2018
		Kshs	Kshs
	Municipal council of Thika	48,502,827	48,502,827
	Athi water service board	169,511,521	174,909,956
	Kenya revenue Authority	-	3,981,492
	TOTAL N.C.L	218,014,348	227,394,275

(b) CUSTOMER DEPOSITS

		2018/2019	2017/2018
		Ksh	Ksh
	<i>Ledger-Water Customer Deposits</i>	86,386,571.00	77,191,405.00

Customer Deposit represents water deposit placed by customers.

		2018/2019	2017/2018
c	CURRENT LIABILITIES	Kshs	Kshs
	<i>Trade payables</i>	52,820,367	32,114,993
	<i>Payroll creditors</i>	3,604,216	6,882,057
	<i>Other payables</i>	3,996,299	8,625,545
	<i>Staff creditors</i>	0	223,985
	<i>Other creditors-bid bond</i>	0	20,000
	TOTAL CURRENT LIABILITIES	60,420,882	47,866,580

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2018/2019	2017/2018
(d) PROVISIONS PAYABLE		Kshs	Kshs
Audit fee		421,080	1,128,920
Provision for corporate tax		48,389,564	29,770,554
Staff service pay		56,943,082	0
TOTAL PROVISIONS		105,753,726	30,899,474

20. NOTES TO THE STATEMENT OF CASH FLOWS

	Note	2018/2019	2017/2018
		Ksh	Ksh
OPERATING ACTIVITIES			
Cash and cash equivalents at the beginning of the year		28,508,125	81,043,869
Cash generated from/(used in) operations		43,444,358	67,969,826
Add Depreciation		12,187,695	17,456,597
Net cash generated from/(used in) operating activities before working capital		60,900,955	80,157,521
Decrease in trade and other payables(prior year adjustment)		9,942,289	-6,993,906
(Increase)/decrease in inventories	11	5,808,646	-10,636,287
(Increase)/decrease in trade and other receivables	12	-100,277,077	-68,092,915
(Increase)/decrease in deposits and prepayments	14,15	-21,349,199	-20,015,960
Increase/(decrease) in trade and other payables	19(a,c)	3,174,375	-8,034
Decrease /increase in provision for vat receivables		0	5,265,157
Increase/(decrease) customer deposit	19(b)	9,195,166	9,446,217

THIKA WATER AND SEWERAGE COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2019

Increase/(decrease) in provision for payables	19(d)	74,854,251	29,208,846
Cash generated from/(used in) operations		42,249,406	18,330,638
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	-81,234,389	-70,866,383
			-
Net cash generated from/(used in) investing activities		-81,234,389	-70,866,383
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		-38,984,984	-52,535,744
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		28,508,125	81,043,869
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		-10,476,859	28,508,125

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital</i>	<i>General Reserves</i>	<i>Capital Reserve</i>	<i>Total</i>
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
<i>Balance as at 30 June 2016</i>	<i>100,000.00</i>	<i>(26,004,884)</i>	<i>223,237,227</i>	<i>88,710,778</i>
<i>Prior year adjustment(note 10c)</i>		<i>3,181,163</i>		<i>3,181,163</i>
<i>Balance as at 30 June 2016</i>	<i>100,000.00</i>	<i>(131,445,286)</i>	<i>223,237,227</i>	<i>91,891,941</i>
<i>Balance as at 1st July 2016</i>	<i>100,000.00</i>	<i>(131,445,286)</i>	<i>223,237,227</i>	<i>91,891,941</i>
<i>Year adjustment-journal surplus for the period</i>		<i>950,000</i>		<i>950,000</i>
		<i>104,490,402</i>		<i>104,490,402</i>
<i>Balance as at 30 June 2017</i>	<i>100,000.00</i>	<i>(26,004,884)</i>	<i>223,237,227</i>	<i>197,332,343</i>

<i>Balance as at 1st JULY 2017</i>	<i>100,000.00</i>	<i>(26,004,884)</i>	<i>223,237,227</i>	<i>197,332,343</i>
<i>Prior year Adjustment</i>		<i>(6,993,906)</i>		<i>(6,993,906)</i>
<i>surplus for the period</i>		<i>67,969,826</i>		<i>67,969,826</i>
<i>Balance as at 30 June 2018</i>	<i>100,000.00</i>	<i>34,971,036</i>	<i>223,237,227</i>	<i>258,308,263</i>
<i>Balance as at 1st July 2018</i>	<i>100,000.00</i>	<i>34,971,036</i>	<i>223,237,227</i>	<i>258,308,263</i>
<i>Prior year Adjustment</i>		<i>9,942,289</i>		<i>9,942,289</i>
<i>surplus for the period</i>		<i>43,444,358</i>		<i>43,444,358</i>
<i>Balance as at 30 June 2019</i>	<i>100,000.00</i>	<i>88,357,683</i>	<i>223,237,227</i>	<i>311,694,910</i>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. RELATED PARTY DISCLOSURES

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

THIWASCO is related to

- i) County Government of Kiambu
- ii) WASREB
- iii) WARMA
- iv) Athi - Water Service Board
- v) Core management team
- vi) Board of directors

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Transactions with related parties

	2018/2019	2017/2018
	Kshs	Kshs
a) Key Management Remuneration		
Board of directors emoluments	6,967,352	6,749,044
Core Management team Compensation	54,167,605	3,901,403
Total	61,134,957	10,650,447

a) Due to Related Parties	2018/2019	2017/2018
	Kshs	Kshs
Due to Water Resources Management Authority	1,512,000	0.11
Due to Water Services Regulatory Board	7,144,514	4,944,242
Due to Athi Water Services Board	169,511,521	174,909,956
Due to County Government of Kiambu	48,502,827	48,502,827
Total	226,670,862	228,357,025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. CAPITAL COMMITMENTS

INTERNALLY FUNDED PROJECT 2017-2018

Contractor Name	Project	Completion to Date (%)	Initial Contract Value (KSH)	Final Contract Value (KSH)	Total Expended to Date	Payments to Date (%)
Tsavo General Merchant	Upgrading & Extension of Water Supply Pipeline maki-Maporomoko (THIWASCO045/2017-2018)	100%	7,504,695	6,705,667	5,591,556	83%
Tsavo General Merchant	Upgrading & Extension of Water Supply Pipeline Tora Estate (THIWASCO048/2017- 2018)	100%	5,644,210	5,162,430	4,764,449	92%
Bixxon Ltd	Upgrading & Extension of Biafra sewer and Construction of Bendo Sewer (THIWASCO049/2017-2018)	75%	12,345,491	11,095,279	9,477,050	85%
Urban Building	Upgrading & Extension of Water Supply Pipeline Kisii-Phase 10 (THIWASCO046/2017-2018)	100%	8,784,765	7,850,325	6,866,881	87%
Visrom Company Ltd	Upgrading & Extension of Water Supply Pipeline Gatwanyaga-salama (THIWASCO047/2017-2018)	100%	8,274,173	7,529,839	6,824,130	91%
Visrom Company Ltd	Upgrading & Extension of Water Supply Pipeline Athena Kiangombe-Witethie (THIWASCO044/2017-2018)	90%	7,613,540	5,355,735	4,328,139	81%
Bixxon Ltd	Upgrading & Extension of sewer for Makongeni Phase 6 & Construction of Sewer Disposal Point (THIWASCO050/2017-2018)	69%	7,164,493	4,201,612	2,064,294	49%
Maji Africa	Construction and Rehabilitation of Boreholes within THIWASCO Water Supply Area (THIWASCO052/2017-2018)	78%	32,910,059	22,496,428	NONE	0%

Birdi Civil Engineers	Upgrade and Extetension of Water Supply Pipeline at Deacons Kisii (THIWASCO 011/2016/2017 (Lot 1-B))	100%	8,938,512	8,938,512	7,834,900	88%

INTERNALLY FUNDED PROJECT 2018-2019

Contractor Name	Project	Completion to Date (%)	Initial Contract Value (KSH)	Final Contract Value (KSH)	Total Expended to Date	Payments to Date (%)
MJENGO AND ALIED CO.LTD	Upgrading and Extension of Thika Level 5 to Bidco Sewer (THIWASCO 050/2017-2018)	8%	26,138,854	26,138,854	NONE	NONE
Sengerema Limited	Kangoki Trunk Sewer Line Rehabilitation Project (THIWASCO 045/2018-2019)	10%	27,587,849	27,587,849	NONE	NONE
Urban building contractors LTD	Upgrading & Extension of Water Supply Pipeline at Kisii-Landless Kwa Jomo area (THIWASCO 044/2018)	60%	12,863,670	12,863,670	7,780,521	60%
Zila Systems Limited	Upgrading and Extension of Water Supply pipeline At Witeithie Area (THIWASCO 043/2018-2019)	60%	13,174,953	13,174,953	6,755,725	51%

THIKA WATER AND SEWERAGE COMPANY LIMITED

Annual Reports and Financial Statements for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. CONTINGENT LIABILITIES

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

25. FINANCIAL RISK MANAGEMENT

THIWASCO's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

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

i) Credit risk

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

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

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

	Notes	2018/2019 Ksh	2017/2018 Ksh
Trade Receivables	12	460,467,503	360,370,426
Bank balances & ST Deposits	16&15	<u>29,523,143</u>	<u>48,508,126</u>
		<u>489,990,646</u>	<u>373,321,381</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii) Liquidity risk management

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

	Notes	2018/2019	2017/2018
		Ksh	Ksh
Trade Payables	19 a & c	278,435,230	275,260,855

(iii) Market risk

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

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

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

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

a) Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Management of interest rate risk

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

Sensitivity analysis

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

iv) Capital Risk Management

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

	2018-2019	2017-2018
	Kshs	Kshs
Retained earnings	88,357,683	34,971,036
Capital reserve	223,237,228	223,237,228
Total funds	311,594,911	258,208,263
Total borrowings	0	0
Less: cash and bank balances	29,523,143	48,508,126

26. INCORPORATION

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

27. EVENTS AFTER THE REPORTING PERIOD

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

28. CURRENCY

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

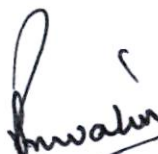
THIKA WATER AND SEWERAGE COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2019

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

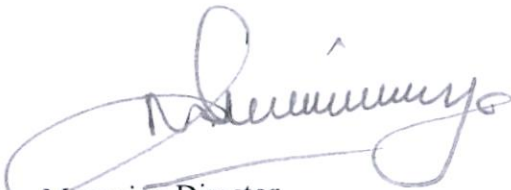
	<p>2017/2018 was not provided for audit verification, stores records and particularly the bin cards were not updated and inventories were housed in a semi-permanent fabricated building. In absence of stocktaking reports and valuation report on unrecorded obsolete stock the completeness and accuracy of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

THIKA WATER AND SEWERAGE COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2019

	227,394,275.			
Budgetary control and performance	During the financial year ended 30 June 2018, the company realized revenue amounting to Ksh 702,797,418 against the budgeted amount of Ksh 717,348,000 resulting in under-collection of Ksh 14,550,582 or 2%.	During the budget preparation it was projected to have 8 No. borehole drilled under OBA project to boost on water production which in return would boost in billing revenue. The project was not realized due to governance challenges and policy matters on procurement of loan from commercial banks, hence the contributed to the non-realization of projected revenue	Rosemary Wamaitha-Chief Manager Finance	Resolved


Chairman of the Board

Date: 18.05.2020


Managing Director

Date: 18/5/2020