

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**LIMURU WATER AND SEWERAGE
COMPANY LIMITED**

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



LIMURU WATER AND SEWERAGE COMPANY LTD

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

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

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

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KEY ENTITY INFORMATION

Background information

Limuru Water and Sewerage Company Limited was incorporated on 13th March 2006 under the Companies Act (Cap. 486) and is one of the agents appointed by the Athi Water Services Board (AWSB). The Company is responsible for the efficient and economical provision of water and sewerage services. The Company is registered as a Private Company Limited by Shares. The Company is wholly owned by County Government of Kiambu and is Governed by a memorandum and articles of Association.

Vision

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

Mission

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

Principal Activities

The principal activity of Limuru Water and Sewerage Company is to ensure efficient and effective provision of water and sewerage services in our area of jurisdiction. The mandate and objective of Limuru Water and Sewerage Company is enshrined in the memorandum and articles of association. The principal objective of the company is to carry out the business of water and sewerage services provision within the area under its Jurisdiction as provided for in the Service Provision Agreement with Athi Water Services Board.

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

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

Corporate Contacts

Telephone: (254) 725054212

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

Website: www.limuruwater.go.ke

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KEY ENTITY INFORMATION

Corporate Bankers

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

Post Bank- Kiambu branch
Head Office
P.O. Box 30311-0100
Nairobi, Kenya

Safaricom M-Pesa money transfer service
Pay Bill No. 895900

Independent Auditors

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

Principal Legal Advisers

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

Registered Officer






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

Corporate Headquarters







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

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL
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THE BOARD OF DIRECTORS





	<p>1. Name: Prof. Eng. Bernard Njoroge 2. Position: Chairman 3. DoA : 2018 4. Date of Birth 1956 5. Qualification: Ph.D Duke University (U.S.A); M.Sc. New Castle Upon Tyne (U.K); B.Sc.(U.O.N.), Civil Engineering Eng.; M.I.E.K. 6.Work Experience: DVC Finance University of Nairobi, U.O.N Professor Faculty of Engineering from year 2002</p>
	<p>1.Name: Josphine W. Muritu 2.Position: Company Secretary 3: DoA: 2018 4. Date of Birth 10/01/1974 5.Qualification: LLB (UoN) 6.Work Experience: Worked with Kiambu County Government Senior Legal Counsel, Assistant Director (Quality Assurance, compliance and Accreditation), Assistant Commission Secretary (Legal Affairs), Assistant Counsel Mwaniki & Company Advocates, Counsel Musyimi & Company Advocates</p>
	<p>1. Name: Prof Steven Njuguna 2. Position: Director 3. DoA : 2018 4 Date of Birth 12/09/1950 5. Qualification: Phd, Msc, Bsc (1st Class Hons) Environmental Science, Diploma in Education 6.Work Experience: Kenyatta University, Faculty of Environmental Studies</p>
	<p>1. Name: Mr. James Gitau Muriuki 2. Position: Chairman Finance Committee 3. DoA : 2018 4. Date of Birth 1956 5. Qualification: Bachelor of Science in Chemistry/Biochemistry, Msc. Environmental Health Engineering 6.Work Experience: Representative of Water Consumers Sector: Representative of Water and Waste water Treatment and Quality Analysis; Environmental Audits, Environmental Impact Assessments (EIA).</p>
	<p>1. Name: Samuel Gatama 2. Position: Director 3. DoA : 2018 4. Date of Birth 1953 5. Qualification: Business man, S 1 Teacher 6.Work Experience: Retired teacher over 30 Years Experience</p>

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	<p>1. Name: Eng. Andrew Muigai</p> <p>2. Position: Director</p> <p>3. DoA : 2018</p> <p>4. Date of Birth 10/01/1964</p> <p>5. Qualification: Bsc Civil Engineering UON</p> <p>6. Work Experience: Director Kenya Industrial Research and Development Institute Entrepreneur Engineer and Management Consultant</p>
	<p>1. Name: Emma Waitera Ngi'ang'a</p> <p>2. Position: Chair Person Human Resource Committee</p> <p>3. DoA : 2018</p> <p>4. Date of Birth 01/01/1957</p> <p>5. Qualification: Msc Corporate Entrepreneurship</p> <p>6. Work Experience: 40 years' experience in Business and Marketing</p>
	<p>1. Name: Ndung'u Wa Munywe</p> <p>2. Position: Director</p> <p>3. DoA : 2018</p> <p>4. Qualification: Bachelor of Arts, Advanced Public Administration</p> <p>5. Work Experience: Worked with UON as Senior Administration Assistant. Ministry of Water and Ministry of Commerce</p>
	<p>1. Name: Dominic Gachanja</p> <p>2. Position: Chairman Audit Committee</p> <p>3. DoA : 2018</p> <p>4. Date of Birth 31/01/1955</p> <p>5. Qualification: Doctor in Pharmacy</p> <p>6. Work Experience: Businessman Thika, Board Member Land Control Board</p>
	<p>1. Name: Bishop Solomon Waweru</p> <p>2. Position: Director</p> <p>3. DoA : 2018</p> <p>4. Date of Birth 15/08/1950</p> <p>5. Qualification: Retired Public Officer</p> <p>6. Work Experience: Bishop of A Church- Representative of NGOs</p>
	<p>1. Name: Jennifer Kanini Musyoki</p> <p>2. Position: Chief Officer, Water and Sanitation</p> <p>3. DoA: 29th July 2020</p> <p>4. Date of Birth 29/07/1984</p> <p>5. Qualification: MBA (Strategic Management); BSc Civil Engineering</p> <p>6. Work Experience: Previously worked as a Water & Sanitation Engineer in planning and design of urban and rural water and sanitation infrastructure; formulating national and county government water and sanitation policies, strategies and plans; conducting out technical assessments, socio-economic studies and surveys with H.P. Gauff Ingenieure, GIZ International Water Stewardship programme and Authentic Living Int. Co. Ltd. Currently working as the Chief Officer in the Department of Water, Environment, Energy and Natural Resources.</p>

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL
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MANAGEMENT TEAM

<p>1. Margaret W Maina</p> 	<p>Managing Director</p> <p>Professional Qualifications:</p> <ul style="list-style-type: none"> -Water Chemist-MSc. Public health (Kenyatta University) Continuing. -Bachelor of philosophy Applied Biology (Technical University). -Member of IOD(K) -Full member KIM <p>Experience:</p> <p>28yrs experience in water sector i.e. Min. of water, NWSC, AWSB and Limuru water & sewerage company.</p>
<p>2. Joseph M Kyule</p> 	<p>Commercial Manager</p> <p>Professional Qualifications:</p> <p>Diploma-Water Technology (KEWI)</p> <p>Academic Qualifications:</p> <p>A-Level-Kenyatta High School Mwatate</p> <p>Experience:</p> <p>25yrs Experience in water sector in different institutions i.e. Ministry of Water, AWSB NWSC, Limuru water & Sewerage Ltd.</p>
<p>3. Mary Mbugua</p> 	<p>Finance & Administration Manager</p> <p>She holds a Master's in Business Administration (UON), BA(KEMU) and is a CPA(K)</p> <p>She assists in development of current and long-term goals as well formulating policies and procedure</p> <p>Production of financial report. Oversees implementation of accounting and financial management system and oversees all the accounting function including; cash flow management, revenue collection, payroll and budgeting. She joined the company on February 2020</p>
<p>4. Nicholas Wainaina</p> 	<p>Commercial Manager</p> <p>Professional Qualifications:</p> <ul style="list-style-type: none"> -Bachelor of Business Management -BBM Finance & Banking Option Second Class Honours Upper Division-Moi University. -CPA(K) <p>Experience:</p> <p>10 Years' experience in Limuru Water & Sewerage Co. Ltd in various positions.</p>

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

CHAIRMAN'S REPORT

1. INTRODUCTION

It gives me pleasure to present to you the financial report for the year ending 30th June 2021. During the financial year the company celebrated 15 years since inception. The company has over the years provided safe, reliable and affordable water to our customers, we serve all areas in Limuru sub-county and part of Lari sub-county which is an area of 286km² with a total population of 280,000. The company is divided in four administrative schemes namely; Limuru, Bathi, Uplands and Thigio. We have partnered with some community water projects, Bibironi and Kamirithu through a third-party service provision agreement to supply water in our area of jurisdiction and increase in coverage.

2. PERFORMANCE

During the year ended 30th June 2021 the company focused on key objectives as stated in the strategic plan which include; increased coverage, financial sustainability, operational sustainability and customer satisfaction. The company registered some positive growth in customer base, revenue collection, billing, operational stability, good governance among others although with some short coming here and there.

The company's revenue increased by Kshs 31,933,250 from Kshs 90,539,235 in the previous year to Kshs 122,472,691. This increase is attributed to increase in water billing as a result of operationalization of our Tigoni project and Loromo boreholes. The operational cost increased by Kshs 32,968,329 from Kshs 108,615,223 to Kshs 141,583,462 this resulted to a deficit of Kshs 19,110,977, this was an increase in loss by Kshs 1,034,989 in the prior year

The company's operations were challenged by;

- high production cost due to electricity bills
- High operational cost where tariff review was expected to mitigate this as the company is still operating under 2010 approved regular tariff by WASREB
- Slow pace of completion of development projects like Tigoni project, Roromo borehole and Ndeiya pipeline which were supposed to generate more revenue
- Impact of Covid -19 which led to many of our customers not able to pay for water bills
- Flooding of Manguo swamp

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

3. APPRECIATION

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

Board Chairman

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

MANAGING DIRECTOR'S REPORT

1.INTRODUCTION

I am pleased to present to you the financial report for the year ending 30th June 2021. Our role as a water services provider is to provide water and sewerage services within Limuru and part of Lari sub-counties of Kiambu County. Provision of water and sewerage services is critical considering that water is now a constitutional right and in this regard the Company made remarkable progress in the quest to enhance our network coverage and improve reliability of water supply to our customers.

2.PERFORMANCE

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

- **Drought Mitigation Project**

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

- **Tigoni Water Supply**

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

- **Loromo boreholes**

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

- **Sewerage Project**

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

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

3.APPRECIATION

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

Margaret Maina

MMP

Managing Director

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

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

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

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

Limuru Water & Sewerage Company develops its annual work plans based on the above pillars. Assessment of the board's performance against its annual work plan is done on quarterly basis. The company achieved its performance targets set for the FY 2020/2021 period for its 4No. strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Increase in coverage	To serve more customers	Increase in customer connections	Increase in water production Increase in pipeline extension Rehabilitation of networks Increase water storage capacity Reduction of NRW	We increased water production after we partially operationalized Tigoni scheme We have been continuously rehabilitating our water system We are currently at 32.8% on NRW
Attain financial sustainability	To be self-sustaining	Ability to settle obligations as and when they fall due	Introduction of zonal and master meters to enhance accountability Put in place debt management and collection strategies Increase water and sewer connection	We have been able to clear our outstanding obligations as they fall due though not at 100%
Operational efficiency/institutional strengthening	To improve efficiency	Increase in staff productivity and quality service	To develop, improve and implement operation systems and procedure Improve staff productivity through training To provide a positive work environment	We have been continuously training our staff from time to time
Attain customer and key stakeholders' satisfaction	To attain customer satisfaction	Reduced customers complaints	Customer service charter Improve communication strategy	We did a customer satisfaction survey during the period

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

CORPORATE GOVERNANCE STATEMENT

Limuru Water and Sewerage Company is a semi-autonomous entity in accordance with the provisions of the Water Act 2002. The company is governed by a Board of Directors (BOD). There are four board committee which oversee the running of the company. The committee comprises of: Technical Committee: Finance and Administration Committee, Audit, Risk and Governance Committee and Full Board. The committee and full board meet four times a year as per the board committee calendar.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The company's operational and financial performance

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

Company's compliance with statutory requirements

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

Major risks facing the company

The major risk facing the company is the going concern of the company as a result of the ongoing process of consolidation of water companies in Kiambu County.

Material arrears in statutory/financial obligations

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

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

The company's financial probity and serious governance issues

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

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

Development Projects

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

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

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

1. Sustainability strategy and profile –

Increase in coverage

The company has on-going projects that and are almost complete and when they will be completed, we will have increased water production and increase in pipe network in the unserved areas. During the period we have increased storage capacity and we have come up with strategies to reduce non-revenue water. However, during the period, the company encountered challenges due to the impact of Covid- 19 and also because of flooding of Manguo swamp where we were not pumping water for a period of about 6 months.

Increase in revenue collection

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

Operational efficiency/institutional strengthening

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

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

ii. Environmental performance

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

iii. Employee welfare

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

iv. Responsible supply chain and supplier relations

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

v. Product stewardship

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

Corporate Social Responsibility / Community Engagements

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

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

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

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of Limuru Water and Sewerage Company affairs.

Principal activities

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

Results

The results of the entity for the year ended June 30, 2021 are set out on page 15 to 41.

Dividends

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

Directors

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

Auditors

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

Ms, Josephine Muritu



Company Secretary

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of Limuru Water and Sewerage Company Limited financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Limuru Water and Sewerage Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that Limuru Water and Sewerage Company Limited financial statements give a true and fair view of the state of the Company transactions during the financial year ended June 30, 2021, and of the Company financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

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

Mrs Margaret W Maina



Managing Director



Board Chairman

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

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

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

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

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

Prof. Eng. Benard Njoroge

Mrs. Margaret W Maina

Mary W. Mbugua

 Board Chairman

 Managing Director

 Finance Manager
CPA8457

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL
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19	SHARE CAPITAL		
		2,021	2020
		Kshs	Kshs
	Authorized: 5,000 Ordinary Shares of K.shs 20 each	100,000	100,000
	Issued: 2 Ordinary Shares of K.shs 20 each	40	40

20 CAPITAL RESERVE

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

21 REVENUE RESERVE

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

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

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23 CUSTOMERS DEPOSIT

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

24 Deferred Income

Chemicals Grant Closing Inventory as at 30th June 2021

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

25. Notes to the Statement of Cash Flow

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

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

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26 FINANCIAL RISK MANAGEMENT

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

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

i. Credit risk

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

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

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

ii. Liquidity Risk

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

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

The table below summarizes the maturity profile of the Company's financial liabilities based on the remaining period using 30 June 2019 as a base period to the contractual maturity date:

iii. Capital Management

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

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

27 RELATED PARTY DISCLOSURES

a) Nature of Related Party Relationships

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

Limuru Water and Sewerage Company Limited is related to:

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

a. County Government of Kiambu

The County Government of Kiambu is the principal shareholder of the Company, holding 100% of the Company's equity interest. During the financial year County Government of Kiambu had Kshs 1,026,050 as the pending water bills

b. Athi Water Services Board

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

c. Water Services Regulatory Board

During the financial year the company owed Kshs 11,540,819 as levy as shown in note 20.

d. Water Resource Management Authority

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

e. Thika Water and Sewerage Company Ltd

During the financial year the company owed Kshs 2,663,670 as billing fee as shown in note 20.

f. Key Management Staff

The gross salary for key management staff was Kshs 11,117,900 during the financial year.

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL
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28 CONTINGENT LIABILITY

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

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

29 INCORPORATION

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

30 EVENTS AFTER THE REPORTING PERIOD

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

31 CURRENCY

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

**LIMURU WATER & SEWERAGE COMPANY LTD ANNUAL REPORT AND FINANCIAL
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APPENDIX 1

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

1. Property Plant and Equipment

The Procurement process of Karambaini Land Title No.1 R 365508(LR.No. 145/6/27) is in the completion stage in the land registry office for title processing. A valued was the sale agreement between the seller and the company also attached in this response.

2. Trade and other receivables

The aged analysis for the current period is attached

3. Customer Deposit

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

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

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

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

5 Failure to disclose material uncertainty in relation to going concern

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

a. Completion of three major projects which are almost complete and which will increase water production and increase revenue. The projects are Tigoni Water Supply, Manguo Borehole and Loromo Twin Boreholes which are of high yield. The water in Tigoni will increase revenue in Limuru especially Karanjee and misiri. Loromo Boreholes will be of benefit in Thigio and Ndeiya which will receive more water since we are currently rationing water in those areas while manguo will increase water sales in limuru town.

b. The Company submitted its tariff review to the regulator since we have been operating on a tariff which was last reviewed in the year 2010. This has affected our billing despite the fact that there has been a lot of inflation and high cost of electricity bills which results to high cost of production. By reviewing the tariff the Company will be in a position to improve billing which will also improve the performance of the Company.

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

32 Budget performance

a. Under collection of Revenue

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

- Tigoni Water Supply
- Loromo Boreholes
- Ndeiya Pipeline

Tariff Review

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

33 Non –Revenue Water

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

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APPENDIX 11

PROJECTS IMPLEMENTED BY THE ENTITY

- **Drought Mitigation Project**

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

- **Tigoni Water Supply**

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

- **Loromo boreholes**

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

- **Sewerage Project**

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