

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

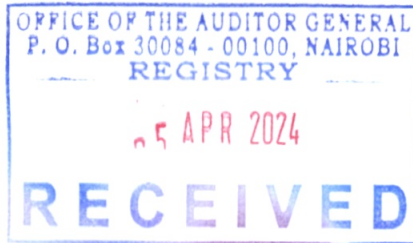
OF

THE AUDITOR-GENERAL

DATE	14/05/2024
TABLED BY	Sen. Gloria Orusoba on behalf of SMW
COMMITTEE	— ON
CLERK AT THE TABLE	Ms. Chesop.

**LIMURU WATER AND SEWERAGE
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2023**



LIMURU WATER AND SEWERAGE COMPANY LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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



LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

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LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

1. Acronyms and Glossary of Terms

<i>AGM</i>	<i>Annual General Meeting</i>
<i>AWWDA</i>	<i>Athi Water Works Development Agency</i>
<i>BOD</i>	<i>Board of Directors</i>
<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>WRA</i>	<i>Water Resource Authority</i>
<i>WSTF</i>	<i>Water Sector Trust Fund</i>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

2. Key Entity Information

Background information

Limuru Water and Sewerage Company Limited was incorporated on 13th March 2006 under the Companies Act (Cap. 486). The Company is registered as a Private Company Limited by Shares. The Company is wholly owned by County Government of Kiambu and is Governed by the memorandum and articles of Association. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya, Kiambu County and has four schemes in Limuru and Lari Sub counties.

The Company is responsible for the efficient and economical provision of water and sewerage services.

Principal Activities

The principal activity of Limuru Water and Sewerage Company is to ensure efficient and effective provision of water and sewerage services in our area of jurisdiction. The mandate and objective of Limuru Water and Sewerage Company is enshrined in the memorandum and articles of association. The principal objective of the company is to carry out the business of water and sewerage services provision within the area.

Our Vision is to be the center of excellence in the provision of water and sanitation services within our area of jurisdiction.

Our mission is to provide adequate and quality water and efficient sanitation services to the satisfaction of our customers within our area of jurisdiction

Directors

The directors who served the entity during the period were as follows

- | | |
|---------------------------------|---|
| 1. Peter Mbugua Kimani | Chairman of the Board Appointed: 2023 |
| 2. Prof Stephen Gichuki Njuguna | Chairman of the Board Left March 2023 |
| 3. Jennifer Kanini Musyoki | Appointed on 14 th February 2022 |
| 4. Joseph Ng'ang'a Mbugua | Appointed on 14 th February 2022 |
| 5. Dennis Mwaura Njung'e | Appointed on 14 th February 2022 |
| 6. Eliud Githiga Muchiri | Appointed on 14 th February 2022 |
| 7. Michael Kang'ethe | Appointed on 14 th February 2022 |
| 8. Margaret Waruguru Maina | Managing Director |
| 9. Josphine Waceke Muritu | Appointed on 12/07/2022, Left on: 2023 |
| 10. Jackline Wangari Murigi | Appointed on: March 2023 |

Corporate Secretary

Ms Jackline Wangari Murigi
P.O Box 2344 -00900
KIAMBU

Registered Office

Maji Center Limuru
P.O Box 1286 -00217
LIMURU

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Corporate Headquarters

Maji Centre Building
Hospital Road
P.O. Box 1286-00217
Limuru, Kenya

Corporate Contacts

P.O. Box 1286-00217
Maji Centre Building
Hospital Road
Limuru, KENYA
Telephone: (254) 725054212
E-mail: liwaseco@yahoo.com
info@limuruwater.go.ke
Website: www.limuruwater.go.ke

Corporate Bankers

Kenya Commercial Bank

Limuru Branch
P.O Box 933 - 00217
Limuru

Post Bank- Kiambu branch

Head Office
P.O. Box 30311-0100
Nairobi, Kenya

Safaricom M-Pesa money transfer service

Pay Bill No. 895900

Family Bank

Limuru Branch
P.O Box 74145-00200
Nairobi

Independent Auditors

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

Principal Legal Advisers

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

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

3. The Board of Directors

	<p>Name: Peter Mbugua Kimani Position: Board Chairman DoA: 2023 Date of Birth: 27 November 1982 Qualification: Diploma in Analytical Chemistry – Kabete Technical Training Institute Work Experience: Brookside Distributor, Managing Director at Lakenya homes, Inventory Management Consultant, Inventory manager at Tusker Mattresses Limited, Quality assurance supervisor at Twiga Chemical Limited</p>
	<p>Name: Prof Steven Njuguna Position: Board Chairman DoA : 14th February 2022 Retirement Date: March 2023 Date of Birth 12/09/1950 Qualification: Phd, Msc, Bsc (1st Class Hons) Environmental Science, Diploma in Education Work Experience: Kenyatta University, Faculty of Environmental Studies</p>
	<p>Name: Jennifer Kanini Musyoka Position: Chief Officer, Water and Sanitation DoA: 29th July 2020 Date of Birth 29/07/1984 Qualification: MBA (Strategic Management); BSc Civil Engineering Work Experience: Previously worked as a Water and Sanitation Engineer in planning and design of urban and rural water and sanitation infrastructure; formulating national and county government water and sanitation policies, strategies and plans; conducting out technical assessments, socio-economic studies and surveys with H.P. Gauff Ingenieure, GIZ International Water Stewardship programme and Authentic Living Int. Co. Ltd. Currently working as the Chief Officer in the Department of Water, Environment, Energy and Natural Resources.</p>
	<p>Name: Joseph Ng'ang'a Mbugua Position: Chairman Technical Committee DoA :14th February 2022 Date of Birth -3rd January 1947 Qualification: Motor and plant mechanic Grade III Work Experience: Over 30years experience in the airline industry.</p>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

	<p>Name: Dennis Mwaura Njung'e Position: Chairman-Finance and Administration Committee DoA : 14th February 2022 Qualification: Msc. Policy & Management, Water Science, Oxford University-(U.K); B.Sc. Environmental planning and Management (Kenyatta University) Work Experience: Groots Kenya - Monitoring, Evaluation, Research and Learning Manager; Louis Dreyfus Company, Kenya Big Five Africa Limited – Social/ Organizational Development consultant. Practical Action East Africa-WASH Business developer and strategic planner</p>
	<p>Name: Eliud Githiga Muchiri Position: Representing Chief Officer Finance DoA: 14th February 2022 Qualification: M.A. in Economics (UON), Certified Public Accountant (KASNEB), Bsc. Of Arts (Economics)-UON. Work Experience: Head of Financial Reporting Unit – County Government of Kiambu, Assistant Director- trade services, Assistant Director-Accounting services County Government of Kiambu, Portfolio Manager- SBM Bank, Credit Officer – Co-operative Bank K Ltd.</p>
	<p>Name: Michael Kang'ethe Position: Representing Chief Officer Administration. DoA: 14th February 2022 Date of Birth: 1st September 1969 Qualification: Holder of Master's Degree in Counselling Psychology (2012)-Kenyatta University. Bachelor of Arts degree (1996) Kenyatta University. Post Graduate Diploma in Education (2003) (Egerton University). Work Experience:10 years' experience in teaching in public and private secondary schools. -16 years' experience in Public Administration as Assistant County Commissioner and County Director in the Department of Administration. Currently Director Alcoholic Drinks Control, Kiambu County.</p>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023



Name: Josphine W. Muritu
Position: Company Secretary
DoA: 2018
Left on: February 2023
Date of Birth: 10/01/1974
Qualification: LLB (UoN), Member of ICS
Work Experience: Worked with Kiambu County Government Senior Legal Counsel, Assistant Director (Quality Assurance, compliance and Accreditation), Assistant Commission Secretary (Legal Affairs), Assistant Counsel Mwaniki & Company Advocates, Counsel Musyimi & Company Advocates



Name: Jackline Wangari Murigi
Position: Company Secretary
DoA: March 2023
Qualification:
 Certified Secretarial Studies (CS)2020 - 2022
 Kenyatta University Master of Arts (M.A.), Public Policy and Administration
Work Experience: Director - Legal Services & Company Secretary-Kiambu County Government



Managing Director
Professional Qualifications:
 -Water Chemist-MSc. Public health (Kenyatta University) Continuing.
 -Bachelor of philosophy Applied Biology (Technical University).
 -Member of IOD(K)
 -Full member KIM
Experience:
 28yrs experience in water sector i.e., Min. of water, NWSC, AWSB and Limuru water & sewerage company.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

4. Key Management Team

<p>1. Margaret W Maina</p> 	<p>Managing Director Professional Qualifications: -Water Chemist-MSc. Public health (Kenyatta University) Continuing. -Bachelor of philosophy Applied Biology (Technical University). -Member of IOD(K) -Full member KIM Experience: 28yrs experience in water sector i.e., Min. of water, NWSC, AWSB and Limuru water & sewerage company.</p>
<p>2. Josphine W. Muritu</p> 	<p>Position: Company Secretary DoA: 2018 Left on: February 2023 Date of Birth 10/01/1974 Qualification: LLB (UoN), Member of ICS Work Experience: Worked with Kiambu County Government Senior Legal Counsel, Assistant Director (Quality Assurance, compliance and Accreditation), Assistant Commission Secretary (Legal Affairs), Assistant Counsel Mwaniki & Company Advocates, Counsel Musyimi & Company Advocates.</p>
<p>3. Jackline Wangari Murigi</p> 	<p>Position: Company Secretary DoA: March 2023 Qualification: Certified Secretarial Studies (CS)2020 - 2022 Kenyatta University Master of Arts (M.A.), Public Policy and Administration Work Experience: Director - Legal Services & Company Secretary- Kiambu County Government</p>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

<p>4. Joseph M Kyule</p> 	<p>Technical Manager Professional Qualifications: Diploma-Water Technology (KEWI) Academic Qualifications: A-Level-Kenyatta High School Mwatate Experience: 25yrs Experience in water sector in different institutions i.e., Ministry of Water, AWSB NWSC, Limuru water & Sewerage Ltd.</p>
<p>5. Mary Mbugua</p> 	<p>Finance & Administration Manager Professional Qualifications: -MBA (UON), BA(KEMU) and is a CPA(K) Experience: 7 years' experience in insurance Industry 10 years' experience in the water sector</p>
<p>6. Nicholas Wainaina</p> 	<p>Commercial Manager Professional Qualifications: -Bachelor of Business Management -BBM Finance & Banking Option Second Class Honours Upper Division-Moi University. -CPA(K) Experience: 10 Years' experience in Limuru Water & Sewerage Co. Ltd In various positions.</p>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

5. Chairman's Statement

1. INTRODUCTION

It gives me pleasure to present to you the financial report for the year ending 30th June 2023. During the financial year the company celebrated 17 years since inception. The company has over the years provided safe, reliable and affordable water to our customers, we serve all areas in Limuru sub-county and part of Lari sub-county which is an area of 286km² with a total population of 280,000. The company is divided in four administrative schemes namely; Limuru, Bathi, Uplands and Thigio. We have partnered with some community water projects, Bibirioni and Kamirithu through a third-party service provision agreement to supply water in our area of jurisdiction and increase in coverage.

2. PERFORMANCE

During the year ended 30th June 2023 the company focused on key objectives as stated in the strategic plan which include; increased coverage, financial sustainability, operational sustainability and customer satisfaction. The company registered positive growth in customer base, revenue collection, billing, operational stability, good governance among others although with some short coming here and there.

The company's total billings from water and sewerage services increased by Kshs 9,933,085 from Kshs 129,417,084 in the previous year to Kshs 139,350,169. This increase is attributed to increase in water billing as a result of increased new connections across all schemes and implementation of the new tariff in March 2023. The operational cost increased by Kshs 7,604,796 from Kshs 169,730,089 to Kshs 177,334,885 this is a result of the reviewed WRA charges, increase in cost of electricity and rehabilitation of pipelines damaged due to roadworks.


The company's operations were challenged by;

- Diminished surface sources due to prolonged dry season.
- high production cost due to electricity bills
- High operational cost where tariff review was expected to mitigate this as the company is still operating under 2010 approved regular tariff by WASREB
- Slow pace of completion of development projects like the Limuru Water and Sewerage Project which was supposed to generate more revenue
- Upward review of abstraction charges by Water Resource Authority.

However, some of the above challenges are being addressed through our limited company capacity and by partnering with other stakeholders such as County Government of Kiambu and Athi Water Works Development Agency.

3. APPRECIATION

As the Chairman of the Board, I am committed to providing leadership that espouses principles of good governance. On behalf of the Board and Management, I wish to express our appreciation to shareholders, development partners and our customers for their support during the period. Our development partners are The World Bank who drilled and equipped our Loromo boreholes, the Ministry of Water Environment and Natural Resources who helped in laying our Ndeiya pipeline through Athi Water Development Agencies and African Development Bank who are undertaking our sewerage project through the Kenya Towns Sustainable Water Supply and Sanitation Program project. I also thank the Management and all employees who have continued to work diligently and exhibited resilience in challenging times. Lastly, I thank my fellow Board members and urge them to work zealously in the best interest of the Company.



Peter M Kimani
Board Chairman

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

6. Report Of the Managing Director

1.INTRODUCTION

I am pleased to present to you the financial report for the year ending 30th June 2023. Our role as a water services provider is to provide water and sewerage services within Limuru and part of Lari sub-counties of Kiambu County. Provision of water and sewerage services is critical considering that water is now a constitutional right and in this regard the Company made remarkable progress in the quest to enhance our network coverage and improve reliability of water supply to our customers.

2.PERFORMANCE

The company made some strides during the financial year towards achievement of our strategic objectives. The following are some of the achievements made during the financial year.

- **Tariff Review**

The company has been operating on an tariff that was last revised in 2010. The New tariff was implemented in the company in March 2023 and is expected help improve in the company sustainability.

- **Sewerage Project**

Pipe laying for our sewer network was completed. The construction of the new sewer treatment plant and rehabilitation of the old one began in the financial year through Kenya Towns Sustainable Supply and Sanitation Program towns program. The project was 85% complete at the end of the financial year.

- It is worth noting that the above project will have a major impact in our cash flows sustainability of the company after it is operationalized.

- **Impact Report performance**

Impact report for 2021/22 FY was launched by the regulator (WASREB) on 19th June 2023 at Mombasa where the Company emerged no.27 country wide and no.12 among the large category. This is an improvement compared to the other year 2020/21 where the Company was ranked no.36 countrywide and no.16 among in the large category.

- **Annual General Meeting**

The company held its 9th Annual General Meeting on 29th June 2023.

3.APPRECIATION

I am most thankful to County Government of Kiambu, Athi Water Works Development Agency, Limuru and Lari Sub-Counties, all our customers, our Suppliers and bankers for their support and loyalty and we assure them of our determination to continually improve the quality of our services. Finally, I would like to express my deep appreciation for the dedication and commitment of Board of Directors, Management and Staff of Limuru Water. Without their commitment, hard work and teamwork we would not have come this far.



Ms. Margaret Maina
Managing Director

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

7. Statement Of Performance Against Predetermined Objectives for FY 2022/2023

Limuru Water & Sewerage Company has strategic pillars and objectives within its strategic plan for the financial year 2015-2019. These strategic pillars are as follows;

- 1 Increase in coverage
- 2 Attain financial sustainability
- 3 Operational efficiency/institutional strengthening
- 4 Attain customer and key stakeholder's satisfaction

Limuru Water & Sewerage Company develops its annual work plans based on the above pillars. Assessment of the board's performance against its annual work plan is done on quarterly basis. The company achieved its performance targets set for the FY 2022/2023 period for its 4No. strategic pillars, as indicated in the diagram below:

Table 1. Strategic Objectives

Strategic Pillar Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Increase in coverage	To serve more customers	Increase in customer connections	Increase in water production Increase in pipeline extension Rehabilitation of networks Increase water storage capacity Reduction of NRW	We increased water production after we fully operationalized Tigoni and Loromo projects We have been continuously rehabilitating our water system
Attain financial sustainability	To be self-sustaining	Ability to settle obligations as and when they fall due	Introduction of zonal and master meters to enhance accountability Put in place debt management and collection strategies Increase water and sewer connection	We have been able to clear our outstanding obligations as they fall due though not at 100%. Review of the was done within the financial year and implemented in March 2023.
Operational efficiency/institutional strengthening	To improve efficiency	Increase in staff productivity and quality service	To develop, improve and implement operation systems and procedure, Improve staff productivity through training To provide a positive work environment	We have been continuously training our staff from time to time
Attain customer and key stakeholders' satisfaction	To attain customer satisfaction	Reduced customers complaints	Customer service charter Improve communication strategy	We held several customer engagement forums within the financial year.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

8. Corporate Governance Statement

Limuru Water and Sewerage Company is a semi-autonomous entity in accordance with the provisions of the Water Act 2002. The company is governed by a Board of Directors (BOD). The BOD is appointed by the County Government in collaboration with stakeholders as per the regulators guidelines. They serve a term of three years which is renewable once.

There are three board committee which offers oversight on the various sectors of the company. The committee comprises of: Technical Committee: Finance and Administration Committee, Risk & audit and Governance Committee.

FULL BOARD MEETINGS

	Name	ATTENDANCE					
		30-09-22	13-12-22	16-02-23	06-06-23	Days Present	Days Absent
1	Mr Peter M Kimani	√	√	√	√	4	0
2	Prof. Steven Njuguna	√	√	√	X	3	1
3	Mr. Joseph N Mbugua	√	√	√	√	4	0
4	Ms. Jeniffer Musyoki	X	X	√	X	1	3
5	Mr. Eliud Muchiri	√	√	√	√	4	0
6	Mr Micheal Kangethe	√	√	√	√	4	0
7	Mr Joseph N Kamau	√	√	X	√	3	1
8	Mr Dennis M Njunge	X	X	√	√	2	2

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

TECHNICAL & COMMERCIAL COMMITTEE

	Name					ATTENDANCE	
		23-8-2022	27/10/2022	12/02/2023	20/4/2023	Days Present	Days Absent
1	Mr. Peter M. Kimani	√	√	√	√	4	0
2	Mr. Joseph N. Mbugua	√	√	√	√	4	0
3	Ms. Jeniffer Musyoki	√	X	X	X	1	3
4	Mr. Joseph N. Kamau	X	√	√	√	3	1
5	Mr. Dennis Mwaura	√	√	√	√	4	0

FINANCE COMMITTEE

	Name						ATTENDANCE	
		1/09/2022	5/09/2022	22/11/2022	10/02/2023	25/5/2023	Days Present	Days Absent
1	Mr Eliud Githiga Muchiri	√	√	√	√	√	5	0
2	Mr. Michael Kangethe	√	√	√	√	√	5	0
3	Ms. Jeniffer Musyoki	√	√	X	X	X	2	3
4	Mr. Dennis Mwaura	√	√	√	X	√	4	1
6	Mr. David K. Kuria	X	√	X	X	X	1	4
7	Mr. Peter Mbugua	X	X	√	√	X	2	3
8	Mr. Joseph Nganga Mbugua	X	X	√	√	X	2	3
9	Mr. Joseph N. Kamau	X	X	X	X	√	1	4

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

AUDIT COMMITTEE

	Name					ATTENDANCE	
		23/9/2022	6/12/2022	10/02/2023	30/5/2023	Days Present	Days Absent
1	Mr. Eliud Githiga Muchiri	√	√	√	√	4	0
2	Mr. Michael Kangethe	√	√	√	√	4	0
3	Mr. Peter M. Kimani	√	√	√	√	4	0
4	Mr. Joseph N. Mbugua	√	√	√	√	4	0

At the point appointment the Board members were taken for induction training on governance, risk and existing laws and regulations in the water sector. In all meeting members declare any conflict of interest in their undertaking of company's decision. There exists a board charter which guides on the board remuneration, duties and responsibilities, code and conducts and trainings.

Below the BOD, is the Managing Director (MD), followed by the heads of department who forms the management team and then the section heads. This is followed by other members of staff. The BOD including the MD have signed a Code of Conduct and the tenets therein, are adhered to as appropriate.

The BOD is directly accountable to the shareholders and every year the company holds an annual general meeting (AGM), the directors provide a report to shareholders on the performance of the company and its future plans. The objects of the company are defined in the [Memorandum of Association](#) and regulations are laid out in the Articles of Association. The board of directors' key purpose is to ensure the company is meeting its obligations by collectively directing the company's affairs, whilst meeting the appropriate interests of its [shareholders and stakeholders](#). In addition to business and financial issues, the BOD deals with challenges the company is facing, and issues relating to [corporate governance](#), corporate social responsibility and corporate ethics.

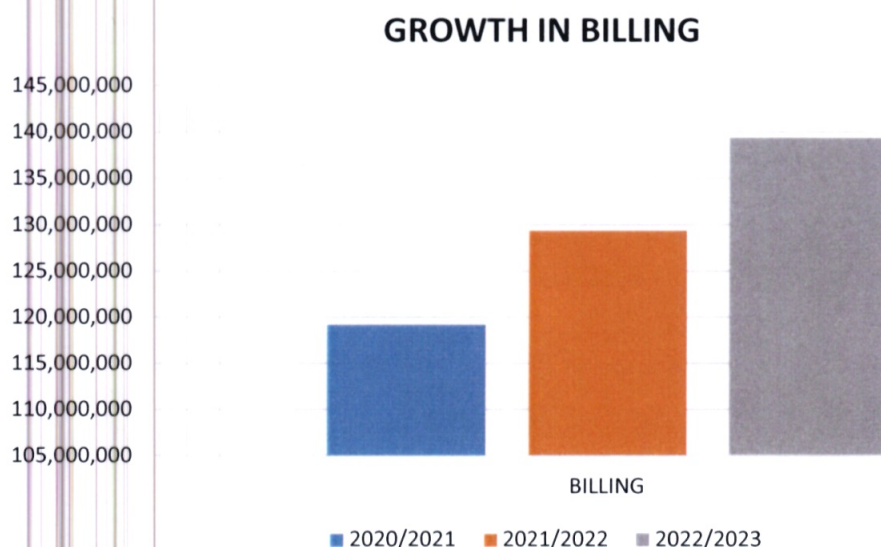
LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

9. Management Discussion and Analysis

The company's operational and financial performance

During the financial year the company made a loss of Ksh (32,818,811) compared to a profit Kshs 26,430,808 during the previous financial year.

The company's total billings from water and sewerage services increased by Kshs 9,933,085 from Kshs 129,417,084 in the previous year to Kshs 139,350,169. This increase is attributed to increase in water billing as a result of increased new connections across all schemes and implementation of the new tariff in March 2023.



Company's compliance with statutory requirements

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

Major risks facing the company

The major risk facing the company is the ongoing concern of the company as a result of the high cost of production and inflationary tendencies within the country.

Material arrears in statutory/financial obligations

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

Lease Fee to AWSB Kshs 29,215,454

Regulatory Levy Kshs 21,043,836

Abstraction Levy Kshs 1,623,582

The company's financial probity and serious governance issues

The company does not have any financial probity or any governance issues, since the company has risk management in place and adequate internal controls.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Development Projects

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

No	Proposed Capital Work	STATUS	IMPACT	PROPOSED INTERVENTION	SOURCE OF FUNDS
1	Tigoni treatment work	Complete	Increase in coverage area of water services	Construction of a treatment works	Athi Water Works Development Agency
2	Kambaa Borehole	Ongoing	Increase in coverage area of water services	Drilling and equipping of a borehole and laying of a pipeline	NAMSIP
3	Loromo Borehole	Complete	Increase in coverage area of water services	Drilling and equipping of a borehole water tank and laying of a pipeline	World Bank
4	Sewerage Work	Ongoing	Increase in coverage area sanitation	Laying of sewer line	Africa Development Bank

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

10. Environmental And Sustainability Reporting

Limuru Water and Sewerage Company aims to transform lives of the residents which is its purpose and the driving force behind offering potable water and sanitation services to residents within its area of jurisdiction.

Below is an outline of the organisation's policies and activities that will promote sustainability

i. Sustainability strategy and profile –

Increase in coverage

The company has on-going projects that are almost complete and when they will be completed, we will have increased water production and an increase in pipe network in the unserved areas. During the period we have increased storage capacity and we have come up with strategies to reduce non-revenue water. However, during the period, the company encountered challenges due to the adverse effect of climate change where we experienced long dry season which led to drying up of our surface sources i.e Bathi Dam, Kijabe Springs and Tigoni Dam.

Increase in revenue collection

During the financial year the company introduced zonal and master meters to enhance accountability, increased water and sewer coverage and came up with strategies to improve revenue collection. The operationalization of the new tariff increased the revenue.

Operational efficiency/institutional strengthening

During the financial year we developed, improved and implemented operational systems and procedures, we improved our staff productivity through training, we provided a positive work environment by recognizing and rewarding individual talent, encouraging team work and promoted mutual trust and we provided quality water through strengthening process control and water quality monitoring

i. Environmental performance

The company sponsors and participate in tree planting activities in order to protect our water sources and also for environmental conservation.

ii. Employee welfare

Employee are hired on need basis through a competitive process, we take into consideration the gender and ethnicity ratio. We continually train our staff based on training needs as identified in our training needs assessment.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

iii. Responsible supply chain and supplier relations

The company complies with Public Procurement Act and regulations 2015. We have a good working relationship with our suppliers and we honour contracts

iv. Product stewardship

Water is a natural resource and it is a basic human right as enshrined in our constitution and in this regard the company has made remarkable progress in the quest to enhance our network coverage and improve reliability of water supply to our customers.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Corporate Social Responsibility / Community Engagements

During the financial year the company spent Ksh 62,050 on corporate social responsibility. The activities were:

1. Contributions towards Tigoni Police Station end of year party.
2. Visitation to Rwacumari Primary school and issued sanitary towels, inner-wares and bar soaps to the pupils.

The company embraces the fact that in order to succeed it has to satisfy its customers and key stakeholders. This will be achieved through the customer service charter and improvement of our communication strategies to our customers and to follow up on our customer complaints. During the financial year we had a stakeholder meeting in Bathi Scheme Escarpment zone.



LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

11. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of Limuru Water and Sewerage Company affairs.

Principal activities

The principal activities of the entity are to ensure the economical provision of water and sewerage services in Limuru and part of Lari Sub County.

Results

The results of the entity for the year ended June 30, 2023 are set out from page 1 of this report.

Dividends

The Directors do not recommend the payment of dividend for the year.

Directors

The members of the Board of Directors who served during the year are shown on page v-vii.

Auditors

The Office of the Auditor General is responsible for the statutory audit of Limuru Water and sewerage Company Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015, which empowers the Office of the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board

Ms. Jackline Wangari Murigi



Company Secretary

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

12. Statement Of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors' responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015).

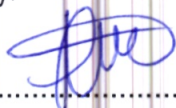
The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2023, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023


Approval of the financial statements

The company financial statements were approved by the Board on 25th September 2023 and signed on its behalf by:



.....
Mr. Peter M Kimani

Chairperson of the Board

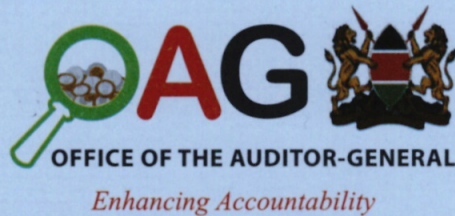


.....
Ms. Margaret W. Maina

Managing Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: 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 LIMURU WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Limuru Water and Sewerage Company Limited set out on pages 1 to 44, which comprise of the statement of financial

Report of the Auditor-General on Limuru Water and Sewerage Company Limited for the year ended 30 June, 2023

position as at 30 June, 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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 Limuru Water and Sewerage Water Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Material Uncertainty in Relation to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss for the year under review of Kshs.32,818,811 (2022: Profit Kshs.26,430,808). Further, the statement of financial position shows that Company's current liabilities exceeded the current assets by Kshs.103,759,894 (2022: Kshs.69,356,814) an indication of negative working capital for the Company. Even though, the financial statements have been prepared on a going concern assumption, the Company is technically insolvent and its ability to continue as a going concern is dependent upon support from the County Government and its creditors. In addition, the statement of changes in equity reflects revenue reserves continued to decrease from negative balance of Kshs.78,611,714 for the previous year to negative balance of Kshs.111,430,525 for the year under review.

However, Management and Board of Directors has not disclosed in these financial statements material uncertainty related to going concern.

In the circumstances, the going concern of the company could not be confirmed.

2. Inaccuracies in the Customer Deposits Account Balance

The statement of financial position and as disclosed in Note 21 to the financial statements reflects customer deposits balance of Kshs.14,703,500. However, the bank statements reflected customer deposits balance of Kshs.2,012,060 resulting in an unreconciled variance of Kshs.12,691,440. Further, review of records revealed that the Management withdrew an amount of Kshs.3,782,710 from the customer deposits account which was utilized in construction of an office in the year under audit. However, no authority from County Treasury to withdraw from customer deposit account was provided for audit.

In the circumstances, the accuracy and propriety of the customer deposits balance of Kshs.14,703,500 could not be confirmed.

3. Long Outstanding Trade and Other Receivables

Note 15 to the financial statements reflects total trade receivables of Kshs.67,496,782. Review of the account receivables listings revealed receivables outstanding for a period of more than 120 days amount of Kshs.48,695,352. No evidence of Management's effort to recover the outstanding debts was provided for audit.

In the circumstances, the recoverability of trade and other receivables balance of Kshs.67,496,782 could not be confirmed.

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

Emphasis of Matter

1. Long Outstanding Trade Payables

The statement of financial position and as disclosed in Note 20 to the financial statements reflects trade and other payables balance of Kshs.121,348,153 which includes a balance of Kshs.49,606,251 relating to previous years. However, no explanation has been given for failure to settle the payables in time. Failure to settle the debts when they fall due may attract interest and may also affect the operations of the entity if the suppliers stop supplies due to non-payment of debts when they fall due.

2. Under-Collection of Revenue

The statement of comparison of budget and actual amounts indicates that the Company had budgeted total revenue of Kshs.175,305,612. However, the Company collected revenue amounting to Kshs.144,516,075 resulting to an under-collection of Kshs.30,789,537 or 18% of the budget. The under collection of revenue may have affected implementation of planned activities, which may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of these matters.

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

Prior Year Unresolved Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Effectiveness in Use of Public Resources. 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 template.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Excessive Non-Revenue Water

During the year under audit, the Company produced a total of 1,850,713 m³ of water. However, only 1,285,825 m³ of water was billed resulting to non-revenue water of 564,888 m³ or approximately 30% of the total water production. However, the NRW was 5% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines.

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

2. Non-Compliance with Ethnicity and Regional Distribution

Review of employee records revealed that out of the total employees of eighty-eight (88), seventy-nine (79) or 90% are from the dominant ethnic community. This was contrary to Section 7(1) and (2) National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff, and no public establishment shall have more than one third of its staff from the same ethnic community.

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

3. Unsustainable Wage Bill

The statement of profit or loss and other comprehensive income reflects total revenue of Kshs.144,516,075 and as disclosed in Note 9 to the financial statements which includes

staff costs amounting to Kshs.72,108,525, which was 50% of the total revenue of the Water Company. This was contrary to Regulation 26(1)(a) Public Finance Management (County Governments) Regulations, 2015 which provides that National Government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35% of the National Government's equitable share of the revenue raised nationally plus other revenues generated by the National Government.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company's 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 controls.
- 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 March, 2024

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023

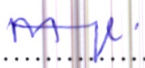
<u>REVENUE</u>	Notes	2023 Kshs	2022 Kshs
Operating Revenue	6	139,371,169	129,417,084
Grant Income	7	100,548	62,653,514
Other Income	8	5,044,358	4,090,300
TOTAL REVENUE		144,516,075	196,160,898
 <u>EXPENSES</u>			
Employee Costs	9	72,108,525	66,124,755
Use of goods and Services	10	83,128,200	87,187,119
Board Expenses	11	3,889,400	4,350,280
Repair and maintenance	12	13,971,867	8,891,557
Depreciation	13	4,236,893	3,176,379
		177,334,885	169,730,089
<u>Profit/Loss</u>		(32,818,811)	26,430,808


LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

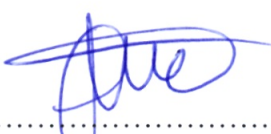
15. Statement Of Financial Position As at 30 June 2023

	Notes	2022/2023	2021/2022
<u>NON-CURRENT ASSETS</u>		Kshs	Kshs
Property, Plant and Equipment's	13	31,277,451	29,693,181
		<u>31,277,451</u>	<u>29,693,181</u>
 <u>CURRENT ASSETS</u>			
Inventory	14	531,092	1,807,660
Trade and Other Receivables	15	29,400,943	25,937,769
Cash and Cash Equivalent	16	2,359,725	3,143,330
<u>TOTAL CURRENT ASSETS</u>		<u>32,291,759</u>	<u>30,888,759</u>
 <u>TOTAL ASSETS</u>		 63,569,210	 60,581,940
 <u>EQUITY AND LIABILITIES</u>			
<u>Capital and Reserves</u>			
Share Capital	17	40	40
Capital Reserve	18	38,948,043	38,948,043
Revenue Reserve	19	(111,430,526)	(78,611,716)
<u>Total Capital and Reserves</u>		<u>(72,482,443)</u>	<u>(39,663,633)</u>
 <u>CURRENT LIABILITIES</u>			
Trade and Other Payables	20	121,348,153	87,077,025
Customer Deposits	21	14,703,500	13,068,000
Deferred Income – WSTF	22		100,548
<u>TOTAL CURRENT LIABILITES</u>		<u>136,051,653</u>	<u>100,245,573</u>
 <u>Total Equity and Liabilities</u>		 63,569,210	 60,581,940

The financial statements were approved by the Board on 25th September 2023 and signed on its behalf by:


.....
Ms. Margaret W. Maina
Managing Director


.....
Mary W. Mbugua
Head of Finance
ICPAK M/No.8457


.....
Peter M. Kimani
Chairman of the Board

16. Statement Of Changes in Equity for the Year Ended 30 June 2023

	Share Capital	Revenue Reserves	Capital Reserves	Total Amount
	Kshs	Kshs	Kshs	Kshs
Balance as at 1st July 2021	40.00	(105,042,522)	38,948,043	(66,094,439)
Profit for the year 2021-2022	-	26,430,808	-	26,430,808
Balance as at 30th June 2022	40.00	(78,611,713.83)	38,948,043.00	(39,663,631)
	Share Capital	Revenue Reserves	Capital Reserves	Total Amount
	Kshs	Kshs	Kshs	Kshs
Balance as at 1st July 2022	40.00	(78,611,714)	38,948,043	(39,663,631)
Loss for the year 2022-2023	-	(32,818,811)	-	(32,818,811)
Balance as at 30th June 2023	40.00	(111,430,524.57)	38,948,043.00	(72,482,442)

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

17. Statement Of Cash Flows for The Year Ended 30 June 2023

CASH FLOWS FROM OPERATING ACTIVITIES

	Kshs	Kshs
	2022/2023	2021/2022
Receipts		
Operating Revenue	140,214,596	127,070,826
Grant		51,234,139
Customer Deposits	1,635,500	1,146,500
Deposit repayment	3,000,000	3,410,000
Total Receipts	144,850,096	182,861,465
Payments		
Employees	59,782,936	71,603,832
Board Expenses	3,815,600	4,350,280
General and Operation Expenses	63,217,628	78,005,838
Maintenance	12,043,868	14,405,070
Deposit	3,000,000	3,410,000
Total Payments	141,860,032	171,775,020
Net Cash From/ (Used in) Operating Activities	2,990,064	11,086,444
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment (PPE)	(3,773,670)	(12,279,071)
Increase/(Decrease) in cash and cash equivalents	(783,606)	(1,192,629)
Cash and Cash Equivalent at the beginning of the year	3,143,330	4,335,959
Cash and Cash Equivalent at the end of the year	2,359,724	3,143,330

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023

REVENUE	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL ON COMPARABLE BASIS 2023	PERFORMANCE DIFERENCE	% OF UTILIZATION
Water Billing	146,101,903	(9,901,903)	136,200,000	116,909,193	19,290,807	86
Sewer Billing	27,830,000	2,157,589	29,987,589	22,440,976	7,546,613	75
Miscellaneous Income	3,000,000	1,600,000	4,600,000	5,065,358	(465,358)	110
VAT Claim	5,846,760	(1,328,737)	4,518,023		4,518,023	-
Grant from WSTF		0		100,548	(100,548)	
TOTAL REVENUE	182,778,663	(7,473,051)	175,305,612	144,516,075	30,789,537	82
EXPENDITURE						
GENERAL OPERATIONS AND	97,076,523	(16,114,116)	80,962,407	81,419,866	(457,459)	101
STAFF COSTS	69,775,521	1,531,848	71,307,369	72108524.89	(801,156)	101
BOARD EXPENSES	2,800,000	1,025,200	3,825,200	3,889,400	(64,200)	102
MAINTENANCE COSTS	12,657,021	892,979	13,550,000	13,971,867.45	(421,867)	103
CAPITAL EXPENDITURE	0	5,552,240	5,552,240	5,596,820.00	(44,580)	101
TOTAL EXPENDITURE	182,309,065	(7,111,849)	175,197,216	176,986,478	(1,789,262)	101
SURPLUS/DEFICIT	469,598	(361,202)	108,396	(32,470,403)	32,578,799	(29,955)

There was one supplementary budget during the period, this was to reduce the approved budget mainly due to delay in implementation of the new tariff.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

1. UTILIZATION OF BUDGET

i. REVENUE

Water Billig

The Company did not meet the budgeted revenue since there was delay in implementation of tariff since it was implemented in the month of March but the Company had anticipated that it will be implemented at the beginning of the financial year. Also, the company was affected by the drought in its production sources in Bathi and Tigoni and therefore the customers were not billed as anticipated

Sewer Billing

The Company anticipated implementation of the sewer project within the financial year but the project did not materialize due to factors beyond the Company's control.

Other Income

The Company exceeded the budgeted miscellaneous income due to increased customers connections.

2. EXPLANATION OF CHANGES BETWEEN ORIGINAL AND FINAL BUDGET

Revenue

The Company anticipated that the new tariff would have been implemented within the first quarter of the financial year which did not materialize. It was implemented in the last quarter of the financial year. There was a prolonged dry season which led to the drying up of our surface sources i.e Bathi dam and Kijabe springs and this affected the billed revenue. The sewer billing was also affected since it was expected that the sewer project could have been completed by October 2022 this did not materialize due to factors beyond the company control.

The company adjusted the miscellaneous income as a result of increased new connections and also review of new tariff which increased some of the miscellaneous charges

The received communication from the Kenya Revenue Authority reviewing the expected claims downward.

Expenses

The expenses were scaled downwards to take in to account the effect of the late implementation of the new tariff.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

3. EXPLANATION ON THE DIFFERENCE STATEMENT OF FINANCIAL PERFORMANCE

Reconciliation Between Statement of financial Performance and Budget

Operating Loss as per Statement of Financial Performance	32,818,810
Less Depreciation	(4,236,892)
Less Provisions	(1,708,334)
Add Capital Expenditure	5,596,820
Operating loss in the Statement of Budget Comparison	32,470,404

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

19. Notes To the Financial Statements

1. General Information

Limuru Water & Sewerage Company Ltd entity was established in 2006 and derives its authority and accountability from by Company's Act (Cap 486). The entity is wholly owned by the County Government of Kiambu and is domiciled in Kenya. The entity's principal activity is to ensure efficient and economical provision of water and sewerage services within Limuru Sub County and part of Lari Sub County.

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

2. Statement Of Compliance and Basis Of Preparation

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

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

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act, Companies Act 2015 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023**

Notes to the financial statements (continued)

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

i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	<p>The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.</p> <p><i>The company is not affected since it did not have any insurance contract during the year under review</i></p>	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.</p> <p><i>The company did not have any amendments in its financial statements for the year ended.</i></p>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.</p> <p><i>This amendment has not brought any changes to the accounting policies disclosed</i></p>	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.</p>	The amendments are effective for annual periods beginning on or after January 1, 2023.

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023**

Notes to the Financial Statements (Continued)

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

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

(The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements).

iii. Early adoption of standards

The company did not early – adopt any new or amended standards in year under review.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes to the Financial Statements (Continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to Limuru Water & Sewerage Company Ltd 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 Limuru Water & Sewerage Company Ltd activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of Limuru Water & Sewerage Company Ltd activities as described below.

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

b) In-kind contributions

In-kind contributions are donations that are made to Limuru Water & Sewerage Company Ltd 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, Limuru Water & Sewerage Company Ltd includes such

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

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 costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line 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	40 years or the unexpired lease period
Plant, Motors and machinery	4 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	8 years
Water Meters	5 years

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes to the financial statements (continued)

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is 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 straight-line basis over the estimated useful life of computer software of three years. All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

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

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

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023**

Notes to the financial statements (continued)

h) Finance and operating leases

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

All other leases are treated as operating leases and the leased assets are 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.

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND
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Notes to the Financial Statements (Continued)

m) Trade and other receivables

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

n) Taxation

Current income tax

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

n) Taxation

Current income tax

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

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.

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND
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Notes to the Financial Statements (Continued)

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

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

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

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

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

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes to the financial statements (continued)

o) Cash and cash equivalents

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

p) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at 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.

q) 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 the entity or not, less any payments made to the suppliers.

r) Retirement benefit obligations

The entity operates three defined pensions' schemes namely Local Authorities Pension Trust (Currently County Pension Fund-CPF), National Water Pension Scheme and Ministry of Water Pension Scheme for all Permanent employees.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes to the financial statements (continued)

The schemes are administered by Laptrust, Standard Chartered Bank and British American Insurance respectively. The employees contribute 12% of Basic Salary and house allowance and employer contributes 15% of the basic and house allowance for Laptrust Scheme while employees contribute 7.5% of the basic and house allowance and employer contributes 15% of the basic and house allowance for both Ministry of Water Pension Scheme and National Water Pension Scheme. 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.

s) 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.

t) Exchange rate differences

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

u) Comparative figures

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

v) 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, 2023.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes to the financial statements (continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of Limuru Water & Sewerage Company Ltd 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.

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

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

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023**

Notes to the financial statements (continued)

Summary of Accounting Policies

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 4.

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

Provision for doubtful debts

The estimated provision for doubtful debts is based on the period for which the debt was outstanding. General provisions are established where full recovery of the principal is considered doubtful which is made against finalized customer accounts net of deposits. The company has made a general provision of 5%.

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND
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Notes to the financial statements (continues)

6 OPERATING REVENUE	2023	2022
	Kshs	Kshs
Water Sales	116,930,193	108,067,676
Sewerage Services	22,440,976	21,349,408
	<u>139,371,169</u>	<u>129,417,084</u>

7 GRANT INCOME	2023	2022
	Kshs	Kshs
WSTF CLSG Grant	100,548	51,850,223
County Government of Kiambu		10,803,291
	<u>100,548</u>	<u>62,653,514</u>

8 OTHER INCOME	5,044,358	4,090,300
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9. STAFF COSTS

	2022/2023	2021/2022
	Kshs	Kshs
Gross Salary and Allowances	57,657,760	47,322,387
Casual Wages	909,990	704,600
Medical Expenses	6,344,545	3,389,184
Employer's Contribution to NSSF	590,840	193,800
Employers Contribution to Pension Scheme	5,191,941	4,986,597
Accrued Pension		4,757,284
Staff Welfare	1,413,449	801,593
Other Allowances		3,969,310
	<u>72,108,525</u>	<u>66,124,755</u>

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND
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10. General and Operations Expenses

	2022/2023	2021/2022
	Kshs	Kshs
Chemicals	1,866,671	1,308,063
Chemicals WSTF	100,548	616,084
Electricity - Operations	33,748,240	30,518,418
Transport Expenses - Fuel	7,253,369	5,536,812
general Office Running Expenses	1,830,956	1,461,971
Staff Uniform	76,030	174,461
Telephone	915,773	710,100
Postage and Postal Charges	13,984	14,000
Insurance	772,975	317,578
Rent - Office	120,000	120,000
Travelling and Accommodation	8,478,170	5,901,965
Training Conferences & Work shops	5,375,683	7,656,864
Staff Performance/Benchmarking	1,966,066	3,652,700
Bank Charges	727,058	741,304
Security Services	3,465,991	3,195,002
Publication & Book	41,580	36,120
Fees and other Charges	106,751	5,754,021
Environmental Conservation	184,000	582,000
Advertising Expenses	739,450	127,488
Electricity - Office	332,215	209,020
Printing & Stationery	1,088,813	1,247,653
Billing Fee	356,935	718,387
Abstraction (WRMA) Fees	3,008,834	724,266
Internet Services	533,695	727,783
Audit Fee	232,000	232,000
Membership to Professional Association	290,083	168,700
Bad debts	1,708,334	5,907,922
Stake Holders Meeting	661,450	35,800
WASREB Levy	5,777,459	5,363,558
Water quality Testing	313,900	270,750
Corporate Social Responsibility	62,050	43,774
WASCO Games	431,388	917,400
Tariff Review		1,759,720
Commercial Viability		435,435
Customer Engagement	16,790	
Annual General Meeting	245,750	
license Fee	100,000	
Pro - poor	25,210	
Planning & Design	160,000	
	83,128,200	87,187,119

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023**

Notes to the financial statements (continued)

11. Board Expenses

	2022/2023	2021/2022
	Kshs	Kshs
Board Sitting Allowances	3,300,800	2,785,500
Induction and Training	588,600	1,285,580
Travelling and Accommodation		279,200
	<u>3,889,400</u>	<u>4,350,280</u>

12. Maintenance Expenses

	2022/2023	2021/2022
	Kshs	Kshs
Maintenance of Plant and Equipment's	1,165,431	1,272,580
Maintenance of Water Supply	10,472,972	5,290,630
Maintenance of Sewerage Works	916,600	1,023,160
Maintenance of Buildings and Stations	39,500	18,610
Maintenance of Office Equipment	91,408	39,010
Maintenance of Motor Vehicle	1,285,956	1,247,566
	<u>13,971,867</u>	<u>8,891,557</u>

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023**

Notes to the financial statements (continued)

13. a.(i) Property, Plant and Equipment Schedule for the Year Ended 30th June 2022

Cost	Motor Cycle & Vehicles	Land	Meters	Computer	Tanks & Buildings	Pumps & Motors	Pipeline (Water)	Equipment & Furniture	Work in Progress	TOTALS
AT 1ST July 2021	2,521,000	1,308,500	10,100,050	2,787,370	11,876,399	9,929,405	4,587,051	1,287,270	-	44,397,045
Additions	1,145,946	-	1,249,000	715,060	-	2,887,300	5,977,077	425,980	1,521,583	13,921,946
Transfers	-	-	-	-	-	-	-	-	-	-
At 30th June 2022	3,666,946	1,308,500	11,349,050	3,502,430	11,876,399	12,816,705	10,564,128	1,713,250	1,521,583	58,318,991
Depreciation										
AT 1ST July 2021	2,521,000	-	7,473,641	1,815,347	2,350,633	9,061,968	1,116,257	1,110,585	-	25,449,431
Charge for the Year	143,243	-	1,113,373	673,780	296,910	709,990	167,272	71,811	-	3,176,379
At 30th June 2022	2,664,243	-	8,587,014	2,489,127	2,647,543	9,771,958	1,283,529	1,182,396	-	28,625,810
Net Book Value										
At 30th June 2022	1,002,702	1,308,500	2,762,036	1,013,303	9,228,856	3,044,747	9,280,599	530,854	1,521,583	29,693,181
At 30th June 2021	-	1,308,500	2,626,409	972,023	9,525,766	867,437	3,470,794	176,685	-	18,947,614

13b.(ii) Property, Plant and Equipment Schedule for the Year Ended 30th June 2023

Cost	Motor Cycle & Vehicles	Land	Meters	Computer	Tanks & Buildings	Pumps & Motors	Pipeline (Water)	Equipment & Furniture	Work in Progress	TOTALS
AT 1ST July 2022	3,666,946	1,308,500	11,349,050	3,502,430	11,876,399	12,816,705	10,564,128	1,713,250	1,521,583	58,318,991
Additions		-	3,756,000	91,640	-	1,517,430			492,750	5,857,820
Transfers	-	-	-	-	2,014,333	-	-	-	(2,014,333)	-
Disposal/loss				(36,656)						(36,656)
At 30th June 2022	3,666,946	1,308,500	15,105,050	3,557,414	13,890,732	14,334,135	10,564,128	1,713,250	0	64,140,155
Depreciation										
AT 1ST July 2022	2,664,243	-	8,587,014	2,489,127	2,647,543	9,771,958	1,283,529	1,182,396	-	28,625,810
Charge for the Year	286,486	-	1,424,906	638,308	296,910	1,234,557	264,104	91,623	-	4,236,893
At 30th June 2022	2,950,729	-	10,011,920	3,127,435	2,944,453	11,006,515	1,547,633	1,274,019	-	32,862,703
Net Book Value										
At 30th June 2023	716,216	1,308,500	5,093,130	429,979	10,946,279	3,327,620	9,016,496	439,232	0	31,277,452
At 30th June 2022	1,002,702	1,308,500	2,762,036	1,013,303	9,228,856	3,044,747	9,280,599	530,854	1,521,583	29,693,181

Work in progress relates to the Meter calibration laboratory which was under construction during the year under review.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes to the financial statements (continued)

14. Inventories

	2022/2023	2021/2022
	Kshs	Kshs
PVC Pipes	44,200	251,154
HDPE Pipes		352,708
HDPE End Cap	14,992	39,124
HDPE Couplers	5,390	96,263
PVC Endcaps	12,555	2,900
GI Endcaps		4,710
Chlorine HTH 65%		100,548
Alum	49,600	127,600
Soda Ash	15,660	125,280
Water Meters	255,000	261,000
Stationery		67,600
PPR Pipes	19,350	57,350
PVC Valves		109,733
PPR Fittings		81,675
HDPE Fittings		123,014
Solvent Cement	24,420	7,000
Gate Valves	53,760	
Valve Socket	36,165	
	531,092	1,807,660

This stock does not include inventory of water due to subjectivity in measuring.

The Company received the following items from Athi Water Work Development Agency in different financial years. They were included in our closing stock but they did not have price indicated since the Company only received a delivery note and therefore it's not easy to determine their value. However, the assets were already recognized by Athi Water Works Development Agency in their books of accounts.

ITEM	SIZE	Qty	Price
METRES	1	144	Not Indicated
METRES	1.5	71	Not Indicated
METRES	2	48	Not Indicated
METRES	3	17	Not Indicated
METRES	4	22	Not Indicated
METRES	6	6	Not Indicated
METRES	8	2	Not Indicated
METRES	12	5	Not Indicated
PVC PIPES	6	109	Not Indicated
PVC PIPES	8	19	Not Indicated
PVC PIPES	10	5	Not Indicated

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes to the financial statements (continued)

15. a) Trade and Other Receivables

	2022/2023	2021/2022
	Kshs	Kshs
Total Trade Receivables	67,496,782	62,450,886
Less Specific Provision for Bad and Doubtful Debts	(39,771,484)	(38,238,811)
Less 5% General Provision for Bad and Doubtful Debts	(1,386,265)	(1,210,604)
Other Trade Debtors Receivables	162,656	150,000
Non-Trade Debtors	138,000	138,000
Bank Guarantee	1,887,751	1,887,751
Deposit for Rent, Electricity and Rural Roads	467,880	457,880
Prepayments-Wiba, Medical & Mv&Mb Insurance	405,622	302,667
Total Trade and Other Receivables	29,400,943	25,937,769

b) Trade Receivables

	2022/2023	2021/2022
	Kshs	Kshs
Gross Trade Receivables	67,496,782	62,450,886
Provisions for doubtful receivables	(41,157,749)	(39,449,415)
Net trade receivables	26,339,033	23,001,471

At June 30, the aging analysis of the gross trade receivables was as follows:

	2022/2023	2021/2022
	Kshs	Kshs
Less than 30 days	13,034,618	9,799,554
Between 30 and 60 days	2,215,714	5,536,424
Between 61 and 90 days	1,152,527	3,542,929
Between 91 and 120 days	2,398,570	12,998,318
Over 120 days	48,695,352	30,573,661
Total	67,496,782	62,450,886

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes to the financial statements (continued)

16. Bank and Cash Balances

		2022/2023	2021/2022
		Kshs	Kshs
KCB - Expenditure Account	Cash at Bank	74,069	215,318
KCB - Main Revenue Account	Cash at Bank	85,895	310,748
KCB - Customer's Deposit Accounts	Cash at Bank	2,012,060	2,324,417
Family Bank_WSTF - CLSG		40	2,486
Cash held by Post Bank (Revenue Collecting Agent)		85,115	109,875
Cash held by Safaricom (Revenue Collecting Agent)		102,466	167,382
Cash held in Petty Cash Book		80	13,105
		2,359,725	3,143,330

17. Ordinary Share Capital

		2022/2023	2021/2022
		Kshs	Kshs
Authorized: 5,000 Ordinary Shares of Kshs 20 each		100,000	100,000
Issued: 2 Ordinary Shares of Kshs 20 each		40	40

18. Capital Reserve represents opening balance of trade debtors (when the Company started its operations in September 2006) which was inherited from Athi water services board and also other trade debtors, cash and liabilities taken over from projects.

19. Retained Earnings

Revenue reserve comprises of Kshs (111,430,525) which is a cumulative deficit for the previous financial year as shown in page 3. This fund is meant for infrastructure development.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes to the financial statements (continued)

20. Trade and Other Payables

	2022/2023	2021/2022
	Kshs	Kshs
Amnel Holdings Limited	261,470	-
Athi Water Services Board	29,215,454	29,215,454
Thika Water & Sewerage Co. Ltd	2,663,670	2,663,670
The East African Business Times	538,000	-
Office of Auditor General	2,088,000	1,856,000
Water Resource Management Authority	1,623,582	1,141,989
Kenya Power & Lighting Co. Ltd	37,913,081	24,362,348
Kijabe Station Management	5,905	46,550
Water Services Regulatory Board	21,043,836	15,766,377
WASPA	446,000	246,400
Wanjao & Wanjau Advocates	471,250	225,500
Intersect Hardware Services	19,950	-
Micson	490,000	105,450
Safaricom Limited	68,352	68,351
Pan African Chemicals	99,199	313,500
WASCO	203,833	128,000
Bromak General Merchants	421,650	-
Diamond Chemicals	156,600	156,600
Doshi & Co	-	1,574,075
Federation of Kenya Employer	132,850	132,850
Spalim Company Ltd	324,176	359,608
Losagi Insurance Brokers Ltd	78,711	99,440
Techlink Hydrosystem	560,000	-
Muhuhu Advocate	-	233,520
City Collection Investment Ltd	-	263,320
Denter Enterprises	-	63,000
Haddie Supplies Ltd	239,890	239,890
Kenya Web	-	30,000
Limco Enterprises	40,000	14,400
Losai Management	1,107,776	1,407,776
Masterpiece Limited	510,243	254,999
Sigona Ventures	-	54,400
Uniza Trading Enterprises	-	70,400
Vinpet Enterprises	-	122,400
WEA International Incorporated	144,000	545,350
Commissioner of Domestic Taxes	-	33,139
Salaries and Allowances	14,588,918	5,282,267
Ecomodern Universal Services	655,000	-
Good Car Autospares	203,130.00	-
Jets Hardware and Paints	23,150.00	-

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Kibo Africa Limited	164,066.35	-
Kel Chemicals	550,884.00	-
Kiboko Highway Hotel	25,100.00	-
Kinetics Engineering Ltd	382,800.00	-
Laser Insurance Brokers	837,335.00	-
Lianli Investment Company limited	1,012,000.00	-
Lance Nixon Enterprise	334,800.00	-
Makra Kenya Enterprises	157,800.00	-
Natsal Enterprises LTD	114,370.00	-
Pamuli Printers	28,050.00	-
Peter k. Supeyo Hydrologist	160,000.00	-
Prettie Enterprise	36,000.00	-
Smart people Africa	250,000.00	-
Stara Supply Enterprise	843,470.00	-
Women in Water and Sanitation Association	40,000.00	-
Board Allowances Payable	73,800	-
	121,348,153	87,077,024

	2022/2023	2021/2022
Trade Payables	52,212,693	33,007,267
Due to Related parties	54,546,542	48,787,490
Employee Payables	14,588,918	5,282,267
Total Trade and other paybles	121,348,153	87,077,024

Aging Analysis for Trade and other Payables

	2022/2023	% of the total	2021/2022	% of the total
Under one year	71,741,902	59%	42,812,731	49%
1-2 years	5,841,958	5%	5,113,507	6%
2-3 years	5,339,007	4%	3,853,570	4%
Over 3 years	38,425,286	32%	35,297,216	41%
Total	121,348,153		87,077,024	

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes to the financial statements (continued)

21. A) Refundable Deposits and Prepayments

	2022/2023	2021/2022
	Kshs	Kshs
Opening Customers Deposit Balances	13,068,000	11,921,500
Deposits Received from Customers	<u>1,635,500</u>	<u>1,146,500</u>
Closing Balance	<u>14,703,500</u>	<u>13,068,000</u>

22. Deferred Income

Chemicals Grant Closing Inventory As At 30th June 2023

Item	2023	2022
	Kshs	Kshs
Chlorine	<u>-</u>	<u>100,548</u>
Total	<u>-</u>	<u>100,548</u>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes to the financial statements (continued)

23. Notes to The Statement of Cash Flows

a) Reconciliation of operating profit/loss to cash generated from/ (used in) operation

	2022/2023	2021/2022
	Kshs	Kshs
Operating Activities		
Operating Profit/(Loss)	(32,818,811)	26,430,808
Depreciation	4,236,893	3,176,379
Operating Profit/Loss before Working Capital Changes	(28,581,918)	29,607,187
(Increase) Decrease in Trade and Other Receivables	(3,463,174)	(2,441,229)
(Increase) Decrease in Inventories	1,276,568	(884,318)
Increase (Decrease) in Trade and Other Payables	34,271,130	(14,082,737)
Increase (Decrease) in Customer Deposits	1,635,500	1,146,500
Deferred Income	(100,548)	(616,084)
	33,619,476	(16,877,868)
Cash Generated from/ (Used in) Operations	5,037,558	12,729,319

b) Trade payable accrued from Investing activities

	2022/2023	2021/2022
	Kshs	Kshs
Doshi & Co Hardware		1,574,075.00
Limco Enterprises	40,000.00	14,400.00
Sigona Ventures		54,400.00
Techlink Hydro system	560,000.00	
Stara	484,150.00	
Lianli	1,000,000.00	
	<u>2,084,150.00</u>	<u>1,642,875.00</u>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes to the financial statements (continued)

Other Disclosures

24. Related Party Disclosures

a) Nature of Related Party Relationships

Companies 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 include management personnel, their associates and close family members.

Limuru Water and Sewerage Company Limited is related to:

- (i) The County Government of Kiambu (CGK)
- (ii) Water Services Regulatory Board (WASREB)
- (iii) Water Resources Management Authority (WRMA)
- (iv) Athi Water Services Board (AWSB)
- (v) Key Management
- (vi) Board of Directors
- (vii) Ruiru Water & Sewerage Company Ltd
- (viii) Gatundu Water & Sanitation Company Ltd
- (ix) Karuri Water & Sewerage Company Ltd
- (x) Kikuyu Water & Sewerage Company Ltd
- (xi) Githunguri Water & Sewerage Company Ltd.
- (xii) Kiambu Water & Sewerage Company Ltd
- (xiii) Thika Water & Sewerage Company Ltd.
- (xiv) Water Sector Trust Fund(WSTF)

a. County Government of Kiambu

The County Government of Kiambu is the principal shareholder of the Company, holding 100% of the Company's equity interest. The Company owns eight water Companies that offer water services within their regions. During the financial year the Company supplied water to institutions owed by the County Government and at the close of the financial year the institutions had some pending water bills amounting to Ksh 10,536,965

b. Athi Water Services Board

During the financial year the company owed Kshs 29,215,453 as licence fee as shown in note 20.

c. Water Services Regulatory Board

During the financial year the company owed Kshs 21,043,836 was levy as shown in note 20.

d. Water Resource Management Authority

During the financial year the company owed Kshs,1,623,582 as abstraction fee as shown in note 20

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes to the financial statements (continued)

e. Thika Water and Sewerage Company Ltd

During the financial year the company owed Kshs 2,663.670 as billing fee as shown in note 20.

f. Key Management Staff

The gross salary for key management staff was Kshs 13,101,786 during the financial year.

25. Contingent Assets and Liabilities

As at 30th June 2023, Limuru Water & Sewerage Company did not have any contingency liability.

26. Financial Risk Management

The Company has exposure to the following risks as a result of its financial instruments:

- i. Credit risk
- ii. Liquidity risk
- iii. Capital Management

i. Credit risk

The Company has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Credit risk mainly arises from water sales receivables and bank balances.

Credit risk arising from bank balances are low because the counter parties are financial institutions with high credit ratings.

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

ii. Liquidity Risk

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

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

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Notes to the financial statements (continued)

The table below summarizes the maturity profile of the Company's financial liabilities based on the remaining period using 30 June 2023 as a base period to the contractual maturity date:

iii. Capital Management

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

27. Incorporation

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

28. Events After the Reporting Period

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

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30TH JUNE 2023**

Notes to the financial statements (continued)

20. Appendices

Appendix 1: progress on follow-up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>Basis of Qualification</p> <p>Inaccurate Statement of Cash Flows</p>	<p>The National Treasury changed the reporting where Water companies were required to prepare cashflow statement using the direct method which is cash based as opposed to indirect method which is accrual based and therefore, we had to revise the comparative figures in order to comply with the national Treasury guidelines' variance amounting to Kshs.928,001 relates to accrued capital items that were purchased during the financial year but were not paid as at 30th June 2022.</p>	Resolved	
2	Excess Non-Revenue Water	<p>The Company has come up with the following measures in a bid to reduce NRW;</p> <ul style="list-style-type: none"> a) Reduction of leaks and bursts by use of high-quality HDPE pipes b) Annual work plan that is to be reviewed on quarterly basis. c) Construction of a meter calibration laboratory 	On going	To take averagely 6hrs to repair bursts from time of reporting.

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<ul style="list-style-type: none"> d) Relocate customer meters closer to the water main line e) Timely repairs of burst and leakages f) Use of high-quality meters to reduce on commercial losses. 		
3	Unexplained variance in customer deposit	This has been reconciled as noted in note 8b in the financial statements.	Resolved	
4	Long outstanding Trade and Other Receivables Balance	<p>The long outstanding receivables relates to debts which were taken over by the Company from the Ministry of Water at its inception some of which could not be traced. This are the debts which we have been providing for in full as specific provisions.</p> <p>The debt of Kshs 11,470,926 owed by Bata Shoe Company Limited was disputed and the Board approved for the writing off of the debt however during consequent audit the Auditor General advised that only The National Treasury through the Cabinet Secretary can give authority of writing off of a government debt.</p> <p>The Company has been putting measures to collect the outstanding debts through sending short messages, physical</p>	Ongoing as per written communication to the County	31 st December 2023.

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		visits to the customer to try to negotiate for part payment and sending letters, please find attached samples of the letters		
5	Non-Disclosure of Inventory of Water	There is a challenge in ascertaining the actual value of closing stock of water due to, the fact that the Company does not produce and hold water as stock. Management has hence forth presented this as a disclosure in the financial statements.		
		The Company had been operating on a tariff that was last reviewed in 2013 while the cost of production and all consumer items has increased over the years.		
	<p>Key Audit Matters</p> <p>Failure to Disclose Material Uncertainty in Relation to Going Concern</p>	<p>The Company has done extensions amounting to Kshs 19.9 million through internally generated funds. This has increased revenue from Kshs 129,417,084 in financial year 2021/2022 to Kshs 139,350,169 in the financial year 2022/2023, at the same time the customer connections have increased from 10,841 to 11,780 in the respective periods. The increase in extensions has been sustaining the Company in the recent times.</p> <p>The tariff review was submitted in the year 2013 when WASREB levy was 1% of the revenues but increased to 4% in 2018 which was 300% increase. In the year 2017 we</p>	Resolved	

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30TH JUNE 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>applied for tariff review but it did not materialize since the County Government of Kiambu started the merger process. However, we applied for a new tariff that we operationalized in March 2023.</p> <p>The completion of the sewerage project under AFDB will increase sewer coverage will bring into more connections hence increasing revenues, the project is expected to be completed by December 2023.</p> <p>The renewed strategic plan 2023-2028 which contains an investment plan amounting to Kshs 1.7Billions. The projects incorporated in the investment plan will help the company improve its financial sustainability.</p>		
		<p>The county is also putting measures to ensure the company is self-sustaining by giving financial supports in terms of raw materials.</p> <p>With the above development the company is expected to have a turnaround in the subsequent financial years.</p>		
	Basis for conclusion			
1	Irregular Board Expenditure	<p>Since the financial year 2018 Kiambu County began a merger process where all the water Companies in Kiambu County were to be merged into one. The new Company's name was Kiambu County Water and Sewerage Company Limited and during the process the Company was sharing directors expenses with other water companies within Kiambu County since all the Company's had one Board to oversee the</p>	Resolved	

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		merger.However from February 2022 County government of Kiambu recruited Board members for each water Company. Consequently, expenditures incurred in future reporting period relates to the board for Limuru water and sewerage company		
2	Incomplete Fixed Asset Register	<p>The Company has been updating the asset register for the last three financial years and this include details such as tag numbers, invoice, numbers, serial numbers and conditions of the assets. For the prior years the register will be completed by December 2023.</p> <p>Moving forward any asset that is procured is being tagged and entered in to the asset register.</p>	ongoing	31 st December 2023
3	Long outstanding Trade and Other Payables Balance	<p>The Company has implemented a new tariff as from March 2023 and we will be in a position to pay the outstanding debts after the new tariff stabilizes.</p> <p>The completion of the sewerage project under AFDB will increase sewer coverage will bring into more connections hence increasing revenues, the project is expected to be completed by December 2023.</p> <p>The renewed strategic plan 2023-2028 which contains an investment plan amounting to Kshs 1.7Billions. The projects incorporated in the investment plan will help the company improve its financial sustainability.</p>	ongoing	31 st December 2024

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>The county is also putting measures to ensure the company is self-sustaining by giving financial supports in terms of raw materials.</p> <p>However, there is request of waiver for the AWWDA which was calculated on projects that were expected to be completed by 2013 but which matured in 2020.</p> <p>The Company is following up on the debt owed to Thika water and Sewerage since it was disputed as they were billing inactive connections.</p> <p>With these measures the company is anticipating to clear all its long outstanding payables</p>		
4	Non-Compliance with Minimum Requirement on Employee Ethnic and Gender Balance	<p>The Company has been encouraging women and other ethnic groups during its adverts for available opening. This is a long-term strategy and its expected the company will comply in due course.</p>	ongoing	
5	Idle Equipment	<p>The equipment had not been operationalised to due to lack of a secure housing. The company has finalised construction of a meter calibration laboratory and is currently awaiting installation of the equipment's.</p> <p>The Company has written to AWWDA requesting for the supplier to come and install the equipment's.</p>	ongoing	31 st December 2023

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
6	Irregular Payment of Airtime Allowances	This has been resolved through a policy approved by the board	Resolved	
Report on effectiveness of Internal Controls, risk management and governance				
1	Lack of risk management policy	The risk management policy was approved in a Board meeting held on 30 th September 2022	Resolved	
2	Lack of Information Technology (IT) Steering Committee and Approved Disaster Recovery Plan	An information Technology steering committee and a disaster management plan were approved by the Board	Resolved	

Name :

Signature:

Managing Director

Date.....

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
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**Appendix II: Projects Implemented by the Company
Projects**

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Construction Of Limuru Water And Sewerage Project	AWWDA/AfDB/KTSWSSP/W-02/2018	African Development Bank	2018-2023			

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
Construction Of Limuru Water And Sewerage Project	KSHS. 576,508,513.11	N/A	90%		KSHS. 576,508,513.11	-African Development Bank -GOK