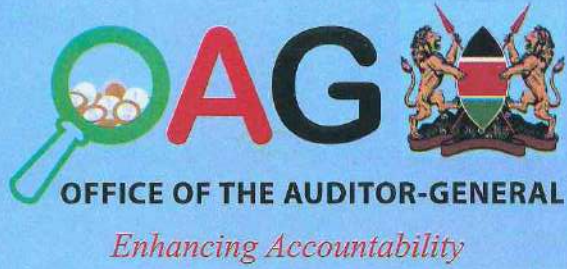
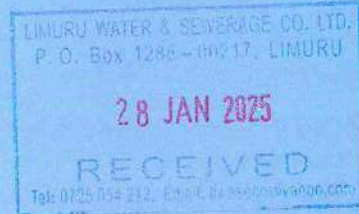


REPUBLIC OF KENYA



REPORT



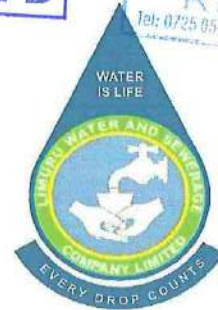
OF

THE AUDITOR-GENERAL

ON

**LIMURU WATER AND SEWERAGE
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2024**



LIMURU WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

**Limuru Water and Sewerage Company Ltd. Annual Report and Financial Statements for the
year ended June 30, 2024**

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**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

1. Acronyms and Glossary of Terms

<i>Ag.</i>	<i>Acting</i>
<i>AGM</i>	<i>Annual General Meeting</i>
<i>AWWDA</i>	<i>Athi Water Works Development Agency</i>
<i>B.Ed.</i>	<i>Bachelor of Education</i>
<i>B.A.</i>	<i>Bachelor of Arts</i>
<i>BBM</i>	<i>Bachelor of Business Management</i>
<i>BOD</i>	<i>Board of Directors</i>
<i>BSc</i>	<i>Bachelor of Sciences</i>
<i>CECM</i>	<i>County Executive Committee Member</i>
<i>CGK</i>	<i>County Government of Kiambu</i>
<i>CPA (K)</i>	<i>Certified Public Accountant - Kenya</i>
<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>K.U.</i>	<i>Kenyatta University</i>
<i>MBA</i>	<i>Masters in Business Administration</i>
<i>MD</i>	<i>Managing Director</i>
<i>MSc</i>	<i>Masters in Sciences</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>U.O. N</i>	<i>The University of Nairobi</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>WEENR</i>	<i>Water, Environment, Energy and Natural Resources</i>
<i>WRA</i>	<i>Water Resource Authority</i>
<i>WSTF</i>	<i>Water Sector Trust Fund</i>

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

2. Key Entity Information

Background information.

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

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

Principal Activities.

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

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

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

Directors.

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

- | | |
|--------------------------------|---|
| 1. Peter Mbugua Kimani. | Chairman of the Board, Appointed on 14 th February 2022. |
| 2. Jennifer Kanini Musyoki. | Appointed on 14 th February 2022. |
| 3. Joseph Ng'ang'a Mbugua. | Appointed on 14 th February 2022. |
| 4. Dennis Mwaura Njung'e. | Appointed on 14 th February 2022. |
| 5. William Kinyanjui Kimani. | Appointed on 14 th February 2022. |
| 6. Charles Njuguna Gikonyo. | Appointed on 14 th February 2022, left on March 2024. |
| 7. Irene Wanjiku Kirumba. | Appointed on 18 th March 2024. |
| 8. David Mungai Mwaura. | Appointed on 18 th March 2024. |
| 9. Margaret Waruguru Maina. | Managing Director, left on 31 st December 2023. |
| 10. Nicholas Kamuria Wainaina. | Ag. Managing Director, Appointed on 1 st January 2024. |

The CGK alternate directors who served the entity during the period were as follows:

- | | |
|--------------------------|---|
| 1. Joseph Njuguna Kamau. | Assistant Director Water, appointed on 14 th February 2022. |
| 2. Eliud Githiga Muchiri | Head of Financial Reporting Unit – CGK, appointed on 14 th February 2022. |
| 3. Michael Kangethe. | Director Alcoholic Drink Control Fund, appointed on 14 th February 2022, left on March 2024. |

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

Company Secretary

Jackline Wangari Murigi
P.O Box 2344 -00900
KIAMBU

Registered Office

Maji Centre Limuru
P.O Box 1286 -00217
LIMURU

Corporate Headquarters

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

Corporate Contacts

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

Corporate Bankers

Kenya Commercial Bank
Limuru Branch
P.O Box 933 - 00217
Limuru

Post Bank- Kiambu branch

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

Safaricom M-Pesa money transfer service

Pay Bill No. 895900

Family Bank

Limuru Branch
P.O Box 74145-00200
Nairobi

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

Independent Auditors


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


Principal Legal Advisers

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

Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the year ended June 30, 2024

3. The Board of Directors


	<p>Name: Peter Mbugua Kimani Position: Chairman of the Board and Independent Director representing religious association. Age: 42 years. Qualification: Diploma in Analytical Chemistry Work Experience: Brookside Distributor, Managing Director at Lakenya homes, Inventory Management Consultant, Inventory manager at Tusker Mattresses Limited, Quality assurance supervisor at Twiga Chemical Limited</p>
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	<p>Name: Jennifer Kanini Musyoka Position: CGK Director and Chief Officer representing department of Water, Environment, Energy and Natural Resources. Age: 40 years. Qualification: MBA - Strategic Management option, BSc Civil Engineering Work Experience: Previously worked as a Water and Sanitation Engineer in planning and design of urban and rural water and sanitation infrastructure; formulating national and county government water and sanitation policies, strategies and plans; conducting out technical assessments, socio-economic studies and surveys with H.P. Gauff Ingenieure, GIZ International Water Stewardship programme and Authentic Living Int. Co. Ltd. Currently working as the Chief Officer in the Department of Water, Environment, Energy and Natural Resources.</p>
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	<p>Name: William Kinyanjui Kimani Position: CGK Director and Chief Officer representing department of Finance, Strategy & Economic Planning. Age: 47yrs Qualifications: MSc. Business Administration- Finance option, BBA - Accounting & Finance option, CPA (K) Work Experience: Chief Officer, Finance & Economic Planning, County Government of Kiambu (2019 – date), Chief Officer Administration County Government of Kiambu (Dec 2018 – June 2019), Director Administration, Principal Administration Officer (May 2017 – Nov 2018) – County Government of Kiambu, FM PUEA Mt Kenya University (Jan 2010 -April 2017), FM Limuru Milk Processors (Mar 2007 – Dec 2009), Chief Accountant New Baron and Leveque International & Kenana Distributors (Feb 2007 – March 2002)</p>
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**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**


	<p>Name: Charles Njuguna Gikonyo Position: CGK Director and Chief Officer representing department of Administration & Public Service-Left in March 2024. Age: 47 years Qualification: B.A Government & Public Administration, Certified Public Secretary, Chartered Institute of Purchasing & Supplies (UK) Work Experience: Chief Officer – Administration & Public Service, previously practiced as a Certified Public Secretary</p>
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	<p>Name: Joseph Ng'ang'a Mbugua Position: Independent Director representing farmers association and Chairman of Technical Committee. Age: 77 years Qualification: Motor and plant mechanic Grade III Work Experience: Over 30years experience in the airline industry.</p>
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	<p>Name: Dennis Mwaura Njung'e Position: Independent Director representing youth and Chairman of Finance & Administration Committee. DOB: 35 years Qualification: MSc. Policy & Management, Water Science, Oxford University- (U.K); BSc. Environmental planning and Management - K.U. Work Experience: Groots Kenya - Monitoring, Evaluation, Research and Learning Manager; Louis Dreyfus Company, Kenya Big Five Africa Limited – Social/ Organizational Development consultant. Practical Action East Africa-WASH Business developer and strategic planner</p>
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	<p>Name: Irene Wanjiku Kirumba Position: Independent Director representing business community and Chairperson of Risk and Audit Committee. Age: 35 years Qualification: Bachelor of Arts in social science Master of Art in International Relations Work Experience: Over 5 years experience in program development administration and communication.</p>
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Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the year ended June 30, 2024


	<p>Name: David Mungai Mwaura. Position: Independent Director representing education institutions and a member of Risk & Audit Committee. Age: 61 years Qualification: Diploma in Theology Work Experience: 25 years in academia.</p>
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	<p>Name: Joseph Njuguna Kamau. Position: Alternate Director representing Chief Officer WEENR. Age: 58 years. Qualification: Bachelor in Civil Engineering Technology Work Experience: Director of water services in County Government of Kiambu with 32 years of experience in water sector.</p>
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	<p>Name: Eliud Githiga Muchiri. Position: Alternate Director representing Chief Officer Finance. Age: 42 years Qualification: M.A. in Economics -UON, CPA(K), B.A. Economics - U.O.N. Work Experience: Head of Financial Reporting Unit – CGK, Assistant Director- trade services, Assistant Director-Accounting services County Government of Kiambu, Portfolio Manager- SBM Bank, Credit Officer – Co-operative Bank K Ltd.</p>
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	<p>Name: Michael Kang'ethe Position: Alternate Director representing Chief Officer Administration- Left on March 2024. Age: 55 years. Qualification: Master's Degree in Counselling Psychology – K.U. Bachelor of Arts - K.U. Post Graduate Diploma in Education - Egerton University. Work Experience: 10 years' experience in teaching in public and private secondary schools. -16 years' experience in Public Administration as Assistant County Commissioner and County Director in the Department of Administration. Currently Director Alcoholic Drink Control Fund , Kiambu County.</p>
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Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the year ended June 30, 2024





	<p>Name: Margaret Waruguru Maina. Position: Managing Director – Left on 31st December 2023. Age: 62yrs Qualifications: Water Chemist - MSc. Public health (KU). Bachelor of philosophy Applied Biology (Technical University). Work Experience: 28yrs experience in water sector i.e. Ministry of water, NWSC, AWWDA and Limuru water & sewerage company.</p>
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	<p>Name: Nicholas Kamuria Wainaina. Position: Ag. Managing Director – Appointed on 1st January 2024. Age: 35yrs Qualifications: -Bachelor of Business Management - Finance & Banking Option -Moi University. -CPA(K) Work Experience: 13 Years of experience in Limuru Water & Sewerage Co. Ltd in various positions.</p>
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	<p>Name: Jacqueline Wangari Muriigi Position: Company Secretary Age: 35 years. Qualification: LLB (Catholic University of East Africa) Master’s Degree in Public Policy and Admin KU, Diploma in HRM, a registered CS and CPM Work Experience: An advocate of the high court with over seven years. Served in the County Government of Kiambu in various capacities; Legal Counsel Legislative Drafting, Senior Legal Counsel and subsequently Director Legal Services in the Office of the County Secretary. Currently, she serves as the Director – Legal Services in the Department of Water & Sanitation supporting the Board of Directors in offering Company Secretarial Services as a qualified Certified Secretary.</p>
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Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the year ended June 30, 2024

4. Key Management Team

<p>Margaret Waruguru Maina</p> 	<p>Position: Managing Director – left on 31st December 2023</p> <p>Qualifications: -Water Chemist - MSc. Public health (KU). -Bachelor of Philosophy Applied Biology (Technical University)</p> <p>Experience: 28yrs experience in water sector i.e., Min. of water, NWSC, AWSB and Limuru water & sewerage company.</p>
<p>Nicholas Kamuria Wainaina</p> 	<p>Position: Ag. Managing Director (appointed on 1st January 2024) and Finance & Administration Manager</p> <p>Qualifications: -Bachelor of Business Management - Finance & Banking Option - Moi University. -CPA(K)</p> <p>Experience: 13 Years experience in Limuru Water & Sewerage Co. Ltd In various positions.</p>
<p>Joseph Muli Kyule</p> 	<p>Position: Technical Manager – left on 30th November 2023.</p> <p>Qualifications: Diploma-Water Technology (KEWI)</p> <p>Experience: 25yrs Experience in water sector in different institutions i.e., Ministry of Water, AWSB NWSC, Limuru water & Sewerage Ltd.</p>
<p>Mary Mbugua</p> 	<p>Position: Finance & Administration Manager- left on 29th February 2024</p> <p>Qualifications: -MBA (UON), BA(KEMU) and is a CPA(K)</p> <p>Experience: 7 years' experience in insurance Industry 10 years' experience in the water sector</p>

Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the year ended June 30, 2024

<p>Eng. Franklin Muchiri Gitari</p> 	<p>Position: Technical Manager – From 1st February 2024.</p> <p>Qualifications:</p> <ul style="list-style-type: none"> - Bachelor of Science in Civil Engineering - Dedan Kimathi University of Technology - First Class Honours - Master of Science Integrated Watershed Management - Kenyatta University <p>Experience 8 years experience in the water sector</p>
<p>Charles Wahogo Muiru</p> 	<p>Position: Commercial Manager</p> <p>Qualifications: B.Ed. - Accounting and Economics option (U.O.N) CPA PART Two Section Four.</p> <p>Experience: Over 15yrs Experience in water sector and different institutions</p>
<p>Jackline Wangari Murigi</p> 	<p>Position: Company Secretary</p> <p>Qualification: Certified Secretarial Studies (CS)2020 - 2022 Master of Arts (M.A.)-KU, Public Policy and Administration</p> <p>Experience: Director - Legal Services & Company Secretary- Kiambu County Government</p>

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

5. Chairman's Statement

1. Introduction

It gives me pleasure to present to you the financial report for the year ending 30th June 2024. During the financial year the company celebrated 18 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 persons. 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 coverage.

2. Performance

During the year ended 30th June 2024 the company focused on key objectives as stated in the strategic plan which include; increased coverage, financial sustainability, operational sustainability and customer satisfaction. The company registered positive growth in customer base, revenue collection, billing, operational stability, good governance among others although with some short coming here and there.

The company's total billings from water and sewerage services increased by Kshs 38,017,008 from Kshs 139,350,169 in the previous year to Kshs 177,388,177. This increase is attributed to increase in water billing as a result of increased new connections across all schemes and implementation of the new tariff in March 2023. The operational cost increased by Kshs 31,858,999 from Kshs 177,334,885 to Kshs 209,193,886 this is a result of the reviewed WRA charges, increase in cost of electricity especially for the sewage Treatment Plant and Loromo boreholes and rehabilitation of pipelines damaged due to roadworks.

The company's operations were challenged by;

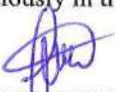
- Diminished surface sources due to prolonged dry season.
- High production cost due to electricity bills
- High operational cost where tariff review was expected to mitigate this but the company is yet breakeven.
- Slow pace of completion of development projects like the Limuru Water and Sewerage Project under the Kenya Town programme which was supposed to generate more revenue
- Upward review of abstraction charges by Water Resource Authority.

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

3. Appreciation

As the Chairman of the Board, I am committed to providing leadership that espouses principles of good governance. On behalf of the Board and Management, I wish to express our appreciation to shareholders, development partners and our customers for their support during the period.

I also thank the Management and all employees who have continued to work diligently and exhibited resilience in challenging times. Lastly, I thank my fellow Board members and urge them to work zealously in the best interest of the Company.


.....
Peter Mbugua Kimani
Chairman of the Board

Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the year ended June 30, 2024

6. Report of the Managing Director

1. INTRODUCTION

I am pleased to present to you the financial report for the year ending 30th June 2024. 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.

- **Sewerage Project**

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

The project was 92% complete at the end of the financial year. It is worth noting that the above project will have a major impact in our cash flows sustainability of the company after it is operationalized.

- **Consumer Connections**

During the financial year, the company reported a notable increase in the number of consumer connections. Water connections increased from 11,668 connections in the financial year 2022/2023 to 12,534 in the current financial year while sewer connections increased from 1,062 to 1,100 over the same period. A breakdown of the new consumer connections per scheme are as detailed in the table below:

Table 1: Record of New Consumer Connections

No.	Scheme	No. of New Water Connections
1.	Limuru Scheme	375
2.	Bathi Scheme	137
3.	Thigio Scheme	281
4.	Uplands Scheme	73
5.	New Sewer Connections	38

- **Coverage**

Water coverage within the company's area of jurisdiction increased from 78% in the financial year 2022/2023 to 81% in the current financial year. Sewer coverage further improved from 7% to 9% over the same period. The increase in coverage is attributed to the additional consumer connections registered in the reporting period.

- **Company Ranking by WASREB Impact Report**

The Company was ranked no. 27 overall and No. 12 among the large companies category during the financial year 2023/2024. This is the same ranking that the company achieved during the previous financial year. There was however notable improvement in the Key Performance Indicators as measured by WASREB including NRW (34% to 31%), Water Coverage (78% to 81%), etc.

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

3. CHALLENGES FACED DURING THE REPORTING PERIOD

There were various challenges faced during the reporting period:

- **Diminished Surface Sources due to Prolonged Dry Season**

The prolonged draught that spanned up to end of year 2023 caused reduced flows in the rivers within the company's area of jurisdiction. The reduced amount of water available to supply to customers especially in the areas served by Bathi and Tigoni Dams. The company has commenced the process of drilling drought mitigation boreholes to ensure adequate water supply in case of such phenomenon.

- **High Production Cost due to Electricity Bills**

All the company water sources are pumped. This implies connection of infrastructure to the national grid. The average electricity bills for the financial year 2023/ 2024 was Kshs. 4,440,225 This represents approximately 30% of the total monthly revenue. The cost is very considering that there are other operation and maintenance cost that should be met to guarantee uninterrupted flow of water to customers. The company has commenced the process of solarizing its major installations including Sewage Treatment Plant and boreholes.

- **High Operational Cost where Tariff Review was Expected to Mitigate this but the Company is yet to breakeven.**

It had been anticipated that the new tariff would cover all the company costs. However, due to continued increase in cost of input / inflation, the company has found itself in a position where it is unable to meet its current costs. The company intends to factor the additional cost in the revised tariff.

- **Slow Pace of Completion of Development Projects**


Some of the development projects like the Limuru Water supply and Sewerage Project under the Kenya Towns Sustainable Water Supply and Sanitation Programme which was supposed to generate more revenue has taken too long to be completed. The Project is now under the Defects Liability Period. The company plans to make full utilisation of the project once it is fully handed over.

- **Upward Review of Abstraction Charges by Water Resource Authority**

Water Resources Authority (WRA) implemented an increase in levies and other charges. This imposed additional costs that had not been anticipated during tariff review. The additional costs will be factored in the renewed tariff.

4. 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.


.....
Nicholas Kamuria Wainaina
Ag. Managing Director

Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the year ended June 30, 2024

7.Statement of Performance Against Predetermined Objectives for FY 2023/2024.

Limuru Water & Sewerage Company has strategic pillars and objectives within its strategic plan. 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 2023/2024 period for its 4No. strategic pillars, as indicated in the diagram below:

Table 2. Strategic Objectives

Strategic Pillar Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Increase in coverage	To serve more customers.	Increase in customer connections.	Increase in water production. Increase in pipeline extension. Rehabilitation of networks. Increase water storage capacity Reduction of NRW.	The company increased water production after the company fully operationalized Tigoni and Loromo projects The company have been continuously rehabilitating our water system.
Attain financial sustainability	To be self-sustaining.	Ability to settle obligations as and when they fall due.	Introduction of zonal and master meters to enhance accountability. Put in place debt management and collection strategies. Increase water and sewer connection.	The company 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.	The company have been continuously training the staff from time to time
Attain customer and key stakeholders' satisfaction	To attain customer satisfaction.	Reduced customers complaints.	Customer service charter. Improve communication strategy.	The company held several customer engagement forums within the financial year.

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

8. Corporate Governance Statement

• **Appointment and Removal of Board of Directors**

The Company has a Board of Directors appointed by the County Executive Committee Member in charge of Water in accordance with the corporate governance guidelines. The Company's Board of Directors comprises of seven persons with two representatives from the County Government of Kiambu and five representatives from recognized groups within the company jurisdiction (independent Directors).

A Director ceases to hold office if:

- i. He is removed from the office, ceases or is prohibited from being a Director pursuant to the provisions of the Companies Act, or by a special resolution by the Company in a General Meeting.
- ii. He becomes of unsound mind.
- iii. He fails without any reasonable cause and without consent of the board to attend three (3) consecutive meetings of the Board and the Board resolves that, the reason of such failure he shall cease to be a Director.
- iv. He resigns his office by notice in writing to the Company.
- v. He or any persons to who he has personal ties and transacts with the Company
- vi. He breaches the Signed Code of Ethics and Conduct
- vii. He ceases to be a representative of the stake holder's body entity that has appointed him or her; or
- viii. He is charged with an offence under the Anti-Corruption and Economic Crimes Act or Water Act 2016.

• **Roles and Functions of the Board**

The roles and functions of the Board of directors as detailed in the letters of appointment are:

- i. Development and implementation of the company policies, Strategic Plan to guide in service delivery
- ii. Budget development and supervision of its implementation for prudent financial management including approval and supervision of the implementation of the company's procurement plan.
- iii. Human resource management for optimal staff production
- iv. Undertake such other activity in line with mandate.

• **Board Charter**

The Board of Directors has developed the Board Charter as the company's corporate governance policy to define the respective roles, responsibilities and authorities of the board and of management in the governance, management and control, of the organisation.

• **Board Meetings**

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

A record of board meetings held during the financial year are indicated in the **Table 3 to Table 6:**

Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the year ended June 30, 2024

Table 3: Full Board Meetings

	Name	ATTENDANCE				Days Present	Days Absent
		25/09/2023	22/12/2023	28/03/2024	6/6/2024		
1	Peter Mbugua Kimani	√	√	√	√	4	0
2	Joseph Nganga Mbugua	√	√	√	√	4	0
3	Jeniffer Kanini Musyoki	N/A	√	√	N/A	2	2
4	Eliud Githiga Muchiri	√	√	√	√	4	0
5	Micheal Kangethe	√	√	√	N/A	3	1
6	Dennis Mwaura Njung'e	√	√	√	N/A	3	1
7	Irene Wanjiku Kirumba	N/A	N/A	√	√	2	2
8	David Mungai Mwaura	N/A	N/A	√	√	2	2

Table 4: Technical and Commercial Committee Meetings

	Name	ATTENDANCE				Days Present	Days Absent
		22/08/2023	24/10/2023	5/3/2024	25/04/2024		
1	Joseph Nganga Mbugua	√	√	√	√	4	0
2	Joseph Njuguna Kamau	√	√	√	√	4	0
3	Dennis Mwaura Njung'e	√	√	√	√	4	0
4	David Mungai Mwaura	N/A	N/A	N/A	√	1	3
5	Peter Mbugua Kimani	N/A	√	N/A	N/A	1	3

Table 5: Finance and Administration Committee

	Name	ATTENDANCE				Days Present	Days Absent
		19/09/2023	23/11/2023	27/03/2024	16/05/2024		
1	Eliud Githiga Muchiri	√	√	√	√	4	0
2	Michael Kangethe	√	√	√	N/A	3	1
3	Jeniffer Kanini Musyoki	N/A	N/A	√	√	2	2
4	Dennis Mwaura Njung'e	√	√	√	√	4	0
5	Irene Wanjiku Kirumba	N/A	N/A	N/A	√	1	3
6	Joseph Njuguna Kamau	√	N/A	N/A	N/A	1	3

Table 6: Risk and Audit Committee

	Name	ATTENDANCE				Days Present	Days Absent
		22/09/2023	21/12/2023	26/03/2024	28/05/2024		
1	Eliud Githiga Muchiri	√	√	√	√	4	0
2	Michael Kangethe	√	√	√	N/A	3	1
3	Joseph Nganga Mbugua	√	√	√	√	4	0
4	David Mungai Mwaura	N/A	N/A	N/A	√	1	3
5	Irene Wanjiku Kirumba	N/A	N/A	N/A	√	1	3
6	Peter Mbugua Kimani	√	√	N/A	N/A	2	2

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
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- **Succession Plan**

Among other roles of the board is succession planning and evaluation of management performance which include:

- a. Supervising the succession planning processes of the Company, including the selection, appointment, development, evaluation and the senior management team;
- b. Ensuring an appropriate process is in place to review performance, remunerate, train and develop senior management;
- c. Approving the corporate remuneration framework and the remuneration levels of senior executives
- d. Ensuring appropriate human resource systems are in place to ensure the well-being and effective contribution of all employees
- e. Reviewing and approving the compensation and incentive reward schemes in place for the Managing Director and Functional Directors to ensure they are appropriate and competitive in both structure and quantum

- **Board Induction and Training**

As per the Board Charter, directors are provided with such induction and training as the Board or the new Director considers necessary to ensure that the new Director has the knowledge and skills required to function as a fully participating member of the Board.

- **Board and Member Performance**

The Board Charter provides for review of board performance as per the guidelines

- a. The performance of the Board against this Charter must be reviewed annually by the Board of Directors and any resulting recommendations must be implemented promptly;
- b. The Board undertakes an evaluation of Board and Director Performances at least once every year;
- c. The Board considers the outcome of the review in a dedicated meeting and develops a series of actions and goals to guide improvement;
- d. The Board evaluation report shall be submitted to the shareholder through the responsible Department and tabled before the Annual General Meeting for consideration;
- e. The Chairman provides each Director with confidential feedback on his/her performance; and
- f. The Board does not endorse the reappointment of a Director who is not satisfactorily performing the role.

- **Conflict of Interest**

All directors are required to disclose to the board for recording any business or other interests that he/she holds that is likely to create a potential conflict of interest.

- **Board remuneration**

The board is remunerated as per the board charter.

- **Ethics and Conduct**

According to the Board Charter, Directors must act in accordance with their fiduciary duties in the best interests of the Company. Directors must exercise all due skill and care in the performance of their duties.

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
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• **Governance Audit**

As per the Charter, the Board is responsible for

- a. Developing a set of corporate governance principles and guidelines;
- b. Establishing appropriate structures and procedures to allow the Board to function independently of management; Ensuring that the Company has appropriate risk management, internal control and regulatory compliance policies and procedures in place
- c. Establishing and reviewing performance of Board committees and defining their mandates to assist the Board in carrying out its roles and responsibilities;
- d. Setting expectations and responsibilities of Directors, including attendance at, preparation for, and participation in meetings;
- e. Undertaking regular evaluation of the Board, its committees and its members, and reviewing its composition with a view to the effectiveness and independence of the Board and its members

Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the year ended June 30, 2024

9. Management Discussion and Analysis

The company's operational and financial performance

During the financial year the company made a loss of Kshs (16,255,724) compared to a loss of Kshs (32,818,811) during the previous financial year.

The company's total billings from water and sewerage services increased by Kshs 38,017,008 from Kshs 139,371,169 in the previous year to Kshs 177,388,177. This increase is attributed to increase in water billing as a result of increased new connections across all schemes.

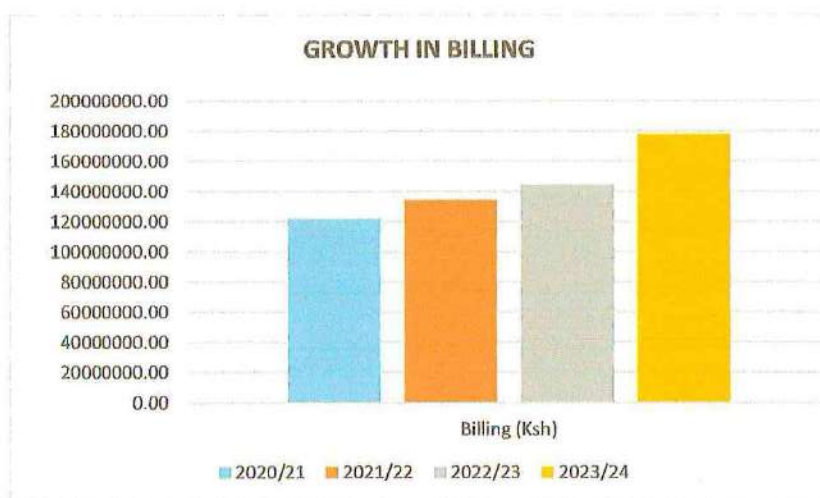


Figure 1: Growth in Billing

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 WRA and audit fee.

Major risks facing the company

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

Material arrears in statutory/financial obligations

The Company had the following material balances in the year under review are as follow:

Lease Fee to AWSB	Kshs 29,215,454
Regulatory Levy	Kshs 28,298,728
Abstraction Levy	Kshs 3,392,982

Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the year ended June 30, 2024

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.

Development Projects

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

Table 7: Development Projects

No	Proposed Capital Work	Status	Impact	Proposed Intervention	Source Of Funds
1	Kambaa Project	Ongoing	Increase in coverage area of water services	Installation of filtration unit.	NAMSIP
2	Sewerage Work	Ongoing	Increase in coverage area sanitation	Construction of reticulation sewer network in Limuru East, Bibirioni and Limuru Central ward Rehabilitation of existing sewage treatment plant and construction of new sewage plant.	Africa Development Bank

Review of Kenyan Economy

According to the African Development Bank, Kenya's Economy grew by an estimated 5.2% in the year 2023. Services accounted for 69% of the growth and agriculture for 23%. Inflation edged up to 7.7% in 2023 from 7.6% in 2022, driven by core inflation (32% of the change), fuel inflation (26%), and cost-push inflation (9% year on year increase in the producer price index).

Kenya's GDP was projected to grow 5.4% in 2024 and 5.6% in 2025, driven by services and household consumption. Inflation was expected to fall to 6.2% in 2024 and 5.5% in 2025, as food and global inflation both decline.

Review of the Water Sector

The performance of the water sector as given in the Impact Report No. 16 is as detailed below:

1. Water Coverage – National Water Coverage increased to 65%
2. Sanitation Coverage – There was a marginal drop in sanitation coverage to 92.17%.
3. Sewered Sanitation Coverage - The national coverage for sewered sanitation remained at 16%.
4. Drinking Water Quality - National drinking water quality was 90%
5. Hours of Supply – The average supply of 17 hours per day was reported
6. Non Revenue Water - The national NRW was 43%

Future Development Plans of the Company

The company has developed a five year strategic plan running from 2024 to 2029. The strategic plan details the company's future development plans.

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
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10. Environmental and Sustainability Reporting

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

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

i. Sustainability strategy and profile –

Increase in coverage

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

Increase in revenue

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

The company did pipeline extensions within the financial year which in turn increased the number of water connections from 11,753 to 12,476 and sewer connections from 1,053 to 1,088

Operational efficiency/institutional strengthening

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

i. Environmental performance

The company sponsors and participate in tree planting activities in order to protect our water sources and also for environmental conservation eg the World Forest Day on 21st March 2024.

ii. Employee welfare

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

iii. Responsible supply chain and supplier relations

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

iv. Product stewardship

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

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
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v. Corporate Social Responsibility / Community Engagements

One of the ward in the company service area i.e Ndeiya ward has been classified as a semi-arid area. Through the office of the member of county assembly Ndeiya ward, Kiambu county, an initiative was started for kitty support appeal where they seek support of foodstuff, clothing and funds for the families. Every Christmas the company comes together with the community to share the goodies of Christmas with less privileged families in three main groups Mashinani, Thigio, Rwamburi. The initiative has seen more than 150 families share a meal during the festive season.

On 12th December 2023 our company contributed 5 cartons of soap and 5 bales of maize flour as shown in the following photo where our staff donated the items.

Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the year ended June 30, 2024



The company also operates in Ngecha Ward which is in Limuru sub county. Ngecha Community first aid/rescue team which is a community-based organization invited the company for support the needy and launching of the mercy basket ceremony. The groups' mission is empowerment on mental health, counselling, impact on gender violence, trauma management, offering loss and grief therapy to bereaved families, advocate for alcohol addiction recovery among many goals to maintain a holistic and healthy community.

Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the year ended June 30, 2024

The event was held on 15th December 2023 at Ngecha PCEA Cathedral and the company contributed on; maize flour, adult diapers, sanitary towels and rice.

Below are our staff and Ngecha community team when the items were being donated.



**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the company's affairs.

i) Principal activities

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

ii) Results

The results of the company for the year ended June 30, 2024 are set out on page 1.

iii) Dividends

Directors do not recommend payment of dividend for the year ended 30th June 2024.

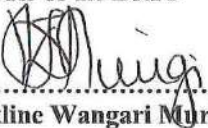
iv) Directors

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

v) Auditors

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

By Order of the Board


..... Date 19th September 2024

Jackline Wangari Murigi

Company Secretary/Secretary to the Board

Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the year ended June 30, 2024

12. Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

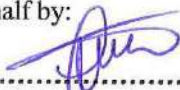
The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2024, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

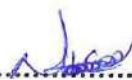
In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern.

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

Approval of the financial statements

The company financial statements were approved by the Board on 19th September 2024 and signed on its behalf by:


.....
Peter Mbugua Kimani
Chairperson of the Board


.....
Nicholas Kamuria Wainaina
Ag. Managing Director

REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON LIMURU WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

Report of the Auditor-General on Limuru Water and Sewerage Company Limited for the year ended 30 June, 2024

position as at 30 June, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Limuru Water and Sewerage Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Trade and Other Payables

The statement of financial position and Note 23 to the financial statements reflects a balance of Kshs.145,210,230 in respect of trade and other payables. The balance includes long outstanding payables amounting to Kshs.113,159,321 which have been outstanding over the years as shown in table below;

Name	Amount (Kshs.)
KPLC	44,803,467
Water Services Regulatory Board (WASREB)	28,298,728
Athi Water Services Board	29,215,454
Water Resource Authority	3,392,982
Office of the Auditor-General	2,320,000
Safaricom Limited	68,352
Bromak General Merchants	421,650
Federation of Kenya Employers	132,850
Laser Insurance Brokers	837,335
Peter K. Supeyo Hydrologist	160,000
Thika Water and Sewerage Company	2,663,670
WASCO	213,833
WASPA	631,000
Total	113,159,321

Further, it was noted that the respective balances keep increasing yearly due to levies and charges. No explanation was provided for failure to settle the long outstanding bills and regulatory fees.

In the circumstances, failure to settle the long outstanding payables may lead to litigations against the Company resulting to payment of interests and penalties and service delivery to the public may be negatively impacted.

2. Failure to Disclose Water Inventory

The statement of financial position and Note 15 to the financial statements reflects inventory balance of Kshs.773,270. However, Management did not disclose the opening and closing water stocks held in the reservoirs, water treatment plant and in the water system in the financial statements. Further, there was no documentary evidence showing that the Management measured the water volume in the water treatment plant, reservoirs and distribution system.

In the circumstances, the accuracy of inventory balance of Kshs.773,270, could not be confirmed.

3. Long Outstanding Trade and Other Receivables

The statement of financial position and Note 16 to the financial statements reflects trade and other receivables balance of Kshs.30,079,629 net of specific and 5% general provisions for bad and doubtful receivables amounts of Kshs.38,296,299 and Kshs.1,385,207 respectively. Review of the accounts receivable listing revealed receivables outstanding for a period of more than 120 days of Kshs.49,234,692. No explanation was provided as to why the debts had not been recovered and material difference with closing balance of Kshs.30,079,629 was not explained.

In the circumstances, the full recoverability of trade and other receivables balance of Kshs.30,079,629 could not be confirmed.

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

Emphasis of Matter

1. Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income for the financial year 2023/2024 and 2022/2023 reflects a loss of Kshs.16,255,724 and Kshs.32,818,812 respectively. This decreased the revenue reserves from a negative balance of Kshs.111,430,525 as at 30 June, 2023 to a negative balance of Kshs.127,685,025. Further, the Company's current liabilities balance of Kshs.161,977,230 exceeded its current assets balance of Kshs.35,880,419 resulting in a negative working capital amounting to Kshs.126,096,811

Report of the Auditor-General on Limuru Water and Sewerage Company Limited for the year ended 30 June, 2024

This material uncertainty casts significant doubt on the Company's ability to continue as a going concern. The above matters indicate that the Company is technically insolvent and may not be able to meet its current obligations as and when they fall due. My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion/Material Uncertainty Related to Going Concern section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Prior Year Unresolved Issues

In the audit report of the previous year, several matters were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. Appendix I on progress on follow up of prior year Auditor's recommendations indicate that some of the issues have been resolved. However, Management has not provided evidence on how the resolution was arrived at. Therefore, the matters remain unresolved.

Other Information

The Management is responsible for the other information set out on page iii to xxvii which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Limuru Water and Sewerage Company Limited financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Excessive Non-Revenue Water

During the year under review, the Company produced a total of 1,938,762 cubic meters (M³) of water at a cost of Kshs.115 per M³ totalling Kshs.222,957,630 out of which only 1,306,835 M³ equivalent to Kshs.150,286,025 was billed to customers. The balance of 631,927 M³ (equivalent to Kshs.72,671,605) represents unaccounted for water being 32.59% of the total volume of water produced which is 8% points above the allowable loss of 25% set by the Water Services Regulatory Board (WASREB) Guidelines. The unaccounted-for water may have resulted into loss of sales estimated at Kshs.72,671,605 worth of water.

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

2. Unsustainable Wage Bill

The statement of profit or loss and other comprehensive income reflects total revenue of Kshs.192,939,386. The statement further reflects staff costs amounting to Kshs.76,389,986 as disclosed in Note 9 to the financial statements which was 40% of the total revenue of the Water Company. This was contrary to Regulation 26(1)(a) Public Finance Management (County Governments) Regulations, 2015 which provides that National Government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35% of the National Government's equitable share of the revenue raised nationally plus other revenues generated by the National Government.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Company's, ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless Management is aware of the intention to 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 comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 December, 2024

**Limuru Water and Sewerage Company Ltd. Annual Report and Financial Statements for the
year ended June 30, 2024**

14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024.


Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Revenue			
Operating Revenue	6	177,388,177	139,371,169
Grants Income	7	7,000,000	100,548
Other Income	8	8,551,209	5,044,358
Total Revenue		192,939,386	144,516,075
Expenses			
Staff Costs	9	76,389,986	72,108,525
General and Operations Expenses	10	110,108,018	83,128,201
Board Expenses	11	4,525,484	3,889,400
Maintenance Expenses	12	13,155,564	13,971,867
Depreciation and Amortization Expenses	13	5,016,058	4,236,894
Total Expenses		209,195,110	177,334,887
Profit/(Loss) Before Taxation		(16,255,724)	(32,818,812)


**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

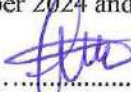
15. Statement of Financial Position as at 30 June 2024

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	14	37,358,644	31,277,451
Total Non-Current Assets		37,358,644	31,277,451
Current Assets			
Inventories	15	773,270	531,092
Trade and Receivable	16	30,079,629	29,400,942
Bank and Cash Balances	17	5,027,520	2,359,725
Total Current Assets		35,880,419	32,291,759
TOTAL ASSETS		73,239,063	63,569,209
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary Share Capital	18	40	40
Capital Reserve		38,948,043	38,948,043
Revenue Reserve		(127,686,249)	(111,430,525)
Total Capital and Reserves		(88,738,166)	(72,482,442)
Non-Current Liabilities			
Total Non-Current Liabilities		-	-
Current Liabilities			
Trade and Other Payables	23	145,210,230	121,348,151
Customer Deposits	24	16,767,000	14,703,500
Total Current Liabilities		161,977,230	136,051,651
TOTAL EQUITY AND LIABILITIES		73,239,063	63,569,209

The financial statements were approved by the Board on 19th September 2024 and signed on its behalf by:

Sign 
Nicholas Kamuria Wainaina
Ag. Managing Director

Sign 
Wilson Maina Mwangi
Accountant
ICPAK M/No. 18459

Sign 
Peter Mbugua Kimani
Chairman of the Board

16. Statement of Changes in Equity for the Year Ended 30 June 2024

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 TH JUNE 2023				
	Share Capital (Kshs)	Revenue Reserves (Kshs.)	Capital Reserves (Kshs.)	Total (Kshs.)
Balance as at 1 st July 2021	40	(105,042,522)	38,948,043	(66,094,439)
Surplus for the year 2021-2022		26,430,809		26,430,809
Balance as at 30 th June 2022	40	(78,611,713)	38,948,043	(39,663,630)
Balance as at 1 st July 2022	40	(78,611,713)	38,948,043	(39,663,630)
Deficit for the year 2022-2023		(32,818,812)		32,818,812
Balance as at 30 th June 2023	40	(111,430,525)	38,948,043	(72,482,442)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 TH JUNE 2024				
	Share Capital (Kshs)	Revenue Reserves (Kshs.)	Capital Reserves (Kshs.)	Total (Kshs.)
Balance as at 1 st July 2022	40	(78,611,713)	38,948,043	(39,663,630)
Deficit for the year 2022-2023		(32,818,812)		(32,818,812)
Balance as at 30 th June 2023	40	(111,430,525)	38,948,043	(72,482,442)
Balance as at 1 st July 2023	40	(111,430,525)	38,948,043	(72,482,442)
Deficit for the year 2023-2024		(16,255,724)		(16,255,724)
Balance as at 30 th June 2024	40	(127,686,249)	38,948,043	(88,738,166)

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

17. Statement of Cash Flows for the Year Ended 30 June 2024

	Notes	2023-2024 (Kshs.)	2022-2023 (Kshs.)
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		183,470,693	140,214,596
Grants Income		5,000,000	-
VAT Refund		2,675,856	-
Customer Deposits		2,062,500	1,635,500
Total Receipts		193,209,049	141,850,096
Payments			
Staff expenses		68,948,997	59,782,936
General and Operation Expenses		102,804,691	63,217,628
Board Expenses		4,289,654	3,815,600
Maintenance Expenses		8,630,549	12,043,868
Total Payments		184,673,891	138,860,032
Net Cash From/ (Used In) Operating Activities	25	8,535,158	2,990,064
Cash Flows from Investing Activities		-	
Purchase of Property, Plant And Equipment (PPE)		(5,867,359)	(3,773,670)
Net Cash From/ (Used In) Investing Activities		(5,867,359)	(3,773,670)
Cash Flows from Financing Activities			
Net Cash From/(Used In) Financing Activities		-	-
Increase/(Decrease) in Cash and Cash Equivalents		2,667,799	(783,606)
Cash And Cash Equivalents at Beginning of Year	25	2,359,724	3,143,330
Cash And Cash Equivalents at End of the Year	25	5,027,520	2,359,724

Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the year ended June 30, 2024

18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	% of utilization
	2023-2024	Kshs	2023-2024	Kshs	2023-2024	Kshs	2023-2024	Kshs		
Revenue										
Operating Revenue	183,682,406		(3,967,198)		179,715,208		177,388,177		2,327,031	99%
Grants	16,788,124		(9,788,124)		7,000,000		7,000,000		0	100%
Other Income	9,175,829		210,142		9,385,971		7,074,965		2,311,006	75%
Total Revenue	209,646,359		(13,545,180)		196,101,179		191,463,142		4,638,038	98%
Expenses										
Staff Costs	76,812,799		140,508		76,953,307		76,389,986		563,321	99%
Board Expenses	4,506,665		89,300		4,595,965		4,525,484		70,481	98%
General & Operations Expenses	104,890,132		6,636,015		111,526,147		110,108,018		1,418,129	99%
Maintenance	14,508,719		(899,269)		13,609,450		13,155,564		453,886	97%
Total Recurrent Expenditure	200,718,315		5,966,554		206,684,869		204,179,052		2,505,817	99%
Capital Expenditure	32,928,044		(20,562,981)		12,365,063		12,365,063		1,267,812	90%
Total Expenditure	233,646,359		(14,596,427)		219,049,932		215,276,303		3,773,629	96%
Surplus/ Deficit	(24,000,000)		1,051,247		(22,948,753)		(23,813,161)			81%
Financing of deficit (collection of arrears)	24,000,000		(1,051,247)		22,948,753					
EXPLANATION ON THE DIFFERENCE STATEMENT OF FINANCIAL PERFORMANCE										
Reconciliation between statement of financial performance and budget										
Operating Loss in the Statement of Budget Comparison	(23,813,161)									
statement of Financial Performance										
Less Depreciation	(5,016,058)									
Add Decrease in Provision	1,476,244									
Add Capital Expenditure	11,097,251									
Operating Loss as per statement of Financial Performance	(16,255,724)									

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

19. Notes To the Financial Statements

1. General Information

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

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

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the year ended June 30, 2024

Notes To the Financial Statements (Continued)

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

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.

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

(The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

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

iii. Early adoption of standards

Limuru Water and Sewerage Company did not early – adopt any new or amended standards in year under review.

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

Notes To the Financial Statements (Continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

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

b) In-kind contributions

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

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.

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

Notes To the Financial Statements (Continued)
Summary of Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is 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:

Item	Years	Rates
Buildings and civil works	40	2.5%
Water Meters	5	20%
Plant, Motors and machinery	4	25%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.3%
Office equipment, furniture and fittings	8	12.5%

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are 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 and the asset is written down to its estimated recoverable amount.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

Notes To the Financial Statements (Continued)
Summary of Accounting Policies

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

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. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at amortized cost or at fair value through profit or loss or at fair value through other comprehensive income (FVOCI).

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 that are not quoted in the Securities Exchange. These are measured at fair value through profit or loss (FVTPL).

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

Notes To the Financial Statements (Continued)
Summary of Accounting Policies

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.

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss.

To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) 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 various Commercial Banks at the end of the reporting period.

r) 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.

s) 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.

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

Notes To the Financial Statements (Continued)

Summary of Accounting Policies

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees. The scheme is administered by the following defined pensions schemes: Local Authorities Pension Trust (LAPTRUST), County Pension Fund (CPF), National Water Pension Scheme and Ministry of Water Pension Scheme and is funded by contributions from both the company and its employees.

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. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 6% of pensionable wages.

u) Provision for staff leave pay

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

v) 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.

w) Budget information

The original budget for FY 2023-2024 was approved by the Board of Directors on 16th February 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under note 11 of these financial statements.

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

Notes To the Financial Statements (Continued)

Summary of Accounting Policies

x) Service concession arrangements

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

y) Comparative figures

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

z) 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, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

Notes To the Financial Statements (Continued)

6. Operating Revenue

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
Water sales	149,163,773	116,930,193
Sewerage Services	28,224,404	2,440,976
Total	177,388,177	139,371,169

7. Grants Income

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
County Government of Kiambu	7,000,000	
Water Sector Trust Fund	-	100,548
Total	7,000,000	100,548

8. Other Income

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
Decrease in Provision for bad debts	1,476,244	
Water application fees	2,003,000	2,116,000
Sewer application fees	647,500	228,500
Water reconnection charges	1,160,500	1,483,501
Reconnection request charges	1,200	5,300
Disconnection request charges	2,200	5,400
Fines and penalties	356,000	795,000
VAT Refund	2,675,856	
Exhauster charges	0	80,000
Other Miscellaneous income	228,709	330,657
Total	8,551,209	5,044,358

9. Staff Costs

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
Staff Salaries and Allowances	65,285,437	57,657,760
Employer's Contributions to NSSF	1,547,280	590,840
Employer's Contributions to Pension Scheme	5,319,450	5,191,941
National Housing Levy	807,455	-
Medical Expenses	1,313,806	6,344,545
Casual Wages	731,700	909,990
Staff Welfare	1,384,858	1,413,449
Total	76,389,986	72,108,525

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

Notes To the Financial Statements (Continued)

10. General and Operations Expenses

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
Chemicals	3,136,399	1,866,671
Chemicals - WSTF	0	100,548
Electricity - Operational	53,282,706	33,748,240
Transport Expenses - Fuel and Lubricants.	7,000,424	7,253,369
General Office Running Expenses	2,578,782	1,830,956
Staff Protective Gear & Uniform	920,333	76,030
Telephone Expenses.	1,019,596	915,773
Postage and Postal Charges.	797	13,984
Insurance	728,538	772,975
Rent - Office	120,000	120,000
Traveling and Accommodation.	8,902,080	8,478,170
Training, Conference & Workshops	6,414,980	5,375,683
Staff Performance & Benchmarking	833,953	1,966,066
Bank Charges	654,366	727,058
Security Services	3,778,486	3,465,991
Publication & Book	47,240	41,580
Fees and Other Charges	941,557	106,751
Environmental Conservation.	196,750	184,000
Advertising Expenses.	183,280	739,450
Electricity - Office.	401,616	332,215
Printing & Stationeries	1,202,169	1,088,813
Billing & Other Support Service.	504,360	356,935
Abstraction (WRA) Fees.	2,500,000	3,008,834
Internet Services	518,511	533,695
Audit Fees	232,000	232,000
Membership to Professional Association	239,400	290,083
Provision for Bad Debts	0	1,708,334
Stakeholders Meetings	450,000	661,450
Wasreb Levy	7,254,892	5,777,459
Water Quality Testing	208,950	313,900
Corporate Social Responsibility	38,350	62,050
WASCO Games	2,274,469	431,388
Customer Engagement	123,280	16,790
Annual General Meeting	0	245,750
License Fee	134,089	100,000
Pro-poor	37,000	25,210
Planning & Design	415,000	160,000
NRW Management	194,725	-
County Grant Expense	2,638,940	
Total	110,108,018	83,128,201

**Limuru Water and Sewerage Company Ltd Annual Report and Financial Statements for the
year ended June 30, 2024**

Notes To the Financial Statements (Continued)

11. Board Expenses

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
Board Sitting allowances	4,525,484	3,889,400
Total	4,525,484	3,889,400

12. Maintenance Expenses

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
Maintenance of Plant and Equipment	1,426,550	1,165,431
Maintenance of Water Supply	8,210,796	10,472,972
Maintenance of Sewerage Works	1,451,100	916,600
Maintenance of Buildings and Stations	162,740	39,500
Maintenance of Office Equipment	312,555	91,408
Maintenance of Motor Vehicle	1,591,823	1,285,956
Total	13,155,564	13,971,867

13. Depreciation and Amortization Expenses

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
Property, Plant, and Equipment	5,016,058	4,236,894
Total Depreciation	5,016,058	4,236,894

Limuru Water and Sewerage Company Ltd Annual Reports and Financial Statements For the year ended June 30, 2024

Notes to the financial statements (continued)

14. Property, Plant and Equipment

14.(a) Property, Plant and Equipment Schedule for the Year Ended 30th June 2023

2022-2023 COST OR VALUATION	Motor Cycle & Vehicle	Land	Meters	Computer	Tanks & Buildings	Pumps & Motors	Pipelines (Water)	Equipment & Furniture	Work in Progress	TOTALS
As at 1st July 2022	3,666,946	1,308,500	11,349,050	3,502,430	11,876,399	12,816,705	10,564,128	1,713,250	1,521,583	58,318,991
Additions	-	-	3,756,000	91,640	-	1,517,430	-	-	492,750	5,857,820
Transfers	-	-	-	(36,656)	2,014,333	-	-	-	(2,014,333)	(36,656)
As at 30th June 2023	3,666,946	1,308,500	15,105,050	3,557,414	13,890,732	14,334,135	10,564,128	1,713,250	-	64,140,155
DEPRECIATION										
As at 1st July 2022	2,664,243	-	8,587,014	2,489,127	2,647,543	9,771,958	1,283,529	1,182,396	-	28,625,810
Charge for the Year	286,486	-	1,424,906	638,308	296,910	1,234,557	264,104	91,623	-	4,236,894
As at 30th June 2023	2,950,729	-	10,011,920	3,127,435	2,944,453	11,006,515	1,547,633	1,274,019	-	32,862,704
NET BOOK VALUE										
As at 30th June 2023	716,217	1,308,500	5,093,130	429,979	10,946,279	3,327,620	9,016,495	439,231	-	31,277,451
As at 30th June 2022	1,002,703	1,308,500	2,762,036	1,013,303	9,228,856	3,044,747	9,280,599	530,854	1,521,583	29,693,181

14.(b) Property, Plant and Equipment Schedule for the Year Ended 30th June 2024

2022-2023 COST OR VALUATION	Motor Cycle & Vehicle	Land	Meters	Computer	Tanks & Buildings	Pumps & Motors	Pipelines (Water)	Equipment & Furniture	Work in Progress	TOTALS
As at 1st July 2023	3,666,946	1,308,500	15,105,050	3,557,414	13,890,732	14,334,135	10,564,128	1,713,250	64,140,155	64,140,155
Additions	-	-	5,123,598	939,050	-	1,824,658	3,142,665	67,280	-	11,097,251
Transfers	-	-	-	-	-	-	-	-	-	-
As at 30th June 2024	3,666,946	1,308,500	20,228,648	4,496,464	13,890,732	16,158,793	13,706,793	1,780,530	-	75,237,406
DEPRECIATION										
As at 1st July 2023	2,950,729	-	10,011,920	3,127,435	2,944,453	11,006,515	1,547,633	1,274,019	-	32,862,704
Charge for the Year	286,486	-	2,066,531	512,982	347,268	1,394,225	309,935	98,631	-	5,016,058
As at 30th June 2024	3,237,215	-	12,078,451	3,640,417	3,291,721	12,400,740	1,857,568	1,372,650	-	37,878,762
NET BOOK VALUE										
As at 30th June 2024	429,731	1,308,500	8,150,197	856,047	10,599,011	3,758,053	11,849,225	407,880	-	37,358,644
As at 30th June 2023	716,217	1,308,500	5,093,130	429,979	10,946,279	3,327,620	9,016,495	439,231	-	31,277,451

Limuru Water and Sewerage Company Ltd Annual Reports and Financial Statements For the year ended June 30 2024

Notes to the financial statements (continued)

15. Inventories

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
PVC Pipes	79,004	44,200
HDPE End Cap	26,282	14,992
HDPE Coupler	166,069	5,390
PVC Endcaps	975	12,555
HDPE Female Adapter	12,320	
HDPE Male Adapter	5,740	
Alum	250,560	49,600
Soda Ash	132,000	15,660
Water Meters	68,324	255,000
PPR Pipes	0	19,350
PVC Valves Sockets	18,497	
Solvent Cent	13,500	24,420
Gate Valves	0	53,760
Valve Socket	0	36,165
Total	773,270	531,092

16. Trade and Other Receivables

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
Trade Receivables (note 16.a)	66,000,420	67,496,782
Deposits and Prepayments	3,760,715	3,061,909
Gross trade and other receivables	69,761,135	70,558,691
Specific Provision for bad and doubtful receivable	(38,296,299)	(39,771,484)
5% General Provision for bad and doubtful receivable	(1,385,207)	(1,386,265)
Net trade and other receivables	30,079,629	29,400,942

16.(a) Debtors Aging Analysis

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
Less than 30days	12,012,897	13,034,618
Between 30 and 60 days	1,913,405	2,215,714
Between 61 and 90 days	1,056,168	1,152,527
Between 91 and 120 days	1,783,260	2,398,570
Over 120 days	49,234,692	48,695,352
TOTAL	66,000,421	67,496,781

**Limuru Water and Sewerage Company Ltd Annual Reports and Financial Statements For the
year ended June 30 2024**

Notes to the financial statements (continued)

17. Bank and Cash Balances

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
Cash at bank (17a,b,c,e)	4,598,163	2,257,179
Cash in hand (17d)	1,900	80
Safaricom Mpesa (17f)	427,457	102,466
Total	5,027,520	2,359,725

Detailed analysis of the cash and cash equivalents

Financial Institution	Account Number	2023-2024 (Kshs.)	2022-2023 (Kshs.)
17(a) Current account			
KCB-Expenditure Cash Book	1107657938	8,486	74,069
Sub- total		8,486	74,069
17(b) Revenue Accounts			
KCB - Revenue Cash Book	1101961449	54,108	85,895
Post Bank - Revenue Cash Book		116,093	85,115
Sub- total		170,201	171,010
17(c) Customer Deposit			
KCB - Customers Deposit Cash Book	1101961597	4,419,436	2,012,060
Sub- total		4,419,436	2,012,060
17(d) Cash in Hand			
Cash in hand - Petty Cash Book		1,900	80
Sub- total		1,900	80
17(e) Grant			
Family Bank - Grant Cash Book	744130000191	40	40
Sub- total		40	40
17(f) Mobile Money Account			
Safaricom M-Pesa - Revenue Account	Paybill 895900	427,457	102,466
Sub- total		427,457	102,466
Grand total		5,027,520	2,359,725

Limuru Water and Sewerage Company Ltd Annual Reports and Financial Statements For the year ended June 30 2024

Notes to the financial statements (continued)

Financial Institution	Account	2023-2024 (Kshs.)	2022-2023 (Kshs.)
17(a) Current account			
KCB-Expenditure Cash Book	1107657938	8,486	74,069
Sub- total		8,486	74,069
17(b) Revenue Accounts			
KCB - Revenue Cash Book	1101961449	54,108	85,895
Post Bank - Revenue Cash Book		116,093	85,115
Sub- total		170,201	171,010
17(c) Customer Deposit			
KCB - Customers Deposit Cash Book	1101961597	4,419,436	2,012,060
Sub- total		4,419,436	2,012,060
17(d) Cash in Hand			
Cash in hand - Petty Cash Book		1,900	80
Sub- total		1,900	80
17(e) Grant			
Family Bank - Grant Cash Book	0744130000191	40	40
Sub- total		40	40
17(f) Mobile Money Account			
Safaricom M-Pesa - Revenue Account	Paybill 895900	427,457	102,466
Sub- total		427,457	102,466
Grand total		5,027,520	2,359,725

18. Ordinary Share Capital

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
Authorized:		
5,000 Ordinary shares of Kshs 20.00 par value each	100,000	100,000
Issued and fully paid:		
2 Ordinary shares of Kshs 20.00 par value each	40	40

19. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

20. Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

Limuru Water and Sewerage Company Ltd Annual Reports and Financial Statements For the year ended June 30 2024

Notes to the financial statements (continued)

21. Retained Earnings

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

22. Retirement Benefit Obligations

The Company operates a defined contribution scheme for all full-time employees. The scheme is administered by the following defined pensions schemes: Local Authorities Pension Trust (LAPTRUST), County Pension Fund (CPF), National Water Pension Scheme and Ministry of Water Pension Scheme and is funded by contributions from both the company and its employees.

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.

23. Trade and Other Payables

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
Amnel Holdings Limited		261,470
Arclight	87,000	
Athi Water & Services Board	29,215,454	29,215,454
Bromak General Merchants	421,650	421,650
Cravers Grill Ltd	59,530	
Diamond Chemicals Ltd	134,276	156,600
Deermaster Limited	103,650	
Doshi & Co Hardware	1,498,965	
Eleventus	58,000	
Eslon Plastics Limited	156,815	
Ecomodern Universal Services	123,000	655,000
Fast Choice Ltd	17,500	
Federation of Kenya Employers	132,850	132,850
Good Car Autospares	100,760	203,130
Haddie Supplies Ltd	13,199	239,890
Hachfeld	245,057	
Intersect Hardware Services		19,950
Jets Hardware and Paints		23,150
Jessylyne Enterprise Ltd	404,600	
Jamakoffice Supplier	298,000	
Kiboko Highway Hotel		25,100
Kinetics Engineering Ltd		382,800
Kibo Africa Ltd	129,890	164,066

**Limuru Water and Sewerage Company Ltd Annual Reports and Financial Statements For the
year ended June 30 2024**

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
KPLC	44,803,467	37,913,081
Kijabe Station Management	936	5,905
Kel Chemicals		550,884
Laser Insurance Brokers	837,335	837,335
Lianli Investment Company Limited	1,905,268	1,012,000
Limco Enterprises		40,000
Losagi Insurance Brokers	837,582	78,711
Lance Nixon Enterprise		334,800
Losai Management	1,107,776	1,107,776
Micson	775,000	490,000
Makra Kenya Enterprises		157,800
Master Piece Limited	1,670,449	510,243
Nairobi Iron Mongers Ltd	736,171	
Natsal Enterprises Limited	114,370	114,370
Office of the Auditor General	2,320,000	2,088,000
Pan Africa Chemical Ltd	441,720	99,199
Peter K. Supeyo Hydrologist	160,000	160,000
Pamuli Printers		28,050
Prettie Enterprise	18,000	36,000
Primax Services	149,700	
Rentokil Initial	4,706	
Safaricom Limited	68,352	68,352
Solidarity Auto General Supplies Limited	48,100	
Salkima Epheta Technologies	109,500	
Stara Supply Enterprise		843,470
Smart People Africa		250,000
Spalim Company Limited	380,300	324,176
The East African Business Times		538,000
Techlink Hydrosystem	170,000	560,000
Thika Water & Sewerage Co. Ltd	2,663,670	2,663,670
Wanjao & Wanjau Advocates	225,500	471,250
WASCO	213,833	203,833
WASPA	631,000	446,000
WASREB	28,298,728	21,043,836
Water Resource Authority	3,392,982	1,623,582
Wea International Incorporated		144,000
Wilo East Africa	1,394,658	
WIWAS		40,000
Board Allowances Payable	124,100	73,800
Commissioner of Domestic Taxes	9,428	
Salaries and Allowances	18,397,403	14,588,918
TOTAL	145,210,232	121,348,153

**Limuru Water and Sewerage Company Ltd Annual Reports and Financial Statements For the
year ended June 30 2024**

Notes to the financial statements (continued)

24. Customers Deposits

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
Opening Balance	14,703,500	13,068,000
Add: deposits received during the year	2,063,500	1,635,500
Closing balance	16,767,000	14,703,500

25. Notes to The Statement of Cash Flows

Description	2023-2024 (Kshs.)	2022-2023 (Kshs.)
(a) Reconciliation of operating profit/(Loss) to cash generated from/ (used in) operations		
Operating Profit/(loss)	(16,255,724)	(32,818,812)
Depreciation	5,016,058	4,236,894
Operating profit/ (loss) before working capital changes	(11,238,442)	(28,581,918)
Working Capital Changes		
(Increase) Decrease in Trade and Other Receivables	(678,681)	(3,463,173)
(Increase) Decrease in Inventories	(242,179)	1,276,567
Increase (Decrease) in Trade and Other Payables	23,862,078	34,271,128
Increase (Decrease) in Customer Deposits	2,063,500	1,635,500
Deferred Income	0	(100,548)
Cash Generated from/ (used in) Operations	13,765,052	5,037,556
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(11,097,251)	(5,857,820)
Net Cash Flow from Investing Activities	(11,097,251)	(5,857,820)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds		36,656
Net Cash Flow from Financing Activities		36,656
Increase/ (decrease) in cash & cash Equivalent	2,669,019	(783,608)
Cash & Cash Equivalent at the beginning of Year	2,359,722	3,143,330
Cash & Cash Equivalent at the End of Year	5,027,520	2,359,722

**Limuru Water and Sewerage Company Ltd Annual Reports and Financial Statements For the
year ended June 30 2024**

Notes to the financial statements (continued)

Other Disclosures

26. Related Party Disclosures

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

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 Authority (WRA)
- (iv) Athi Water Works Development Agency (AWWDA)
- (v) Key Management
- (vi) Board of Directors
- (vii) Ruiru Water & Sewerage Company Ltd
- (viii) Gatundu Water & Sanitation Company Ltd
- (ix) Karuri Water & Sewerage Company Ltd
- (x) Kikuyu Water & Sewerage Company Ltd
- (xi) Githunguri Water & Sewerage Company Ltd.
- (xii) Kiambu Water & Sewerage Company Ltd
- (xiii) Thika Water & Sewerage Company Ltd.
- (xiv) Water Sector Trust Fund (WSTF)

a. County Government of Kiambu

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

b. Athi Water Works Development Agency

During the financial year the company owed Kshs 29,215,453 as license fee.

c. Water Services Regulatory Board

During the financial year the company owed Kshs 28,298,728 as levy.

d. Water Resource Management Authority

During the financial year the company owed Kshs 3,392,982 as abstraction fee.

e. Thika Water and Sewerage Company Ltd

During the financial year the company owed Kshs 2,663.670 as billing fee.

f. Key Management Staff

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

**Limuru Water and Sewerage Company Ltd Annual Reports and Financial Statements For the
year ended June 30 2024**

Notes to the financial statements (continued)

27. Contingent Assets and Liabilities

During the financial year we did not have any contingent asset or contingent liability.

28. Financial Risk Management

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

(i) Credit risk

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

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

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

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

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

**Limuru Water and Sewerage Company Ltd Annual Reports and Financial Statements For the
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Notes to the financial statements (continued)

(iii) Market risk

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

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

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

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

a) Interest rate risk

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

i) Management of interest rate risk

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

ii) Sensitivity analysis

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

**Limuru Water and Sewerage Company Ltd Annual Reports and Financial Statements For the
year ended June 30 2024**

Notes to the financial statements (continued)

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

Financial instruments not measured at fair value

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

iv) Capital Risk Management

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

29. Incorporation

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

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20. Appendices

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

Reference No. on the external Audit Report	Issue/Observations from Auditor	Management Comments	Status: Resolved /Not Resolved	Timeframe:
1	Material uncertainty in Relation to Going Concern	The Company has been operating on a tariff that was last reviewed in the year 2013 against high inflation over the years. With the implementation of new tariff in year 2023, revenue has been growing.	On going	2025-26 FY since the Company has commenced the process of tariff review.
2	Unexplained variance in customer deposits	The Company got authority from the Board to withdraw Ksh 6,000,000 as per board minutes LWSC/326/28/2012 at that time the County Treasury had not been established since it was before County government devolution took place. The Company has not been able to repay the amount borrowed but we have placed a standing order of Kshs 250,000 on the 15th of every month.	Resolved.	Done
3	Long outstanding Trade and other Receivables.	The increase in receivables in question relates to debts from Karuri Water and sanitation Company, County Government institutions and National government institutions which have remained unpaid during the financial year under review	Ongoing	2025-26 FY since the Company has put strategies to collect the outstanding debts.
Emphasis of Matter				
1	Long outstanding Trade and other payables	The Company implemented a new tariff as from March 2023 after which we will be in a position to improve on revenues hence the ability to pay the obligations as and when they fall due.	Ongoing	2025-26 FY since the Company has commenced the process of tariff review.
2	Budgetary Control and Performance –	The company implemented the zonal collection target which improved the collection of revenue and	Ongoing	

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	Under collection of revenue	hence reduced the debts from Kes. 67,496,782 to Kes. 66,000,420		
	Other Matters			
	Prior year unresolved issues			
	Report on Lawfulness & Effectiveness in use of Public Resources			
1	Excessive Non-Revenue Water	Company has put in place improved measures towards reduction of non-revenue water. These measures are not limited to improved metering, rehabilitation of dilapidated networks, use of improved equipment for leak detectors and pressure management, Use of DMA concepts amongst others.	Ongoing	2027-28 FY as per strategic plan targets to be at recommended levels by regulator WASREB.
2	Non-Compliance with Minimum Requirement on Employee Ethnic and Gender Balance	The company operates in rural set up where population is dominantly local community. In the year there have been ongoing recruitments where positions of technical manager and zonal officer were filled from different ethnic community.	Ongoing	We are continuously advertising national to offer opportunities to other ethnic community.
3	Unsustainable Wage bill	Staff costs increased due to increased costs in extensions in areas of coverage and sewer treatment plant that was ongoing. These were areas intended to grow revenue and since then, revenue has been increasing hence the efforts to bring the wage bill to the acceptable range.	Ongoing	2025-26 FY since the Company has commenced the process of tariff review which will improve on the revenues.

Name Nicholas K. Wainaina
Ag. Managing Director

Signature.....
Date..... 23/12/2024.....

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**Appendix II: Projects Implemented by the Company
Projects
Projects implemented by the Company Funded by development partners.**

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

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget Actual	Sources of funds
Construction Of Limuru Water and Sewerage Project	KSHS. 576,508,513.11	N/A	92%	KSHS. 576,508,513.11	-African Development Bank -GOK

