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REPORT

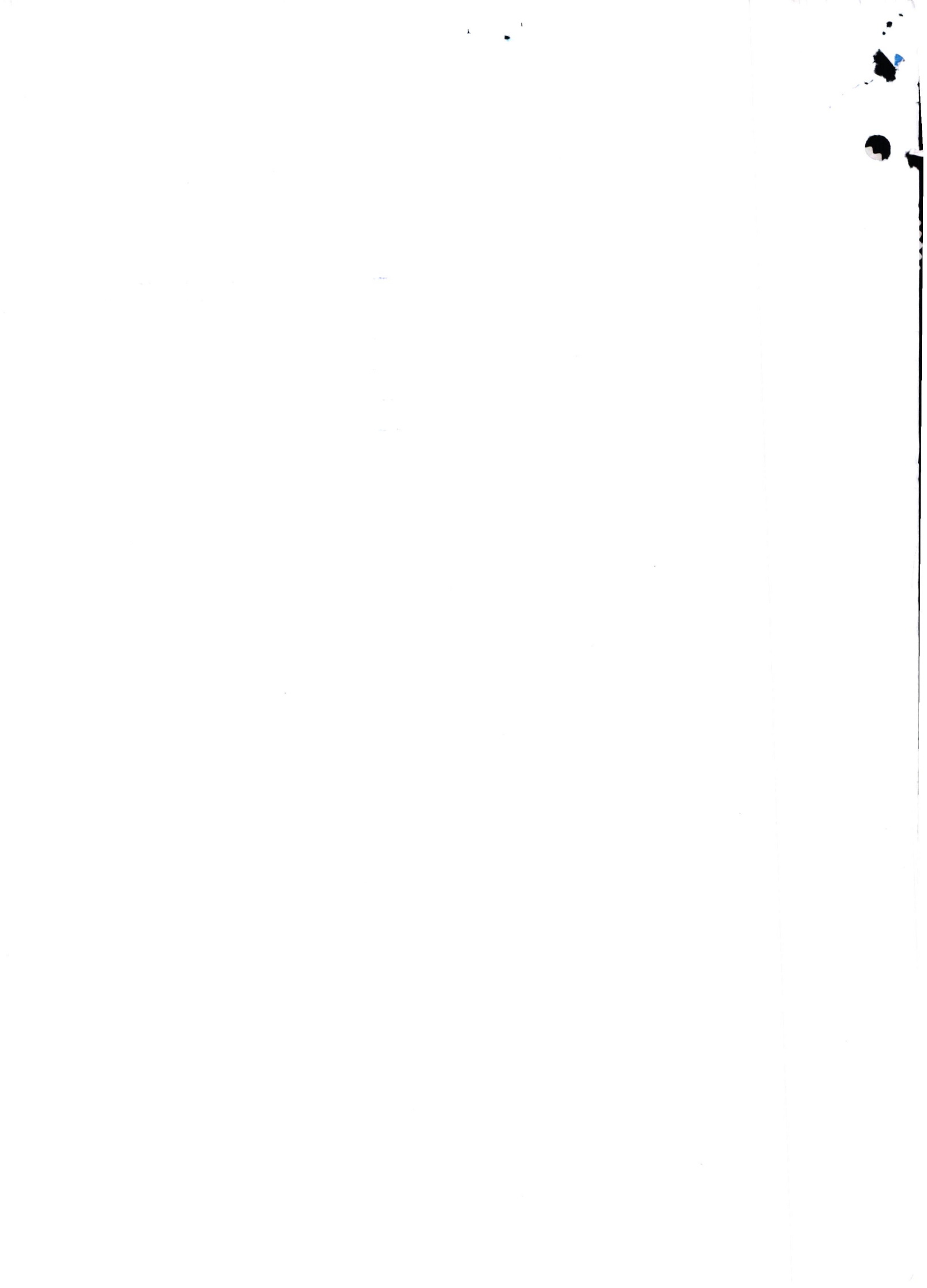
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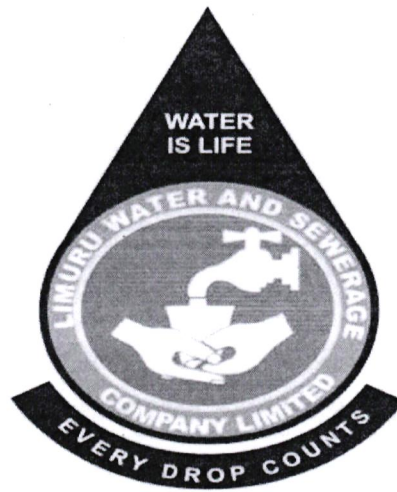
THE AUDITOR-GENERAL

ON

**LIMURU WATER AND SEWERAGE
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2021**





LIMURU WATER AND SEWERAGE COMPANY LTD

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

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 2021

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LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

KEY ENTITY INFORMATION

Background information

Limuru Water and Sewerage Company Limited was incorporated on 13th March 2006 under the Companies Act (Cap. 486) and is one of the agents appointed by the Athi Water Services Board (AWSB). The Company is responsible for the efficient and economical provision of water and sewerage services.

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 a memorandum and articles of Association.

Vision

The Company's vision is to be the center of excellence in the provision of water and sewerage services within our area of jurisdiction.

Mission

The mission is to provide adequate and quality water and efficient sewerage services to the satisfaction of our customers within our area of jurisdiction.

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 under its Jurisdiction as provided for in the Service Provision Agreement with Athi Water Services Board.

The key objects of the company as enumerated in the Memorandum and Articles of Association includes:

1. Carrying on business of water and sewerage services in Limuru and Lari Districts.
2. Managing the assets leased to the company by the Athi Water Services Board (AWSB) and now owned by County Government of Kiambu.
3. The Company is responsible for the Operations of Limuru Sewerage Plant, Bathi Water Treatment Plant, Kijabe Water Supply and Boreholes in Limuru and Lari Districts.

Corporate Contacts

Telephone: (254) 725054212

E-mail: liwaseco@yahoo.com
info@limuruwater.go.ke

Website: www.limuruwater.go.ke

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

KEY ENTITY INFORMATION

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

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

Registered Officer

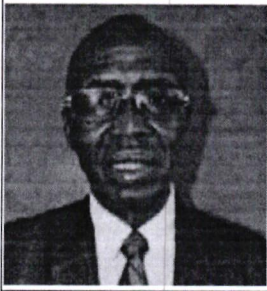

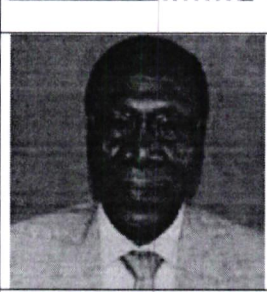
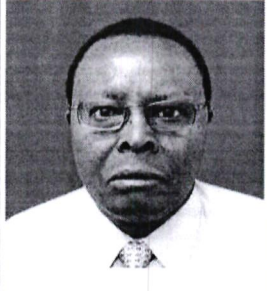
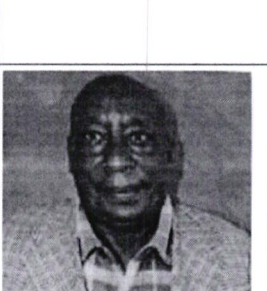
P.O. Box 1286-00217
Maji Centre Building
Hospital Road
Limuru, KENYA

Corporate Headquarters

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

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

THE BOARD OF DIRECTORS

	<p>1. Name: Prof. Eng. Bernard Njoroge 2. Position: Chairman 3. DoA : 2018 4. Date of Birth 1956 5. 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. 6. Work Experience: DVC Finance University of Nairobi, U.O.N Professor Faculty of Engineering from year 2002</p>
	<p>1. Name: Josphine W. Muritu 2. Position: Company Secretary 3. DoA: 2018 4. Date of Birth 10/01/1974 5. Qualification: LLB (UoN) 6. 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>1. Name: Prof Steven Njuguna 2. Position: Director 3. DoA : 2018 4 Date of Birth 12/09/1950 5. Qualification: Phd, Msc, Bsc (1st Class Hons) Environmental Science, Diploma in Education 6. Work Experience: Kenyatta University, Faculty of Environmental Studies</p>
	<p>1. Name: Mr. James Gitau Muriuki 2. Position: Chairman Finance Committee 3. DoA : 2018 4. Date of Birth 1956 5. Qualification: Bachelor of Science in Chemistry/Biochemistry, Msc. Environmental Health Engineering Sector: Representative of Water Consumers 6. Work Experience: Ministry of Water and Irrigation, Technical Consultant on Water and Waste water Treatment and Quality Analysis; Environmental Audits, Environmental Impact Assessments (EIA).</p>
	<p>1. Name: Samuel Gatama 2. Position: Director 3. DoA : 2018 4. Date of Birth 1953 5. Qualification: Business man, S 1 Teacher 6. Work Experience: Retired teacher over 30Years Experience</p>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

	<p>1. Name: Eng. Andrew Muigai 2. Position: Director 3. DoA : 2018 4 Date of Birth 10/01/1964 5. Qualification: Bsc Civil Engineering UON 6.Work Experience: Director Kenya Industrial Research and Development Institute Entrepreneur Engineer and Management Consultant</p>
	<p>1. Name: Emma Waithera Ng'ang'a 2. Position: Chair Person Human Resource Committee 3. DoA : 2018 4 Date of Birth 01/01/1957 5. Qualification: Msc Corporate Entrepreneurship 6.Work Experience: 40 years' experience in Business and Marketing</p>
	<p>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</p>
	<p>1. Name: Dominic Gachanja 2. Position: Chairman Audit Committee 3. DoA : 2018 4 Date of Birth 31/01/1955 5. Qualification: Doctor in Pharmacy 6.Work Experience: Businessman Thika, Board Member Land Control Board</p>
	<p>1. Name: Bishop Solomon Waweru 2. Position: Director 3. DoA : 2018 4. Date of Birth 15/08/1950 5. Qualification: Retired Public Officer 6.Work Experience: Bishop of A Church- Representative of NGOs</p>
	<p>1. Name: Jennifer Kanini Musyoki 2. Position: Chief Officer, Water and Sanitation 3. DoA: 29th July 2020 4. Date of Birth 29/07/1984 5: Qualification: MBA (Strategic Management); BSc Civil Engineering 6: Work Experience: Previously worked as a Water & 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>

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

MANAGEMENT TEAM

<p>1.Margaret W Maina</p> 	<p>Managing Director Professional Qualifications: -Water Chemist-MSc. Public health (Kenya 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.Joseph M Kyule</p> 	<p>Commercial 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>3.Mary Mbugua</p> 	<p>Finance & Administration Manager She holds a Master's in Business Administration (UON), BA(KEMU) and is a CPA(K) She assists in development of current and long-term goals as well formulating policies and procedure Production of financial report. Oversees implementation of accounting and financial management system and oversees all the accounting function including; cash flow management, revenue collection, payroll and budgeting. She joined the company on February 2020</p>
<p>4.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 2021

CHARIMAN'S REPORT

1. INTRODUCTION

It gives me pleasure to present to you the financial report for the year ending 30th June 2021. During the financial year the company celebrated 15 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 2021 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 some 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 revenue increased by Kshs 31,933,250 from Kshs 90,539,235 in the previous year to Kshs 122,472,691. This increase is attributed to increase in water billing as a result of operationalization of our Tigoni project and Loromo boreholes. The operational cost increased by Kshs 32,968,329 from Kshs 108,615,223 to Kshs 141,583,462 this resulted to a deficit of Kshs 19,110,977, this was an increase in loss by Kshs 1,034,989 in the prior year

The company's operations were challenged by;

- 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 Tigoni project, Roromo borehole and Ndeiya pipeline which were supposed to generate more revenue
- Impact of Covid -19 which led to many of our customers not able to pay for water bills
- Flooding of Manguo swamp

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 Roromo 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.

Board Chairman

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

MANAGING DIRECTOR'S REPORT

1. INTRODUCTION

I am pleased to present to you the financial report for the year ending 30th June 2021. 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.

- **Drought Mitigation Project**

The World Bank through Athi Water Works Development Agency drilled and equipped three boreholes under the drought mitigation 2; namely Redhill, Kiriri and new Manguo boreholes. The boreholes are to serve the following area; Kiriri Borehole, it has a production capacity of 9m³ It is meant to supply water to Kiriri village in Ndeiya. Redhill borehole, It is meant to supply water to customers in Mathanja Village, and Redhill and Karuri water. This project was operationalized during the financial year and it is supplying water to Karuri region while Manguo New borehole the borehole is meant to supply water to residents of Kamandura and Koyani in Limuru town

- **Tigoni Water Supply**

Tigoni Water Supply the water supply was completed in the financial year, it has a daily production capacity of 2000m³. It was meant to supply customers in Tigoni, Karanje, Kabuku and Karuri Water. However, the project was not operationalized during the financial year

- **Loromo boreholes**

Loromo borehole, Power for Loromo boreholes was installed in the financial year and the pipes for Ndeiya were laid in the same period. The project will be fully operational in the next financial year.

- **Sewerage Project**

Pipe laying for our sewer network began in the financial year through Kenya Towns Sustainable Supply and Sanitation Program towns program.

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

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.

Margaret Maina



Managing Director

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

REVIEW OF LIMURU WATER & SEWERAGE PERFORMANCE FOR FY 2020/2021

Limuru Water & Sewerage Company has strategic pillars and objectives within its strategic plan for 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 2020/2021 period for its 4No. strategic pillars, as indicated in the diagram below:

Strategic Pillar	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 partially operationalized Tigoni scheme We have been continuously rehabilitating our water system We are currently at 32.8% on NRW
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%
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 did a customer satisfaction survey during the period

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

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). There are four board committee which oversee the running of the company. The committee comprises of: Technical Committee: Finance and Administration Committee, Audit, Risk and Governance Committee and Full Board. The committee and full board meet four times a year as per the board committee calendar.

Below the BOD, is the Managing Director (MD), followed head of department which 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 2021

MANAGEMENT DISCUSSION AND ANALYSIS

The company's operational and financial performance

During the financial year the company made a deficit of Ksh 19,110,977 compared to a deficit of 18,075,988 during the previous financial year. During the financial the operational revenue increased by Kshs 31,508,456 as a result of operationalization of Tigoni project, Loromo boreholes and we also increased our area of coverage where we started supplying water to our customers in Manjiri Kabuku scheme.

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 going concern of the company as a result of the ongoing process of consolidation of water companies in Kiambu County.

Material arrears in statutory/financial obligations

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

1. Lease Fee to AWSB Kshs 29,215,454
2. Regulatory Levy Kshs 11,540,819
3. Abstraction Levy Kshs 1,579,482
4. Pension Ksh. 7,710,962

The company's financial probity and serious governance issues

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

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

Development Projects

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

No	Proposed Work	Capital	STATUS	IMPACT	PROPOSED INTERVENTION	SOURCE FUNDS	OF
1	Tigoni treatment work		Ongoing	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	Athi Water Works Development Agency	
3	Roromo Borehole		Ongoing	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		Outstanding	Increase in coverage area sanitation	Laying of sewer line	Africa Development Bank	

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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 and are almost complete and when they will be completed, we will have increased water production and 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 impact of Covid- 19 and also because of flooding of Manguo swamp where we were not pumping water for a period of about 6 months.

Increase in revenue collection

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

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

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

ii. Environmental performance

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

iii. Employee welfare

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

iv. 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

v. 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.

Corporate Social Responsibility / Community Engagements

During the financial year the company did not spend any money on corporate social responsibility due to financial constraint as a result of Covid-19. However, during the financial year we did not disconnect our customers in our Misiri zone which is a pro-poor area serving about 725 households which is a total population of about 3,625 people.

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 our Thigio scheme.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 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, 2021 are set out on page 15 to 41.

Dividends

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

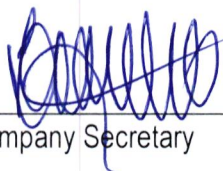
Directors

The members of the Board of Directors who served during the year are shown on page 4-6.

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.

Ms, Josphine Muritu



Company Secretary

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Companies Act, require the Directors to prepare financial statements in respect of Limuru Water and Sewerage Company Limited, 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/period. 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 Limuru Water and Sewerage Company Limited.

The Directors are responsible for the preparation and presentation of Limuru Water and Sewerage Company Limited 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 (period) ended on June 30, 2021. 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 Limuru Water and Sewerage 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 and the State Corporations Act. The Directors are of the opinion that Limuru Water and Sewerage Company Limited financial statements give a true and fair view of the state of the Company transactions during the financial year ended June 30, 2021, and of the Company 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.

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

Approval of the financial statements

Limuru Water and Sewerage Company financial statements were approved by the Board on 6th September 2021 and signed on its behalf by:



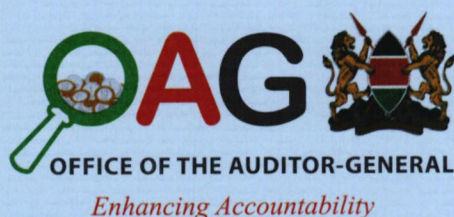
Board Chairman

Mrs Margaret W Maina



Managing Director

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON LIMURU WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

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 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 30, which comprise the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive

income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Limuru Water and Sewerage Company Limited as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with the accrual basis of accounting method under the International Financial Reporting Standards (IFRS) and comply with the Public Finance management Act, 2012, the Companies Act, 2015 and the Water Act, 2016.

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Budget Comparison and Actual Amounts

The statement of budget comparison and actual reflects actual amounts of Kshs.14,181,472 and Kshs.18,558,403 in respect to administrative costs and general expenses respectively which vary with their respective balances of Kshs.22,356,334 and Kshs.15,811,080 reflected in the statement of profit and loss and other comprehensive income. The resultant respective variances of Kshs.8,174,862 and Kshs.2,747,323 have not been explained or reconciled.

In the circumstances, the accuracy of the statement of budget comparison and actual could not be confirmed.

2. Unsupported Customer Deposits

The statement of financial position and as disclosed in Note 23 to the financial statements reflects Kshs.11,921,500 in respect of customer deposits. This is at variance with the Kenya Commercial Bank account balance of Kshs.3,200,240 by an amount of Kshs.8,721,260. Management explained the variance to have resulted from borrowing of Kshs.6,000,000 for the construction of the office. However, Management was unable to account for Kshs.2,721,260.

In the circumstances, the accuracy and completeness of the customer deposits of Kshs.11,921,500 as at 30 June, 2021 could not be confirmed.

3. Irregular Payment of Board Expenses

The statement of profit or loss and other comprehensive income reflects Board expenses of Kshs.1,119,850 and as disclosed in Note 15. However, the Board of Directors appointed for Limuru Water and Sewerage Company did not comply with the Memorandum and Articles of Association. In addition, Management did not provide for audit minutes of meetings. Further, the Board of Directors disclosed under key entity information are members of Kiambu County Sewerage Company Limited and not Limuru Water and Sewerage Company.

In the circumstances, the accuracy and completeness of Directors expenses of Kshs.1,119,850 could not be confirmed.

4. Inaccuracy of Trade and Other Payables

The statement of financial position and as disclosed in Note 22 to the financial statements reflects Kshs.29,215,454 in respect of payables to Athi Water Service Board. However, the financial report for Athi Water Services Board for the year ended 30 June, 2021 reflects a balance of Kshs.24,420,601 resulting to an unexplained and unreconciled variance of Kshs.4,794,853 . Further, the statement of financial position reflects trade and other payables balance of Kshs.101,159,762 which includes long outstanding payables of Kshs.46,623,425. Management did not provide explanation for failure to pay the long outstanding trade and other payables.

In the circumstances, the accuracy and existence of trade and other payables of Kshs.29,215,454 as at 30 June, 2021 could not be confirmed.

5. Undisclosed Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss of Kshs.19,110,977, an increase of Kshs.1,034,989 from a loss of Kshs.18,075,988 as at 30 June, 2020. Further, the statement of financial position reflects total current liabilities balance of Kshs.113,797,894 against total current assets balance of Kshs.27,832,499 resulting to a negative working capital of Kshs.85,965,395.

In the circumstances, the Company is technically insolvent and may not be able to settle its financial obligations as and when they fall due. The material uncertainty relating to going concern has also not been disclosed in the financial statements.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual reflects actual total income of Kshs.122,472,486 against a budget of Kshs.133,000,000 resulting to a budget deficit of

Kshs.10,527,514 or approximately 8%. Similarly, the statement of comparison of budget and actual amount reflects actual total expenses of Kshs.94,356,868 which included total expenditure of Kshs.42,398,922 against a budget of Kshs.34,139,236 resulting to an over expenditure of Kshs.8,259,686 or approximately 24%. The over expenditure of Kshs.8,259,686 was not supported with approved and authorised reallocation and management did not regularize the expenditure through a supplementary budget.

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. Irregular Composition of Board of Directors

The Board of Directors is composed of eleven (11) members instead of nine members as provided in the memorandum and articles of association. The Board Members include one member nominated by the County Government of Kiambu instead of three stipulated in the memorandum of association. Management did not provide evidence of nomination to the Board by other groups of interest such as business community, residents, special groups and farming community for audit verification. Further. Appointment letters and personal files for the board members were not provided for audit verification.

In the circumstances, the Board of Directors is not properly constituted contrary to the law.

2. Non-Revenue Water

During the year under review the company produced 2,157,400 cubic meters (m³) of water, out of which only 1,475,437 cubic meters (m³) of water was billed to customers. The balance of 681,963 cubic meters (m³) or approximately 31.6% of the total volume of water produced represented Non-Revenue Water which is 6.6% over and above the allowable water loss of 25% as per the Water Service Regulatory Board guidelines. The Non-Revenue Water of 31.6% may have resulted in a loss of sales estimated at Kshs.54,712,087.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of a Risk Management Policy

The Company has not developed risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations. This is contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 that requires the County Government entity to develop risk management strategies, which include fraud prevention mechanism; and the county government entity develops a system of risk management and internal control that builds robust business operations.

Failure to develop a Risk Management Strategy may impair the effectiveness in managing risk and internal control systems.

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 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, 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 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control.

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 sustainability of services 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 money is applied in an effective manner.

The Board of Directors is responsible for overseeing the company financial reporting process, reviewing the effectiveness of how the 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 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 Company 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 ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify

my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

18 July, 2022

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE
INCOME AS AT 30TH JUNE 2021**

	Notes	2021 Kshs	2020 Kshs
<u>INCOME</u>			
Operating Income	6	119,244,291	88,533,435
Cost of Sale	7	41,799,055	32,579,526
Gross Profit		77,445,236	55,953,909
<u>OTHER INCOME</u>			
Grant Income	8	424,795	
Miscellaneous Income	9	2,803,400	2,005,800
TOTAL INCOME		80,673,431	57,959,709
<u>EXPENSES</u>			
Staff Costs	10	50,838,096	43,965,736
Operations Costs	11	9,659,047	8,290,213
Administration Costs	12	22,356,334	15,328,959
General Expenses	13	15,811,080	8,450,788
Board Expenses	15	1,119,850	
		99,784,408	76,035,697
<u>Profit/Loss</u>		(19,110,977)	(18,075,988)

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	Notes	2,021	2,020
		Kshs	Kshs
<u>NON-CURRENT ASSETS</u>			
Property, Plant and Equipment's	14	18,947,613	18,596,598
		18,947,613	18,596,598
<u>CURRENT ASSETS</u>			
Inventory	16	923,342	322,433
Trade and Other Receivables	17	23,496,539	17,577,784
Cash and Cash Equivalent	18	4,335,959	695,816
<u>TOTAL CURRENT ASSETS</u>		27,832,499	18,273,600
<u>TOTAL ASSETS</u>		46,780,112	36,870,198
<u>EQUITY AND LIABILITIES</u>			
Capital and Reserves			
Share Capital	19	40	40
Capital Reserve	20	38,948,043	38,948,043
Revenue Reserve	21	(105,042,522)	(85,931,545)
Total Capital and Reserves		(66,094,439)	(46,983,462)
<u>CURRENT LIABILITIES</u>			
Trade and Other Payables	22	101,159,762	73,630,593
Customer Deposits	23	11,921,500	10,545,500
Deferred Income - WSTF	24	716,632	
<u>TOTAL CURRENT LIABILITIES</u>		113,797,894	84,176,093
Total Equity and Liabilities		47,703,454	37,192,631


Prof Eng. Benard Njoroge

Mrs. Margaret W Maina

Mary W. Mbugua


Board Chairman


Managing Director


Finance Manager
CPA8457

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF CHANGES IN EQUITY AS AT 30TH JUNE 2021

	Share Capital Kshs	Revenue Reserves Kshs	Capital Reserves Kshs	Total Amount Kshs
Balance as at 1st July 2018	40.00	(54,415,909)	38,948,043	(15,467,826)
Deficit for the year 2018-2019	-	(13,439,649)	-	(13,439,649)
Balance as at 30th June 2019	40.00	(67,855,557)	38,948,043	(28,907,474)
Balance as at 1st July 2019	40.00	(67,855,557)	38,948,043	(28,907,474)
Deficit for the year 2019-2020	-	(18,075,988)	-	(18,075,988)
Balance as at 30th June 2020	40.00	(85,931,545)	38,948,043	(46,983,462)
	Share Capital Kshs	Revenue Reserves Kshs	Capital Reserves Kshs	Total Amount Kshs
Balance as at 1st July 2019	40.00	(67,855,557)	38,948,043	(28,907,474)
Deficit for the year 2019-2020	-	(18,075,988)	-	(18,075,988)
Balance as at 30th June 2020	40.00	(85,931,545)	38,948,043	(46,983,462)
Balance as at 1st July 2020	40.00	(85,931,545)	38,948,043	(46,983,462)
Deficit for the year 2020-2021	-	(19,110,977)	-	(19,110,977)
Balance as at 30th June 2021	40.00	(105,042,522)	38,948,043	(66,094,439)

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF CASH FLOW AS AT 30TH JUNE 2021

	Notes	2021 Kshs	2020 Kshs
Cash Flow from Operating Activities			
Net Cash Generated from/ (Used in) Operations	25	6,125,342	1,105,816
Cash Flow from Investing Activities			
Purchase of Fixed Assets	14	(2,485,199)	(1,745,830)
Net Cash Generated from/ (Used in) investing activities			
Net Increase/Decrease in Cash & Cash Equivalent		3,640,143	(640,014)
Cash & Cash Equivalent in the beginning of the Period		695,816	1,335,830
Cash & Cash Equivalent at the end of the Period	18	4,335,959	695,816

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF BUDGET COMPARISON AND ACTUAL AS AT 30TH JUNE 2021

	BUDGET 2020/2021	ACTUAL 2020/2021	VARIANCE	VARIANCE %
	KSHS	KSHS	KSHS	PERCENTAGE
INCOME				
Operating Income	129,400,000	119,244,291	10,155,709	7.85
Other Income				
Grant Income	-	424,795	(424,795)	-
Miscellaneous Income	3,600,000	2,803,400	796,600	22.13
Total Income	133,000,000	122,472,486	10,527,514	7.92
Cost of Sale				
Electricity - Operations	40,067,565	40,122,475	(54,910)	(0.14)
Chemicals	2,286,430	1,251,785	1,034,645	45.25
Chemicals WSTF		424,795	(424,795)	-
	42,353,995	41,799,055	554,941	1
EXPENDITURE				
Staff Cost	52,522,734	50,838,096	1,684,638	3
Operational Costs	6,515,828	9,659,047	(3,143,219)	(48)
Administrative Cost	12,895,179	14,181,472	(1,286,293)	(10)
General Expense	14,728,229	18,558,403	(3,830,174)	(26)
Board Expense	1,579,740	1,119,850	459,890	29
Total Expenses	88,241,710	94,356,868	(6,115,158)	(7)
Surplus/Deficit	2,404,295	(13,683,437)	16,087,732	14

Variance Explanation

1 Cost of Sales

The major variance was on cost of chemical where the expense was less as compared to the budget this was as a result of a dry weather which resulted to less chemicals being used since the water had low turbidity

2 Operating Income

The company was not able to meet the budget for operating income i.e it had a variance of 7.9 %. This is because the company had hoped that there will be increased revenue as a result of operationalization of Tigoni and Roromo projects but the projects are not yet fully operational.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

3 Staff Cost

The company underspent on salary expense during the financial year, we had hoped to hire additional staff after the completion of our sewer project but this did not happen since the project is still ongoing.

4 Operations Cost

The company overspent on maintenance of water system as a result of pipeline repairs that were done during road construction and upgrading, the Company also overspent of maintenance of sewer system as a result of several incidences of sewer blockage. There was an over expenditure on maintenance on building because of the repairs and painting that was done on our Bathi treatment plant.

5 Administrative Cost

The company over spent on fuel cost as a result of increased fuel pump prices, the general office running office expenses increased as a result of several official activities, the company on the other hand spent less on legal fees since we did not have new legal matter while we spent less on environmental conservation because of financial constraint

6 General Expense

The company spent more on travel and accommodation and on staff training as a result of various activities that were undertaken by the company in the preparation of the merger of water companies in Kiambu county

7 Board Expenses

The board expenses were less than the budget since there were fewer board meetings during the period.

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

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, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

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

IFRS 16: Leases

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

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

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

IFRIC 23: Uncertainty Over income tax treatments

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

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

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

The amendments, applicable to annual periods beginning on or after 1 January 2020, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

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

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

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

The amendments, applicable to annual periods beginning on or after 1st January 2020, provide additional guidance on applying the acquisition method to particular types of business combination.

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

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

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

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

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

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2019)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2020, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted

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IFRS 17 Insurance Contracts (Issued 18 May 2017)

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

Together with the revised *Conceptual Framework* published in March 2019, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

- ii) **Early adoption of standards** The entity did not early – adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Revenue recognition

Revenue is 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.

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- 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 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.

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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

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.

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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.

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.

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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.

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

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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.

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.

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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, 2020.

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

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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.

Critical Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Revenue recognition

Water revenue includes an assessment of water supplied to customers between the date of the last meter reading and the year end. The water sales is estimated using historical consumption patterns taking into account the total water usage by the customer.

Water deposits

Money received from water customers as deposit is held as a non- current liability because the Company will continue to offer services to the customers for the foreseeable future and the customers are not expected to discontinue their use of water in the short run.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Property Plant & Equipment

Critical estimates are made by the Directors in determining depreciation rates of property plant & equipment. Property and equipment is depreciated over its useful life taking into account residual values, where appropriate.

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%.

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6 OPERATING INCOME	2,021	2020
	Kshs	Kshs
Billings for the Year	119,244,291	88,533,435
7 Cost of Sale		
Electricity - Operations	40,122,475	30,907,650
Chemicals	1,251,785	1,671,876
Chemicals WSTF	424,795	-
	41,799,055	32,579,526
8 GRANT INCOME		
Chemicals Received from WSTF	424,795	
9 Miscellaneous Income	2,803,400	2,005,800
10 STAFF COSTS		
	2,021	2020
	Kshs	Kshs
Staff Salaries	31,151,251	29,210,522
House Allowance	5,135,000	4,700,500
Pension Contribution	4,846,252	5,017,300
Leave Allowance	1,620,600	240,000
Other Allowance	3,743,000	3,841,100
Medical Expenses	2,750,000	303,455
Casual Wages	670,460	274,600
Staff Welfare	921,533	378,259
	50,838,096	43,965,736
11 OPERATIONS COST		
	2,021	2020
	Kshs	Kshs
Maintenance of Water Supply	5,451,601	4,793,356
Maintenance of Sewerage Works	1,878,058	1,348,228
Maintenance of Buildings and Stations	637,060	679,963
Maintenance of Plant and Equipments	1,531,828	1,367,666
Water quality Testing	160,500	101,000
	9,659,047	8,290,213

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12 ADMINISTRATION EXPENSES	2,021		2020
	Kshs		Kshs
Rent - Office	150,000		120,000
Electricity - Office	153,504		219,507
Transport Expenses - Fuel	3,808,401		2,514,289
Maintenance of Motor Vehicle	1,153,580		1,005,430
Telephone	639,915		600,016
Printing & Stationery	604,792		963,506
general Office Running Expenses	875,451		491,109
Billing Fee	807,958		1,624,000
Abstruction (WRMA) Fees	2,527,703		1,042,488
Internet Services	975,186		545,282
Postage and Postal Charges	14,880		15,200
Library	18,120		23,820
Audit Fee	232,000		232,000
Fees and other Charges	652,050		807,250
Bank Charges	637,176		525,310
Staff Uniform	366,658		173,236
Membership to Proffesional Association	148,020		213,850
General Provisions for Bad and Doubtful Debts 5%	293,040		40,950
Specific Provision for Bad and Doubtful Debts	3,000,315		550,147
Environmental Conservation	200,000		
Advertising Expenses	156,078		
Stake Holders Meeting	60,000		
WASREB Levy	4,881,507		3,621,570
	22,356,334	-	15,328,959
13 GENERAL EXPENSES			
	2,021		2020
	Kshs		Kshs
Travelling and Accommodation	3,842,545		1,459,114
Maintenance of Office Equipment	38,375		313,640
Training Conferences & Work shops	5,952,153		1,240,725
Insurance	428,463		319,820
Security Services	3,214,960		2,806,485
Corporate Social Responsibility	-		71,290
WASCO Games	200,400		928,440
Licence Fee	-		-
Depreciation	2,134,184		1,311,274
	15,811,080		8,450,788

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14a Property, Plant and Equipment Schedule for the Year Ended 30th June 2020

Cost	Motor Cycle & Vehicle	Land	Meters	Computer	Tanks and Building	Pump & Motors	Pipeline (Water)	Equipment's & Furniture	TOTALS
AT 1ST July 2019	2,521,000	1,308,500	8,018,020	1,646,370	11,876,399	8,921,405	4,587,051	1,287,270	40,166,015
Additions	-	-	1,452,030	63,800	-	230,000	-	-	1,745,830
Transfers	-	-	-	-	-	-	-	-	-
At 30th June 2020	2,521,000	1,308,500	9,470,050	1,710,170	11,876,399	9,151,405	4,587,051	1,287,270	41,911,845
Depreciation									
AT 1ST July 2019	2,521,000	-	5,938,020	1,104,373	1,756,813	8,819,905	886,904	976,959	22,003,973
Charge for the Year	-	-	542,965	224,784	296,910	65,125	114,677	66,813	1,311,274
At 30th June 2020	2,521,000	-	6,480,985	1,329,157	2,053,723	8,885,030	1,001,580	1,043,772	23,315,247
Net Book Value									
At 30th June 2020	-	1,308,500	2,989,065	381,013	9,822,676	266,375	3,585,471	243,499	18,596,598
At 30th June 2019	-	1,308,500	2,080,000	541,997	10,119,586	101,500	3,700,147	310,312	18,162,042

14b Property, Plant and Equipment Schedule for the Year Ended 30th June 2021

Cost	Motor Cycle & Vehicles	Land	Meters	Computer	Tanks & Buildings	Pumps & Motors	Pipeline (Water)	Equipment & Furniture	TOTALS
AT 1ST July 2020	2,521,000	1,308,500	9,470,050	1,710,170	11,876,399	9,151,405	4,587,051	1,287,270	41,911,845
Additions	-	-	630,000	1,077,200	-	778,000	-	-	2,485,200
Transfers	-	-	-	-	-	-	-	-	-
At 30th June 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
Depreciation									
AT 1ST July 2020	2,521,000	-	6,480,985	1,329,157	2,053,723	8,885,030	1,001,580	1,043,772	23,315,247
Charge for the Year	-	-	992,656	486,190	296,910	176,938	114,677	66,813	2,134,184
At 30th June 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
Net Book Value									
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
At 30th June 2020	-	1,308,500	2,989,065	381,013	9,822,676	266,375	3,585,471	243,499	18,596,598

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15 BOARD EXPENSES		2,021	2020
		Kshs	Kshs
	Board Allowances	1,119,850	-
		1,119,850	-
16 INVENTORY		2,021	2020
		Kshs	Kshs
	PVC Pipes	29,685	49,201
	HDPE Pipes	-	15,660
	HDPE Connectors	-	129,571
	HDPE End Cap	44,730	69,006
	HDPE Couplers	132,297	
	Chlorine HTH 65%	490,172	-
	Alum	90,972	-
	Soda Ash	135,488	58,995
		923,342	322,433
17 TRADE AND OTHER RECEIVABLES		2,021	2020
		Kshs	Kshs
	Total Trade Receivables	55,893,152	47,032,041
	Less Specific Provision for Bad and Doubtful Debts	(32,365,089)	(29,364,774)
	Less 5% General Provision for Bad and Doubtful Debts	(1,176,403)	(883,363)
	Other Trade Debtors Receivables	299,000	198,000
	Non Trade Debtors	138,000	138,000
	Deposit for Rent, Electricity and Rural Roads	457,880	457,880
	Prepayments-wiba,medical & m/v insurance	250,000	-
	Total Trade and Other Receivables	23,496,539	17,577,784
18 CASH AND CASH EQUIVALENT		2,021	2020
		Kshs	Kshs
	KCB - Expenditure Account Cash at Bank	139,126	67,431
	KCB - Main Revenue Account Cash at Bank	744,835	10,296
	KCB - Customer's Deposit Accounts Cash at Bank	3,200,240	487,447
	Cash held by Post Bank (Revenue Collecting Agent)	126,315	34,885
	Cash held by Safaricom (Revenue Collecting Agent)	124,766	95,019
	Cash held in Petty Cash Book	677	738
		4,335,959	695,816

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19 SHARE CAPITAL	2,021 Kshs	2020 Kshs
Authorized: 5,000 Ordinary Shares of Kshs 20 each	100,000	100,000
Issued: 2 Ordinary Shares of Kshs 20 each	40	40

20 CAPITAL RESERVE

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.

21 REVENUE RESERVE

Revenue Reserve comprises of Kshs **(105,042,522)** which is a cumulative surplus(deficit) for the previous financial years as shown in page 20. This Fund is meant for infrastructure development

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22 TRADE AND OTHER PAYABLES	2,021	2020
	Kshs	Kshs
Athi Water Services Board	29,215,454	29,215,454
Thika Water & Sewerage Co. Ltd	2,663,670	2,663,670
Office of Auditor General	1,624,000	1,392,000
Water Resource Management Authority	1,579,482	511,779
Kenya Power & Lighting Co. Ltd	38,044,273	14,064,948
Kijabe Station Management	65,135	82,242
Water Services Regulatory Board	11,540,819	6,659,312
Blue Media Images	34,800	-
WASPA	414,800	255,000
Lavington Security	1,089,312	1,064,234
Wilam Water Services	-	75,000
Kenvert Holding Ltd	-	40,700
Wanjao & Wanjau Advocates	225,500	225,500
Danco Capital Ltd	-	396,331
Nairobi Ironmongers	320,037	374,100
Kinetics Engineering Ltd	-	199,600
Babs Security Ltd	-	15,092
Elevetus Technologies	341,000	230,300
Intersect Hardware Services	108,180	77,500
Micson	526,788	377,024
Safaricom Limited	35,256	35,256
Pan African Chemicals	-	590,568
WASCO	63,000	120,000
Bromak General Merchants	37,500	-
DaveMart Enterprises	96,700	-
Diamond Chemicals	425,000	-
Doshi & Co	505,430	-
Rockpet Company	-	64,800
Federation of Kenya Employer	132,850	132,850
Equatorial Hawk	198,500	-
Green Day Environment	116,000	-
Spalim Company Ltd	223,478	132,690
Mtech Ltd	-	38,500
Losagi Insurance Brokers Ltd	-	152,498
Prolific Business Consultants	-	45,600
Techlink Hydrosystem	485,000	230,000
Wonderkid Ltd	-	539,800
Kyhill Merchants	91,617	-
Legrends Investments	49,575	-
Lionet Investment	27,600	-
Muhuhu Advocate	172,100	-
Pentacom Enterprises	20,880	-
Umeme Quick Auto Services	110,000	-
Commissioner of Domestic Taxes	25,141	-
Salaries and Allowances	10,550,885	13,628,246
	101,159,762	73,630,593

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23 CUSTOMERS DEPOSIT

	2,021	2020
	Kshs	Kshs
Opening Customers Deposit Balances	10,545,500	9,853,000
Deposits Received from Customers	<u>1,376,000</u>	<u>692,500</u>
	<u>11,921,500</u>	<u>10,545,500</u>

24 Deferred Income

Chemicals Grant Closing Inventory as at 30th June 2021

Item	Amount
Alum	90,972.00
Chlorine	490,171.50
Soda Ash	<u>135,488.00</u>
Total	<u>716,631.50</u>

25. Notes to the Statement of Cash Flow

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

	2021	2020
	Kshs	Kshs
Operating Activities		
Operating Profit/(Loss)	(19,110,977)	-18,979,808
Depreciation	2,134,184	1,295,851
Operating Profit/Loss before Working Capital Changes	(16,976,793)	-17,683,957
(Increase) Decrease in Trade and Other Receivables	(5,918,755)	-56,337
(Increase) Decrease in Inventories	(600,909)	1,038,902
Increase (Decrease) in Trade and Other Payables	27,529,167	17,114,708
Increase (Decrease) in Customer Deposits	1,376,000	692,500
Deferred Income	716,632.00	
	<u>23,102,135</u>	<u>18,789,773</u>
Cash Generated from/(Used in) Operations	<u>6,125,342</u>	<u>1,105,816</u>

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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.

The table below summarizes the maturity profile of the Company's financial liabilities based on the remaining period using 30 June 2019 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.

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27 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.

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. During the financial year County Government of Kiambu had Kshs 1,026,050 as the pending water bills

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 11,540,819 as levy as shown in note 20.

d. Water Resource Management Authority

During the financial year the company owed Kshs 1,579,482 as abstraction fee as shown in note 20

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 11,117,900 during the financial year.

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28 CONTINGENT LIABILITY

As at 30th June 2021 Limuru Water & Sewerage Company Ltd had a pending lawsuit by a former employee. The Judgment in respect of these cases had not been determined as at 30th June 2021. The amounts have not been provided for in these financial statements as it was not possible to accurately quantify the potential liability arising from all of them.

The Directors are of the opinion that any outstanding litigation in this respect will not have a material effect on the financial position or results of the organization.

29 INCORPORATION

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

30 EVENTS AFTER THE REPORTING PERIOD

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

31 CURRENCY

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

LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

APPENDIX 1

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

1. Property Plant and Equipment

The Procurement process of Karambaini Land Title No. I R 365508(LR.No. 145/6/27) is in the completion stage in the land registry office for title processing. Aailed was the sale agreement between the seller and the company also attached in this response.

2. Trade and other receivables

The aged analysis for the current period is attached

3. Customer Deposit

The Variance of the amount in Customer Deposits includes money borrowed for office construction and electricity payments. We have reconciled by adding interest earned over time of Khs 566,748 less interest charges over time of Kshs 22,781.90. This results to a difference of Kshs 5,700,000 which consists of Kshs 6,000,000 which was used to construct the office which we are occupying and which we were given approval by the board of directors.

Attached is the board resolution giving the management authority to borrow Kshs 6,000,000 and use it for construction of the office which we are now occupying. The expenditure was capital in nature and that is why we got an approval from the board. The company has also embarked on a workplan to repay the customer deposits.

4 . Lease Fee payable to Athi Water Services Board (AWSB)

We have enclosed the SPA agreement between Athi Water Services Board and Limuru Water & Sewerage Ltd detailing the terms of the lease.

5 Failure to disclose material uncertainty in relation to going concern

The Company sustainability is affected by lack of completed projects over the years and the Company has come up with the following strategy to address the issue affecting the sustainability.

- a. Completion of three major projects which are almost complete and which will increase water production and increase revenue. The projects are Tigoni Water Supply, Manguo Borehole and Loromo Twin Boreholes which are of high yield. The water in Tigoni will increase revenue in Limuru especially Karanje and misiri. Loromo Boreholes will be of benefit in Thigio and Ndeiya which will receive more water since we are currently rationing water in those areas while manguo will increase water sales in limuru town.
- b. The Company submitted its tariff review to the regulator since we have been operating on a tariff which was last reviewed in the year 2010. This has affected our billing despite the fact that there has been alot of inflation and high cost of electricity bills which results to high cost of production. By reviweing the tariff the Company will be in a position to improve billing which will also improve the performance of the Company.

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- c. The Company has come up with a non-revenue strategy, as per note 3 below, which is aimed at reducing the unaccounted-for water. The outcome will result to an increase in revenue and a reduction in operational costs. By doing so the Company will improve its performance and improve its revenue reserves having achieved 28% from the previous 32% in Non-Revenue Water.

32 Budget performance

a. Under collection of Revenue

The Company was not able to realise its budget of Kshs 110,400,000 as anticipated due to the fact that there was no tariff review and non completion of ongoing capital projects that were anticipated to be complete in the financial year. The projects are:

- Tigoni Water Supply
- Loromo Boreholes
- Ndeiya Pipeline

Tariff Review

The Company tariff review which was due in 2017 but was not done due to the ongoing merger of Water Companies in the County. Lack of Tariff review has really affected the company since it was last reviewed in the year 2010. However there was tariff review in 2013 that increased licence fee and regulatory levy. Lack of tariff review impacted on the company since it was not in a position to meet its budget and also meet the expenses like electricity, operations costs and salaries. This is despite the fact that there has been inflation, high cost of electricity, fuel and rising cost of water fittings and other materials

33 Non –Revenue Water

The Company had a non- revenue water of 29% during the financial year and we have come up we the following initiatives to further reduce it; Creation of a dedicated NRW unit, reduction of leaks and bursts by use of high-quality HDPE pipes, and annual work plan that is to be reviewed on quarterly basis as below;

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APPENDIX 11

PROJECTS IMPLEMENTED BY THE ENTITY

- **Drought Mitigation Project**

The World Bank through Athi Water Works Development Agency drilled and equipped three boreholes under the drought mitigation 2; namely Redhill, Kiriri and new Manguo boreholes. The boreholes are to serve the following area; Kiriri Borehole, it has a production capacity of 9m³ It is meant to supply water to Kiriri village in Ndeiya. Redhill borehole, It is meant to supply water to customers in Mathanja Village, and Redhill and Karuri water. This project was operationalized during the financial year and it is supplying water to Karuri region while Manguo New borehole the borehole is meant to supply water to residents of Kamandura and Koyani in Limuru town

- **Tigoni Water Supply**

Tigoni Water Supply the water supply was completed in the financial year, it has a daily production capacity of 2000m³. It was meant to supply customers in Tigoni, Karanje, Kabuku and Karuri Water. However, the project was not operationalized during the financial year

- **Loromo boreholes**

Loromo borehole, Power for Loromo boreholes was installed in the financial year and the pipes for Ndeiya were laid in the same period.

- **Sewerage Project**

Pipe laying for our sewer network began in the financial year through Kenya Towns Sustainable Supply and Sanitation Program towns program.

