REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

GATUNDU WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2020

GATUNDU WATER AND SANITATION

COMPANY LTD

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2020

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

Gatundu Water & Sanitation Company Limited
Report and Financial Statements
r the year ended 30th June 2020

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KEY ENTITY INFORMATION

Background information

Gatundu water and sanitation company limited is a public company (herein referred to as GATWASCO) like all other such water institutions is a child of water act 2002 and the promulgation of the new constitution which devolved the water function. Devolution transmitted the water function from water service boards to the county government. GATWASCO was further derived from a merger of Gatundu South Water and Sanitation Company (GASWASCO) and Karimenu Water and Sanitation Company (KARIWASCO). During the period under review, the company had one hundred and twenty four (124) permanent staff and Thirty eight (28) staff under contract.

Principal Activities

- Provision of domestic, industrial and institutional water services.
- Provision of sewerage and sanitation services.

GATWASCO regional coverage includes Gatundu South, Gatundu North, parts of Githunguri sub-county and parts of Juja.

In terms of water service provision, the situation in the area can be categorized as

- Areas that are well served 24/7
- Areas that are under served
- Areas that are not served
- Areas that are served through community water projects

In terms of sewerage services, the situation is wretched since

- All areas are not served
- Some centers depend on septic tanks
- Rural areas depend on pit and VIP latrines

In terms of storage and conservation

- There is only one dam- Theta dam
- A lot of soil is lost through erosion
- A lot of water is lost to the Indian ocean through river flow
- A second dam (Karimenu II dam) is under way

Vision

To be the best in provision of potable rural water and sanitation services in the region and beyond.

Mission

To promote good health standards and raise economic level of our community through provision of quality, reliable, adequate and affordable water and sanitation services in an environmentally friendly manner while meeting expectations of our customers and other stakeholders.

Audit committee activities

An audit committee is appointed to assist the board in discharging its duties relating;

- To safeguard company assets
- Control processes.
- The preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.
- The audit committee will be the principal governance watchdog in Gatundu Water Company. Its purpose is to provide additional focus on financial issues that are vital to the company but which often cannot be fully examined by the main board because of shortage of time available to the same.

Finance & Technical committee activities

- Prepare strategies and plans for attaining the Company's service delivery objectives
- Review proposals and plans for infrastructure development and improvement
- Consider, evaluate and review progress of implementation for infrastructure development programs
- Set up and review standards, procedures and controls for provision of water services
- Consider and evaluate applications for water services provision
- Being informed, vigilant and effective overseers of the financial reporting process and the company's internal controls.
- Reviewing the company's quarterly, half-yearly and year-end financial statements , focusing particularly on;
  a) Any changes in accounting policies and practices
  b) Any major variances between actual results and budget
  c) Compliance with International Accounting Standards and other statutory obligations

- Ensure that accounting and financial management policies are in place and that they are implemented.
- Discussing the Company's budget, and recommending to the Board of Directors for discussion.
- The Finance Committee will spearhead fundraising activities of the board.

Directors

The director who served the entity during the year/period was:

1. Prof. Bernard K Njoroge	-Chairman	Appointed in March 2018
2. Mr. James Muriuki	- Member	//
3. Eng. Andrew Muigai	-Member	//
4. Mr Samuel Gatama	-Member	//
5. Mrs Emma Ng'ang'a	-Member	//
6. Prof. Steven Njuguna	-Member	//
7. Bishop Solomon Waweru	-Member	//
8. Mr Ndungu Wa Munywe	-Member	//
9. Mr Dominic Gachanja	-Member	//
10. Dr Martin Njogu	-Member	//
11. Mr John Mutie	-Member	//
12. Mrs Josephine Muritu	-Company/Board Secretary	//

Company Secretary

Josphine W. Muritu

Kiambu County Water & Sewerage Comp Ltd

P.O. Box 2344-00900

Kiambu

Registered Office

Gatundu Water Office

Gatundu Karinga Road

P.O. Box 140

Gatundu, KENYA

Company Contacts

Telephone: (254) 0714623391
E-mail: gatwasco@gmail.com
Website: www. Gatunduwater.co.ke

Company Bankers

1. Co-operative Bank of Kenya
   P.O. Box 82-01030,
   Gatundu Branch.

2. Co-operative Bank of Kenya
   P.O. Box 1815,
   Thika Branch.

3. Equity Bank of Kenya
   P.O Box 528-01030
   Gatundu Branch

4. Kenya Commercial Bank
   P O Box 420-00232
   Ruiru
   Gatundu Branch

5. Family Bank
   P O Box 481-01030
   Gatundu Branch

Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

Principal Legal Advisers

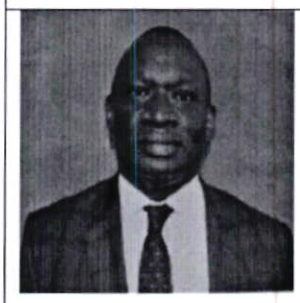
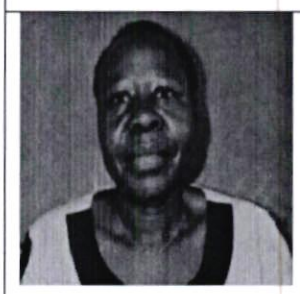
1. The Attorney General
   State Law Office
   Harambee Avenue
   P.O. Box 40112
   City Square 00200
   Nairobi, Kenya

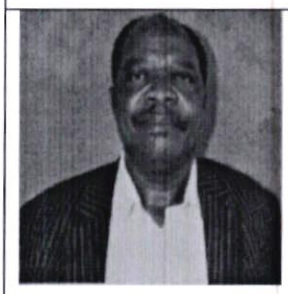
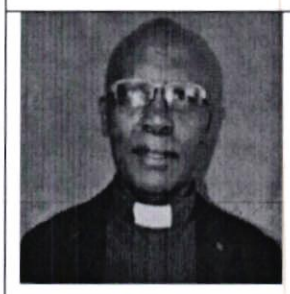
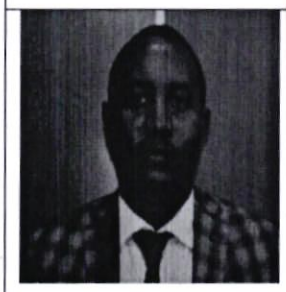
2. Legal Counsel & Board Secretary
   Athi Water Works
   P O Box 45283-00100
   Nairobi

3. Nyokabi Waiganjo, Omungala
   Hazina Towers 12th floor
   Monrovia street
   P O Box 1874-00100
   Nairobi
   Mwaiganjoadvocates@gmail.com

THE BOARD OF DIRECTORS

	**1. Name**: Prof. Eng. Bernard Njoroge **2. Position**: Chairman **3. DoA** : 2018 **4. Qualification**: Ph.D Duke University (U.S.A); M.Sc. New Castle Upon Tyne (U.K); B.Sc.(U.O.N.), Civil Engineering Eng.; M.I.E.K. **5.Work Experience**: DVC Finance University of Nairobi, U.O.N Professor Faculty of Engineering from year 2002
	**1. Name**: John Mwivithi Mutie **2. Position**: Chief Officer Water and Director **3. DoA**: 1st March 2019 **4: Qualification**: LLB (UoN); CPS(K) **5: Work Experience**: Worked with the defunct local Authorities as town clerk/County Clerk in various Local Authorities. Served as County Assembly Clerk/ Secretary to County Assembly of Kiambu. Currently on secondment to County Executive as Chief Officer Department of Water, Environment, Energy and Natural Resources. Also assignment Department of Administration and Public Service as the Acting Chief Officer
	**1.Name**: Josphine W. Muritu **2.Position**: Company Secretary **3: DoA**: 2018 **4.Qualification**: LLB (UoN) **5.Work Experience**: Worked with Kiambu County Government Senior Legal Counsel, Assistant Director (Quality Assurance, compliance and Accreditation), Assistant Commission Secretary (Legal Affairs), Assistant Counsel Mwaniki & Company Advocates, Counsel Musyimi & Company Advocates
	**1. Name**: Prof Steven Njuguna **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Phd, Msc, Bsc(1st Class Hons) Environmental Science, Diploma in Education **5.Work Experience**: Kenyatta University, Faculty of Environmental Studies

	**1. Name**: Mr. James Gitau Muriuki **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Bachelor of Science in Chemistry/Biochemistry, Msc. Environmental Health Engineering Sector: Representative of Water Consumers **5.Work Experience**: Ministry of Water and Irrigation,Technical Consultant on Water and Waste water Treatment and Quality Analysis; Environmental Audits, Environmental Impact Assessments (EIA).
	**1. Name**: Samuel Gatama **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Business man, S 1 Teacher **5.Work Experience**: Retired teacher over 30Years Experience
	**1. Name**: Eng. Andrew Muigai **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Bsc Civil Engineering UON **5.Work Experience**: Director Kenya Industrial Research and Development Institute Entrepreneur Engineer and Management Consultant
	**1. Name**: Emmah Waithera Ng'ang'a **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Msc Corporate Entrepreneurship **5.Work Experience**: 40 years' experience in Business and Marketing

	**1. Name**: Ndung'u Wa Munywe **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Bachelor of Arts, Advanced Public Administration **5.Work Experience**: Worked with UON as Senior Administration Assistant. Ministry of Water and Ministry of Commerce
	**1. Name**: Dominic Gachanja **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Doctor in Pharmacy **5.Work Experience**: Businessman Thika, Board Member Land Control Board
	**1. Name**: Bishop Solomon Waweru **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Retired Public Officer **5.Work Experience**: Bishop of A Church- Representative of NGOs
	**1. Name**: Dr. Martin Njogu Mbugua **2. Position**: Director **3. DoA** : 2018 **4. Qualification**: Doctor of Philosophy - Chemistry **5.Work Experience**: Lecturer and researcher, Department of Chemistry/UoN

REPUBLIC OF KENYA

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NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Gatundu Water and Sanitation Company Limited set out on pages 20 to 47, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Gatundu Water and Sanitation Company Limited as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Non - Current Assets

The statement of financial position and Note 8 to the financial statements reflect a net book value of Kshs.29,360,883 for non-current assets as at 30 June, 2020. However, a review of records revealed that fixed assets of undetermined value comprising water intake and treatment works, motor vehicles, computers and furniture were, as previously reported, not included in the reported balance for property, plant and equipment.

In addition, the balance includes a net book value of Kshs.9,796,058 for land and buildings as at 30 June, 2020. However, titles deeds for the land parcels, details of the parcels of land and their location were not made available for audit review.

In addition, Note 8 to the financial statements reflects a combined net book value of Kshs.9,796,058 for land and buildings. However, these are separable assets and are accounted for separately, even when they are acquired together. Further, the buildings were not depreciated as required under IAS 16 – Property, Plant and Equipment.

In the circumstances, it could not be confirmed that the property, plant and equipment balance of Kshs.29,360,883 was fairly stated and that the Management had properly safeguarded the assets of the Company.

2. Long Outstanding Payables

The statement of financial position reflects Kshs.78,793,104 for trade and other payables which as disclosed at Note 16 to the financial statements included payables of Kshs.55,104,582 (2019: Kshs.45,051,823) due to Athi Water Services Board (AWSB) and Water Services Regulatory Board (WASREB). No satisfactory explanation was provided for the non-settlement of the long outstanding liabilities.

Failure to settle legal obligations may attract penalties and interest and cause reputational damage to the Company.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

As disclosed in the statement of comparison of budget and actual amounts, the Company realized a total income of Kshs.141,242,749 against a revenue budget of Kshs.185,102,000, resulting into an under-collection of Kshs.43,859,251 or 24% of the budgeted revenue which was not explained or justified.

2. Unresolved Prior Year Audit Matters

As disclosed under the progress on follow up of auditor recommendations section of the financial statements, some of the prior year audit issues remained unresolved as

at 30 June, 2020. Management has not provided satisfactory reasons for the delay in resolving the issues.

Other Information

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

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon. In connection with my audit of the Company's financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non-Revenue Water

During the financial year 2019/2020, the Company produced a total of 7,358,832 cubic meters of water out of which only 4,846,986 cubic meters was billed to customers. The balance of 2,511,846 cubic metres or approximately 34% of the total water produced represented unaccounted for water (UFW) which is 9% over and above the allowable loss of 25% in accordance with Water Services Regulations Guidelines. The UFW may have resulted in loss of sales estimated at Kshs.71,286,518.

The significant level of non-revenue water is an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities

that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Corporate Governance

As disclosed under Key Entity Information section of the annual report, eleven (11) directors served the Company during the year under review. The directors were all appointed on 26 March, 2018. However, their appointment letters indicated that the directors were to act on behalf of Kiambu County Water and Sewerage Company, which is a separate entity from Gatundu Water and Sanitation Company Limited.

2. Lack of Documented Policy on Budgeting and Risk Management

The Company had not developed internal manuals or guidelines on budgeting. In the absence of the budgeting manual, it was not possible to ascertain how the budget was formulated, approved and implemented.

Further, the Company had not developed a system of risk management. In absence of a formal approved risk management framework, ability to identify risks and definition of strategy to eliminate or minimize the impact of the risks could be compromised.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;

(ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;

(iii) The Company's statement of financial position and statement of comprehensive income are in agreement with books of account; and

Responsibilities of Management and the Board of Directors

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015 and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal control, risk management and governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, the Management are 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 the Company monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management'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 as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

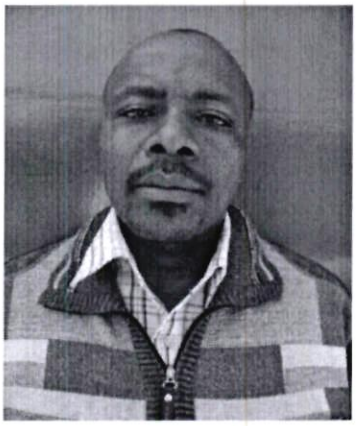
CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 February, 2022

MANAGEMENT TEAM

1. Patrick N. Mwangi 	Managing Director **Professional Qualifications:** Higher Diploma Water Engineering **Experience :** Over 30yrs experience in water sector i.e. Ministry of water & Karimenu Water, Gatundu Water
2. Joseph K. Kariuki 	Technical Manager **Professional Qualifications:** Water Engineering **Academic Qualifications:** Diploma in Water Engineering **Experience :** 29years experience in water sector ministry of water & Karimenu Water, Gatundu Water
3. Emmah W. Chege 	Finance Manager **Professional Qualifications:** Accountancy **Academic Qualifications:** CPA K, Bachelors of commerce **Experience :** 10years experience in water sector Karimenu Water, Gatundu water

4. David G. Muigai 	Commercial Manager **Professional Qualifications:** Water Engineering **Academic Qualifications:** Diploma in water technology 'O' Level Division two **Experience :** 25years experience in water sector ministry of water & Gatundu South Water company, Gatundu Water
5. Jessica N. Peter 	Procurement Officer **Academic Qualifications:** Bachelors of purchasing & Supplies **Experience :** 10years experience in water sector Gatundu South Water company, Gatundu Water
6. Nancy N. Waweru 	Human Resource Officer **Academic Qualifications:** Diploma in Human Resources & Managements **Experience :** 10years experience in water sector Karimenu Water, Gatundu Water

CHAIRMAN'S STATEMENT

It is with great pleasure that I present the chairman's report for year ended 30th June 2020. As you are aware our major mandate is to provide water and sanitation services within Gatundu South, Gatundu North, parts of Githunguri sub-county and parts of Juja and its environs.
During the year that ended 30th June 2020 the company experienced success and challenges in equal measures in its endeavor to fulfill its core mandate of provision of water to our esteemed customers.

During the year under review, the Company was faced with challenges as regards governance. In January 2018, the original board was dissolved by the Governor – Kiambu County Government where all the eight companies in Kiambu County were to merge into one. The eight companies were to become regions of the said Kiambu County Water and Sewerage Company.
To date, the merger process is not complete and we are awaiting formal communication from the county, hence Gatundu Water and Sanitation Company have remained without a board other than just the Chairman.

The Chairman and the Management has however, progressed in terms of increase in coverage and connectivity in both water and sewerage. Athi Water Works Agency has contracted a Chinese contractor to do three water projects and one sewerage works in our area of operation.

The long awaited Karimenu II Dam that is meant to serve Ruiru and Nairobi has started. The on-going road works in many areas within our area of operation have damaged water mains during the year under review. This has had a negative effect on our revenue. We are, however, engaging the roads department (KERRA) to reinstate the water systems.
We also engaged the national government through AWWDA to help in the reinstating of the systems.

During the financial year the company made a Loss of Kshs.995,217 Compared to a Loss of Kshs. 2,060,805 during the previous financial year. This was occasioned by higher operational efficiency on the few systems left after destruction by road works. The company coverage is at around 75% even though connectivity was reduced by road works inour area of jurisdiction

In the meantime we continue to be committed towards efficient water and sewerage service provision.

CHAIRMAN **SIGN**---------- **DATE**----------

REPORT OF THE CHIEF EXECUTIVE OFFICER

In July 2014, the Management drafted a strategic plan which we have been implementing.

The following is a brief update on progress during the reporting period.

A) INTAKE WORKS

The companies through AWWDA have contracted construction of four number intake works.

These are:

i) Rwabora
ii) Handege
iii) Ngenda
iv) Marigoiti

The works are on Rwabora ,Thiririka,Theta and Marigoiti rivers respectively

B) RAW WATER MAINS

Other than Marigoiti other intakes construction was not implemented within the year.

C) TREATMENT WORKS

From the four proposed schemes the company was able to construct 2No CFU at Marigoiti through AWWDA . The two units are able to treat 1000M3 per day.

D) DISTRIBUTION/EXTENSION

During the year under review there was a lot of road works that destroyed our distribution networks. The damage affected our collection negatively. We were unable to serve 1/3 of our customers. We however hope that the interventions we have put in place shall enable us get back to our normal operation on revenue collection.

E) OPERATIONS

Destruction of pipeline network affected operation and consequent service delivery. We however launched digital meter reading that has resulted in more accurate bills. We presume to improve on our billing accuracy and consequently lesser adjustments in the preceding year.

PATRICK MWANGI

DIRECTOR/SECRETARY **Sign**----------**Date**---28/9/20

ORPORATE GOVERNANCE STATEMENT

As from January 2018 the county Government of Kiambu resolved to merge all the water companies into one. The Governor organized for an extra ordinary Annual General Meeting in all the companies on 19th January 2018 where resolution to merge the companies into one and start dissolution of the existing one to commence.

All the eight companies held the extra ordinary meeting the same day.

PROJECTIONS/PROPOSALS AND WAY FORWARD

a) The Management is in its final term on its technical strategic plan. We have analyzed specific proposals as detailed above and we strongly feel that we are on the right track.

b) Other than improving on domestic water supply, the company intends to

i) Construct Gatundu Sewerage works where AWWDA have contracted Runji Consulting Engineers to offer consultancy.

ii) We initiated design for Kamwangi and Gatukuyu Sewerage works but there is a challenge on land ownership.

DEVELOPMENT PROJECTS

a) Africa Development bank in partnership with Government Of Kenya through Athi Water Works Development Agency is implementing a project under the Kenya Towns Programme.

   Under the programme, we have the following projects as one project:

   - Gatundu Sewerage project
   - Handege water project
   - Ruabora water project
   - Ngenda water project

   We are at 6%implementation stage.

b) Still through AWWD and in partnership with AXIM bank the GOK is doing Karimenu II dam.

   We are at 14%implementation stage.

1.0 REVENUE AND BILLING

Despite interruptions due to ongoing road construction we have had a steady increase in revenue collection during the year under review.

Billings summary against payments per quarter fy 20192020

	JUL-SEPT	OCT-DEC	JAN-MAR	APR-JUNE	TOTAL
GATUKUYU	3,262,480	2,812,095	3,219,190	1,097,350	10,391,115
GATUNDU TOWN	10,847,105	14,293,955	12,526,155	14,402,790	52,070,005
GITUAMBA	3,468,805	3,053,625	2,957,465	3,302,275	12,782,170
KAMWANGI	4,271,495	3,455,505	3,150,835	3,300,110	14,177,945
NDARUGU	4,756,680	3,884,055	3,775,160	3,734,810	16,150,705
RUABORA	5,026,035	3,225,945	6,707,725	3,708,245	18,667,950
THIRIRIKA	6,500,415	5,366,160	4,748,874	5,326,300	21,941,749
					-
PAYMENTS					-
GATUKUYU	3,066,229	2,618,575	3,190,007	2,111,609	10,986,420
GATUNDU TOWN	7,385,807	8,333,700	7,894,477	5,126,966	28,740,950
GITUAMBA	3,220,445	2,624,128	2,558,073	1,560,471	9,963,117
KAMWANGI	3,743,848	3,089,289	2,765,017	1,880,554	11,478,708
NDARUGU	4,408,507	3,971,463	4,192,174	2,257,446	14,829,590
RUABORA	3,028,084	2,475,371	2,699,842	1,504,809	9,708,106
THIRIRIKA	5,392,068	3,950,550	3,996,029	2,040,069	15,378,716

HUMBLE APPEAL

Kenya is a water scarce country. Use the valuable resource sparingly. Report any water leakage and never leave your tap running. Please remember, everybody lives downstream.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The company also ensures it promote and is sensitive on preservation and protection of the environment by involving the youth in trees planting and cleaning the market places.

CHILDREN'S HOME

During Easter festive season the company donated cheque amounting to Twenty thousand (20,000) to Gatundu Children's Home and Familia Moja Children's home

MASHUJAA AND JAMHURI DAY

The company donated packets of drinking water amounting to Kshs. 5,440 during the Mashujaa, Jamhuri day celebration function held at Deputy county commissioner Gatundu on 20th October 2019, 12th December 2019 respectively.

COVID INTERVENTION

We provided four, fifty litres each handwashing dispenser in the market places and bus stop within our area during the Covid pandemic amounting to 6,000.

We distributed eighteen tanks of 6,000, 3,000 and 1500 litres donated by AWWDA towards fighting the pandemic to public institution, health facility and other identified public places.

REPORT OF THE DIRECTORS

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

Principal activities

The principal activity of the company is to ensure efficient and effective provision of water and sanitation Services in its area of jurisdiction

Results

The results of the company for the year ended June 30, 2020 are set out in pages 19 to 23.

Directors

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

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with the Section 15 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors are required to prepare financial statements in respect of Gatundu Water and Sanitation Company, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the company for that year. The Directors are also required to ensure that Gatundu Water and Sanitation Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of Gatundu Water and Sanitation Company financial statements, which give a true and fair view of the state of affairs as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of 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 accept responsibility for Gatundu Water and Sanitation Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS).The Directors are of the opinion that Gatundu Water and Sanitation Company financial statements give a true and fair view of the state of transactions during the financial year ended June 30, 2020, and of the financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

Gatundu Water and Sanitation Company financial statements were approved by the Board on

30th August 2020 and signed on its behalf by:

CHAIRMAN **Sign----------Date----------**

DIRECTOR/SECRETARY **Sign----------Date----------**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2020

	Notes	2019/2020 Kshs	2018/2019 Kshs
Income			
Water Sales	1	138,379,711	132,988,732
Other Incomes	2	2,873,038	1,810,540
		141,252,749	**134,799,272**
Expenditure			
Operation Cost	3	32,598,018	35,807,933
Staff Cost	4	87,312,425	81,210,738
Administrative Cost	5	15,800,056	15,369,996
Board Expenses	6	-	351,000
General Expenses	7	6,537,468	4,120,410
Total Expenditure		**142,247,966**	**136,860,077**
Loss for the Year		**(995,217)**	**(2,060,805)**

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2020

ASSETS		2019/2020	2018/2019
Non-current assets	**Notes**	**Kshs**	**Kshs**
Property plant and Equipment	8	29,360,883	28,574,551
Intangible Assets	9	58,686	83,837
Total Non Current Assets		29,419,569	28,658,388
Current assets			
Cash and Bank Balances	10	42,678,333	37,257,193
Inventory	11	1,949,061	1,647,277
Debtors	12	131,291,771	106,208,060
Total Current Assets		175,919,166	145,112,530
TOTAL ASSETS		**205,338,734**	**173,770,918**
EQUITY AND RESERVES			
Capital & Reserves	13	19,542,952	19,542,952
Retained Earnings	14	70,931,092	66,833,338
Shareholders' funds		90,474,044	86,376,290
Current liabilities			
Customer Deposits	15	36,071,587	34,456,587
Trade & Other payables	16	78,793,104	52,938,041
Total current Liabilities		114,864,691	87,394,628
TOTAL CAPITAL AND LIABIITIES		**205,338,734**	**173,770,918**

The financial statement were approved by the Directors and were signed on its behalf by:

DIIRECTOR Sign..... Date:.....

REGIONAL DIRECTOR
PATRICK N. MWANGI Sign..... Date: 28/9/2020

EMMAH CHEGE - HEAD OF FINANCE
ICPAK NO. 7827 Sign..... Date: 28/9/2020

Gatundu Water & Sanitation Company Limited
eport and Financial Statements
r the year ended 30th June 2020
. ATEMENT OF CHANGES IN EQUITY

	Ordinary Share	Capital	Revenue	
	Capital	Reserve	Reserve	Total
As at 1.7.2018	100,040	19,442,912	68,894,143	88,437,095
Profit(Loss) for the year			(2,060,805)	(2,060,805)
Prior year Adjustment			5,092,970	5,092,970
Restated Balance As at 30.6.2019	**100,040**	**19,442,912**	**71,926,309**	**91,469,261**
As at 1.7.2019	100,040	19,442,912	71,926,309	91,469,261
Profit(Loss) for the year			(995,217)	(995,217)
As at 30.6.2020	**100,040**	**19,442,912**	**70,931,092**	**90,474,044**

STATEMENT OF CASH FLOWS

	Notes	2020/2019 Kshs	2018/2019 Kshs
OPERATING ACTIVITIES			
Cash generated from operations	17	9,263,929	6,655,999
Net cash generated from operating activities		**9,263,929**	**6,655,999**
INVESTING ACTIVITIES			
Purchase of Property plant & Equipments	8	(3,842,789)	(4,342,247)
Net cash (used in) investing activities		**(3,842,789)**	**(4,342,247)**
INCREASE IN CASH AND CASH EQUIVALENTS		**5,421,140**	**2,313,752**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**37,257,193**	**34,943,441**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**42,678,333**	**37,257,193**

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

	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL ON COMPARABLE BASIS	PERFORMANCE DIFFERENCE
Total income	185,102,000	-	185,102,000	141,242,749	43,859,251
Operation cost	43,789,000	-	43,789,000	32,598,018	11,190,982
Staff cost	90,800,000	-	90,800,000	87,312,425	3,487,575
Administrative cost	29,462,000	11,180,000	18,282,000	15,800,056	2,481,944
Board expenses	346,000	-	346,000	-	346,000
General expenses	6,700,000	2,200,000	4,500,000	3,175,757	1,324,243
Total expenditure	171,097,000	13,380,000	157,717,000	138,886,256	18,830,744
Surplus for the period	**14,005,000**	**(13,380,000)**	**27,385,000**	**2,356,493**	**25,028,507**

- Operation cost was underutilized by 25% this was due to Covid-19 there was cashflow problem thus we bought items on need basis
- Administrative cost was also underutilized by 13%. This was mostly due to Covid-19 where due to restriction on movement there was minimal travel and accommodation, staff training were also not conducted.
- Board expenses was at 100% since the board was dissolved in January 2018 apart from chairman to the board, thus no board meetings were held during the financial year
- General expenses was underutilized by 29% due to Covid-19 our cash flow we were not able to achieve our budget on corporate social responsibility and environmental conservation
- Adjustment was done on administrative cost since we realized due to cash flow problem we were not able to provide medical cover to our employees which was previously budgeted at 9million. Additionally due to covid - 19 on restrictions to movement travel and accommodation was minimized.
- General expenses were also adjusted due to Covid-19 as mentioned above.

SUMMARY OF SIGNIFINANT ACCOUNTING POLICIES

1. GENERAL INFORMATION

Gatundu Water Company Ltd (GATWASCO) was incorporated under the Companies Act (Cap. 486) on 8th October 2014 is a child of the promulgation of the new constitution which devolved the water function. Devolution transmitted the water function from national service boards to the county government. GATWASCO was further derived from the merger of Gatundu South Water and Sanitation Company (GASWASCO) and Karimenu Water and Sanitation Company (KARIWASCO)

GATWASCO regional coverage includes Gatundu South, Gatundu North, parts of Githunguri sub-county and parts of Juja.

It is currently owned by County Government of Kiambu.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. 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 judgment in the process of applying the company accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company and all values are rounded to the nearest shillings.

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

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

Standard/Amendment to a standard	Effective date	Impact
Amendments to IAS 16 and IAS 38 titled *Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)*	1st Jan 2016	The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited

tandard/Amendment to a standard	Effective date	Impact
		circumstances. (no impact on the financial statements)
Amendment to IFRS 7 *(Annual Improvements to IFRSs 2012–2014 Cycle , ssued in September 2014*	1st Jan 2016	The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. (no impact on the financial statements)
Amendments to IAS 1 titled *Disclosure Initiative (issued in December 2014)*	1st Jan 2016	The amendments, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. (no impact on the financial statements)
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12	1st Jan 2017	The amendments clarify that: • Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. (no impact on the financial statements)

tandard/Amendment to a standard	Effective date	Impact
Disclosure Initiative (Amendments to IAS 7: Statement of Cash flows)	1st Jan 2017	The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. (no impact on the financial statements)

Standard	Effective Date	Impact
FRS 15 *Revenue from Contracts with Customers (issued in May 2014)*	1 Jan 2018	The new standard, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.
IFRS 9 *Financial Instruments (issued in July 2014)*	1 Jan 2018	This standard will replace IAS 39 (and all the previous versions of IFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition: • IFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

		• For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch • For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized. • For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and nonfinancial risk exposures. • The derecognition provisions are carried over almost unchanged from IAS 39.

ii) ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018***

IFRS 16: *Leases (issued in January 2016)*	1 Jan 2019	The new standard introduces a new lessee accounting model, and will require a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a)Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the company 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 the company's activities where applicable, and when specific criteria have been met for each of the Company's activities as described below.

i) **Revenue from the sale of water** is recognized in the year in which the company delivers services to the customer, the customer has accepted the services and collectability of the related receivables is reasonably assured.
ii) **Grants from National Government** are recognized in the year in which the company actually receives such grants. Government grants are not recognized until there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received.
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) **Other income** is recognized as it accrues. These other incomes are new customer connection fees, Reconnection fees, meter replacement, penalties to customers and sale of tender documents
v) **Deferred income** is recognized when the company receives Governments grants. The grants are recognized in profit or loss on a systematic basis over the periods in which the company recognizes as expenses the related costs for which they are intended to compensate.
Specifically, government grants whose primary condition is that the company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis

(b) In-kind contributions

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

(c) Property, plant and equipment

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

Depreciation is charged so as to write off the cost of property, plant and equipment to their residual values over their expected useful lives, using the reducing balance method at the following:

The annual depreciation rates in use are:

Water Infrastructure	8 years	(12.5%)
Motor vehicles, including motor cycles	4 years	(25%)
Computers and related equipment	3 years	(30%)
Office equipment,	3 Years	(30%)
Furniture and fittings	8 years	(12.5%)

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

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

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

g) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price and is determined on first in first out price method.

h) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. A provision of 10% on general debtors has been provided. A specific provision of doubtful debt amounting to Kshs.12, 869,571 has also been provided. These are part of debts inherited from Ministry of Water when the company was incorporated. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

i) Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date.

The company has been making losses in the prior years and therefore going by the history of company's performance no advance tax (quarterly installments tax) was provided for or paid. The company made a Loss of Kshs.995,217 in the financial year 2019-2020

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, Bank account balances include amounts held at various commercial banks at the end of the financial year.

k)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 company or not, less any payments made to the suppliers.

l) Provision for staff leave pay

Employees' entitlements to annual leave are recognized as they accrue to the employees. A provision is made for the estimated liability for annual leave at the reporting date. All leave allowances was paid by the closure of year.

m) Retirement benefit obligations

The company adopted Lap trust defined pensions' schemes for all its employees from 1st January, 2016. The employees contribute 10% of the Basic salary and house allowance and the employer contributes 10% of the basic salary and house allowance.
The company also contributes to the statutory National Social Security Fund (NSSF) for employees on employed on casual basis and those on probation. This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.s.400 per employee per month.

n) Budget information

The original budget for FY 2019-2020 was approved by the Chairman of Board of Director . Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

o) Comparative figures

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

p) Subsequent events

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company 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.

Financial Instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognized on the company statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at cost. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at cost through profit or loss are recognized immediately in profit or loss.

Remuneration of Key Management Personnel

Key management personnel is defined in the Gatundu water co ltd Human resource manual as persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director of that company. Key Management personnel typically comprise not only board members, but also the Managing Director, Technical manager, Commercial manager, Finance manager, Procurement officer and Human Resources Officer.

Key management personnel are shown in the company's organization structure. The company is required to disclose the remuneration directors as this is a requirement under company's Act companies while remuneration of other key management is reported under staff Expenses

Sources of estimation uncertainty

An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:
(a) Their nature, and
(b) Their carrying amount as at the end of the reporting period
The management is cognizant to the fact that any estimation or judgment that might result to material adjustments of assets and liabilities in the following year shall be disclosed. However during the year under review there were no

estimation done and that all the data used was actual and certain. Therefore there is no anticipated material adjustment in the following year.

3. Critical accounting estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain accounting estimates. It also requires directors to exercise judgment in the process of applying the company's accounting policies. In the process of applying the company's accounting policies, directors have made estimates and assumptions that affect the reported amounts of assets and liabilities within current and future financial periods. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical areas of accounting estimates and judgments in relation to the preparation of these financial statements are as set out below:

Useful lives and residual values

(i) Property and equipment

Critical estimates are made by directors in determining the useful lives of property, plant and equipment based on the intended use and economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

(ii) Depreciation and impairment of property, plant and equipment

Depreciation is charged so as to write off the cost of property, plant and equipment to their residual values over their expected useful lives, using the reducing balance method at the following:

The annual depreciation rates in use are:

Water Infrastructure	8 years	(12.5%)
Motor vehicles, including motor cycles	4 years	(25%)
Computers and related equipment	3 years	(30%)
Office equipment,	3 Years	(30%)
Furniture and fittings	8 years	(12.5%)

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

iii) Provision for bad debts

The company made a general provision on doubtful debt at 10% of debtors and a specific provision of doubtful debt amounting to Kshs. 12,869,571. These are part of debts inherited from Ministry of Water when the company was incorporated. 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

NOTES TO THE FINANCIAL STATEMENTS

	2019/2020 Kshs	2018/2019 Kshs
1 **WATER SALES**	**138,379,711**	**132,988,732.00**
2 **OTHER INCOME**		
Interest Received	1,555,216	-
Connection fees	1,069,422	1,547,540.00
Reconnection fees	-	37,300.00
Others	248,400	225,700.00
	2,873,038	**1,810,540.00**
EXPENSES		
OPERATION AND MAINTENANCE		
3 **COST**		
Chemicals	7,786,875	6,167,269.60
Electricity operations	1,643,874	1,718,523.00
Compensation	-	248,015.00
Maintenance of plant and equipment	462,902	525,630.00
Hire of plant and motor vehicle	11,500	6,000.00
Planning and designs	-	3,400.00
Fuel oil and lubricants	2,065,002	3,769,537.00
Maintenance of motor vehicles	694,277	379,810.00
Maintenance of motorcycles	28,475	45,400.00
O&M of pipes	3,281,612	4,861,894.20
O&M of tools	100,960	118,151.00
O&M of fittings	1,436,833	1,706,563.26
O&M of materials	574,986	808,982.00
Treatment Milk	71,675	88,900.00
Casual wages	3,181,460	4,198,390.00
License fees & Permits	2,954,805	1,928,534.20
Lease Fees-AWSB	8,302,784	9,232,933.86
	32,598,018	**35,807,933.12**

4 STAFF COST		
Salaries	79,920,251	74,562,051.00
Company pension / NSSF contribution	6,603,702	5,944,683.00
Gratuity	788,472	704,004.00
	87,312,425	**81,210,738.00**
5 ADMINISTRATION EXPENSES		
Electricity-office	172,601	203,346.00
Advertising and publicity	143,412	170,712.00
Entertainment and office tea	273,205	373,161.00
Printing and stationeries	398,220	323,771.30
Billing expenses	1,389,508	1,131,046.79
Bank & M pesa charges	335,707	306,736.50
Security services	1,708,606	1,772,467.00
Travelling lunch and accommodation	1,631,550	2,475,590.00
Postage and courier	37,926	9,450.00
Telephone Network and internet charges	960,881	866,786.00
Repairs and maintenance Office premises	332,195	73,950.00
Repairs and maintenance Computers and eq	114,292	134,450.00
Maintenance of intangible assets	87,008	81,192.00
Audit fees	232,000	232,000.00
Legal fees	-	43,406.00
Subscription fees	237,808	21,192.00
Regulatory Levies-WASREB	5,535,188	4,068,408.39
Conference & Workshops	-	279,815.00
Office general expenses	74,750	72,826.00
Training & Education	252,900	182,028.00
Medical Expenses	6,100	-
Uniforms & WASCO Games	101,844	843,608.00
Staff Welfare	852,480	782,190.00
Staff Insurance	921,874	921,864.00
	15,800,056	**15,369,995.98**
6 BOARD EXPENSES		
B.O.D allowances	-	91,000.00
B.O.D other expenses	-	260,000.00
	-	**351,000.00**
7 GENERAL EXPENSES		
Insurance motorcycle	68,709	77,385.00
Corporate social responsibility	25,440	71,140.00
Provision for bad debts	3,361,710	1,028,987.00
Depreciations/Amortization	3,081,608	2,942,897.71
	6,537,468	**4,120,409.71**

8 PROPERTY PLANT & EQUIPMENT MOVEMENT SCHEDULE

COST/VALUATION	Land & Building	Furniture &	Computer	Office	Motor	Water	Water	TOTAL
20192020		Fittings	Equipments	Equipment	Cycle	Infrastructure	Meters	
	-	0.13	0.30	0.30	0.25	0.13	0.13	
	Kshs	Kshs		Kshs	Kshs	Kshs	Kshs	Kshs
As At 1.07.19	9,796,058	1,244,570	1,217,500	2,828,333	1,493,542	6,414,407	22,572,552	45,566,962
Additions	-	-	-	516,900	-	-	3,325,889	3,842,789
Cost As At 30.06.20	**9,796,058**	**1,244,570**	**1,217,500**	**3,345,233**	**1,493,542**	**6,414,407**	**25,898,441**	**49,409,751**
DEPRECIATION								
Acc Dep As At 1.07.19	-	820,701	781,030	2,554,853	1,380,758	3,097,170	8,357,900	16,992,411
Charge for the Year	-	52,984	130,941	237,114	28,196	414,655	2,192,568	3,056,457
Acc Dep as at 30.06.20	**-**	**873,684**	**911,971**	**2,791,967**	**1,408,954**	**3,511,825**	**10,550,467**	**20,048,868**
NET BOOK VALUE								
As At 30.06.20	**9,796,058**	**370,886**	**305,529**	**553,266**	**84,588**	**2,902,582**	**15,347,974**	**29,360,883**
As At 30.06.19	**9,796,058**	**423,869**	**436,470**	**273,480**	**112,784**	**3,317,237**	**14,214,652**	**28,574,551**

COST/VALUATION	Land & Buil	Furniture &	Computer	Office	Motor	Water	Water	TOTAL
20182019		Fittings	Equipments	Equipment	Cycle	Infrastructure	Meters	
	-	0.13	0.30	0.30	0.25	0.13	0.13	
	Kshs	Kshs		Kshs	Kshs	Kshs	Kshs	Kshs
As At 1.07.18	9,796,058	1,244,570	992,500	2,828,333	1,493,542	6,414,407	18,455,306	41,224,716
								-
Additions	-	-	225,000	-	-	-	4,117,247	4,342,247
								-
Cost As At 30.06.19	**9,796,058**	**1,244,570**	**1,217,500**	**2,828,333**	**1,493,542**	**6,414,407**	**22,572,552**	**45,566,962**
								-
DEPRECIATION								-
Acc Dep As At 1.07.18	-	760,148	593,971	2,437,647	1,343,164	2,623,279	6,327,235	14,085,443
Charge for the Year	-	60,553	187,059	117,206	37,595	473,891	2,030,665	2,906,968
								-
Acc Dep as at 30.06.19	**-**	**820,701**	**781,030**	**2,554,853**	**1,380,758**	**3,097,170**	**8,357,900**	**16,992,411**
								-
NET BOOK VALUE								-
As At 30.06.19	**9,796,058**	**423,869**	**436,470**	**273,480**	**112,784**	**3,317,237**	**14,214,652**	**28,574,551**
								-
As At 30.06.18	**9,796,058**	**484,422**	**398,529**	**390,686**	**150,378**	**3,791,128**	**12,128,070**	**27,139,272**

NOTES TO THE FINANCIAL STATEMENTS contd'

9 Intangible assets

Cost	2019/2020	2018/2019
1st July	531,500	531,500
Additions	-	-
disposals	-	-
At June 30	531,500	531,500
Amortization	-	-
At July 1	447,663	411,733
Charge for the year	25,151	35,930
disposal	-	-
¤ Impairment loss	-	-
At June 30	472,814	447,663
Net book value		
At June 30 2020	58,686	83,837

10 Cash & Bank Balances

Co-operative Expenditure (Main Acc	2,008,580	1,354,208
Equity Collection-GASWASCO	949,279	482,737
Equity Collection KARIWASCO	618,186	248,871
KCB Collection	370,185	305,457
Co-op Collection	11,635	123,303
Mpesa	449,941	616,115
Petty Cash	1,877	3,050
KCB Deposit	3,378,883	6,240,548
Co-operative Deposits	34,618,825	27,764,089
Co-operative Expenditure Karimenu	630	630
KCB Expenditure GASWASCO	16	16
Family Bank New Act	270,296	118,170
	42,678,333	**37,257,193**

11 Inventory

Chemicals	613,496	701,355
Upvc pipes&Fittings	455,246	404,614
Stationery	220,751	196,953
G I Pipe	418,445	245,355
Water Meters	241,122	-
Consumables	-	99,000
	1,949,061	**1,647,277**

12 Debtors

Customer Control Account	158,578,583	124,961,479
Specificprovision for doubtful debts	(12,869,571)	(12,869,571)
General Provision for doubtful debt	(14,570,901)	(11,209,191)
Net trade receivables	131,138,110	100,882,717
Receivable Deposits	106,000	106,000
Prepayments	47,661	5,219,343
	131,291,771	**106,208,060**

As at June 30, the ageing analysis of the gross trade receivables was as follows

Less than 30 days	45,709,012	100,882,717
Between 30 and 60days	100,000,000	11,209,191
Over 60days	12,869,571	12,869,571

EQUITY AND LIABILITIES

13	**Capital and Reserves**		
	Share Capital	100,040	100,040
	Capital Reserves	19,442,912	19,442,912
		19,542,952	**19,542,952**
	Ordinary share capital		
	Authorised:		
	5,000ordinary shares of Kshs. 20.00 par	100,000	100,000
	Issued and fully paid:		
	2 ordinary shares of Kshs 20 par value ea	40	40

Capital Reserves

Capital reserve represents opening balance of trade debtors when the company started its operations in September 2006 which was inherited from Ministry of Water & Irrigation.

14	**Retained Income**		
	Retained Income / (Accumulated Loss)	66,833,338	68,894,143
	Prior year Adjustment	5,092,970	-
	Net Profit/Loss this year	(995,217)	(2,060,805)
		70,931,091	**66,833,338**

Retained Income comprises of Ksh 66,833,338 which is a cumulative of surpluses for the previous financial years.

15	**Current Liabilities**		
	Customer Deposit	36,071,587	34,456,587

It comprise of customer deposit at the point of registration, charged Ksh 1,000 for domestic and Ksh5,000 for institution connection.

16	**Current Liabilities**		
	WSB&WASREB	55,104,582	45,051,823
	Suppliers Creditors	7,017,116	-
	Other Creditors	6,497,613	6,340,067
	Salaries Account	578,000	870,151
	Other Accrued Expenses	7,885,574	232,000
	KCSWSC Strategic plan development	4,969	444,000
	Payable KERRA	1,348,542	-
	GRN Accrual Account	356,708	-
		78,793,104	**52,938,041**
17	**Notes to the cashflow statement**		
	Reconciliation of operating profit/loss to cash generated from(used in) operations		
	Operating profit/(Loss)	(995,217)	(2,060,805)
	Adjustment for:		
	Depreciation	3,081,608	2,942,898
	Operating profit/(Loss) before working capital changes	2,086,391	882,093
	Working Capital Changes		
	Increase in receivables	(30,255,393)	(9,260,881)
	(Increase) Decrease in Inventory	(301,784)	133,169
	(Increase) decrease in Prepayments	5,171,682	539,932
	Increase in retained income	5,092,970	-
	Increase in Customer Deposit	1,615,000	(1,140,000)
	Increase in payables	25,855,063	15,501,686
	Cash generated from /(Used in) Operations	**9,263,929**	**6,655,999**

18. CONTINGENT LIABILITIES

Since water Act is not yet operational we have continued to accrue lease fee payable to Athi Water Works cumulatively at Kshs. 51,024,323

19. Financial risk management

Various financial assets and liabilities arise directly from the company's operations. Changing market conditions expose the company to various financial risks and management have highlighted the importance of financial risk management as an element of control for the company. The company has developed a risk management frame work which was approved by the Board of directors is now used as a tool to mitigate on financial risks faced in the ordinary course of the company's business

The organization's overall risk management programme focuses on unpredictability of changes in the operating environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The major types of financial risks faced by the organization are:

- Market risk
- Credit risk
- Liquidity risk

Market risk

(i) Currency risk: the company is not exposed to such risk
(ii) Interest rate risk: the company is not exposed to such risk
(i) Price risk: the company is not exposed to such risk

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the organization. The organization measures, monitors and manages credit risk for each receivable. The organization's credit risk is primarily attributable to bank balances, trade and other receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the organization's management based on prior experience and their assessment of the current economic environment. The credit risk on trade receivables is limited because the nature of the organization's business is such that the services provided are not chargeable. The bulk of income to the organization relates to grants from various donors. The credit risk on grants receivable is limited because funds are sourced from credible donors. The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings.

Credit risk

The company is exposed to credit risk which is the risk that the debtors will cause a financial loss to the company by failing to discharge an obligation. Credit risk arises mainly from customer deposits held in the form of bank balances or short term deposits, and the cash held at revenue collection points with various institutions like M-pesa platform, Equity bank Ltd, Family Bank Ltd and KCB bank of Kenya Ltd.
The company does not have significant concentrations of credit risk posed by collection agents or banks since the financial institutions possess high credit quality and hence the risk of default is low. Cash deposits are maintained with credible financial institutions

The company's accounts receivable are generated mainly from the water sale. Majority of these sales are in accounts receivable which generally are short term for a period not exceeding 30 days and more. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.
The company's credit risk is primarily attributable to its trade receivable. The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings.

The amount that best represents the company's maximum exposure to credit as at year end is made up as follows

As at 30th June 2020

	Total Amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
Trade Receivables	158,578,583	138,209,587	7,499,425	12,869,571
Other Receivables	106,000	106,000	-	-
Cash in bank	42,678,333	42,678,333	-	-

Liquidity risk management

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn in deposits accounts. The company proactively manages cash surpluses using a combination of short and long term investment programmes that ensure adequate liquidity to meet its short and long term obligations. Management performs cash flow forecasting and monitors rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

Ultimate responsibility for liquidity risk management rests with the Board of Directors through the senior management of the company. Management has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

The table below shows the maturity analysis of the financial liabilities that affect liquidity:

	Total Amount Kshs	Less than 1month Kshs	Between 1-3months Kshs	Over 3months Kshs
As at 30th June 2020				
Accounts payables	78,793,104	7,885,574	356,708	70,550822

NOTES TO THE FINANCIAL STATEMENTS (Continued

20. RELATED PARTY DISCLOSURES

(a) Government of Kenya

The Government of Kenya through Kiambu County Government is the principal shareholder of the company, holding 100% of the Company's equity interest.

There were no other company's transactions involving the Government of Kenya.

a. Key Management Staff

The gross salary for key management staff was Kshs 9,797,088 during the financial year.

b. Transaction With Staff

Water billed and sold to staff during the financial year was Kshs 125,500 while the amount of water bill owed to the company by the staff was Kshs 36,500

21. INCOPORATION

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

OGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS

Financial year ended 30th June 2019 has been audited. We received a draft certificate from the Auditor General which had a qualified opinion.

The following is the summary of issues raised by the external auditor for financial statements ended 30th June 2019, and various management comments have been provided. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No on the External Audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
.1	**Fixed Assets** (a)Other fixed assets with undetermined values	The said assets were owned by Athi water services Board as indicated in our notes. Further as evidenced via a letter from the County Executive Committee Member in charge of water indicated that ownership of water facilities within Kiambu County belong to the Kiambu County.	County Government of Kiambu	Not resolved	June 2020
	b.) Land and Building	As stated in our management response the parcels of land in which the buildings were constructed are registered under the county council of Thika. Change of ownership from the county council of Thika to the county government was to be effected during the transition period for transfer of assets. The company had made available a list of all assets to the county government during this stage.	County Government of Kiambu	Not resolved	June 2020

Reference No. on the External Audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		The issue of valuation and removing the said land and building from our accounts was presented to the board and it was resolved that the chief officer water and environment who represents the county government provide a direction in the hand over. It had previously been reported to the county P.A C for questioning.			
.2	Trade and other payables	The said outstanding liabilities of Kshs 33,558,741 are the lease fee payable to Athi Water Works Development Authority. The company has had communications and a reminder on the long outstanding amount payable to Athi water Works Development Authority. We are yet to receive an assessor from them so as to settle on the correct amount payable.	AWWDA	Not resolved	June 2020

APPENDIX I: INTER-ENTITY TRANSFERS

	FY 2018/2019			
c.	**Direct Payments**			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	Gatukuyu perimeter wall	19th December 2014	1,000,000	From 2014 to date
	Gatukuyu land for office construction	18th July 2013	1,700,000	From 2013 to date
		Total	**2,700,000**	